

RE THE EFFECT OF ‘BREXIT’ ON THE UNITARY PATENT REGULATION AND THE UNIFIED PATENT COURT AGREEMENT

OPINION

1. We are instructed to advise the IP Federation, the Chartered Institute of Patent Attorneys and the Intellectual Property Lawyers Association on a number of questions relating to the legal consequences of ‘Brexit’ in respect of certain aspects of patent law in the UK. The questions concern the Unitary Patent Regulation (“UPR”) and the Unified Patent Court Agreement (“UPCA”) and raise significant political as well as legal issues. Our opinions are, necessarily, confined to the latter. However, the political dimension is likely to be informed by the constitutional analysis.
2. The UPR is a European Regulation which establishes a ‘unitary patent’ enforceable in all participating Member States. The UPCA is an international agreement which provides for a unified court system with jurisdiction to resolve certain types of patent disputes. As explained below, both pieces of legislation are linked and build upon the European Patent Convention (“EPC”), which is an international agreement that empowers the European Patent Office (“EPO”) to grant bundles of national patents to applicants through a single application procedure. The parties to the UPR and UPCA are currently exclusively EU Member States, whereas the parties to the EPC are a mixture of Member and non-Member States.
3. Following the ‘Brexit’ referendum result, the UK government is considering whether to ratify the UPCA.
4. In outline, our opinion on each of the six questions is as follows:
 - a. Question 1a: Can the UK continue to be part of the Unitary Patent? - The UK may only continue to participate in the unitary patent by entering into a new international agreement with the participating EU Member States. The permissibility of such an agreement under EU law would turn upon essentially the same matters as the legality of the UK’s continuing participation in the UPCA.

- b. Question 1b: Can the UK continue to participate in the UPCA? - It is legally possible for the UK to continue to participate in the UPCA after 'Brexit' (although the CJEU's reasoning in Opinion 1/09 is opaque and there is therefore a risk that the CJEU would find otherwise).
 - c. Question 1c: Can the UK continue to host the Life Sciences/Chemistry section of the central division? – Provided that it is legally possible for the UK to continue to participate in the UPCA, there is no reason why it cannot continue to host a section of the central division.
 - d. Question 2: What changes would have to be made to the UPCA? – A number of amendments would have to be made to the Agreement, which we set out in detail below.
 - e. Question 3: What would the UK have to sign up to? - The UK's continued participation in the UPCA would require it to submit to EU law in its entirety as regards proceedings before the UPC. It would also need to sign up to an appropriate jurisdiction and enforcement regime (such as the Lugano Convention).
 - f. Question 4: Does it matter whether the UK joins the EEA? - Our advice does not depend upon whether the UK joins the EEA.
 - g. Question 5: Is it possible or desirable to obtain an opinion from the CJEU? - It would only be possible to obtain a pre-emptive opinion from the CJEU on the legality of the UPCA if the Union became a party to the Agreement.
 - h. Question 6: What would be the consequences of 'Brexit' if the UK ratifies the UPCA without amendment? - If the UK ratified the UPCA, without amendment, and subsequently left the EU, any divisions of the UPC in the UK would have to cease operating. The transitional consequences of this are matters of detail to be negotiated as part of the UK's exit negotiations.
5. We make clear that our advice is confined to the six questions above, which all relate to the threshold issue of whether it is possible for the UK to participate in the UPCA.

6. We begin by setting out the relevant provisions of EU and international law (Section A) and then describing the constitutional consequences of ‘Brexit’ (Section B), before turning to the six questions which we have been asked to consider (Section C).

A. Relevant EU and international legislation and case-law

i) The UPC Agreement

7. The purpose of the UPCA is to establish a single court system for resolving certain types of patent disputes within the contracting states. Under the current system, patent disputes are heard by the national courts of the state in which the patent is registered. This has the effect that where a patent is registered in multiple states, there is the potential for a multiplicity of proceedings and, with it, the risk of inconsistent judgments.
8. Prior to the CJEU’s Opinion 1/09, the parties to the UPCA were a mixture of EU Member and non-Member States. In its current (amended) form, the parties to the Agreement are exclusively EU Member States.
9. The UPCA will not enter into force unless the UK ratifies the Agreement. Article 89 provides that the Agreement shall enter into force four months after the deposit of the thirteenth ratification, which must include the three Member States in which the highest number of European patents had effect in the year prior to signature of the Agreement. The UK is one of those three Member States. A refusal by the UK to ratify the Agreement will therefore delay, potentially indefinitely, the entry into force of the entire scheme.
10. We begin by setting out the relevant terms of the UPCA. As regards the nature and composition of the Court (“the UPC”), the Agreement provides as follows:
 - a. Article 1 provides that the UPC “*shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court*”.
 - b. Broadly speaking, the UPC has jurisdiction over actions for (i) infringement; and (ii) revocation of patents (Article 31(1)).

- c. The Court comprises a Court of First Instance and a Court of Appeal (Article 6(1)).
- d. The Court of First Instance comprises a central division and a number of local and regional divisions (Article 7(1)).
- e. The central division of the Court of First Instance has its seat in Paris. There are also sections of the Court in Munich and London (Article 7(2)). The central division will (mainly) hear revocation actions.
- f. There will also be local and regional divisions of the Court of First Instance, which will be set up in individual Member States or groups thereof, upon the request of the relevant Member State(s) (Article 7(3)).¹ These divisions will (mainly) hear infringement actions.
- g. There will be a Court of Appeal with its seat in Luxembourg (Article 9(5)).

11. As regards the relationship between the Court and EU law, the Agreement provides:

- a. The Court shall, “*as a court common to the Contracting Member States and as part of their judicial system ... cooperate with the [CJEU] to ensure the correct ... and uniform application of Union law ... in accordance with Article 267 TFEU in particular*”. Decisions of the CJEU are binding on the Court (Article 21).²
- b. The Court is required to apply (i) Union law, (ii) the law contained in the UPCA, (iii) the law contained in the European Patent Convention (“EPC”) and (iv) the law contained in other international agreements applicable to patents and national law (Article 24).
- c. The Court is required to “*apply Union law in its entirety and ... respect its primacy*” (Article 20). Union law must therefore be applied in preference to the other sources of law mentioned in Article 24.

¹ Only one local division may be set up per 100 cases per year commenced in the requesting Member State, subject to a maximum of four local divisions in the relevant state (Article 7(4)).

² Article 38 of the Statute of the UPC, which is appended to the UPCA, provides that the procedures established by the CJEU for referrals for preliminary rulings within the EU shall apply.

- d. The Contracting Member States are “*jointly and severally liable for damage resulting from an infringement of Union law by the Court of Appeal [in Luxembourg]*” (Article 22(1)).
- e. Actions of the Court are attributable to Contracting Member States both individually and collectively, “*including for the purposes of Articles 258, 259 and 260 TFEU*” (Article 23).³

12. As regards the jurisdiction of the Court and enforcement of its judgments, the Agreement provides as follows:

- a. The international jurisdiction of the Court shall be established in accordance with the Brussels Regulation or, where applicable, the Lugano Convention (Article 31).⁴
- b. The Court has exclusive jurisdiction over specified types of patent proceedings (essentially revocation and infringement actions) (Article 32(1)).
- c. The Agreement contains its own provisions for allocating cases between the Court’s internal divisions (Article 33(1)). Broadly speaking, infringement actions must be brought in the local or regional division of the State where (i) an infringement has occurred or is likely to occur; or (ii) the Defendant has its residence or principal place of business (Articles 33(1) and (2)). Where the relevant State does not have a local or regional division, the case is allocated to the central division (Article 33(1)).
- d. By contrast, actions for revocation must, subject to certain exceptions, be brought before the Central Division (Article 33(4)).
- e. Where there is a pending infringement action before any division of the Court of First Instance, an equivalent action may not be brought before any other division (Article 33(2)) (i.e. there is an internal *lis pendens* rule between divisions of the Court).

³ Articles 258, 259 and 260 set out the procedure for bringing proceedings for infringement of EU law against Member States.

⁴ This provision must be read alongside Regulation 542/2014, which amends the Recast Brussels Regulation to make specific provision for the jurisdiction of the UPC.

- f. In the case of a European patent granted under the EPC,⁵ a decision of the Court has effect in those Contracting Member States for which the European patent has effect (Article 34).
- g. Decisions and orders of the Court may be enforced in any Contracting Member State. The enforcement procedure is governed by the law of the Contracting Member State (Article 82(1)).

