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RESTORING ORDER IN EUROPEAN PATENT LAW: A  
PROPOSAL FOR THE REINTRODUCTION OF THE  
SUBSTANTIVE PATENT PROVISIONS OF THE UNITARY  
PATENT PACKAGE INTO EU LAW

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## INTRODUCTION

Europe is on the verge of instituting a uniform patent regime that will change the landscape of patent litigation in twenty-five member countries. The unitary patent package will include a European patent with unitary effect (“unitary patent”) and the creation of a Unified Patent Court (“UPC”). Patentees will no longer have to litigate in each member country; a single litigation will be binding throughout all of the participating countries.<sup>1</sup> The unitary patent will be effective in all participating member states, and the UPC will have jurisdiction throughout the same. The UPC will apply the same laws of infringement and invalidity regardless of where infringement or litigation occurred. The outcome of litigation, whether it is a finding of infringement or invalidity, will be applicable throughout the entire jurisdiction.

The new regime is the product of many compromises and is an even more remarkable achievement in light of the controversy surrounding its enactment. In particular, patent practitioners, academics, and judges debated the inclusion of Articles 6 through 9 in the regulation implementing the unitary patent (“UPR”).<sup>2</sup>

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<sup>1</sup> *Unitary patent – frequently asked questions*, EUROPEAN PATENT OFFICE (Dec. 13, 2012), <http://www.epo.org/law-practice/unitary/faq.html> - faq-636.

<sup>2</sup> Proposal for a Regulation of the European Parliament and of the Council Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection, COM/2011/0215 final 2011/0093 (COD). For leading examples of the sides of this debate, see Rudolf Kraßer, *Effects of an inclusion of regulations concerning the contents and limits of the patent holder's rights to prohibit in an EU regulation for the creation of unitary European patent protection*, EP LAW BLOG (Oct. 18, 2011), <http://www.eplawpatentblog.com/2011/October/Opinion%20Prof%20Krasser%20EN.pdf>; Winfried Tilmann, *The Battle About Art. 6–8 of the Union-Patent-Regulation*, UK PARLIAMENT (Feb. 28, 2012), <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmeuleg/writev/1799/upi10.htm>.

These articles constituted the substantive patent provisions. They defined the rights that the unitary patent confers, including the laws on direct and indirect infringement, patent exhaustion, and defenses to infringement.<sup>3</sup> Inclusion of these provisions in the UPR would have made them a part of European Union (“EU”) law, and therefore subject to the European Court of Justice (“ECJ”). The groups opposed to the Articles’ inclusion feared that ECJ oversight would eliminate the benefits of the patent system by slowing patent litigation and increasing costs.<sup>4</sup> Proponents of the Articles’ inclusion focused on a legal argument based on the requirements of the Treaty on the Functioning of the European Union (“TFEU”).<sup>5</sup> The EU decided to remove the Articles from the UPR and put them in the international agreement that established the UPC, called the Agreement on a Unified Patent Court (“UPCA”).

The Article’s move from the UPR to the UPCA removed the substantive patent provisions from EU law and from the ECJ’s jurisdiction. This note argues that the EU should not have removed the substantive patent provisions from the UPR and that their removal will have an unintended negative effect for the UPC. Part I looks at the relevant history and structure of the European patent system. Part II explores the probable consequences of removing the patent provisions. These probable consequences include: first, the UPC’s judicial isolation diminishing the quality of its jurisprudence; second, the exclusion of patent law from the rest of EU law damaging both patent and non-patent law because it removes the ability to balance the needs of different areas of law; and third, the harm to the European legal system because of the manner in which the removal of the provisions occurred. The Federal Circuit serves as a model for how an isolated specialist court can avoid these problems. Part III shows that the groups opposed to the provisions exaggerated their concerns over the inclusion of the substantive patent provisions in the UPR. The

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<sup>3</sup> Agreement on a Unified Patent Court, arts. 6–8, Feb. 19, 2013, 2013 O.J. (C175) 1 [hereinafter *Agreement*].

<sup>4</sup> Kraßer, *supra* note 2.

<sup>5</sup> Article 118 of the TFEU requires that “the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.” The legal argument is that the empty unitary patent found in the Regulation does not provide “uniform protection” and thus Article 118 TFEU does not authorize it. Without that authorization, the EU would be overstepping its bounds in creating the unitary patent. See Tilman, *supra* note 2. Advocate General Bot opposed this argument but the ECJ has not decided the case. Opinion of Advocate General Bot, Spain v. Parliament and Council, Case C-146/13, [2014] E.C.R. I— (delivered Nov. 18, 2014) (judgment not yet issued).

inclusion of the substantive patent provisions in EU law will provide benefits to the European patent community and EU law that outweigh any negative effects.

## I

### HISTORY AND STRUCTURE OF THE UNIFIED PATENT COURT AND UNITARY PATENT

The creation of a European patent law has followed a convoluted route, and its structure reflects this process. It is necessary to understand the history of European patent law, the UPC's fit within the EU judiciary, and the structure and function of the UPC in order to understand the effects of removing the substantive patent provisions from the UPR.

#### A. *History of European Patent Law*

The European Union has tried and failed to create a uniform European patent regime for over fifty years.<sup>6</sup> Beginning in 1973, Europe took the first step toward patent harmonization—the European Patent Convention (“EPC”).<sup>7</sup> The EPC created the European patent and the European Patent Organization (“EPO”).<sup>8</sup> A European patent, which the EPO issues, is not a single patent but a bundle of national patents: one patent for each of the countries that the patentee designates on his application to the EPO.<sup>9</sup> The EPC defined many substantive patent terms for patent prosecution, including patentability, inventive step, and novelty.<sup>10</sup>

Though the EPC represented a significant step toward a unified European patent law, many aspects of patent law remain fragmented. A patentee has to enforce her patent in each of the member nations of the EU, and she incurs significant litigation costs for every jurisdiction where she enforces her rights.<sup>11</sup> In addition to EU member-states, eleven non-EU countries have also signed onto the EPC, further

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<sup>6</sup> See generally Kevin P. 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*, 94 J. PAT. & TRADEMARK OFF. SOC'Y 173, 175 (2012) (detailing Europe's many attempts to harmonize European patent law).

<sup>7</sup> *Id.* at 174.

<sup>8</sup> *Id.* at 173–75.

<sup>9</sup> The European patent is now the European patent without unitary effect. This note will continue to refer to them as European patents, as opposed to unitary patents. Christopher J. Harnett & Amanda F. Wieker, *The EU Unitary Patent and Unified Patent Court: Simplicity and Standardization, Challenge, and Opportunity*, 25 No. 4 INTELL. PROP. & TECH. L.J. 15 (2013).

<sup>10</sup> Mahne, *supra* note 6, at 174.

<sup>11</sup> *Id.* at 174–75.

compounding the issues associated with geographic fragmentation.<sup>12</sup> The EPC is not a part of EU law, and the EPO is not an EU institution. Therefore, the EPC is outside of the ECJ's jurisdictional reach.<sup>13</sup> In 1975, the European Economic Community attempted to create a Europe-wide unitary patent as well as a uniform set of rules governing the effect of the unitary patent. Ultimately, not all of the members ratified the agreement, and the attempt to create a unitary patent failed.<sup>14</sup>

Europe took the next step in the development of European patent law, the creation of the unitary patent package, in stages during 2012 and 2013, and it will go into effect four months after thirteen countries, including Germany, France, and the UK, ratify the UPCA.<sup>15</sup> The patent package includes the UPC and the unitary patent. The UPC and its related agreements and legislation created a single court with jurisdiction over all contracting member states. The unitary patent is a patent that is valid and enforceable throughout all contracting member states.

### *B. How the UPC Fits into the EU Judiciary*

The UPC is not an EU institution but an international court common to the member states that have acceded to the UPCA.<sup>16</sup> This means that the relationship between the UPC and the ECJ is that of a national court to a European one. It is necessary to explain the structure of the EU judiciary in order to understand the contours of this relationship.

The Court of Justice of the European Union ("CJEU") is the judicial body of the European Union. Three courts comprise the CJEU: the Civil Service Tribunal, the General Court, and the Court of Justice or European Court of Justice.<sup>17</sup> Of these,

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<sup>12</sup> In addition to all twenty-seven European Union member-states, the EPO also includes Switzerland, Liechtenstein, Turkey, Monaco, Iceland, Norway, the Republic of Macedonia, San Marino, Albania, and Serbia. *Member states of the European Patent Organisation*, EUROPEAN PATENT OFFICE (Mar. 10, 2015), <http://www.epo.org/about-us/organisation/member-states.html>; Mahne, *supra* note 6, at 173–74.

