

# The European Patent Reform – Silent correction attempts

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*Office translation of the original German language document, the article reflects the personal opinion of the author.*

**The Preparatory Committee of the Unified Patent Court has secretly and quietly amended the rules on legal aid in the UPC Rules of Procedure, making it available also to legal persons. Although this is a mandatory requirement of affording effective legal protection according to the case law of the CJEU, the possibility of claiming legal aid has so far been limited to natural persons. However, the secret attempt to retroactively establish conditions compatible with Union law in that regard, by changing the Rules of Procedure is unlikely to work, since the Agreement on a Unified Patent Court still restricts legal aid to natural persons, which the Rules of Procedure, as lower-ranking law, cannot override.**

## **I. The UPCA and Constitutional law**

It is well known that the compatibility of the Agreement on a Unified Patent Court (“UPCA”) and its Rules of Procedure (“RoP”) with Union law and German constitutional law is questionable from several points of view. The German Federal Constitutional Court is currently dealing with these issues in the context of the constitutional complaint lodged against its ratification.

In view of the unusual urgency with which the political actors wanted to adopt the European patent reform, a careful examination of legality has apparently been omitted to a wide extent. In particular the RoP, drafted and supervised until the 16<sup>th</sup> draft by the so-called former “Drafting Committee”<sup>1</sup>, reveal apparent deficits. The discussion on the initially planned “opt-out” fee should have served as a warning to take sufficient care of the issue.

## **II. The initially planned “opt-out” fee**

As is well known, the initial intent was to impose a fee on the opt-out from the jurisdiction of the Unified Patent Court (“UPC”) under Art. 83 UPCA (and on a withdrawal thereof), which the Preparatory Committee of the UPC (“PC-UPC”) proposed<sup>2</sup> to be EUR 80 each.

It was shown<sup>3</sup> that this would entail constitutional difficulties, in particular for the “classical” European patents already granted or applied for prior to the entry into force of the UPCA, which according to Art. 3 lit. c) and d) UPCA

are also intended to be subject to the UPC’s competence, since this would have meant retroactively shifting legal protection from the national courts originally competent (Art. 64(3) EPC) to the UPC, so that maintaining the legal protection regime existing at the time the protective right was filed or granted would have required opting-out and payment of the respective fee.

It has been shown that already a sufficiently clear legal basis for collecting that fee was missing, and that, at least, it would have violated the principle of proportionality.<sup>4</sup> The author stated at the time:<sup>5</sup>

*“Already due to these manifest doubts in the lawfulness of an opt-out fee under constitutional law its collection should be abstained from entirely, all the more since the confidence in the Unified Patent Court expressed by such step would be an important signal to the user circles.”*

The Preparatory Committee ultimately waived the fee, which, of course, was not attributed to the evident constitutional problem, but to its own “gain in knowledge”:<sup>6</sup>

*“One of the few areas of clear consensus in consultation responses was that the opt-out fee should be removed or lowered to reflect the commitment made by the Preparatory Committee that the fees for both the opt-out and its withdrawal are set to reclaim administrative costs only and that the Court would not profit from either of these.”*

*We now know much more detail as to how the proposed opt-out process will work and that the administration burden rests almost entirely with the applicant. We also know that any cost to the Court associated with the opt-out is related to processing the fee. There is no additional cost for the Case Management System to process opt-out requests if there is no fee. Requiring people to make payment generates costs for the court which would not be needed if there were no fee. So, removing the fee removes the cost; it also eliminates the problem of how to process payments particularly during provisional application and honours the commitment already made to only reclaim administrative costs for the opt-out.”*

Abandoning the idea of collecting this unlawful fee was celebrated as a major achievement. The British govern-

<sup>1</sup> Cf. *Stjerna*, The European Patent Reform – The “expert teams” of the Preparatory Committee, accessible at [www.stjerna.de/expert-teams/?lang=en](http://www.stjerna.de/expert-teams/?lang=en).

<sup>2</sup> p. 11, cipher III., accessible at [bit.ly/2m5ORS5](http://bit.ly/2m5ORS5).

<sup>3</sup> For more details cf. *Stjerna*, The European Patent Reform – Urgently needed: A legal basis for the opt-out fee, accessible at [www.stjerna.de/legal-basis-opt-out-fee/?lang=en](http://www.stjerna.de/legal-basis-opt-out-fee/?lang=en).

<sup>4</sup> *Stjerna* (fn. 3), p. 2 ff.

<sup>5</sup> *Stjerna* (fn. 3), p. 4, cipher V.