13. Finally, the UPCA contains a number of substantive provisions on patent law. Articles 25-30 set out the circumstances in which a patent holder may bring an action for infringement. Some of these provisions incorporate EU law.⁶

ii) CJEU Opinion 1/09

14. In July 2009, the Commission requested the CJEU to give an opinion on the compatibility of the draft UPC Agreement with EU law.⁷ At that stage, the parties to the Agreement were a mixture of Member and non-Member States. The CJEU found that the Agreement was incompatible with EU law. In summary, its reasons were as follows:

- a. The founding treaties of the EU created a legal order whose essential characteristics are primacy and direct effect ([65]).
- b. Member States' duty of sincere co-operation under Article 4(3) of the TEU includes a duty to ensure the application of, and respect for, Union law within their territories ([68]).
- c. The envisaged UPC was outside the institutional and judicial framework of the EU. The UPC had distinct legal personality under international law ([71]).

⁵ European patents granted under the EPC are described addressed at paragraph 28 below.

⁶ For example, Article 27(d) of the UPCA provides that a patent holder may not bring an infringement action based upon acts which are allowed under Directive 2001/82/EC and 2001/83/EC (which lay down the rules on obtaining marketing authorisation from the EMA for human and veterinary medicines).

⁷ The request for an opinion was made pursuant to Article 218(11) TFEU, which gives the CJEU jurisdiction to consider the compatibility with EU law of agreements between the Union and third countries. The Commission was able to request an opinion because, at the material time, the Union was a party to the proposed agreement (see Opinion 1/09 at [7]).

- d. The proposed Agreement vested the UPC with exclusive jurisdiction over certain types of dispute, and thereby divested national courts of their jurisdiction over such disputes ([72]).
- e. It is legally possible for the EU to submit itself to the jurisdiction of a court other than the CJEU. However, in all previous cases the jurisdiction of the international court has been limited to interpreting and applying the international instrument which brought it into existence, not EU law ([74]-[77]).
- f. By contrast, the UPCA requires the UPC to apply and interpret EU law ([78]).
- g. Member States cannot, by way of international agreement, deprive their own national courts of (i) the task of interpreting and applying EU law; and (ii) the power (or in some cases the obligation) of making preliminary references to the CJEU pursuant to Article 267 TFEU ([80]).
- h. Article 267 requires national courts and the CJEU to co-operate with each other to ensure the uniform application of EU law. It follows that the tasks entrusted to the national courts and CJEU are “*indispensable to the preservation of the very nature of the law established by the Treaties*” ([83]-[85]).
- i. Furthermore, a Member State is required to provide compensation where a national court misapplies EU law. The Agreement did not permit a litigant to bring infringement proceedings, or obtain compensation, if the UPC breached EU law ([87]-[88]).
- j. The CJEU summed up its reasoning in the following terms:

“Consequently, the envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently, would alter the essential

character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law” ([189]).

15. Following the CJEU’s decision, the following relevant amendments were made to the UPCA:⁸

- a. Article 1 was added, which designates the UPC as “*a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court*”. There was no equivalent provision in the previous draft. As we explain below, we consider that this new provision was essentially a cosmetic addition and did not have any material effect on the legality of the UPCA.
- b. New Article 24 required the UPC to apply “*Union law*”, whereas old Article 14a referred only to “*directly applicable Community law ... and national law ... implementing Community law*”.
- c. The provision on preliminary references was widened. Old Article 48(1) provided that the Court of First Instance “*may*” make a reference when a question of “*interpretation of the [TEU] of the validity and interpretation of acts of the institutions of the European Community*” was raised. New Article 21 provides that the Court, “*as a court common to the Contracting Member States and as part of their judicial system ... shall cooperate with the CJEU ... as any national court in accordance with Article 267 TFEU in particular*”. The new provision is broader in the sense that (i) it applies to all sources of EU law (not just the Treaties and the acts of institutions); and (ii) it imposes the obligations contained in Article 267 TFEU on the Court.⁹
- d. New Article 20 was added, which requires the Court to “*apply Union law in its entirety and ... respect its primacy*”.

⁸ The amendments were ostensibly made as a result of a “*Non-Paper of the Commission Services*” annexed to a Note from the Presidency to the Council (Doc. 10630/11). The Non-Paper sets out a legal analysis of the CJEU’s Opinion 1/09. It states that “*As a result of opinion 1/09 ... it appears that the participation of third countries must be excluded*”. However, it does not give any substantial reasons for this opinion and therefore does not in our view take matters any further.

⁹ Pursuant to Rule 266 of the UPCA Rules of Procedure, the Court of First Instance “*may*” and the Court of Appeal “*shall*” make a preliminary reference to the CJEU where it considers a ruling of the CJEU to be necessary.

16. The other major action taken as a result of the CJEU's opinion was that non-Member States were removed as parties to the UPCA. The question of whether that was a necessary consequence of the judgment lies at the heart of the issues we are being asked to consider.

17. We address Opinion 1/09 in greater detail at paragraphs 50-71 below. However, at this point we note that the Court does not *expressly* say that the UPCA may only be lawfully entered into between EU Member States (although whether this is a necessary consequence of its reasoning is a separate question).

iii) The Unitary Patent Regulation 1257/2012

18. The UPR was adopted under the enhanced co-operation procedure because Spain and Italy did not wish to participate in the scheme.¹⁰ However, we understand that Italy has since opted back into the Regulation. Article 1(2) provides that the Regulation constitutes a 'special agreement' within the meaning of Article 142 of the EPC.¹¹

19. The purpose of the UPR is to lay down rules on 'unitary patents', which are patents, granted by the EPO, that are equally effective in all participating Member States. These may be contrasted to the current system of European patents provided for by the EPC, where a bundle of separate, national patents is granted by the EPO. Article 9 of the Regulation requires the participating Member States to empower the EPO to grant unitary patents.

20. Recital (7) to the UPR provides that the "*main feature*" of a unitary patent should be "*providing uniform protection and having equal effect in all the participating Member States*". A unitary patent should therefore "*only be limited, transferred or revoked, or lapse, in respect of all the participating Member States*". This is implemented by Article 3(2) of the Regulation, which provides that:

A European patent with unitary effect shall have a unitary character. It shall provide uniform protection and shall have equal effect in all the participating Member States.

¹⁰ Enhanced co-operation in the field of unitary patent protection was authorised by Council Decision 2011/167.

¹¹ Article 142 of the EPC provides that the Contracting States may enter into a special agreement to recognise unitary patents.

It may only be limited, transferred or revoked, or lapse, in respect of all the participating Member States.

21. Article 5(2) provides that the scope of a unified patent and its limitations shall be uniform in all participating Member States. However, the UPR does not harmonise the substantive rules for determining when a patent is infringed. This is addressed by Articles 5(1) and 7(1), which provide that a unitary patent shall be treated as a national patent of the Member State in which the applicant has its principal place of business.¹²

22. The relationship between the UPR and the UPCA is described in recital (25), which provides that:

“Establishing a Unified Patent Court to hear cases concerning the European patent with unitary effect is essential in order to ensure the proper functioning of that patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors. It is therefore of paramount importance that the participating Member States ratify the Agreement on a Unified Patent Court ... and take the necessary steps for that Court to become operational as soon as possible.”

23. We note at this stage that, whilst the UK’s participation in the UPCA is not logically dependent upon its participation in the unitary patents scheme, the obverse is not true. Recital (25) makes it clear that a unified court system is a necessary feature of the unitary patent regime contained in the UPR.

iv) *The Languages Regulation 1260/2012*

24. The Languages Regulation complements the UPR by setting out the translation arrangements for unitary patents. The basic position is that applications for unitary patents must comply with Article 14 of the EPC (Article 3),¹³ whilst certain further translations of a patent must be provided in the event of a dispute (Article 4).

25. We have examined the provisions of this Regulation, but do not consider that it is material to any of the questions that we have been asked to advise upon.

¹² As set out at paragraph 13 above, the substantive law relating to infringements is to some extent harmonised by the UPCA.

¹³ Article 14(2) EPC provides that applications for European patents must be filed in one of the official languages of the EPO (English, French or German) or, if it is filed in a different language, it must be translated into one of the official languages.

v) The European Patent Convention

26. We need only provide a brief overview of the EPC for the purposes of this opinion.
27. The EPC is an international agreement between a mixture of Member and non-Member States. It establishes the EPO, which has its headquarters in Munich (Articles 4 and 6). However, the EPO also has sub-offices in other Member States.
28. The EPO grants ‘European patents’, which have the effect of, and are subject to the same conditions as, national patents (Article 2). Applicants may request a European patent for one or more Contracting States (Article 3). The EPO thus grants ‘bundles’ of patents, which confer the same rights on the patent holder as national patents in the States in which they are requested (Articles 64(1) and 74).
29. The EPC does not contain any substantive provisions on the circumstances in which a patent is deemed to have been infringed. This is a matter for national law (Article 64(3)).
30. Part II of the EPC, and Part II of the EPC Implementing Regulations, lay down substantive rules on the EPO’s power to grant patents. In this respect, the EPO is occasionally required to (indirectly) apply EU law. For example, provisions of Directive 98/44/EC (‘the Biotechnology Directive’) on the patentability of biotechnological inventions are applied through Rules 26-34 of Chapter V of the Implementing Regulations.¹⁴ We are instructed that the CJEU has never been called upon to assess the legality of the EPO determining questions of EU law in this way.¹⁵
31. Disputes between Contracting States concerning the interpretation or application of the EPC may be referred to the International Court of Justice (Article 173(2)).