<sup>13</sup> *The European Patent Convention*, EUROPEAN PATENT OFFICE (Nov. 01, 2014), <http://www.epo.org/law-practice/legal-texts/html/epc/2013/e/ar2.html>; Gérald Sédrati-Dinet, *Academics Confirm Flaws in the Unitary Patent*, at 1, available at <http://ssrn.com/abstract=2111581>.

<sup>14</sup> Mahne, *supra* note 6, at 175–76.

<sup>15</sup> Agreement, *supra* note 3, art. 89.

<sup>16</sup> *Id.* at 1.

<sup>17</sup> The Civil Service Tribunal is a specialized court that hears disputes involving the European Union civil service, and the General Court hears disputes against European Union institutions, such as for denial of a trademark from the Office for Harmonization in the Internal Market. Litigants can make an appeal to the ECJ on points of law. The ECJ is the highest court in the

the ECJ is the only court that the UPC would deal with directly.<sup>18</sup> The ECJ is not an appellate court to the national courts, and individual parties cannot appeal decisions from the national courts to the ECJ.<sup>19</sup> Instead, the national courts may refer questions of interpretation of EU law to the ECJ, which then responds with its interpretation. The ECJ does not resolve factual disputes.<sup>20</sup> If the national court is the court of last resort for the case, then the court must refer the novel question to the ECJ.<sup>21</sup> The ECJ's opinion is binding on the national court, which helps to ensure uniform application of EU law by the national courts.

### C. The Structure and Function of the Unified Patent Court and the Unitary Patent

Three substantive legal documents provide the legal basis for the unitary patent package: the UPR,<sup>22</sup> which establishes the unitary patent, the regulation regarding the applicable translation requirement,<sup>23</sup> and the UPCA, which is an international agreement between the participating member states and deals with the structure, function, and make-up of the UPC as well as the substantive rights conferred by the unitary patent.<sup>24</sup> These documents grant the UPC exclusive

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European Union tasked with interpreting European Union Law. *Court of Justice Presentation*, CURIA, [http://curia.europa.eu/jcms/jcms/Jo2\\_7024/](http://curia.europa.eu/jcms/jcms/Jo2_7024/) (last visited April 10, 2015); *General Court Presentation*, CURIA, [http://curia.europa.eu/jcms/jcms/Jo2\\_7033/](http://curia.europa.eu/jcms/jcms/Jo2_7033/) (last visited April 10, 2015); *Civil Service Tribunal*, CURIA, [http://curia.europa.eu/jcms/jcms/T5\\_5230/](http://curia.europa.eu/jcms/jcms/T5_5230/) - compétence (last visited April 10, 2015).

<sup>18</sup> The ECJ's interaction with the CJEU would consist of references for preliminary rulings. The ECJ is the only court in the CJEU that can answer references from national courts. Vaughne Miller, *Taking a complaint to the Court of Justice of the European Union*, STANDARD NOTE SN05397, 7–8 (2010).

<sup>19</sup> See Lars Hornuf & Stefan Voigt, *Preliminary References – Analyzing the Determinants that Made the ECJ the Powerful Court it Is*, CESIFO WORKING PAPER No. 3769, 4 (2012).

<sup>20</sup> Ricardo García Antón, *Indirect taxation and the role of the European Court of Justice within the preliminary reference procedure*, 5 PERSPECTIVES ON FEDERALISM 38, 46 (2013); Allan Rosas, *The National Judge As EU Judge; Some Constitutional Observations*, 67 SMU L. REV. 717, 720 (2014).

<sup>21</sup> Hornuf & Voigt, *supra* note 19, at 4.

<sup>22</sup> Regulation 1257/2012, of the European Parliament and of the Council of 17 December 2012 Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection, 2012 O.J. (L361) 1 (EU) [hereinafter UPR].

<sup>23</sup> Council Regulation 1260/2012, Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection with Regard to the Applicable Translation Arrangements, 2012 O.J. (L361) 89 (EU).

<sup>24</sup> Christoph Cordes, *The Unitary Patent and the Unified Patent Court*, 49 LES NOUVELLES 184, 185 (2014).

jurisdiction over unitary patents.<sup>25</sup> Patentees have the right for the first seven years to opt out of the UPC's jurisdiction for their European patents.<sup>26</sup> The UPC will have jurisdiction over non-opted out European patents.<sup>27</sup> The UPC's jurisdiction over European patents is not exclusive, and a litigant can bring the case in a national court, as long as there is not a pending case in the UPC.<sup>28</sup> The UPC will not have jurisdiction over European patents for which holders have exercised their opt-out right, or over national patents.<sup>29</sup>

The UPC includes the Court of Appeals and the Court of First Instance (“COFI”).<sup>30</sup> The Court of First Instance has a Central Division in Paris, and two additional branches of the Central Division in London and in Munich.<sup>31</sup> In addition to the Central Division, the Court of First Instance comprises of an as-of-yet undetermined number of local<sup>32</sup> and regional divisions.<sup>33</sup> A member state can have multiple local divisions and be a member of a regional division.<sup>34</sup>

The local and regional divisions do not have static judges that consistently sit on a court, and the judges of a local or regional division are not necessarily from the same nation or group of nations as the division.<sup>35</sup> Rather, a COFI will have a panel of three judges—its composition determined by its operational history: If a COFI sees fewer than fifty patent cases over the preceding year, then the panel will include

<sup>25</sup> Agreement, *supra* note 3; UPR, *supra* note 22, art. 9.

<sup>26</sup> Agreement, *supra* note 3, art. 83; see Paul England, *In? Out? What's it all About? Patent Opt-out and Withdrawal in the UPC*, 9 J. INTELL. PROP. L. & PRAC. 915, 915–16 (2014).

<sup>27</sup> The opted-out European patents will continue to function as a European patent without unitary effect. Agreement, *supra* note 25, art. 83; See England, *supra* note 26, at 915–16.

<sup>28</sup> Agreement, *supra* note 3, art. 83; see England, *supra* note 26, at 915–16.

<sup>29</sup> It is unknown what law national courts will apply to European patents. If a litigant brings an action involving a European patent before the UPC, it will apply UPC law. If a litigant brings a European patent before a national court or opted out the patent, it is unclear what law the national courts will apply. The argument in favor of the national court applying UPC law is that it would be absurd to be able to forum shop which law a court will apply to the patent, when the choice of law is so wide. On the other hand, applying UPC law would potentially lead to divergent interpretations that are not under the control of the UPC and thus cannot be uniform.

<sup>30</sup> Agreement, *supra* note 3, art. 6.

<sup>31</sup> The three parts to the Central Division have different substantive specialties. London's specialty is pharmaceuticals, chemistry, and human necessities, Paris' is textiles, electricity, and physics, and Munich's is mechanical engineering. *Id.* at annex II.

<sup>32</sup> A local division is a branch of the COFI serving a particular member state. *Id.* art. 7.

<sup>33</sup> A regional division is a branch of the COFI serving multiple member states that have agreed to function as a region. *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.* art. 8.

one judge who is a national of the country in which the division is located, and two judges who are nationals of a different country.<sup>36</sup> Litigants will be able to request that the panel include a single technically qualified judge. The president of the COFI will choose the technically qualified judge from a pool of qualified judges.<sup>37</sup> The parties can appeal the decision of the COFI to the Court of Appeals in Luxembourg on matters of law.<sup>38</sup> The Court of Appeals consists of a panel of five judges.<sup>39</sup> Three of the judges are legally qualified and are from differing countries. The other two judges are technically qualified judges in the relevant field.<sup>40</sup> All of the judges of the UPC will participate in a uniform training program to educate them on the substantive and procedural aspects of the new European patent law.<sup>41</sup>

Many questions remain about the structure and function of the UPC. The UPC's case law will likely answer these questions during its formative years. However, the ambiguity surrounding some of the most basic aspects of litigation, such as the average duration and frequency of bifurcation,<sup>42</sup> make any discussion of the UPC challenging. As the UPC progresses, it will provide more answers, and the patent community's understanding of the UPC will increase.

## II.

### THE BENEFITS OF INCLUDING THE SUBSTANTIVE PATENT PROVISIONS IN EU LAW

The removal of the substantive European patent provisions from the UCR will create problems for the European patent community. These problems will arise from both the court's judicial isolation, as well as the effect of placing control over substantive patent law in the hands of the individual nations. The reintroduction of

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<sup>36</sup> Agreement, *supra* note 3, at art 8.

<sup>37</sup> *Id.*

<sup>38</sup> *Id.* art. 73.

<sup>39</sup> *Id.* art. 9.

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* art. 11.

