

Unitary Patent and national law

With regard to unitary patents, national law often has to be applied to fill in the gaps the unitary patent regulation has left. If we take the EPO's application figures since 2010 as a basis for the unitary patent, it can be predicted that German law will (partly) have to be applied to over 80% of all unitary patents in the future.

Although the unitary patent will be an extremely important industrial property right in economic terms, there is much about it that is still unclear. Nevertheless, the exploitation of future unitary patents should be considered even now, as the substantive law governing the unitary patent as an object of property will already be determined with a present patent application.

Art. 7 of the Unitary Patent Regulation (UPR) contains very few provisions regarding this matter and refers to national law instead. The Regulation basically only states that the law applicable to the unitary patent as an object of property is that of the country in which the applicant's residence, principal place of business or mere place of business is established. If no legal system can be determined in this way, then German law shall apply.

It is only on closer reflection that the profound complexity of this provision becomes apparent. For this reason, Art. 7 UPR shall be examined in greater detail below. First, we shall have a close look on the facts and circumstances for which national law is referred to (subject matter of the reference); we shall then consider how far this reference extends (scope of the reference); and finally it should be explained in depth how the legal system whose national law is applicable to the cases previously identified is specifically determined (determining the applicable legal system).

Subject matter of the reference

The question systematically raised first relates to the cases in which Art. 7 UPR applies. In other words, when exactly is the unitary patent concerned as an "object of property"? The answer to this depends primarily on how the term "object of property" is to be specifically construed.

In principle, the term is to be construed independently, as European Union law requires it. However, the Unitary Patent Regulation provides very little supporting material for this. Thus it is useful to examine whether the term is new or was already used in European intellectual property law. If we consider current and previous European intellectual property law, it is clear that the term "object of property" has already been used in other EU Regulations, as well as in the preceding drafts concerning the community patent. A chapter concerning the relevant industrial property right as an object of property appears in the Community Patent Agreements (CPA) of 1975 and 1989 and in the drafts of the Community Patent Regulation

(CPR), as well as in the Community Trade Mark Regulation, the Community Design Regulation and the Regulation on Community plant variety rights. In each of these cases, the chapter contains provisions that specify what is *at least* meant by “object of property”. If we consider the provisions contained in the relevant chapters as a whole, we come to the following conclusion: aspects relating to an industrial property right as an object of property include at least the transfer, licensing and encumbrance thereof, as well as its fate in enforcement proceedings and insolvency. These aspects also include the submission of a declaration regarding willingness to grant a license, compulsory licensing and the equivalent application of the aforementioned provisions to the mere industrial property right application.

As a whole, this is a very homogeneous conclusion. And it is useful for the interpretation under Art. 7 UPR: Whenever one of these aspects is relevant in respect to a unitary patent, the unitary patent is concerned as an object of property and the applicable national law thus is governed by Art. 7 UPR.

This list is, of course, not exhaustive. Therefore, it does not include *all* possible scenarios in which the unitary patent as an object of property might be concerned. Nevertheless, it ought to cover the essential aspects.

However, in practice, the interpretation cannot be finalized at this point, as the case groups identified are merely umbrella terms that only roughly define the scope of application of Art. 7 UPR, with the extent of these terms actually going much deeper. However, in this context, only examples for the depth of the extent can be picked out.

Thus, for example, issues relating to legal ownership and the relationship between co-owners would also have to be subsumed under the umbrella term “transfer”, otherwise no consistent solution would be possible. Admissibility and details of any transfer by way of security also fall under this umbrella term. To take another example, the term “licensing” also has to include further sub-groups. Thus, under national law, for example, not only do the arrangements for granting licenses need to be assessed, but so does the way in which these licenses are affected in insolvency and enforcement proceedings and the conditions under which succession protection in relation to a negative license is granted, which is, for example, a scenario that proves to be highly problematic when applying German law.