B. The legal consequences of ‘Brexit’

32. The process of exiting the EU is governed by Article 50 TEU, which provides:

Article 50

¹⁴ For example, rule 26 provides: “*For European patent applications and patents concerning biotechnological inventions, the relevant provisions of the Convention shall be applied and interpreted in accordance with the provisions of this Chapter. Directive 98/44/EC of 6 July 1998²⁷ on the legal protection of bio- technological inventions shall be used as a supplementary means of interpretation.*”

¹⁵ Instructions, p.11.

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.

2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union.¹⁶ It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.

3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.

4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.

A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.

33. The obvious starting point is that the referendum result to leave the EU has no immediate legal consequences. Until the Article 50 process is triggered by a notification of intention to withdraw, and a period of two years elapses (unless extended by agreement), the UK remains a member of the EU and the Treaties will continue to apply.¹⁷ As a matter of domestic and EU law, the UK could therefore ratify the UPCA without complication at any time until the Treaties cease to apply in accordance with Article 50(3).

¹⁶ Article 218(3) provides: “*The Commission, or the High Representative of the Union for Foreign Affairs and Security Policy where the agreement envisaged relates exclusively or principally to the common foreign and security policy, shall submit recommendations to the Council, which shall adopt a decision authorising the opening of negotiations and, depending on the subject of the agreement envisaged, nominating the Union negotiator or the head of the Union's negotiating team.*”

¹⁷ In theory, it would be possible for the UK, prior to the expiry of the time limit in Article 50(3) (or even prior to giving notification under Article 50(2)), to disclaim adherence to the Treaties by means of domestic law. However, in our view this is not a likely scenario.

34. Under Article 50(4), the UK will be excluded from decisions regarding the exit agreement. The balance of negotiating power is therefore placed in the hands of the EU and the Member States, not the UK.
35. When the Treaties cease to apply pursuant to Article 50(3), UK primary and secondary legislation which incorporates EU law will remain in force.¹⁸ However, EU Regulations and Directives will no longer bind the UK (unless domestic legislation is enacted which provides otherwise) because the UK will no longer be bound by Article 288 TFEU, which provides for the direct effect of such legislation.
36. The UK government will, therefore, need to give careful consideration well before Brexit to which (if any) parts of EU law it wishes to retain.¹⁹ In the case of ‘non-reciprocal’ laws, such as the protection of fundamental rights, any relevant EU legislation could be retained unilaterally. Parliament would simply have to enact the wording of the relevant EU laws into domestic law (or alternatively authorise the executive to do so by way of delegated legislation).²⁰ However, the process would be less straightforward in the case of EU legislation which relies upon reciprocity between Member States (such as the recognition of judgments of UK courts or the acceptance of arrest warrants issued by UK authorities) or, indeed, UK or EU legislation which involves the institutions of the EU. In these cases, it would be necessary to enter into an agreement with the Union and/or the Member States to ensure that the Member States were bound by the reciprocal obligations necessary to make the scheme effective. Such agreements may, of course, form part of the exit agreement envisaged by Article 50.
37. Pursuant to Article 50(2), any agreement which results from the Article 50 process has the status of an international treaty with the EU.

C. The effect of ‘Brexit’ on the UK’s participation in the UPR and UPCA

¹⁸ Although secondary legislation enacted under section 2(2) of the European Communities Act 1972 will lose its legal basis, and therefore its effect, upon the repeal of that Act.

¹⁹ For consideration of the way in which the UK Parliament and executive may approach this enormous task, see R. Gordon QC and R. Moffatt, *Brexit: The Immediate Legal Consequences*, pp.19-30. Available at: <http://www.consoc.org.uk/wp-content/uploads/2016/05/Brexit-PDF.pdf>

²⁰ This could be achieved either by enacting specific laws for each piece of EU legislation which is to be retained, or potentially by a generalised piece of legislation providing, for example, that all EU Regulations which were directly effective in the UK immediately prior to ‘Brexit’ shall remain in force unless and until they are expressly repealed by secondary legislation.

38. We are asked to address six questions arising out of the effect of ‘Brexit’ on the UPR and UPCA. We deal with each of the questions in turn.

i) Question 1: Is it legally possible for the UK to continue to participate in the unitary patent and/or the UPCA?

39. Question one raises three sub-questions:

- a. First, is it legally possible for the UK to participate in the ‘unitary patent’, as envisaged by the UPR, after ‘Brexit’?
- b. Second, is it legally possible for the UK to participate in the UPCA after ‘Brexit’?; and
- c. Third, is it legally possible to retain the life sciences/chemistry section of the Central Division in the UK?

40. We consider that it would be legally possible for the UK to continue to participate in both regimes. However, it would need to overcome a substantial number of obstacles to do so.

Question 1a: Can the UK continue to participate in the unitary patent?

41. By their first sub-question, Instructing Solicitors ask whether it would be legally possible for the UK to continue to participate in the unitary patent after ‘Brexit’. For the reasons set out below, we do not consider that this question raises any separate analytical questions to question 1b (i.e. whether the UK can continue to participate in the UPCA).

42. In our view it is legally possible for the UK to continue to participate in the unitary patent but only if an international agreement as described below is able to be concluded. Without such agreement the effect of Brexit will be to extinguish the UK’s entitlement to continue to participate in the unitary patent. This is because the regime for granting and recognising unitary patents is contained in the UPR, a European Regulation. As set out at paragraph 35 above, EU Regulations will cease to apply to the UK upon the expiry of the two year negotiating period contained in Article 50(3) TEU. The UPR will therefore have no legal effect in the UK from that time.

43. The UK's continuing participation in the unitary patent would consequently have to be secured by means of an international agreement, implemented by domestic legislation. As several commentators have noted,²¹ such an agreement is envisaged by Article 142 EPC, which provides that:²²

Any group of Contracting States, which has provided by a special agreement that a European patent granted for those States has a unitary character throughout their territories, may provide that a European patent may only be granted jointly in respect of all those States.

44. Even assuming, however, that there is the political appetite for entering into such an agreement, ensuring its compatibility with EU law would not be entirely straightforward. In Opinion 1/91, the ECJ considered the compatibility of certain aspects of the EEA Agreement with EU law. In particular, it was asked to consider the power of the proposed EEA Court to interpret the Agreement when disputes arose between the Contracting States. The ECJ observed that the Agreement required the EEA Court to interpret provisions which were worded identically to certain provisions of the EU Treaties. However, the EEA Court was not subject to the same interpretive rules as the ECJ ([14]-[22]). The use of identical wording was therefore not sufficient to guarantee the uniform application of EU law, and it was necessary to consider whether the Agreement contained sufficient safeguards to ensure consistency ([23]). In the event, for reasons which we set out in further detail below, the Court found that the proposed Agreement did not contain adequate safeguards, and was therefore contrary to EU law.

45. In our view, the effect of Opinion 1/91 is that international agreements which incorporate EU law (either directly or by reproducing the words of EU legislation) will only be lawful where there are sufficient safeguards to ensure the uniform application of those provisions throughout the Member States.

46. In the present case, any international agreement extending the unitary patent to the UK would need to replicate the wording of the UPR. For example, the agreement would have to reproduce the provisions of the UPR on exhaustion of rights (Article 6). If the wording of the agreement were not identical to the UPR, the scope and

²¹ See e.g. Professor Tilmann, 'The Future of the UPC after Brexit', paragraph 2.

²² There is also a general power for contracting states to enter into 'special agreements' under Article 149a EPC.

effect of the unitary patent would vary across territories, which would be inconsistent with the very definition of a unitary patent.²³ However, and additionally, such an agreement would only be compatible with EU law if sufficient safeguards (e.g. references to the CJEU, an obligation to respect the primacy of EU law, an obligation to comply with CJEU judgments) were put in place to ensure that the uniform application and interpretation of the UPR was not jeopardised within the EU legal order. Whether it is possible to put in place such safeguards for courts situated outside the EU legal order raises substantially the same issues as whether the safeguards contained in the UPCA are sufficient to achieve these objectives. We address this issue below under sub-question 1b.

47. For completeness, we agree with Instructing Solicitors that the UK's participation in the unitary patent is in any event conditional upon its participation in the UPCA.²⁴ As Recital (25) to the UPR makes clear, unitary patents cannot function effectively unless disputes are decided by a single court system across all participating states.