<sup>42</sup> A local or regional court will have the option to bifurcate cases into separate invalidity and infringement proceedings by sending the invalidity proceeding to the Central Division while it retains the infringement proceeding. It is unclear what the division will use to decide whether it should bifurcate or how often they will bifurcate. Agreement, *supra* note 3, art. 33; *How Will the UPC Decide on Whether or Not to Hear Infringement and Validity Together?*, UNIFIED PATENT COURT, <http://www.unified-patent-court.org/about-the-upc/22-category-i> (last visited Mar. 30, 2015) ("It is expected that the division concerned will take these decisions taking into account all relevant circumstances of the case, including grounds of fairness to the parties.").

the substantive patent provisions into EU law could lessen the impact of these problems for the UPC.

#### *A. Courts Benefit from Interacting with Other Courts' Interpretations and Choices*

The quality of the UPC's jurisprudence will suffer from the Court's isolation from the EU judiciary. An isolated court is prone to both ossification and oscillation. The U.S. Court of Appeals for the Federal Circuit demonstrates this effect; its judicial isolation has reduced the quality of patent law in the United States.<sup>43</sup> The Federal Circuit provides a look at the UPC's future and a model for potential solutions.

Congress established the Federal Circuit in 1982 with the enactment of the Federal Courts Improvement Act of 1982.<sup>44</sup> The Federal Circuit was the culmination of years of study and legislative efforts. It solved a number of problems in the judiciary, including increasing caseloads at the regional circuit courts and the prevalence of appellate forum shopping in patent law.<sup>45</sup> Congress created the Federal Circuit to reduce the circuit courts' caseloads without increasing internal circuit inconsistency or circuit splits. They also aimed to reduce forum shopping by creating more uniformity and consistency in patent law.<sup>46</sup> Efficiency and uniformity are also the two most prominent justifications for the UPC.<sup>47</sup>

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<sup>43</sup> The Federal Circuit provides a useful comparison because of its relative length of existence and the similarity between the United States and the European Union in terms of economic, legal, and technological sophistication.

<sup>44</sup> Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified as amended in scattered sections of 28 U.S.C.); Dunstan H. Barnes, *Technically Speaking, Does It Matter? An Empirical Study Linking the Federal Circuit Judges' Technical Backgrounds to How They Analyze the Section 112 Enablement and Written Description Requirements*, 88 CHI.-KENT L. REV. 971, 980 (2013).

<sup>45</sup> Rochelle C. Dreyfuss, *Percolation, Uniformity, and Coherent Adjudication: The Federal Circuit Experience*, 66 SMU L. REV. 505–06 (2013) [hereinafter Dreyfuss, *Percolation*]; Rochelle Cooper Dreyfuss, *What the Federal Circuit Can Learn from the Supreme Court—and Vice Versa*, 59 AM. U. L. REV. 787, 795 (2010) [hereinafter Dreyfuss, *Supreme Court*].

<sup>46</sup> Dreyfuss, *Supreme Court*, *supra* note 45, at 788.

<sup>47</sup> Agreement, *supra* note 3, art. 1; Harnett & Wieker, *supra* note 9, at 15 (“The establishment of a specialized European patent court resembles the decision of the United States Congress in 1982 to create the Court of Appeals for the Federal Circuit (Federal Circuit)—an appellate body with exclusive jurisdiction over all US patent appeals.”).

The Federal Circuit is an appellate court that, unlike the UPC, does not have a specialized trial court component.<sup>48</sup> Therefore, the Federal Circuit hears appeals from non-specialist trial courts, and is appealable to the non-specialist Supreme Court.<sup>49</sup> For its first fifteen years, the Federal Circuit was the de facto source for the final word on patent law. The Supreme Court took very few patent cases and the ones that it did dealt with procedural issues.<sup>50</sup> This has completely reversed in the last decade, and the Supreme Court has taken twenty-seven patent cases from the Federal Circuit in the last thirteen years.<sup>51</sup> The appeals have been on a wide range of issues, including patentable subject matter, non-obviousness, and injunctive relief.<sup>52</sup>

Conversely, the UPC will be a national court of each of the contracting member states.<sup>53</sup> This means that the relationship between the UPC and the CJEU will not be the same as between the Federal Circuit and the Supreme Court. The UPC must refer questions of EU law to the ECJ,<sup>54</sup> and the ECJ will answer the referred questions by interpreting EU law. However, the ECJ does not apply law to the factual situation.<sup>55</sup> An individual's right of direct access to the ECJ is extremely limited, and parties have no say as to when a national court refers a question of EU law to the ECJ.<sup>56</sup>

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<sup>48</sup> *Court Jurisdiction*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/the-court/court-jurisdiction.html> (last visited April 10, 2015).

<sup>49</sup> Daniel J. Meador, *Origin of the Federal Circuit: A Personal Account*, 41 AM U. L. REV. 581, 587 (1992).

<sup>50</sup> Dreyfuss, *Percolation*, *supra* note 45, at 509–10.

<sup>51</sup> Gregory Castanias, *Developments in Patent Law: A View from an Appellate Perspective*, in THE IMPACT OF RECENT PATENT LAW CASES AND DEVELOPMENTS 1, 4 ( 2015).

<sup>52</sup> Dreyfuss, *Percolation*, *supra* note 45, at 512–13.

<sup>53</sup> Agreement, *supra* note 3, art. 1 (“The Unified Patent Court shall be a court common to the Contracting Member States and thus subject to the same obligations under EU law as any national court of the Contracting Member States.”).

<sup>54</sup> *The Reference for a Preliminary Ruling*, EUROPA (Feb. 20, 2013), [http://europa.eu/legislation\\_summaries/institutional\\_affairs/decisionmaking\\_process/l14552\\_en.html](http://europa.eu/legislation_summaries/institutional_affairs/decisionmaking_process/l14552_en.html).

<sup>55</sup> The ECJ has arguably thinned the line between interpretation and application. The combination of the ECJ's willingness to take extremely narrow questions, as well as the guidance it issues which instruct the national court how to apply the interpretation, has effectively turned the national court-ECJ relationship into an inferior-superior appellate relationship. PAUL CRAIG & GRÁINNE DE BÚRCA, EU LAW: TEXT, CASES AND MATERIALS 493–94 (Oxford University Press, 5th ed. 2011).

<sup>56</sup> Miller, *supra* note 18, at 7–8 (“It must be emphasized that the individual cannot make a direct reference for a preliminary ruling; it must come from a national court or tribunal . . .”).

## 1. *The Effect of Isolation on the Federal Circuit's Jurisprudence*

The Federal Circuit's structure has created problems that Congress did not foresee. The features that Congress considered the Federal Circuit's biggest assets, such as its specialized nature and ability to adjudicate patent cases separate from other courts, have dampened the quality of its patent jurisprudence. Three features demonstrate the effect that the Federal Circuit's isolation has had on the quality of its jurisprudence: its lack of doctrinal consistency, its high rate of reversal at the Supreme Court, and its reduction of patenting standards to harmfully low levels. While a court's jurisprudence is difficult to quantify, these three factors indicate serious issues.

### *i. Doctrinal Inconsistency*

The Federal Circuit's jurisprudence exhibits high levels of doctrinal inconsistency. Doctrines such as inequitable conduct have swung from one extreme to another. Originally, inequitable conduct was broader than common law fraud and was relatively easy to prove.<sup>57</sup> However, in a 2011 en banc decision, the Federal Circuit radically reversed this position to combat the "absolute plague" that inequitable conduct had become.<sup>58</sup> The history of the non-obviousness doctrine exhibits the same fluctuation.<sup>59</sup> Claim construction has had an even more dangerous trajectory. Claim construction doctrine has darted about without coherent direction, almost entirely dependent on panel composition.<sup>60</sup> The normal tool for resolving intra-circuit splits, an en banc hearing, has proven completely unsuccessful in the Federal Circuit.<sup>61</sup>

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<sup>57</sup> Critikon, Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253, 1257–59 (Fed. Cir. 1997); Dreyfuss, *Percolation*, *supra* note 45, at 518–19.

<sup>58</sup> Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1297 (Fed. Cir. 2011) (en banc); Dreyfuss, *Percolation*, *supra* note 45, at 518–19.

<sup>59</sup> Dreyfuss, *Percolation*, *supra* note 45, at 512–13.

<sup>60</sup> At one time, there was a website run by a law professor that would predict the outcome of the case based on the panel of judges. *The Federal Circuit Predictor*, CLAIMCONSTRUCTION.COM, <http://predictor.claimconstruction.com/> (last visited Mar. 22, 2015). Additionally, the Federal Circuit reverses an estimated 34.5-40% of claim construction appeals from district courts. Paul M. Schoenhard, *Reversing the Reversal Rate: Using Real Property Principles to Guide Federal Circuit Patent Jurisprudence*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 299, 303 (2007).