However, in addition to these sub-groups, there are also aspects to be considered under the UPR, which again restrict the conclusion already arrived at. Thus, although compulsory licensing is generally understood to be an aspect concerning the unitary patent as an object of property, a compulsory license should, according to recital (10) of the Regulation, be governed by the law of the participating Member States with regard to the respective national territory and should be limited in terms of its effect on the latter. As a result, compulsory licenses are therefore not to be subsumed under Art. 7 UPR. Ultimately, the patent application filed to acquire a unitary patent does not fall under Art. 7 UPR either, as the unitary patent is only created once the European patent has been granted. At this point, the application

procedure is already completed and there is no longer any application that could be covered by the UPR. Thus, Art. 74 EPU continues to apply to European patent applications. As a result national law also applies, but it involves the law of each individual Contracting State for their respective national territories, and thus the already known lack of uniformity in respect to European Patents remains. The fate of the unitary patent in insolvency also essentially falls under Art. 7 UPR. However, it should be noted that the EC Regulation on Insolvency Proceedings may possibly have to be applied with priority, as this Regulation contains special provisions for EU industrial property rights, which also ought to apply to the unitary patent.

Scope of the reference

Although, as per the foregoing, a rough outline is provided regarding the subject matter (i.e. the facts and circumstances) for which the Unitary Patent Regulation refers to national law to fill in the gaps, a closer examination is required regarding the scope of this reference, i.e. the areas of national law that it covers, and regarding whether it also includes contractual issues.

Reference to national conflict of laws

It first needs to be clarified which areas of national law the reference relates to. Pursuant to Art. 7 UPR, the unitary patent is to be treated as a national patent of the country in which (to put it simply) the applicant has their residence or principal place of business at the time of the application. However, two alternatives are now conceivable as to the extent to which this reference relates to national law. The most obvious possibility is that Art. 7(1) UPR is to refer to the entire legal system of the relevant country. This is supported by the fact that each national patent is, of course, subject to all laws in force in this country. Thus the national conflict-of-laws rules (private international law) would be covered by the reference and would essentially have to apply. Alternatively, however, the reference could also be understood restrictively to the effect that only the substantive rules of national law apply, i.e. specifically excluding its private international law. There is a strong case to be made for the latter option. For one thing, as a general rule in European law, references to national law only cover its substantive rules. For another thing, this interpretation makes the most sense, because otherwise the applicable national law might only be specifically determined by the respective country's private international law, as the national conflict-of-laws rules could possibly provide for a further reference to another legal system. This would make the reference more complicated and non-transparent than necessary and was presumably not intended by the drafters of the Regulation either as, even in the UPR itself, there is evidence that only the substantive rules of the national law are to be covered by the reference. Recital (9) of the Regulation indicates that a reference to the entire national law, i.e. including conflict-of-laws rules, is only intended for those cases not provided for in the Regulation. However, the applicable law in matters concerning the unitary patent as an object of property is specifically provided for in the Regulation, which indicates that the reference in Art. 7 UPR was not intended to include the country's private international law. This recital also shows that the

drafters of the UPR were indeed able to distinguish between references to substantive law and references to the entire legal system. The fact that it was not expressly declared in Art. 7 that private international law is to be included therefore also indicates that a reference to substantive law should only have been made using this rule.

Contract law not affected

Whether contractual aspects are also covered by the reference in Art. 7 UPR needs to be clarified as well. If this were the case, all contractual issues relating to a transaction concerning the unitary patent as an object of property would also have to be assessed according to the national law determined by Art. 7 UPR. The UPR provides very little interpretive material in this regard. Only the wording, which refers to “object of property”, can be drawn on. This indicates that the material subject matters of exploitation are what are meant, and not the related contracts. Furthermore, the unitary patent should be treated *as a national patent* in accordance with the wording of the provision, and not merely *pursuant to national law*. This wording also places particular emphasis on the patent as a right in rem, which suggests that contractual issues ought not to be covered by Art. 7 UPR. However, in any case, it can be deduced from the spirit and purpose of the provision that the law applicable to a contract ought not to be influenced by the reference, as it would constitute a blatant restriction of the freedom of contract if this law could no longer be freely determined by the parties in the future. Furthermore, even contracts between companies that are all based outside the territory of the Member States participating in the unitary patent would necessarily have to be governed by a particular European legal system. It seems absolutely absurd, however, for Japanese and Korean companies to negotiate and particularly perform contracts in the future under European law; this cannot have been the intention of the drafters of the Regulation.