Question 1b: Can the UK continue to participate in the UPCA?

48. By their second question, Instructing Solicitors ask whether it is constitutionally possible for the UK to participate in the UPCA after 'Brexit'. On balance, we consider that the answer to this question is 'yes' provided that a sufficiently strong international agreement can be concluded as described below. We should make clear that there are some arguments to the contrary based on some of the CJEU's language in Opinion 1/09. Moreover, there would have to be a strong political will to ensure the close compliance with EU law that would, in any event, be required as a condition of continued participation by the UK in the UPCA following Brexit.
49. As a preliminary matter, we do not see any reason of *domestic* constitutional law why the UK should not be able to subject itself to a legal regime, such as the UPCA, which requires tribunals within its territory to apply EU law. There is, of course, a separate question as to whether that would be politically acceptable (upon which we express no views). Nor, as we make clear below, would the mere operation of domestic law be sufficient to ensure the subjection of the UK to the requirements of the UPCA.

²³ See Article 3(2), which provides: "A European patent with unitary effect shall have a unitary character. It shall provide uniform protection and shall have equal effect in all the participating Member States".

²⁴ See Instructions, pp.10-11.

The proper interpretation of the CJEU's Opinion 1/09

50. The position under EU constitutional law is rather more complex and would entail achieving an international agreement which would have at its centre compliance with EU law in its entirety. The starting point (and principal potential obstacle) is the CJEU's Opinion 1/09, which considered the legality of a previous draft of the UPCA between a mixture of Member and non-Member States. The CJEU found that the draft Agreement was unlawful for the reasons summarised at paragraph 14 above.
51. The Opinion has been interpreted in two different ways. One group of stakeholders (most notably the Commission)²⁵ has interpreted it as precluding the participation of non-EU Member States in the UPCA. Another group has interpreted the Opinion as allowing the participation of non-Member States so long as they sign up to sufficient safeguards to ensure the supremacy and uniformity of EU law.²⁶
52. In our view, the better interpretation of CJEU Opinion 1/09 is that it does not preclude the participation of non-Member States in the UPCA, provided that they sign up to sufficient safeguards to protect EU constitutional principles (although there are a number of counterarguments, which we address at paragraphs 96-100 below). We reach this conclusion for six reasons.
53. First, the CJEU's Opinion 1/09 does not expressly state that the UPCA may only lawfully be entered into between Member States. If that were the Court's opinion, one might have expected it to say so explicitly given the fact that at the time of the Opinion the UPCA had been entered into by non Member as well as Member States.
54. Second, the CJEU's reasoning is focused on the existence of adequate safeguards in the Agreement to ensure the supremacy and uniformity of EU law, not the status of the Contracting Parties as Member States or otherwise. Thus in paragraph [89] the Court found:

Consequently, the envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply

²⁵ See "*Non-Paper of the Commission Services*" annexed to a Note from the Presidency to the Council (Doc. 10630/11).

²⁶ See e.g. Professor Tilmann, 'The Future of the UPC After Brexit', paragraph 4.

European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law²⁷ and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently, would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law.

55. In our view, the best interpretation of this (albeit somewhat ambiguous) passage is that the CJEU was concerned about the *consequences* of the UPC being outside the institutional legal order of the EU (in terms of the absence of obligations, incumbent on national courts, to respect the essential features of the Union legal order such as uniformity) rather than the fact that the UPC was outside that institutional legal order *per se*.

56. There are admittedly a number of passages in the Opinion which suggest that the CJEU was not minded to allow the UPC to oust the jurisdiction of national courts to decide questions of EU law because it was outside the ‘Union legal order’. In particular, the CJEU said at paragraph 80:

... the Member States cannot confer the jurisdiction to resolve such disputes on a court created by an international agreement which would deprive those courts of their task, as ‘ordinary’ courts within the European Union legal order, to implement European Union law and, thereby, of the power provided for in Article 267 TFEU, or, as the case may be, the obligation, to refer questions for a preliminary ruling in the field concerned (emphasis added).

57. This passage could be read as precluding non-Member States, which obviously fall outside the national legal order of Member States, from participating in the UPCA. However, paragraph [80] must be read in the context of paragraphs [83]-[88], which set out the Court’s reasons for its concern that the UPC fell outside the Union legal order. In particular, the Court was concerned about the lack of any provision equivalent to Article 267 requiring the UPC to make preliminary references in appropriate cases, thereby ensuring uniformity ([83]-[84]).²⁸ Further, it was concerned about the lack of any provision for bringing infringement proceedings and/or damages actions against Member States where the UPC misapplied EU law ([86]-[88]). We therefore do not consider that the Court was intending to lay down a rule in paragraph

²⁷ Of course, national courts continue to play a role in enforcing orders made by the UPC, as envisaged by Article 82 of the UPCA.

²⁸ As noted at paragraph 15.c above,

[80] that jurisdiction to decide questions of EU law may only be given to courts within the *institutional* legal order of the Member States (i.e. national courts). Instead, it was intending to say that such a court must sign up to sufficient safeguards to protect EU constitutional principles, and thereby be subject to the Union legal order.

58. It follows in our opinion that the Court's concerns are capable of being met by putting in place sufficient safeguards to ensure that the UPC is subject to the same obligations, in terms of the supremacy and uniformity of EU law, as national courts.
59. Third, if the effect of Opinion 1/09 were that courts outside the Union legal order may not be granted jurisdiction to decide disputes which raise questions of EU law, that would prove too much. On such an interpretation, the UPCA in its current form (between EU Member States) would be unlawful. That is because the UPCA itself is not Union legislation and does not create a court which is part of the Union legal order. The UPC, as the product of an international agreement, is an international tribunal. This is clear from the designation of the Court as an international organisation in the Protocol on Privileges and Immunities of the Unified Patent Court.²⁹ It is also clear from the fact that the UPCA imposes various obligations upon the UPC which are already incumbent on national courts (e.g. respecting the supremacy of EU law and making references to the CJEU). If the UPC were truly part of the Union legal order, it would already be subject to these obligations without them needing to be spelled out in the Agreement. Whilst Article 1 of the UPCA and Article 71a of the Brussels Regulation designate the UPC as a "*court common to a number of Member States*", we do not consider that such secondary legislation is capable of converting the UPC's fundamental status as an international court into that of a court which is part of the national legal order.
60. Fourth, our interpretation of Opinion 1/09 is consistent with the ECJ's approach to the proposed EEA and EFTA Courts in its Opinions 1/91 and 1/92. In the first case, the Court was asked to consider the legality of the EEA Agreement, which established an EEA Court. The proposed Court was given jurisdiction to resolve disputes between

²⁹ See recital (1) to the Protocol on Privileges and Immunities of the Unified Patent Court ("*CONSIDERING that the Unified Patent Court has been established by the Agreement on a Unified Patent Court of 19 February 2013 as an international organisation with legal personality in each Contracting Member State ...*"). Available at: https://www.unified-patent-court.org/sites/default/files/ppi_final_ii_en_clean.pdf

Contracting Parties as to the proper interpretation of the EEA Agreement ([6]).³⁰ As noted at paragraph 44 above, the operative provisions of the Agreement were worded identically to corresponding provisions of the EU Treaties.

61. The ECJ found that the proposed Court was inconsistent with “*the very foundations*” of EU law for a number of reasons, including:

- a. Under the Agreement, decisions of the EEA Court (on provisions identically worded to the Treaties) would be binding upon the ECJ ([39]);
- b. The proposed Agreement required the EEA Court to take account of ECJ rulings given before, but not after, the entry into force of the Agreement. There was therefore the risk of divergence in the interpretation of the relevant rules ([44]-[45]); and
- c. Where the courts and tribunals of EFTA states made preliminary references, as provided for in the Agreement, the CJEU’s judgments on the referred question was purely advisory. This would “*change the nature of the function of the Court of Justice ... namely that of a Court whose judgments are binding*” ([61]).

62. The ECJ’s reasoning thus did not focus on whether the proposed EEA Court was part of the institutional legal order of the Member States. It clearly was not. Instead, it considered what risks the Court presented to EU constitutional principles (e.g. uniformity, supremacy and the ECJ’s jurisdiction to give binding judgments) and then assessed whether sufficient safeguards were in place to protect against these risks. In the event, it found that such safeguards were not in place.

63. Following the ECJ’s ruling in Opinion 1/91, the EEA Court was abandoned. Instead, the EFTA States entered into an agreement establishing the EFTA Court.³¹ In its Opinion 1/92 the ECJ found that the EFTA Court was lawful. Its reasons included the fact that rulings given by the ECJ would be binding upon the referring Court, rather

³⁰ The Contracting Parties to the EEA Agreement were (and are) the EEA States, the EU Member States and the Union.