<sup>61</sup> Claim construction en banc decisions have resulted in fractious and open-ended opinions. R. Polk Wagner & Lee Petherbridge, *Did Phillips Change Anything? Empirical Analysis of The Federal Circuit's Claim Construction Jurisprudence*, THE CLAIM CONSTRUCTION PROJECT (July 14, 2007), [https://www.law.upenn.edu/blogs/polk/claimconstruction/files/wagner\\_phillips.pdf](https://www.law.upenn.edu/blogs/polk/claimconstruction/files/wagner_phillips.pdf).

This doctrinal oscillation comes from the Federal Circuit's failure to self-correct and address problematic doctrines.<sup>62</sup> In order to correct, the Court can replace old doctrines with radically new but equally untested doctrines, as with inequitable conduct, or, if the Court cannot agree on an alternative, individual camps within the Court espouse competing doctrines that they apply in their panels, as with claim construction.<sup>63</sup> In contrast, the U.S. circuit court system at large has built a self-correction mechanism. If a court has made a mistake, that opinion does not have precedential effect for a different circuit, and the new court will decide the issue on new facts.<sup>64</sup> In general, this leads to a number of circuits adopting the 'correct' interpretation. Ideally, the outlier circuits change their view based on the applied decisions of the other circuit courts.<sup>65</sup>

When the Federal Circuit makes a doctrinal shift, it affects the entire nation. If the court later determines that the decision was wrong, they can either follow stare decisis or upturn the entire system and take another blind stab.<sup>66</sup> They do not have the benefit of competing courts testing out doctrinal theories. The Federal Circuit's isolation, which was supposed to create a uniform and efficient system, is thus lowering both the quality and the predictability of patent law.

### *ii. Reversals*

For the first decade of the Federal Circuit's existence, the Supreme Court rarely took appeals from it and even more rarely reversed it.<sup>67</sup> This low rate of

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<sup>62</sup> Jeremy W. Bock, *Restructuring the Federal Circuit*, 3 NYU J. INTELL. PROP. & ENT. L. 197, 201 (2014).

<sup>63</sup> Dreyfuss, *Percolation*, *supra* note 45, at 519.

<sup>64</sup> Cecil D. Quillen, Jr., *Response Essay: Rethinking Federal Circuit Jurisdiction – A Short Comment*, GEO L.J. ONLINE 23, 24 (2012) [hereinafter Quillen, *Response Essay*].

<sup>65</sup> Of course this sometimes does not occur, leading to circuit splits and, often, a Supreme Court opinion. Wagner & Petherbridge, *supra* note 61.

<sup>66</sup> Moba, B.V. v. Diamond Automation, Inc., 325 F.3d 1306, 1322 (Fed. Cir. 2003) (Rader, J., concurring) ("Whenever a Federal Circuit panel makes an error interpreting the patent code, every district court in the nation, and even every later Federal Circuit panel, is obliged to follow and perpetuate the error. Even the Supreme Court has difficulty identifying errors for correction because this court's national jurisdiction requires universal application of a mistake."); Quillen, *Response Essay*, *supra* note 64, at 24; Cecil D. Quillen, Jr., *Innovation and the U.S. Patent System*, 1 VA. L. & BUS. REV. 207, 232 (2006) ("However, in our current patent system, once the Federal Circuit has decided a case, there is no opportunity for alternative views to develop free from the constraints of stare decisis....").

<sup>67</sup> These appeals were on technical issues. They dealt with the functioning of the Federal Circuit more than the nuances of patent law. They were not significant forays into patent law, but affirmation's of the functioning of the Federal Circuit from above the Federal Circuit itself.

reversal has not continued, and in the last thirteen years, the Supreme Court has taken twenty-seven appeals from the Federal Circuit, and it has completely reversed the Federal Circuit's opinion more than 70% of those times.<sup>68</sup> While the change from few reversals to many reversals does not necessarily indicate a decrease in quality over the time as much as a change in Supreme Court policy, the current high rate of reversal does seem to indicate an issue of quality with the Federal Circuit's jurisprudence. The Supreme Court's recent reversals tie into the issue discussed above. The Federal Circuit cannot effectively and efficiently self-correct, and therefore the Supreme Court is the only option. This, then, is both a symptom of the Federal Circuit inability to work out patent law problems without the intervention of the Supreme Court, and a demonstration of how the Supreme Court can work as a partial solution to the Federal Circuit's isolation.

### *iii. Patent Friendly*

The Federal Circuit's jurisprudence has been criticized for being too patent friendly.<sup>69</sup> Its jurisprudence has decreased the standards of patentability, resulting in patent thickets.<sup>70</sup> This is not true of all areas, but some doctrines have received particular scorn for lowering the bar of patentability, such as the Federal Circuit's teaching-motivation-suggestion test. That test set the standard for combining two pieces of prior art to invalidate a patent as obvious as whether the prior art included teachings, suggestions, or motivation to combine the art. This resulted in the U.S. Patent and Trademark Office granting patents that were obvious when compared to the common knowledge of the field.<sup>71</sup>

Many of the Federal Circuit doctrines that the Supreme Court has overruled in recent years were extremely patent friendly, and the Supreme Court has had a moderating effect on the Federal Circuit's jurisprudence.<sup>72</sup> For example, the Supreme Court raised the bar of patentability and potentially reduced patent thickets by overturning the teaching-motivation-suggestion test.<sup>73</sup> The Federal Circuit's

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Dreyfuss, *Percolation*, *supra* note 46, at 509–10.; John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 275–76 (2002).

<sup>68</sup> Castanias, *supra* note 51, at 4.

<sup>69</sup> Arti K. Rai, *Competing with the “Patent Court”: A Newly Robust Ecosystem*, 13 CHI.-KENT J. INTELL. PROP. 386, 388 (2014) (noting that the Federal Circuit's purpose is to create “a regime that, within the limits of the statutory language, promotes innovation...”); Paul R. Gugliuzza, *Saving the Federal Circuit*, 13 CHI.-KENT J. INTELL. PROP. 350, 373–74 (2014).

<sup>70</sup> Rochelle Cooper Dreyfuss, *The Federal Circuit As an Institution: What Ought We to Expect?*, 43 LOY. L.A. L. REV. 827, 835–36 (2010).

<sup>71</sup> Dreyfuss, *Percolation*, *supra* note 45, at 512–13.

<sup>72</sup> Dreyfuss, *Supreme Court*, *supra* note 45, at 795; 9, 1131–133.

<sup>73</sup> Dreyfuss, *Percolation*, *supra* note 45, at 512–13.

narrow patent-friendly jurisprudence shows insufficient regard for the purposes of patent law and is symptomatic of the heart of the problem with specialist courts.

In general, the Federal Circuit has escaped capture by either the patent bar or interested parties largely because the parties who would be the ones capturing are often on both sides of cases and therefore do not uniformly benefit from strictly pro-patentee or pro-defendant doctrines.<sup>74</sup> Regardless, the Federal Circuit has been undeniably pro-patent, partially because of the role that it plays within the U.S. patent system.<sup>75</sup> For years, the judges of the Federal Circuit viewed themselves as defenders of patents, not as adjudicators of a balanced patent system.<sup>76</sup> Patent rights took on moral tones, and the focus went from stimulating innovation to supporting patents for patents sake.<sup>77</sup> Specialized patent courts in general are at risk of following a similar pattern.<sup>78</sup>

These factors demonstrate an issue with the quality of the Federal Circuit's jurisprudence. The Supreme Court provides some of the benefits of a generalist peer court, such as increased dialogue, honing of legal arguments, the ability to test doctrines, and the chance to make law based on different factual situations. For example, Supreme Court Justices have made the point that a stronger patent law does not necessarily equate to a better patent law.<sup>79</sup>

The relationship between the Supreme Court and the Federal Circuit has been contentious in the last decade, and this has resulted in a less than ideal adjudicatory

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<sup>74</sup> Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 27–28 (1989) [hereinafter Dreyfuss, *Case Study*].

<sup>75</sup> *Id.* at 28.

<sup>76</sup> Glynn S. Lunney, Jr., *Patent Law, the Federal Circuit, and the Supreme Court: A Quiet Revolution*, 11 SUP. CT. ECON. REV. 1, 2 (2004) (“Intended, at least by some of its supporters, to rescue patents from a judiciary often suspicious, if not overtly hostile, towards patents, the Federal Circuit has taken its role as defender of the patent system seriously. Using its exclusive jurisdiction over patent appeals, and relying on the sporadic and inherently limited nature of Supreme Court review, the Federal Circuit has rewritten the nonobviousness requirement and the doctrine of equivalents, sharply limiting their reach.”).

<sup>77</sup> Lorna M. Vélez Gómez, *Minds at Work: Employed Inventors' Ideas for A Therapeutic Patent System*, 5 U. P.R. BUS. L.J. 46, 55–56 (2014); Eric Schmitt, *Business and the Law: Judicial Shift in Patent Cases*, N.Y. TIMES, Jan. 21, 1986, at D2 (“The Kodak-Polaroid patent dispute is the most prominent example of an increasingly pro-patent sentiment in American courts[.]”).