<sup>6</sup> Document “Rules on Court fees and recoverable costs” of 25/02/2016, p. 17, accessible at [bit.ly/21wMAug](http://bit.ly/21wMAug).

ment even issued a press release claiming that it had “secured” that no fee would be collected.<sup>7</sup>

*“The UK delegation, through 18 months of hard work, secured a zero opt-out fee.”*

### III. Legal aid and legal persons

In the widely acclaimed article “A poisoned gift for SMEs”<sup>8</sup>, the author explained in 2016 that the benefits allegedly resulting from the European patent reform are a mere chimera and that, on the contrary, it involves serious financial risks, in particular for small and medium-sized enterprises (“SMEs”).

As one reason for this, it had been pointed out that pursuant to Art. 71(1) UPCA, legal aid was only available to natural persons.<sup>9</sup> The provision reads as follows (emphasis added):

*“A party who is a natural person and who is unable to meet the costs of the proceedings, either wholly or in part, may at any time apply for legal aid. The conditions for granting of legal aid shall be laid down in the Rules of Procedure.”*

This restriction to natural persons excludes legal persons from recourse to legal aid.

#### 1. RoP, 18<sup>th</sup> draft, version 01/07/2015: No legal aid for legal persons

Originally, legal aid was limited to natural persons also in the RoP. Rule 375 RoP, in the version of 01/07/2015, stipulated:<sup>10</sup>

*“1. In order to ensure effective access to justice, the Court may grant legal aid to a party (hereinafter “the applicant”).*

*2. Legal aid may be granted in respect of any proceedings before the Court.”*

Rule 377.1 added (emphasis added):

*“Any natural person who is a citizen of the European Union or a third country national residing lawfully in a Member State of the European Union shall be entitled to apply for legal aid where: (...).”*

As a measure to protect against the serious financial risk involved at the UPC, said article suggested that legal aid be extended also to legal persons.<sup>11</sup>

#### 2. The quiet adaptation of the RoP

In a 2009 decision, the CJEU had ruled that the right to effective legal protection under Art. 47(3) of the EU Charter of Fundamental Rights requires that legal aid is availa-

ble to legal persons as well.<sup>12</sup> This had apparently been overlooked by the drafters of the UPCA and the RoP.

#### a) RoP, 18<sup>th</sup> draft, version 19/10/2015

On 19/10/2015, the PC-UPC adopted as final the 18<sup>th</sup> draft of the RoP, “subject to any future amendments on the court fees”<sup>13</sup> and made it public. This version<sup>14</sup> contains the aforementioned limitation of legal aid to natural persons in Rule 377.1.

#### b) RoP, 18<sup>th</sup> draft, version 30/06/2016

On 01/07/2016, the PC-UPC announced that at its 17<sup>th</sup> meeting on 30/06/2016, among other things, “the Committee agreed on a set of consequential amendments to the Rules of Procedure”.<sup>15</sup> What these changes were was not explained. The new RoP version<sup>16</sup> was – as far as can be seen – not published and was obtained by means of an application under the Freedom of Information Act (“FOIA”). This version still contains the limitation of legal aid to natural persons (Rule 377.1).

#### c) RoP, 18<sup>th</sup> draft, version 10/10/2016: Legal aid available to legal persons as well

In a communication dated 12/10/2016, the PC-UPC informed that “a number of minor amendments were agreed to the Rules of Procedure”.<sup>17</sup> Once again, no further details on the content of these amendments were provided. The announced publication of the new version of the 18<sup>th</sup> draft, dated 10/10/2016, did not take place – as far as can be seen – so that the said “minor amendments” could not be reproduced. This version<sup>18</sup> of the RoP was also obtained by means of an application under the FOIA.

A closer look reveals a change in the entitlement to legal aid. While Rule 377.1 previously stated “Any natural person (...) shall be entitled to apply for legal aid (...)”, it now reads (emphasis added):

*“The applicant shall be entitled to apply for legal aid (...).”*

Thus, without any communication to the public, the attempt has been made to expand the possible beneficiaries of legal aid to now also cover legal persons, in accordance with the requirements defined by the CJEU. In addition to the fact that this problem was recognised at a very late stage, the secrecy of this change shows the mindset of the respective operators and vividly demonstrates the thin ice

<sup>7</sup> Press statement “Zero opt out fee agreed for Unified Patent Court” of 29/02/2016, accessible at [archive.md/md9nR](http://archive.md/md9nR).

<sup>8</sup> *Stjerna*, The European Patent Reform – A poisoned gift for SMEs, accessible at [www.stjerna.de/smes/?lang=en](http://www.stjerna.de/smes/?lang=en).

<sup>9</sup> *Stjerna* (fn. 8), p. 7 (l. col.), cipher V.2.e).

<sup>10</sup> 18<sup>th</sup> draft, version of 01/07/2015, accessible at [bit.ly/2K5Fyug](http://bit.ly/2K5Fyug).