³¹ See Article 27 of the Surveillance and Court Agreement: <http://www.efta.int/sites/default/files/documents/legal-texts/the-surveillance-and-court-agreement/agreement-annexes-and-protocols/Surveillance-and-Court-Agreement-consolidated.pdf>

than purely advisory ([37]), and that, unlike the proposed EEA Court, the ECJ was under no obligation to take account of judgments given by the EFTA Court ([16]).

64. In both of these opinions, the ECJ was therefore not necessarily concerned whether the proposed courts were part of the institutional Union legal order (they were not). Instead, it examined whether sufficient safeguards were in place to protect EU constitutional principles, in particular supremacy and uniformity. In the case of the EEA Court, it found that sufficient safeguards were not in place (Opinion 1/91). In the case of the EFTA Court, it found that they were (Opinion 1/92). This is consistent with our preferred interpretation of Opinion 1/09.
65. Fifth, the CJEU does not object in principle to the application of EU law outside the territory of Member States. In its Opinion 1/00, for example, the ECJ was asked to consider the legality of the European Common Aviation Area Agreement (“ECAA”).³² The Agreement largely replicated existing rules of community law and extended them to non-Member States. The ECJ observed:

Although the proposed agreement, unlike the EEA Agreement, is limited to one sector, air transport, its aim, like that of the EEA Agreement, is to extend the *acquis communautaire* to new States, by implementing in a larger geographical area rules which are essentially those of Community law.

66. The Court went on to state that it was necessary to assess whether “*adequate measures*” were contained in the Agreement to protect the autonomy of EU law. It then said:

12. Preservation of the autonomy of the Community legal order requires therefore, first, that the essential character of the powers of the Community and its institutions as conceived in the Treaty remain unaltered (Opinion 1/91, paragraphs 61 to 65, and 1/92, paragraphs 32 and 41).

13. Second, it requires that the procedures for ensuring uniform interpretation of the rules of the ECAA Agreement and for resolving disputes will not have the effect of binding the Community and its institutions, in the exercise of their internal powers, to a particular interpretation of the rules of Community law referred to in that agreement (Opinions 1/91 and 1/92).

14. The proposed ECAA Agreement does not affect the essential character of the powers of the Community and its institutions to such an extent that it must be declared to be incompatible with the Treaty.

³² Available at: <http://www.cad.gov.rs/docs/onama/ECAA%20-%20ENg.pdf>

67. Since the Agreement did not affect the essential character of the EU powers and institutions the Court concluded that the proposed Agreement was lawful ([46]).³³
68. The ECJ's tolerance in this case of EU rules being applied in non-Member States is consistent with our interpretation of Opinion 1/09, which permits questions of EU law to be decided by tribunals outside the Union legal order provided there are sufficient safeguards in the underlying agreement to protect EU constitutional principles.
69. Sixth if the true effect of Opinion 1/09 were that Member States may not enter into agreements which require international tribunals to decide disputes raising questions of EU law, that would have surprising consequences. For example, the EPC requires the EPO (and, on appeal, the Board of Appeal) to apply certain provisions of EU law on patentability.³⁴ The EPO is thus potentially required to rule upon questions of EU law even though it is not part of the EU legal order. We would find it surprising if the Member States had breached EU law by entering into the EPC (thereby surrendering the power of their national courts and tribunals to decide questions of EU law on questions of patentability).
70. Further, there is a wide range of other international tribunals, outside the national legal order, which may encounter questions of EU law in the performance of their functions, and it is most unlikely to be the position that the effect of Opinion 1/09 is that such tribunals are unlawful. To give only one example, the International Tribunal for the Law of the Sea ("ITLOS"), which decides disputes concerning the UN Convention on the Law of the Sea ("UNCLOS") has previously been asked to determine questions of EU environmental law in disputes between EU Member States.³⁵ Under the restrictive analysis of Opinion 1/09 (with which we do not agree), entering into UNCLOS (or at least agreeing to the dispute resolution procedure contained in UNCLOS) would be unlawful because it would involve Member States granting jurisdiction to an international tribunal, outside the institutional order of their

³³ The safeguards in place under the ECAA included a requirement for national courts of non-Member States to make preliminary references to the ECJ (Article 16(2)). Paragraph 1(1) of Annex IV to the Agreement applies the preliminary reference procedure to non-Member State courts: "*The procedures established by the Court of Justice of the European Communities, hereinafter referred to as 'the Court of Justice', for referrals for preliminary rulings within the European Community shall apply, as far as appropriate. Further to the preliminary ruling, a court or tribunal of a Contracting Party shall apply the interpretation ruled by the Court of Justice*".

³⁴ See e.g. Rules 26-34 of Chapter V of the Implementing Regulations, which indirectly implement Directive 98/44/EC ('the Biotechnology Directive').

³⁵ See the *Mox Plant case (Ireland v. United Kingdom)*, List of cases No. 10

national courts, which may be asked to decide questions of EU law.³⁶ In our view, the better analysis is that such agreements are lawful provided that they contain sufficient safeguards to protect EU constitutional principles. In the case of UNCLOS, the relevant safeguard is Article 282, which requires ITLOS to decline jurisdiction where the State parties have agreed to submit their dispute to a different procedure (which, in the case of EU law, would mean proceedings before the CJEU).

71. In summary, we therefore consider that the correct interpretation of Opinion 1/09 is that Member States may enter into an international agreement (between themselves or with non-Member States) which surrenders their national courts' jurisdiction to decide disputes which raise questions of EU law, such as the UPCA. However, they may only do so where appropriate safeguards are in place to protect EU constitutional principles. The question of whether or not there are appropriate safeguards in place is a question of EU law.

Can appropriate safeguards be put in place under UPCA?

72. In its opinion 1/09, the CJEU identified three requirements that the UPCA needed to meet in order to comply with EU constitutional law: (i) respect for the supremacy of EU law ([65]); (ii) the possibility of claiming damages and/or instituting infringement proceedings for breach of EU law ([86]); and (iii) uniformity through the making of preliminary references ([83]).

73. The question therefore arises whether it is legally possible for the UK to implement these measures. We address each of the three requirements in turn.

a) Respect for supremacy of EU law

74. The supremacy of EU law is currently addressed in Article 20 of the UPCA, which requires the Court to “*apply Union law in its entirety*” and “*respect its primacy*”.

75. We understand that, in practice, questions of EU law rarely arise in patent litigation. However, we do not consider that this makes any difference to the question of principle we are being asked to consider.

³⁶ In particular, ITLOS could be required to determine the question of whether a dispute falls within the scope of EU law, thereby activating Article 282 of UNCLOS, which requires ITLOS to surrender jurisdiction where Member States have agreed to submit their dispute to a particular procedure.

76. We see no reason of domestic constitutional law why the UK could not submit itself to the supremacy of EU law in the field of patent disputes before the UPC. However, it is important to note that the UK would be required to accept the supremacy of EU law *in its entirety* as regards all such disputes as fall within the jurisdiction of the UPC. This would include, for example, competition law, fundamental rights arising under the Charter and general principles of EU law, as well as the specific patent rules contained, for example, in the Biotechnology Directive, as well as possible future EU legislation. The requirement to accept such a wide range of EU rules may be politically significant.

b) Ability to bring infringement proceedings and obtain damages for breach of EU law

77. The CJEU's second requirement in Opinion 1/09 was that private parties must be able to obtain damages for breaches of EU law by the UPC and bring infringement proceedings before the CJEU.

78. This requirement is met by Article 23 of the current draft of the UPCA, which makes actions of the UPC attributable both individually and collectively to the Contracting Member States for the purpose of Articles 258, 259 and 260 TFEU.

79. We do not see any reason of domestic constitutional law why the UK could not accept individual and collective responsibility for breaches of EU law by the UPC, as required by Opinion 1/09. Of course, there is a separate question as to whether this would be politically acceptable (upon which we express no view).

80. From the perspective of EU law, the CJEU's jurisdiction to hear infringement actions under Articles 258, 259 and 260 TFEU is limited to Member States. The UK therefore could not unilaterally submit to these provisions. However, as set out at paragraph 86 below, it is in our view constitutionally possible for the jurisdiction of the CJEU to be expanded by means of an international agreement between the Union and a non-Member State. Such an agreement could therefore be entered into in order to permit the CJEU to hear infringement actions in respect of the UK divisions of the UPC.