<sup>78</sup> Dreyfuss, *Case Study*, *supra* note 74, at 26.

<sup>79</sup> Lab. Corp. of America Holdings v. Metabolite Labs. Inc., 548 U.S. 124, 126 (2006) (Breyer, J., dissenting) (per curiam).

environment.<sup>80</sup> Nonetheless, the Supreme Court's practice of issuing guidelines, norms, and policy has served to break up unnecessarily rigid Federal Circuit rules and has served as a shot in the arm to patent jurisprudence.<sup>81</sup> While the Supreme Court's involvement in patent law has served to increase uncertainty and has created some chaos, it has also alleviated some of the difficulties that an isolated court poses.

## 2. *The Effect of Isolation on the UPC and Potential Solutions*

The idea that courts suffer in isolation is not limited to the Federal Circuit. It applies to isolated specialized courts in general and therefore to the UPC. Indeed, the UPC will face challenges that are more significant than the Federal Circuit's because the UPC has much weaker judicial relationships. The chance for either ossification or oscillation is great. The UPC will be working in a vacuum, completely removed from other legal opinions or policy arguments. Unfortunately, the structure of the EU's judiciary and the UPC make a circuit system impossible.

The COFI cannot provide the necessary simulation and challenge for the UPC to avoid this plight. The same judges will not sit on the same court consistently, eliminating the development of a distinct jurisprudence in a specific COFI court.<sup>82</sup> Additionally, the judges' knowledge of European patent law will all stem from identical training programs.<sup>83</sup> These measures, which reduce forum shopping and increase uniformity, will also decrease the quality of the UPC's jurisprudence by removing the COFI courts' opportunity to become laboratories of independent legal thought.

Moving the substantive provisions into EU law would allow the ECJ to provide some benefit to the UPC. The ECJ's opinions would inject another court's views into the UCJ's jurisprudence. It is true that this would create a different dynamic than the relationship that exists between the Federal Circuit and the Supreme Court because the ECJ would not be issuing opinions on questions that the UCP itself has answered officially. Regardless, there would still be many of the same

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<sup>80</sup> See generally The Honorable Paul R. Michel, *The Supreme Court Saps Patent Certainty*, 82 GEO. WASH. L. REV. 1751 (2014) (detailing the tension between the Supreme Court and Federal Circuit).

<sup>81</sup> John M. Golden, *The Supreme Court as "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 686 (2009).

<sup>82</sup> The President of the COFI will assign judges for each court on a case-by-case basis. Agreement, *supra* note 3, art. 8.

<sup>83</sup> *Id.* art. 11.

benefits. Additionally, the UCP, in referring questions to the ECJ, could provide its own thoughts and a suggested result to the ECJ.<sup>84</sup>

Further, as the line between interpretation and application becomes blurred the relationship between the UCP and the ECJ will become more like the American system. If the UPC could refer questions to the ECJ, then the UCP would try the case, applying previous ECJ opinions to the particular factual situation. If there were a new question of law, the ECJ would answer it with input from the UCP. The UCP would then take the ECJ's opinion, and apply it as it sees fit. There will be disagreements, and questions might go between the courts multiple times. It is in that process where the benefit of the system lies.

More specifically, specialist courts benefit from superior generalist courts. The structure of specialist courts, and the many roles they play, can cause them to become overly narrow in their application of law; a generalist court can help to correct when the specialist court has gone astray. The Supreme Court plays this role for the Federal Circuit by acting as a balance. The Federal Circuit must play two roles that are at times in opposition.<sup>85</sup> It must correctly decide the cases from the district courts, on the facts as they come up. Additionally, it also must take on a quasi-managerial role in patent law and must curate patent law and create doctrines that the trial courts can apply.<sup>86</sup> This role has led the Federal Circuit to adopt standards that are clear and easy to apply, but which result in less than ideal outcomes.<sup>87</sup> While the Supreme Court seldom creates its own standards, the Court has increasingly taken appeals from the Federal Circuit in order to strike down the Federal Circuit's standards and provide guidance and policy to point the Federal Circuit in a new direction.<sup>88</sup>

The ECJ could provide a similar role for the UCP. The Court of Appeals of the UPC will not simply be deciding individual cases, but will be promulgating

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<sup>84</sup> Miller, *supra* note 18, at 8 (“Finally, the referring court may, if it considers itself able, briefly state its view on the answer to be given to the questions referred for a preliminary ruling.”).

<sup>85</sup> R. Polk Wagner, *The Two Federal Circuits*, 43 LOY. L.A. L. REV. 785, 789–90 (2010).

<sup>86</sup> *Id.*

<sup>87</sup> See Sapna Kumar, *The Accidental Agency?*, 65 FLA. L. REV. 229, 231 (2013) (“The Federal Circuit engages in two agency-like functions: promulgating substantive rules and adjudicating disputes. The court has historically engaged in a form of rulemaking by issuing mandatory bright-line rules.”).

<sup>88</sup> Dreyfuss, *Supreme Court*, *supra* note 45, at 801 (“In certain respects, then, the Supreme Court ought to conceptualize its relationship with the Federal Circuit as more of a dialogue than the product of hierarchy—as I said earlier—as the substitute for percolation.”).

doctrines for the COFI to follow.<sup>89</sup> The ECJ would be able to provide high-level guidance and policy directions to the UPC, specifically to the Court of Appeals. This is ultimately a question of balance. Specialized courts tend in the direction of bright-line rules and narrow policy goals. A higher generalist court, such as the ECJ, can balance that inclination.

*B. Isolating Patent Law from EU Law Will Have Negative Consequences for Patent Law and Other Areas of Law*

Patent law and the rest of European law are not easily separable, and the thick dividing line between them is a false one.<sup>90</sup> In contrast, while the Federal Circuit has exclusive jurisdiction of patent law, the line between patent law and non-patent law disappears at the Supreme Court. This allows the Supreme Court to consider the legislative policy goals of fields of law that are in tension with one another.

First, patent law suffers from narrow specialization. As we have seen in the United States, a narrow-minded pro-patent policy can ultimately stifle innovation.<sup>91</sup> Specialization produces “tunnel visions, with judges who are overly sympathetic to the policies furthered by the law that they administer or who are susceptible to ‘capture’ by the bar that [regularly] practices before them.”<sup>92</sup> The goal of patent law, increased innovation, is not without its costs. The imposition of a government

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<sup>89</sup> The COFI is different from the trial courts in the United States in that the COFI is also a specialized patent court. This eases the burden of the Court of Appeals somewhat, because there is less need to create simple doctrines that need to be clear enough for non-specialists. Regardless, there is still a need to create workable rules, especially for a new court with judges inexperienced in the law. Additionally, the fact that the trial courts are also specialist could have a negative effect, by destroying any push back on doctrines that negatively affect non-patent areas of law.

<sup>90</sup> Where the line is drawn is often a difficult question. In the United States, the Federal Circuit’s jurisdiction is broader than the UPC’s will be. First, the Federal Circuit deals with patent cases, not just issues, which means it has to on occasion deal with non-patent issues in patent cases. Second, the Federal Circuit deals with invalidity and infringement issues, but it also deals with patents as property, including licensing and assignment issues. The UPC will not deal with the latter category. Mahne, *supra* note 6, at 187.

<sup>91</sup> Michael A. Heller & Rebecca S. Eisenberg, *Can Patents Deter Innovation? The Anticommons in Biomedical Research*, 280 SCIENCE 698, 698 (1998).

<sup>92</sup> Dreyfuss, Percolation, *supra* note 45, at 506 (“To paraphrase a well-known proverb, if all the judges have is the hammer of patent law, every social problem they encounter could easily come to look like a nail.”).

monopoly is an extreme action—one that the courts must temper with an eye toward moderation.<sup>93</sup>

The purpose of patent law is to stimulate innovation, and it cannot accomplish this without a working relation to other areas of law.<sup>94</sup> The various disciplines of intellectual property law work together to promote innovation, and courts must consider disciplines other than patent law areas before they can determine whether a patent policy or law will actually promote innovation.<sup>95</sup> Patent law is at its most effective when working in concert with all government tools to stimulate innovation.<sup>96</sup> For example, many companies and universities make use of both trade secret and patent law, and the relationship between the two fields dictates how companies use them.<sup>97</sup> Courts and legislators must be aware of such nuances in order to make decisions about patent law and policy that encourage innovation.<sup>98</sup>

There is no judicial body that can correct the UPC's mistakes, even if there is wide consensus that the UPC's doctrine should change. The EU's legislative bodies do not provide the opportunity for correction either. Changing the UPC would require the amendment of an international treaty as well as a Council Regulation.<sup>99</sup> This makes the need for an appellate body overseeing the UPC even more important.