<sup>11</sup> *Stjerna* (fn. 8), p. 9, cipher VIII. (l. col.).

<sup>12</sup> EuGH, case C-279/09, judgment of 22/12/2010 – DEB, accessible at [bit.ly/3tUbc3i](http://bit.ly/3tUbc3i).

<sup>13</sup> Communication of the PC-UPC “12<sup>th</sup> meeting of the Preparatory Committee – 19 October 2015” of 20/10/2015, accessible at [archive.is/ENOFY](http://archive.is/ENOFY).

<sup>14</sup> 18<sup>th</sup> draft, version of 19/10/2015, accessible at [bit.ly/2K6Agi9](http://bit.ly/2K6Agi9).

<sup>15</sup> Communication of the PC-UPC “17<sup>th</sup> Preparatory Committee – 30 June 2016” of 01/07/2016, accessible at [archive.ph/YqmJk](http://archive.ph/YqmJk).

<sup>16</sup> 18<sup>th</sup> draft, version of 30/06/2016, accessible at [bit.ly/2qLHGhX](http://bit.ly/2qLHGhX).

<sup>17</sup> Communication of the PC-UPC “18<sup>th</sup> Preparatory Committee – 10 October 2016” of 12/10/2016, accessible at [archive.ph/Uocub](http://archive.ph/Uocub).

<sup>18</sup> 18<sup>th</sup> draft, version of 10/10/2016, accessible at [bit.ly/2qPzwFk](http://bit.ly/2qPzwFk).

on which the UPCA rests when it comes to the protection of fundamental rights, even beyond the aspects raised in the constitutional complaint. It was apparently intended to quietly eliminate this (further) deficit and to avoid drawing public attention to it.

#### **d) RoP, 18<sup>th</sup> draft, version 15/03/2017**

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On 10/04/2017, the PC-UPC announced:<sup>19</sup>

*“The latest version of the draft Rules of Procedure can be found here. This draft is yet to come under scrutiny by the European Commission on the compatibility of the Rules of Procedure with Union law and will be subject to formal adoption by the UPC Administrative Committee (date of this meeting yet to be confirmed) during Provisional Application.”*

Thus, the most recent RoP version<sup>20</sup>, dated 15/03/2017, is now considered final.

### **3. Can the RoP override a clear provision in the UPCA?**

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Whether the amendment of Rule 377.1 actually has the desired effect and can dispel a further violation of Union law is doubtful. Art. 71(1)1 UPCA clearly states that legal aid can only be granted to natural persons, thereby excluding legal persons from the outset. In order to try to achieve the inclusion of legal persons required by Union law, reference will probably be made to Art. 71(1) 2 UPCA, which states that *“the conditions for granting of legal aid shall be laid down in the Rules of Procedure”*. However, the RoP are subordinate to the UPCA, and only serve to define in more detail the provisions laid down in it. Accordingly, Art. 41(1) UPCA determines with regard to the RoP:

*“The Rules of Procedure shall lay down the details of the proceedings before the Court. They shall comply with this Agreement and the Statute.”*

A material amendment of the Agreement through the RoP is therefore not possible. Thus, recourse to legal aid can be considered to remain limited to natural persons, notwithstanding the silent extension of Rule 377.1, and the UPCA to violate Union law also in that regard. The necessary amendment to the UPCA could possibly be made by the UPC Administrative Committee on the basis of Art. 87(2) UPCA as to establish compatibility with Union law, but without such amendment, however, and subject to its effectiveness, legal persons can be expected not be entitled to legal aid at the UPC.

#### **IV. Outlook**

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The operation once again shows the consequences of the hasty adoption of the European patent reform. A review of the UPCA as to ensure compatibility with Union law and the constitutional requirements of the Contracting States has apparently been dispensed with in the interests of a

rapid enactment, the extent of the legal problems arising from this carelessness is striking. The above-documented attempt to secretly resolve a further, hitherto unknown problem shows the protagonists’ desire of putting the reform into effect as quickly as possible and at all costs. One can be grateful that the German Constitutional Court will take a look at some central issues, and it remains to be hoped that it will provide the users with clear and reliable answers.

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For possibilities to support my work on the European patent reform please visit [www.stjerna.de/contact/?lang=en](http://www.stjerna.de/contact/?lang=en). Many thanks!

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<sup>19</sup> Communication of the PC-UPC “Draft Rules of Procedure – updated March 2017” of 12/10/2016, accessible at [archive.ph/FVp76](http://archive.ph/FVp76).

<sup>20</sup> 18<sup>th</sup> draft, version of 15/03/2017, accessible at [bit.ly/2FpTHUj](http://bit.ly/2FpTHUj).