81. We therefore consider that it would be legally possible for the UK to satisfy the requirement for contracting states to accept responsibility for breaches of EU.

c) Uniformity through preliminary references

82. The CJEU's third objection to the UPCA in Opinion 1/09 was that inadequate provision had been made for ensuring that the Court makes preliminary references in accordance with Article 267 TFEU when questions of EU law arise.
83. We do not see any reason of domestic constitutional law why the UK could not require a court operating in its territory (in this case, the London and any local or regional divisions of the Court of First Instance) to make references to the CJEU in appropriate cases.
84. However, the position is more complicated under EU constitutional law. The jurisdiction of the CJEU to accept preliminary references is governed by Article 267 TFEU, which provides:

Article 267

The Court of Justice of the European Union shall have jurisdiction to give preliminary rulings concerning:

- (a) the interpretation of the Treaties;
- (b) the validity and interpretation of acts of the institutions, bodies, offices or agencies of the Union;

Where such a question is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court to give a ruling thereon.

Where any such question is raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law, that court or tribunal shall bring the matter before the Court.

If such a question is raised in a case pending before a court or tribunal of a Member State with regard to a person in custody, the Court of Justice of the European Union shall act with the minimum of delay (emphasis added).

85. The CJEU's jurisdiction to accept preliminary references under Article 267 is therefore limited to courts or tribunals of Member States. Pursuant to Article 50(3) TEU, the Treaties shall cease to apply to the UK upon Brexit. The jurisdictional basis for accepting references from UK courts under Article 267 will therefore disappear.
86. However, the CJEU may be given jurisdiction to accept preliminary references from the courts of non-Member States where this is provided for in an international

agreement to which the Union is a party. Thus in Opinion 1/09, the CJEU observed that:

“an international agreement concluded with third countries may confer new judicial powers on the Court provided that in so doing it does not change the essential character of the function of the Court as conceived in the EU and FEU Treaties (see, by analogy, Opinion 1/92 [1992] ECR I-2821, paragraph 32).”

87. An example of an international agreement conferring jurisdiction upon the CJEU to accept preliminary references is Article 16(2) of the ECAA, discussed at paragraphs 65-68 above, which provides that:

When a question of interpretation of this Agreement, of the provisions of the acts specified in Annex I or of acts adopted in pursuance thereof identical in substance to corresponding rules of the EC Treaty and to acts adopted pursuant to the EC Treaty, arises in a case pending before a court or tribunal of an ECAA Partner, the court or tribunal shall ask, if it considers this necessary to enable it to give a judgement and in accordance with Annex IV, the Court of Justice to decide on the question. An ECAA Partner³⁷ may, by decision and in accordance with Annex IV, stipulate the extent to which, and according to what modalities, its courts and tribunals are to apply this provision. Such a decision shall be notified to the depositary and the Court of Justice. The depositary shall inform the other Contracting Parties.

88. In our view, the Union could enter into a similar agreement with the UK (and any other non-Member States wishing to participate in the UPCA) allowing the CJEU to accept references from their divisions of the UPC under the same conditions as Article 267 TFEU. This would satisfy the third requirement identified by the CJEU in Opinion 1/09.

89. For completeness, we do not agree with the argument that the UK divisions of the UPC would be able to make preliminary references, without further measures being taken, under Article 267 by virtue of the UPC’s designation as a court “*common to a number of Member States*” under Article 71a of the Brussels Regulation.³⁸ In our view such an argument is unlikely to be accepted because (a) the Brussels Regulation is secondary legislation and therefore cannot affect the proper interpretation of the Treaties, including Article 267; and (b), in any event, it is clear from the wording of

³⁷ The term “ECAA Partner” is defined in Article 2(1) as, essentially, the non-Member States.

³⁸ As inserted by Regulation 542/2014.

Article 71a that the UPC's designation as a 'common court' is merely a vehicle for allowing the Court to exercise jurisdiction in circumstances where this would not otherwise be allowed under the Brussels Regulation. It is not intended to have broader implications for the Court's status under EU law. Thus, Article 71a provides:

“1. For the purposes of this Regulation, a court common to several Member States as specified in paragraph 2 (a 'common court') shall be deemed to be a court of a Member State when, pursuant to the instrument establishing it, such a common court exercises jurisdiction in matters falling within the scope of this Regulation.

2. For the purposes of this Regulation, each of the following courts shall be a common court:

(a) the Unified Patent Court established by the Agreement on a Unified Patent Court signed on 19 February 2013 (the 'UPC Agreement') ...”

90. It would therefore be necessary for the UK to enter into an international agreement with the Union conferring jurisdiction on the CJEU to accept preliminary references from its divisions of the UPC.

91. In summary, we consider for the reasons set out above that it would be legally possible for the UK to sign up to the three essential features of the UPCA identified in Opinion 1/09.

Does the UK have to comply with Opinion 1/09 at all?

92. We do not agree with the argument that, following 'Brexit', the UK could disregard the three requirements set out in the CJEU's Opinion 1/09 on the ground it would no longer be bound by EU law.³⁹ This ignores the position of the other Member States which are parties to the UPCA.

93. Under Article 4(3) TEU, the Member States owe a duty of sincere co-operation to ensure the application of and respect for Union law within their territories. By entering into the UPCA with the UK after 'Brexit', the Member States would be surrendering the jurisdiction of their national courts (or their national divisions of the UPC) over certain types of dispute in favour of tribunals situated in the UK. For example, a company domiciled in Germany would only be able to bring a revocation

³⁹ See e.g. the view of Wouter Pors, Bird & Bird, reported here: <http://kluwerpatentblog.com/2016/06/26/brexit-new-scenario-discussed-to-save-the-unitary-patent-system/>

action for a life sciences patent in the UK division of the Central Court. Similarly, a French claimant would be required to bring an infringement action in respect of an anticipated infringement in UK territory in the UK local division of the UPC, even if the Defendant were domiciled in France. In our view, it is clear from Article 4(3) (and the CJEU's treatment thereof in Opinion 1/09 at [68]) that the Member States would not be entitled to surrender the jurisdiction of their national courts in this way unless there is an appropriate guarantee that the tribunal to which jurisdiction is conferred (i.e. the UK divisions of the UPCA) are subject to sufficient obligations to apply EU law and respect EU constitutional principles.

94. It follows that the UK would be required to comply with the requirements identified in Opinion 1/09 regarding the supremacy of EU law, infringement proceedings and preliminary references, even though it will no longer be bound by that Opinion once it leaves the EU.
95. Consequently, it is unnecessary to consider the difficult question of whether the UPC exercises jurisdiction on behalf of all Contracting States simultaneously or (at least when exercising its jurisdiction in relation to European patents) only on behalf of the Member State(s) in which the patents are registered. In either case, the Member States' duty of sincere co-operation means that jurisdiction cannot be conferred upon tribunals operating in non-Member States without adequate safeguards.

Potential counterarguments

96. For the reasons set out above, we consider that it would be possible, as a matter of UK and EU constitutional law, for the UK to participate in the UPCA after 'Brexit'.
97. However, the CJEU's reasoning in Opinion 1/09 is, undoubtedly, opaque, and there is a risk that the Court may, in a future opinion, interpret it as precluding the participation of non-Member States. There is some textual support for this view in the Opinion. For example, the Court appears to lay down an absolute rule in paragraph [80] of its judgment where it says:

Member States cannot confer the jurisdiction to resolve such disputes on a court created by an international agreement which would deprive those courts of their task, as 'ordinary' courts within the European Union legal order, to implement European Union law ...

98. For the reasons set out at paragraph 57 above, we consider that this passage should be read in the context of paragraphs [83]-[88], which suggest that it is possible to contract out jurisdiction to an international tribunal so long as sufficient safeguards are in place to protect the EU constitutional principles. However, we cannot rule out the possibility that the Court would interpret paragraph [80] as imposing a blanket ban on contracting out jurisdiction to courts outside the Union legal order (and consequently any courts operating in non-Member States).
99. Similarly, at paragraph [82] the CJEU appears to draw an adverse comparison between the UPC and the Benelux Court, which is a court created by an international agreement between Belgium, the Netherlands and Luxembourg. The following passage may be read as suggesting that the UPC can only lawfully operate if it is situated within the national legal order of Member States, in the same way as the Benelux Court.⁴⁰

It must be emphasised that the situation of the PC envisaged by the draft agreement would differ from that of the Benelux Court of Justice which was the subject of Case C-337/95 *Parfums Christian Dior* [1997] ECR I-6013, paragraphs 21 to 23. Since the Benelux Court is a court common to a number of Member States, situated, consequently, within the judicial system of the European Union, its decisions are subject to mechanisms capable of ensuring the full effectiveness of the rules of the European Union.

100. However, in our view the answer to this argument is that the Court is not intending to say at [82] that a tribunal such as the Benelux Court, which is integrated into the participating Member States' national legal systems, is the *only* means of lawfully granting jurisdiction to an international tribunal. It is simply observing that, whereas the Benelux Court, as a court within the Union legal order, is already subject to the obligations of national courts imposed by the Treaties, the UPC must be subject to additional scrutiny because it is not subject to those obligations.