In addition to having a negative effect on patent law, the segregation of patent law away from other areas of law has a negative effect on those other areas. There are many examples of areas that touch on patent law, such as copyright, trademark, commercial, and contract law. One of the most high profile areas in Europe is EU competition law. Competition law and patent law are intrinsically related.

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<sup>93</sup> Dreyfuss, Supreme Court, *supra* note 45, at 795; Kelly Casey Mullally, *Legal (Un)certainty, Legal Process, and Patent Law*, 43 LOY. L.A. L. REV. 1109, 1131–33 (2010).

<sup>94</sup> U.S. CONST. art. VIII, §8, cl. 8; *see generally* Agreement, *supra* note 3, art. 83.

<sup>95</sup> Robert C. Denicola, *The New Law of Ideas*, 28 HARV. J.L. & TECH. 195, 220–21 (2014).

<sup>96</sup> *Id.*

<sup>97</sup> Patent law and trade secret are interrelated; using a trade secret can preclude patenting, and a patent destroys trade secrecy. David E. Korn, *Patent and Trade Secret Protection in University-Industry Research Relationships in Biotechnology*, 24 HARV. J. ON LEGIS. 191, 191–92 (1987).

<sup>98</sup> *Id.*

<sup>99</sup> The process of implementing the UPC, during which four countries have not signed on to all of the agreements, and two of the countries sued the Council and Parliament claiming the unitary patent was illegally based, makes it extremely unlikely that there will be any sort of timely response.

European competition law works to eliminate market obstacles, including the eradication of monopolies.<sup>100</sup> Patent law is concerned with the *grant* of government-backed monopolies. These two goals are inherently at odds, and a careful balancing between the two policies is necessary.<sup>101</sup> In the United States this balancing is accomplished by the legislature and, most directly, by the Supreme Court.<sup>102</sup> In Europe, neither the legislative nor the judicial bodies can perform this role. It will be extremely difficult to make any changes to the European patent system because of European patent law's complex statutory scheme. Additionally, considering that the European Commission, which has no say on UPC law, controls the implementation of competition policy, any synergistic collusion is unlikely.<sup>103</sup> There is also no court applying both patent and competition law to balance the competing interests. While the ECJ will consider patent law while evaluating competition law claims, the UPC has no jurisdiction, expertise, or inclination to consider competition law while adjudicating patent law. This is not only a general concern; patent law can negatively affect EU competition laws in ways that the EU will be unable to control. For example, the scope of a patent and the patentee's rights will affect how the national and European courts define the market in competition law, one of the most important steps in a competition case.

In a competition case, the relevant market is a combination of the product market, which are the products that are interchangeable with the product at issue and the geographic market.<sup>104</sup> A significant factor in the determination of the relevant market is the geographic extent of patent protection.<sup>105</sup> Competition authorities will often rely on the territorial scope of protection when determining the market, because the existence of the patent rights make the territory covered by the right sufficiently different from neighboring territory.<sup>106</sup>

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<sup>100</sup> Lionel J. Frank, *Antitrust and Trade Regulation in the European Union: Information Sharing in the Global Economy*, 195 N.J. LAW. 31, 31 (1999).

<sup>101</sup> Milosz Malaga, *The European Patent with Unitary Effect: Incentive to Dominate?*, 6 INT'L REV. INTELL. PROP. & COMP. L. 621, 631–42 (2014).

<sup>102</sup> U.S. Dep't of Justice & Fed. Trade Comm'n, Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition (2007), available at <http://www.ftc.gov/reports/innovation/P040101promotinginnovationandcompetition>.

<sup>103</sup> Christopher Allen, *FTC v. Actavis, Inc.: Antitrust Scrutiny of Reverse Payment Settlements in Pharmaceutical Patent Litigation*, 53 U. LOUISVILLE L. REV. 115, 115 (2014) (detailing an area where there is particular tension between antitrust and patent law).

<sup>104</sup> Malaga, *supra* note 101, at 639–41.

<sup>105</sup> *Id.*

<sup>106</sup> *Id.*

The introduction of the unitary patent could lead to a court defining the market as the entire area covered by the patent for a number of competition cases.<sup>107</sup> This significant broadening of the market definition, from national to continental, would have a serious effect on parties attempting to prove abuse of dominance.<sup>108</sup> Abuse of dominance becomes harder to prove the larger the market is.<sup>109</sup> Based on what rights the UPC assigns to the unitary patent, the definition and ease of proof for abuse of dominance can change throughout Europe. Therefore, a significant factor in determining whether an abuse of dominance has occurred will be in the hands of the UPC, an international court. Patent law will affect other areas of competition law as well, such as vexatious litigation. A national court would hear a claim of vexatious litigation, but the outcome of the case will depend on the interpretation of the patentee's right as determined by the UPC.<sup>110</sup>

It is absurd to put a court in charge of patent issues that have significant effect on other areas of law without empowering it to consider them. The potential for the UPC to negatively affect other areas of law is particularly insidious because its specialist nature blinds it to non-patent needs and arguments. It is necessary to have the ECJ balancing the EU's ultimate interest and interpreting these areas of patent law for the courts.

### C. Removing the Substantive Patent Provisions Undermines the EU Legal System

The removal of the substantive patent provisions from the UPR undermines the EU legal system, upsets the balance of power between the EU and the nation states, and further increases the EU's democratic deficit. The legal authorization for the unitary patent package, including the UPR, comes from Article 118 TFEU, which states that the EU "shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements."<sup>111</sup> Through the unitary patent package, the EU does not establish European IP rights, but actually divests the power to do so to the member states.

The divestment of control over the EU's Treaty-based competences sets a dangerous precedent for other areas of law. It blurs the line between EU and national

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<sup>107</sup> *Id.*

<sup>108</sup> *Id.*

<sup>109</sup> *Id.*

<sup>110</sup> Malaga, *supra* note 101, at 641–43.

<sup>111</sup> Consolidated Version of the Treaty on the Functioning of the European Union art. 118, Oct. 26, 2012, 2012 O.J. (C 326).

powers and gives the member states the power to amend European patent law. Member states could attempt this in other areas of law and potentially weaken gains made by the EU towards increased harmonization and control.

It is true that the EU could take back the control of patent by amending the current provision which obliquely refers to the UPCA (by way of reference to national law), but this is a less than ideal situation for two reasons. First, if the EU amends the UPR, which it would have to do in order to amend substantive patent law, the amendment would wipe out the body of law created by the UPCA and UPC by cutting the UPCA out of the picture. The EU should avoid this messy and complicated situation at all costs.<sup>112</sup> Second, regardless of the fact that the EU could potentially amend EU patent law through amendment to UPR, the current situation allows the contracting nations to amend EU patent law with no input from the EU itself, merely by amending the UPCA. The member states can amend substantive European patent law without the EU by amending the UPCA.

The removal of the substantive patent provisions also increases the democratic deficit by wresting power from both the European and national parliaments. Advocate-General Bot's opinion on the UPR stated that the contracting member states are under an obligation to sign the UPCA. This means that neither the European Parliament nor the national parliaments decided the substantive European patent law. The substantive treaty provisions, embodied in the UPCA, are under the control of the signers of the treaty, since the national parliaments are bound to ratify the treaty once signed.

This confusing form of legislation is not in the best interests of the EU. The unitary patent package has come into existence by circumventing the European Parliament, the ECJ, and the national parliaments. While its existence is beneficial for Europe, the way that it has come into being is not. The ECJ has not decided the system's legality yet, but Advocate-General Bot's opinion on the case upheld the package.<sup>113</sup> Regardless of the ECJ's decision, the policy behind the package is harmful because it bypasses the correct procedure and creates a precedent of vesting EU powers in the nations.

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<sup>112</sup> The EU could amend the UPR to include all of the UPCA, theoretically retaining all case law built on the UPCA, but that is an unnecessarily messy solution.

<sup>113</sup> Opinion of Advocate General Bot, Spain v. Parliament and Council, Case C-146/13, [2014] E.C.R. I— (delivered Nov. 18, 2014) (judgment not yet issued).

### III

#### THE PREDICTED NEGATIVE CONSEQUENCES OF THE INCLUSION OF THE SUBSTANTIVE PATENT PROVISIONS WERE EXAGGERATED.

The opposition to the inclusion of the substantive patent provisions in the UPR centered on three concerns: referral to the ECJ would create debilitating delays and costs, the ECJ lacked the expertise and experience to decide patent cases correctly, and ECJ review would create instability and uncertainty in European patent law.<sup>114</sup> Some of these concerns have merit and should be a part of the discussion on the provisions inclusion in EU law. However, the negative consequences of the inclusion of the provisions in EU law would not be as significant as implied, and the apocalyptic tone of the original discussion was misplaced.<sup>115</sup> Referral to the ECJ would not destroy the UPC's achievements in efficiency and cost-savings. This section will look at the three major points of opposition to show that the concerns, while real, should not be dispositive.

##### *A. The Ability for the UPC to Refer Questions of EU Law to the ECJ Will Not Lead to Debilitating Delays or Costs.*

One of the foremost purposes of the UPC was to create a patent litigation system in Europe that is efficient, cost-effective, and streamlined.<sup>116</sup> Any claim of inefficiency in the ECJ therefore strikes at the heart of the UPC's purpose. There has been a recent influx of cases at the ECJ, caused by a vast widening of its jurisdiction after the Treaty of Lisbon<sup>117</sup> and the EU's expansion in Central and Eastern Europe.<sup>118</sup> These new cases have created a backlog and the ECJ has developed a reputation for delays and slow litigation.<sup>119</sup> However, the most recent data from the

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<sup>114</sup> Kraßer, *supra* note 2; Jochen Pagenberg, *President's Report 2011*, EUROPEAN PATENT LAWYERS ASSOCIATION (Dec. 2, 2011), [http://www.eplaw.org/Downloads/President%27s\\_Report.pdf](http://www.eplaw.org/Downloads/President%27s_Report.pdf).

<sup>115</sup> The European Patent Lawyers Association stated that “[i]f one wants a really unattractive, inefficient, unpredictable and probably extremely expensive patent court system, then we will get it; one must only give the ECJ a chance to receive as many referrals in patent law as possible. If one wants to see substantive patent law in Europe to be decided by judges without any solid knowledge and experience in this field, then one must involve the ECJ whenever possible.” Pagenberg, *supra* note 114.

<sup>116</sup> Harnett & Wieker, *supra* note 9, at 16.

<sup>117</sup> The ECJ's new jurisdictions cover areas of particular sensitivity and complexity, such as issues of asylum, policing, and justice. Hugo Brady, *Twelve Things Everyone Should Know About the European Court of Justice*, CENTRE FOR EUROPEAN REFORM 42 (2014).

<sup>118</sup> *Id.* at 13.

<sup>119</sup> See European Union Committee Workload of the Court of Justice of the European Union: Follow-Up Report, 2012-3, H.L. 163, at 20 [hereinafter Workload] (“However, ‘between 2000 and

ECJ shows that these concerns are misplaced, and that the ECJ has largely overcome the worst of its backlog.

When the debate over the substantive patent provisions occurred in 2012, there was substantial worry that the ECJ's delays would steadily worsen each year.<sup>120</sup> In 2012, the ECJ completed 595 cases, while there were 632 new cases.<sup>121</sup> This increased the case backlog to 886 cases. In 2011, the average duration of a reference for preliminary ruling was 16.4 months, up by 0.3 months from 2010.<sup>122</sup> The growing backlog and case duration led to proposals for judicial reform, only some of which the EU has adopted.

There is truth in this fear; referral to the ECJ will inherently cause patent litigation to be, on average, longer than if the ECJ was cut out of the picture altogether. This is not necessarily dispositive, though, and it is only a sufficient reason to remove the provisions if the delays are so substantial as to render the system ineffective. There is significant reason to believe that the delays caused by reference to the ECJ would not be fatally long.

The data on the ECJ after the decision to remove the substantive provisions provides an optimistic picture. In 2014, the average duration for a reference for preliminary ruling was 15 months.<sup>123</sup> This is the shortest average duration for preliminary rulings in the Court's history, and a 1.3 month decrease from the 2013 average.<sup>124</sup> Additionally, the case backlog, which stood at 886 in 2012, has now decreased to 787, with the ECJ completing more cases than were filed in both 2013 and 2014.<sup>125</sup>

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2010 as a trend, the number of new cases has more than doubled.' The Law Society called attention to 'the current backlog and the very long duration of proceedings (both in terms of the 'average' duration and in relation to the cases that last longer, sometimes much longer, than the average).''' (internal citation omitted).

<sup>120</sup> *Id.*

<sup>121</sup> Press Release, Court of Justice of the European Union, No. 23/13, Statistics Concerning Judicial Activity in 2012: Consolidation of the Results Achieved in Recent Years (Mar. 6, 2013), available at <http://curia.europa.eu/jcms/upload/docs/application/pdf/2013-03/cp130023en.pdf>.

<sup>122</sup> *Annual Report of the Court of Justice of the European Union*, CURIA (2011), [http://curia.europa.eu/jcms/upload/docs/application/pdf/2012-06/ra2011\\_statistiques\\_cour\\_en.pdf](http://curia.europa.eu/jcms/upload/docs/application/pdf/2012-06/ra2011_statistiques_cour_en.pdf) (last visited April 20, 2015).

<sup>123</sup> Press Release, Court of Justice of the European Union, No. 27/15, Statistics Concerning Judicial Activity in 2014 (Mar. 3, 2015) [hereinafter Press Release No. 27/15], available at <http://curia.europa.eu/jcms/upload/docs/application/pdf/2015-03/cp150027en.pdf>.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

This decrease in caseload has come at a time where the scope and complexities of the ECJ's jurisdiction has grown rapidly.<sup>126</sup> Trademark law, for example, is a new area of European law that is creating a high number of cases for the CJEU.<sup>127</sup> The ECJ has shown the ability to handle these caseload increases and still make progress on backlog and case duration. There is hope that, as the EU institutes more of the proposed judicial reforms, the duration and backlog will become even smaller.<sup>128</sup>

The duration of a European patent case compares favorably with the American system. The UPC's current Draft Rules of Procedure estimates a duration of 20.5 months for a case to go through trial and appeal.<sup>129</sup> The average duration for the ECJ preliminary ruling is 15 months.<sup>130</sup> Therefore, if a case has a trial at the COFI, an appeal at the Court of Appeals, and a reference to the ECJ, the average duration would be 2 years and 6.5 months. The average time to trial for patent cases in the United States was 2 years and 3.72 months, though some districts had averages as high as 3 years and 8 months.<sup>131</sup> The average appeal to the Federal Circuit, which is available by right, was 11.8 months in 2013.<sup>132</sup> Therefore, the average patent case at the slowest district court takes approximately 4 years and 7.84 months, and the average case takes approximately 3 years and 3.52 months. Compared to the duration

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<sup>126</sup> *Annual Report of the Court of Justice of the European Union*, CURIA (2013), <http://curia.europa.eu/jcms/upload/docs/application/pdf/2014-06/qdag14001enc.pdf> (last visited April 20, 2015).

<sup>127</sup> Trademark cases account for 40% of the General Court's cases, and many of those cases make it to the ECJ as appeals. *See id.*

<sup>128</sup> The CJEU has recommended various proposals to increase efficiency, including increasing the size of the Grand Chamber and amending the ECJ's Rules of Procedures. Workload, *supra* note 119, at 11.

<sup>129</sup> Nine months for the written procedure, three months for the interim procedure, six weeks for oral procedure, four months to file the Statement of grounds of appeal, three months to file the Statement of Response. *See Klaus Grabinski, An Overview of the Draft Rules of Procedure for the Unified Patent Court*, 48 LES NOUVELLES 154, 159–68 (2013).

<sup>130</sup> Press Release No. 27/15, *supra* note 123.

<sup>131</sup> 2014 Patent Litigation Study PWC 17, at 17 (2014), [http://www.pwc.com/en\\_US/us/forensic-services/publications/assets/2014-patent-litigation-study.pdf](http://www.pwc.com/en_US/us/forensic-services/publications/assets/2014-patent-litigation-study.pdf).

<sup>132</sup> *Median Time to Disposition in Cases Terminated After Hearing or Submission*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, [http://www.cafc.uscourts.gov/images/stories/Statistics/meddisptimemerits\\_table.pdf](http://www.cafc.uscourts.gov/images/stories/Statistics/meddisptimemerits_table.pdf) (last visited April 20, 2015). This calculation only uses the data for appeals from district courts because appeals from other bodies, such as the International Trade Commission, are not comparable to a patent trial court such as the COFI.

of American trials, the length of European trials, even those including a reference to the ECJ, is not catastrophically long.

The duration of a European patent trial will ultimately depend on how effectively the UPC itself is able to litigate cases. The ability to reference questions of patent law would not create such catastrophic delays that the system would become unworkable. The estimated duration of a UPC trial plus ECJ reference would still be shorter than the American system, which is widely considered to be successful.

In addition to the positive statistics, there is reason to think that the UPC would not have to refer to the ECJ as often as national courts do. A court of final resort, such as the Court of Appeals, is obligated to refer questions of EU law to the ECJ.<sup>133</sup> In any particular case, the national courts ultimately make the decision whether to refer, though the court can be subject to damages for failure to refer a necessary question.<sup>134</sup> National courts are not obligated to refer all questions of EU law though. Under the *acte clair* doctrine, the national court is not required to refer the question if “the correct application of Community law may be so obvious as to leave no scope for any reasonable doubt as to the manner in which the question is raised is to be resolved.”<sup>135</sup> The *acte clair* doctrine was established as a way to increase efficiency, as well as rein in the national courts by creating stringent requirements for the use of the doctrine.<sup>136</sup> The *acte clair* doctrine allows the courts to function as European courts while the ECJ retains control of EU law.