Summary on question 1b:

101. In summary, we consider that it would be legally possible for the UK to participate in the UPCA after 'Brexit'. The correct interpretation of the CJEU's case

⁴⁰ The Benelux Court is the only court other than the UPC to be designated as a "*court common to a number of Member States*" in Article 71a(2) of the Brussels Regulation. It has competence over various areas of law, including intellectual property, free movement of persons and certain environmental laws.

law, including Opinion 1/09, is, in our view, that the UPC may lawfully operate in non-Member States provided that the UPCA contains sufficient safeguards to preserve EU constitutional principles, in particular (i) supremacy; (ii) responsibility for infringements of EU law; and (iii) uniformity through preliminary references.

102. Due to the opaque reasoning in Opinion 1/09, we cannot rule out the possibility that the CJEU would reach a contrary conclusion in a future decision. However, we would find such a conclusion as something of a triumph of form over substance given that the Court's only objections to the UPCA in Opinion 1/09 can be met by imposing obligations on the UPC requiring it to behave *as though* it is within the institutional legal order of an EU Member State (i.e. as though it is a national court). Furthermore, as explained above, such a ruling by the CJEU would have potentially wide-ranging consequences for other international agreements which confer jurisdiction on international tribunals.

Question 1c: Can the UK retain the Life Sciences/Chemistry section of the Central Division?

103. We do not consider that question 1c raises any separate issues to question 1b. Provided that the UK is able to comply with the three substantive requirements set out in paragraph 72 above, it would be entitled to retain the Life Sciences/Chemistry section of the UPC Central Division in London. Further, subject to appropriate amendments being made to the UPCA, UK citizens could continue to sit as judges in the Court of First Instance and the Court of Appeal.

ii) Question 2: What changes to the UPCA would be necessary?

104. By their second question, Instructing Solicitors ask what changes would need to be made to the UPCA to ensure the UK's participation in the Agreement after 'Brexit'. They further ask whether it would be possible to make all of the necessary changes to the UPCA itself without entering into a separate agreement.

105. We consider that a number of changes would need to be made if the UK wishes to participate in the UPCA after 'Brexit'. The changes would have to be made both by way of amendment to the UPCA and by way of separate international

agreement(s). We begin by setting out the necessary changes before addressing the method of amendment.

106. As regards the UPCA itself, we consider that five amendments would need to be made:

- a. First, Article 2 (c) of the UPCA, which defines the term “*Contracting Member State*”, would need to be amended. The current definition excludes non-EU Member States. We would suggest that the defined term be amended to “*Contracting State*”. The precise wording of the amendment would depend upon whether it is intended to open up the UPCA exclusively to the UK, or also other non-Member States such as Switzerland. Once this amendment were made, a number of further changes would fall into place, such as allowing judges who are qualified for appointment to judicial office in the UK to sit on the Court (Article 15(2)).⁴¹
- b. Second, Article 1 of the UPCA would arguably need to be amended because it could no longer be said that the UPC was subject to the same EU law obligations as national courts because of its status as a “*court common to the Contracting Member States*”. Instead, the second paragraph of Article 1 would need to provide as follows (or similar):

Article 1 – Unified Patent Court

...

The Unified Patent Court shall be a court common to the Contracting ~~Member~~ States and ~~thus~~ subject to the same obligations under Union law as any national court of ~~the Contracting a~~ Member States.⁴²

For the reasons set out above, we do not consider that the UPC’s designation as a ‘Court common to the Contracting Member States’ is necessary to ensure compliance with the CJEU’s Opinion 1/09 (indeed, it is something of a legal fiction because the UPC is clearly an international tribunal, not a national court within the Union legal order). Nonetheless, we anticipate that this amendment may be controversial because it would superficially appear to

⁴¹ See also Article 2(1) of the Statute of the UPC, which requires judges of the Court to be nationals of a “*Contracting Member State*”.

⁴² Note that “*Member State*” is defined in Article 2(b) as an EU Member State.

represent a reversal of the Commission’s solution for bringing the UPCA into line with Opinion 1/09.

- c. Third, a similar amendment would need to be made to Article 21, such that it provides as follows: “... *the Court shall cooperate with the [CJEU] to ensure the correct application and uniform interpretation of Union law, as any national court of a Member State, in accordance with Article 267 TFEU in particular*”.
- d. Fourth, Article 29, which makes provision for exhaustion of rights, would need to be amended to refer to a product which has been “*placed on the market in the ~~Union~~ Contracting States ...*”.
- e. Fifth, the various references to “*Member States*” in Articles 84 and 88, which make provision for signature, ratification, and entry into force of the Agreement, would need to be amended to include the UK (and potentially other non-Member States).

107. Additionally, as regards the jurisdiction of the CJEU to accept preliminary references, an international agreement would need to be entered into between the UK and the Union.⁴³ As set out at paragraph 86 above, the CJEU has recognised that this is a lawful means of conferring jurisdiction for it to accept preliminary references. The agreement would need to confer jurisdiction on the CJEU to (i) accept preliminary references from UK divisions of the UPC; and (ii) hear infringement actions against the UK in respect of the UPC’s functions, as though the UK were bound by Articles 258, 259 and 260 TFEU. This could potentially be achieved as part of the international exit agreement to be entered into between the UK and the Union under Article 50(2) TEU.

108. As regards jurisdiction and enforcement, the UK will need to consider its options for replacing the Brussels Regulation, which will cease to apply when the time limit in Article 50(3) expires. This will clearly involve broader considerations than the UK’s position under the UPCA.

⁴³ To be clear, the expansion of the CJEU’s jurisdiction to accept preliminary references from UK divisions of the UPC would not of itself result in the CJEU’s jurisdiction over substantive IP matters being expanded further.

109. One possibility will be for the UK to join the Lugano Convention. This would be compatible with Article 31 of the UPCA, which provides that the UPC's international jurisdiction "*shall be established in accordance with [the Brussels Regulation], or, where applicable ... the Lugano Convention*". However, the Lugano Convention does not contain equivalent provisions to Articles 71a-71d of the Brussels Regulation, which create a specific carve-out for cases allocated to the various provisions of the UPC.⁴⁴ We understand that the Standing Committee of the Lugano Convention considered amending the Convention in line with the amendments to the Brussels Regulation made by Regulation 542/2014. However, it decided to "*wait for the results of further investigations into the necessity of an amendment, and to consider the question again if so required*".⁴⁵ The Standing Committee has thus expressed a readiness to make any necessary changes, although the time taken to persuade the Standing Committee to agree to this amendment would potentially constitute a further obstacle to the UK's participation in the UPCA.

Method of amendment

110. Instructing Solicitors ask for advice on the appropriate method of implementing the above amendments.

111. As a preliminary matter, we understand that it would be difficult to persuade all of the Contracting Member States to the UPCA to unanimously consent to an amendment of the Agreement itself.⁴⁶ It is therefore necessary to consider whether any alternative methods of amendment could be used.

112. We are instructed that it would be feasible for the parties to the UPCA to agree to an amendment 'Protocol' in order to enable to the UK's continued participation, and that such Protocols have been agreed relatively quickly in the past.⁴⁷ In our view this would be the most straightforward amendment method.

113. Article 87(2) is also a possible vehicle for amendment. It provides:

⁴⁴ The new provisions are inserted by Regulation 542/2014.

⁴⁵ Second meeting of the Lugano Convention Standing Committee (25 September 2013): <https://www.bj.admin.ch/bj/en/home/wirtschaft/privatrecht/lugue-2007.html>

⁴⁶ Instructions, p.15.

⁴⁷ Instructions, pp.3; 15.

Article 87 - Revisions

...

(2) The Administrative Committee may amend this Agreement to bring it into line with an international treaty relating to patents or Union law.

114. As set out at paragraph 107 above, if the UK wishes to participate in the UPCA it will need to enter into an international agreement with the Union conferring jurisdiction upon the CJEU to accept preliminary references. This could be contained in the Article 50 exit agreement, which is an international treaty pursuant to Article 50(2). In turn, this agreement could be used to trigger the Administrative Committee's amendment power under Article 87(2). However, the exit agreement would have to go beyond merely conferring jurisdiction upon the CJEU. For example, it could provide that the parties agree that the UK will continue to participate in the UPCA and will take all necessary steps to ensure such participation. In our view, this is likely to be sufficient to classify the agreement as "*an international treaty relating to patents*".

115. We note that Instructing Solicitors suggest that Article 87(2) would not apply before the Agreement comes into force.⁴⁸ We can see the force of this argument because the Administrative Committee is established by Articles 11 and 12 of the UPCA, which will not themselves come into force until ratification in accordance with the requirements laid down in Article 89. In those circumstances, it is difficult to see how Article 87 could be used to pre-emptively empower the Administrative Committee to make amendments. However, this problem would be avoided if the UK ratified the UPCA prior to 'Brexit', thereby satisfying the conditions for entry into force under Article 89.