The relationship between the UCP and the ECJ will likely be different from the relationship between national courts and the ECJ, and further it is reasonable to expect that the application of *acte clair* will be different as well. The national courts are not applying their own national law and are theoretically less familiar with the

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<sup>133</sup> Hornuf & Voigt, *supra* note 19, at 4.

<sup>134</sup> MORTEN BROBERG & NIELS FENGER, PRELIMINARY REFERENCES TO THE EUROPEAN COURT OF JUSTICE 269–70 (Oxford University Press 2d ed. 2014).

<sup>135</sup> Case C-283/81, *CILFIT v. Ministero della Sanità*, 1982 E.C.R. 03415, ¶ 16 (1982); *see also* Case C-231/96, *Edis v. Ministero delle Finanze*, 1998 E.C.R. I-4979, ¶ 15–16 (1998). The *acte clair* doctrine holds that if the ECJ has already answered the question of EU law, then the national courts also do not have to refer.

<sup>136</sup> Vladimir Shifrin, *Article 177 References to the European Court*, 27 DENV. J. INT'L L. & POL'Y 657, 667 (1999) (“The strict requirement developed in *CILFIT* would seem not a relaxation of the duty to refer under Article 177(3), but an attempt to deter national courts from the use of *acte clair* by setting forth conditions that no national court could realistically satisfy. However, examples abound of Member States' supreme courts not making a reference under Article 177(3) on the grounds of *acte clair*.”) (citations omitted).

EU law they are applying. Therefore, there must be strict requirements on when they may apply the law without reference to the ECJ. Though the national courts are acting somewhat as proxies of the EU, they are not European Courts.<sup>137</sup> On the other hand, the UPC—though it is technically a national court of each contracting member state—is a European court, with a European reach and a European mindset. Additionally, it will apply law that it is specifically trained and designed to apply.

In the case establishing *acte clair*, the ECJ stated that “the existence of such a possibility [of *acte clair*] must be assessed in the light of the specific characteristics of Community Law, the particular difficulties to which its interpretation gives rise and the risk of divergence in judicial decisions within the Community.”<sup>138</sup> The application of all of these factors is different for the UPC than for the national courts. The UPC will be a court trained and specialized in patent law, it will be the expert in the interpretation of European patent law, and there is no risk of divergence because the Court of Appeal’s decisions apply throughout all of the contracting member states.

The reasons for limiting the application of *acte clair* do not apply as forcefully to the UPC, in which the need for efficient decisions is heightened. The early stages of the UPC and European patent law would likely include a significant number of referrals, but once the ECJ and UPC lay down the basic doctrines it is likely that the UPC would make fewer referrals than the average national court.<sup>139</sup> This will allow for efficient patent litigation and for a more independent UPC.

Allowing references to the ECJ will increase the time and cost of patent litigation, but the increases will not be as large, nor will the effect be as catastrophic, as was previously predicted. The anticipated case duration is favorable when compared to the American patent litigation system, and there is no reason to think that the delays inherent in ECJ reference will be unduly deleterious to European innovation.

#### B. *The ECJ is Competent to Render Decisions in Patent Cases Despite its Lack of Experience in European Patent Law*

The groups opposed to the provisions argued that the ECJ’s opinions would lower the quality of European patent law because of their unfamiliarity with patent

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<sup>137</sup> Mark A. Pollack, *The New EU Legal History: What's New, What's Missing?*, 28 AM. U. INT'L L. REV. 1257, 1270–75 (2013).

<sup>138</sup> CILFIT, *supra* note 135, at 13.

<sup>139</sup> HOUSE OF COMMONS EUROPEAN SCRUTINY COMMITTEE, THE UNIFIED PATENT COURT: HELP OR HINDRANCE?, 2010–12, H.C. 1799-I, ¶ 64–65 (U.K.).

law. As discussed extensively above, a generalist court that does not focus solely on patent law is beneficial for the development of patent law. Additionally, the idea that the ECJ is incapable of understanding patent law is ludicrous.<sup>140</sup> Though the patent community often holds up patent law as an especially complex area of law,<sup>141</sup> it is hard to imagine that it is exponentially more difficult to understand than the areas with which the ECJ currently deals, including EU citizenship law, competition law, and immigration law. The judges on the ECJ have not, as of yet, dealt with European patent cases, as there have been none, but it is irrational to assume that it would be beyond their judicial capabilities. This is especially true since the ECJ would be dealing purely with the legal aspect of the case and not the application of the law to the technical facts of the case.<sup>142</sup>

The ECJ frequently has had to deal with new areas of law, including subjects like asylum, policing, and justice.<sup>143</sup> The ECJ's experience of dealing with the flood of trademark cases, an intellectual property regime that is also new to the ECJ's jurisdiction, is demonstrative of its ability to adapt to and learn new areas of law that come into its jurisdiction. The ECJ's history shows a near continual expansion of its jurisdiction. The ECJ has significant institutional experience in learning new areas of law, and there is no reason that patent law would be any different.

### C. The ECJ Will Not Substantially Decrease the Predictability or Certainty of the Patent System

Predictability is one of the most important attributes of patent law because it is necessary for innovators to be sure that the patent system will protect their efforts before they invest resources and time.<sup>144</sup> Decisions rendered by the ECJ will apply throughout contracting member states with the same uniformity the UPC's decisions. Therefore, the issue is not geographic uniformity, but rather the potential for the ECJ to disrupt patent law with unpredictable decisions. Though the

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<sup>140</sup> Critiques often make the same claim about the Supreme Court. While reasonable minds might disagree over the correct statutory interpretation or policy choice that the Supreme Court makes in patent law, it is absurd to accuse them of making their decisions because they do not understand it. Michel, *supra* note 80, at 1753.

<sup>141</sup> Jennifer F. Miller, *Should Juries Hear Complex Patent Cases?*, 2004 DUKE L. & TECH. REV. 4, at 1 (“Some commentators argue that a ‘complexity exception’ to the Seventh Amendment right to a jury trial should be invoked”).

<sup>142</sup> If the technical aspects are relevant to the legal interpretation, they can use a technical advisor as well though. CRAIG & DE BÚRCA, *supra* note 55, at 493–94.

<sup>143</sup> Brady, *supra* note 117, at 42.

<sup>144</sup> Mullally, *supra* note 93, at 1112.

ECJ might render some individually unpredictable decisions, its overall effect would be to stabilize the specialist court.

The ECJ might create some instability in the early stages of the UPC, but no more than the UPC itself will create. The UPCA instituted a seven-year transition period, which the UPC's administrative Committee can extend seven more years because of this inherent initial instability.<sup>145</sup> The institution of any new court and legal system will be unpredictable until there are a sufficiently large number of opinions, but that is no reason to remove the ECJ. The ECJ's positive effect on the quality and stability of UPC jurisprudence would outweigh any additional uncertainty that the relationship between the ECJ and the UPC causes.

Admittedly, there is some merit to a few of the arguments against the inclusion of the substantive patent provisions in the UPR. The change would make patent litigation on average slightly slower and it could potentially make the outcome of cases less certain, especially in the initial stages. There is ample evidence though, that the effects of the ECJ would ultimately be slight. Once balanced, the benefits of including the substantive patent provisions in the UPR outweigh the negative costs.

## CONCLUSION

The unitary patent package is a colossal achievement for Europe—the culmination of half a century of negotiation and compromise. The creation of the UPC and the unitary patent is itself an accomplishment. The goals of uniformity and efficiency are laudable, but they should not be the only focus of the unitary patent package. The ultimate goal is to encourage innovation in Europe.

When Congress created the Federal Circuit, its goals were similar: uniformity and efficiency in patent law. Lawmakers were willing to create a specialist court because they believed that the benefits would outweigh the costs. The Federal Circuit's patent jurisprudence over the last quarter of a century shows that this bargain has not worked as intended. The Federal Circuit has created a uniform body of patent laws, but at the cost of quality, nuance, and progress.

The European patent community should not make the same mistakes as the U.S. patent community twenty-five years ago. The inclusion of the substantive patent provisions in EU law would likely have some negative consequences, but they would not be as severe as predicted and they are smaller than the benefits. An

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<sup>145</sup> Agreement, *supra* note 3, art. 83; see England, *supra* note 26, at 917.

amendment to the UPR to place substantive patent law back into EU law would benefit patent law, other areas of EU law, and the EU legal structure.