116. There is then the question of whether the EU would need to become a party to the UPCA and, if so, whether the Member States may also continue to be parties to the Agreement. This is connected to the question of whether the subject-matter of the UPCA, or parts of it, is within the exclusive competence of the Union. If it is, the Union would need to become a party to the Agreement (as it is, for example, to the Lugano Convention). If it is not, the Member States would have competence to enter into the Agreement with the UK themselves. There is also the intermediate possibility

⁴⁸ Ibid.

of a ‘mixed agreement’, where the agreement contains some provisions which fall within the Union’s exclusive competence and others which do not. In those circumstances, both the Union and the Member States must be parties to the Agreement.

117. The test for determining whether a Member State has competence under EU law to enter into an international agreement is set out set out in Article 3(2) TFEU:

“The Union shall ... have exclusive competence for the conclusion of an international agreement when its conclusion ... is necessary to enable the Union to exercise its internal competence, or insofar as its conclusion may affect common rules or alter their scope.”

118. The question is therefore whether the UPCA “*affects*” any existing rules laid down by the Union or “*alters their scope*”. In our view, it is difficult to see how the UPCA satisfies this test. It does not purport to amend any EU rules or alter their scope. It simply requires the UPCA to apply those rules.⁴⁹

119. However, we consider that the question of whether the UPCA affects existing Community rules, and therefore falls within Article 3(2) TFEU, ultimately does not matter for two reasons. First, it is beyond doubt that some parts of the Agreement do not affect such rules, with the consequence that the UPCA may be entered into by Member States, as well as the Union, in the form of a ‘mixed agreement’. Second, the Union will in any event need to be a party to the Agreement because this will enable the CJEU, as an EU institution, to accept preliminary references from divisions of the UPC which are situated in non-Member States. Ultimately, we therefore consider that both the EU and the Member States would need to be party to the amended Agreement.

120. The position is the same regarding the UPR. If the UK decided to remain within the unitary patent regime established by the UPR, it would need to enter into an international agreement both with the Member States and the Union, because such an agreement would clearly overlap with the existing regime set out in the UPR.

⁴⁹ Although we note that the Commission took the opposite view in its Interim Legal Opinion dated 1 February 2007.

iii) Question 3: What would the UK have to sign up to in the field of patent law and more widely?

121. We have already addressed this question in our responses to questions 1 and 2. In outline, the UK would have to sign up to the application of EU law in its entirety as regards the functions of the UPC, including in particular (i) the supremacy of EU law over national laws; (ii) the possibility of damages and infringement actions against the UK for breaches of EU law by the UPC; and (iii) the requirement for the London divisions of the UPC to make preliminary references to the CJEU in accordance with the same conditions as Article 267 TFEU.

122. The UK would also have to sign up to an appropriate jurisdiction and enforcement regime. Whilst we do not consider this to be a condition precedent to the constitutional ability of the UK to participate in the UPCA, it is difficult to see how the regime could function effectively without a proper regime requiring the jurisdiction of the UPC to be respected, and its judgments to be enforced, in place.

iv) Question 4: Does it make a difference if the UK joins the EEA?

123. Our advice does not depend upon whether the UK joins the EEA. Provided that the UK signs up to sufficient safeguards to protect EU constitutional principles, as detailed in our response to question 1b above, we consider that it could legally participate in the UPCA. Membership of the EEA is neither a necessary or sufficient condition of those requirements being met.

v) Question 5: Is it necessary or possible to obtain an opinion from the CJEU?

124. By their fifth question, Instructing Solicitors ask whether it would be necessary or possible to obtain an opinion from the CJEU on the legality of an amended UPC Agreement.

125. There would be obvious benefits of obtaining such an opinion prior to the entry into force of the Agreement in terms of legal certainty for patent holders.⁵⁰

⁵⁰ Although we note that in Opinion 1/09 there was a delay of approximately 20 months between the Commission's request for an opinion on 6 July 2009 and the CJEU handing down its judgment on 8 March 2011.

126. The CJEU’s power to pre-emptively consider the legality of international agreements is set out in Article 218(11) TFEU, which provides:

“A Member State, the European Parliament, the Council or the Commission may obtain the opinion of the Court of Justice as to whether an agreement envisaged is compatible with the Treaties. Where the opinion of the Court is adverse, the agreement envisaged may not enter into force unless it is amended or the Treaties are revised.”

127. The word “*agreement*” must be read in the context of Article 218(1), which refers to “*agreements between the Union and third countries or international organisations*”. In our view, it follows that it would only be possible to obtain a pre-emptive opinion on the legality of the UPCA if the Union were made a party to the envisaged Agreement. In this respect, we agree with the view taken by the Commission.⁵¹

128. As regards Instructing Solicitors’ specific question about the effect of a finding by the CJEU that the UPCA is unlawful,⁵² we note that the CJEU has the power to make prospective findings of illegality (Case 43/75 *Defrenne v Sabena* [1976] 2 CMLR 98 at [69]). This power may be exercised where a retrospective ruling would give rise to “*serious economic repercussions*” relating to a “*large number of legal relationships entered into in good faith*” (ibid). In our view, it is likely (although not entirely certain) that the CJEU would make any adverse finding of illegality relating to the UPCA prospective, such that the validity of previous and pending proceedings would not be compromised.

vi) *Question 6: What will happen if the UK ratifies the UPCA without amendment and then leaves the EU?*

129. By their final question, Instructing Solicitors ask what the consequences would be if the UK ratified the UPCA, without amendment, whilst it was still a Member State, and subsequently left the EU. Essentially, this question concerns the downside risks of ratifying the Agreement prior to ‘Brexit’.

130. In our view, the immediate consequence of ‘Brexit’ in these circumstances would be that the UK would no longer qualify as a “*Contracting Member State*”

⁵¹ See Instructions, p.17.

⁵² Instructions, p.17.

within the meaning of Article 2(c) of the UPCA. It would therefore no longer be subject to the obligations imposed on “*Contracting Member States*” in the Agreement, and could no longer operate any local or regional divisions of the Court in its territory.⁵³

131. Interestingly, there is no textual requirement in the Agreement for the host state of a section of the Central Court to be a “*Contracting Member State*”.⁵⁴ However, if the UPC continued to function as though the London section of the central court remained operational, the EU Member States would be exposed to the risk of infringement proceedings by the Commission because the UK, as a non-Member State, would no longer be subject to the EU law safeguards contained in the Agreement.⁵⁵

132. In our view, the most likely consequence of ‘Brexit’ is therefore that any divisions of the UPC situated in the UK would have to cease operating.

133. The question then arises what the consequences would be of the UK leaving the UPCA after the UK divisions of the Court have already begun to operate. It is difficult to give a confident answer to this question because it depends upon a number of imponderables, such as whether the UK implements domestic legislation to protect accrued rights, and whether amendments are made by the remaining UPCA Contracting Member States to re-allocate cases pending before the UK divisions of the Court to other divisions. As our Instructions observe, these are essentially matters of detail for the UK to negotiate as part of its exit arrangements.

D. Summary

134. In summary, our opinions are as follows:

⁵³ Pursuant to Article 7(3) of the Agreement, local divisions may only be set up in “*Contracting Member States*”.

⁵⁴ See Article 7(2), which provides that “*The central division shall have its seat in Paris, with section in London and Munich*”.

⁵⁵ Our Instructions ask whether the UPCA would become ‘void’ from an EU law perspective upon the departure of the UK from the EU. In our view, this is the wrong question. The UPCA is not part of EU law and therefore could not be struck down by the CJEU. Instead, the CJEU may make a finding of infringement against the participating Member States, which in effect would force those Member States either to cease operating the Agreement, or to amend the Agreement such that it no longer involved the allocation of cases to the UK.

- a. The UK may only continue to participate in the unitary patent by entering into an international agreement with the EU and Member States. The legality of such an agreement would depend on the same matters as the legality of the UK's continued participation in the UPCA.
- b. On balance, we consider that it would be constitutionally possible for the UK to continue to participate in the UPCA after 'Brexit', so long as it signs up to all of the provisions of the Agreement which protect EU constitutional principles. However, there is a risk that the CJEU would reach the opposite conclusion.
- c. Our advice does not depend on whether the UK joins the EEA.
- d. It would only be possible to obtain a pre-emptive opinion from the CJEU on the legality of the UPCA if the Union became a party to the Agreement.
- e. UK divisions of the UPC would have to cease operating if the UK ratified the UPCA, without amendment, and subsequently left the EU. In those circumstances, it would be necessary to adopt detailed transitional provisions in order to protect accrued rights and to regulate the position of litigants with pending proceedings.

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12 September 2016