Determining the applicable legal system

Having considered which issues are covered by Art. 7 UPR and the scope of the reference, we now need to consider in greater detail how the legal system whose law applies to a unitary patent as an object of property is specifically determined. Pursuant to Art. 7(1)(a) UPR, three criteria decide which national legal system applies in this respect.

Firstly, the country in which the applicant of the European patent (which forms the basis of the unitary patent) had their residence or principal place of business according to the European Patent Register is decisive. Given its position in the provision, the expression “according to the European Patent Register” relates to both the person of the applicant and the country in which the residence or principal place of business is located. It is not clear what is meant by residence and principal place of business. In this context, one might well consider that the terms “residence” and “principal place of business” are simply to be construed independently. This would, however, not be an obvious solution as, according to Art. 127 EPC in combination with rules 143(1)(f) and 41(2)(c) Implementing Regulations to the EPC, the

country in which the applicant has his residence or principal place of business is entered in the European Patent Register. As the Register and Regulation use exactly the same terms, it can be assumed that the UPR also intended to adopt these terms by referring to the Register. Thus, the country in which the “residence” or the “principal place of business” is located within the meaning of the UPR is identical to the country indicated as the “residence” or “principal place of business” in the European patent application. Although there are differences between the UPR and the Implementing Regulations to the EPC in the German and French versions, this has to be attributed to an inaccuracy in the translation, as the reference to the European Patent Register in the Regulation would not make much sense if the terms “residence” and “principal place of business” in the UPR and the Implementing Regulations to the EPC had to be construed differently in each case.

The second criterion is of a temporal nature and specifies that only the time of filing the European patent application is relevant. Any subsequent amendments, particularly regarding the person of the patentee, do not result in any change in the applicable law. It remains the same throughout the patent’s lifetime.

Thirdly, it is important that the particular country in which the applicant’s residence or place of business is located is one of the countries in which a European patent has unitary effect. To put it simply, the country must participate in the enhanced cooperation and have ratified the UPCA pursuant to Art. 18(2)(2) UPR (all states as a whole, to which these two conditions apply, are hereafter referred to as the unitary patent territory). However, the question arises in relation to Art. 7 UPR as to whether the UPCA must already have been ratified by this country at the time of the patent application or whether it is sufficient for it only to be ratified when the unitary effect is entered in the Register. The latter ought to be the correct approach, otherwise the first unitary patent for which the applicable national law is actually determined pursuant to Art. 7(1) UPR would only be granted several years after the UPCA has entered into force – depending on the duration of the procedure up until the patent is granted. According to the other approach, the third condition of Art. 7(1) UPR would not be satisfied for any patent application filed until the UPCA had entered into force as a whole, e.g. because the 13 ratifications required had not yet been achieved. Therefore, for all European patents (from which the unitary patent originates) applied for up to this point in time, the applicable legal system would be determined exclusively pursuant to Art. 7(3) UPR. This is presumably not the result intended.

Omnibus clause “place of business”

If there is no residence or principal place of business in the unitary patent territory, then it must be taken into account whether there is a place of business in this territory, pursuant to Art. 7(1)(b) UPR. This poses a considerable problem in that places of business are not explicitly entered in the European Patent Register. However, according to the unambiguous wording of Art. 7(1) UPR, the European Patent Register should also be referred to for the

place of business. Therefore, a place of business may well only be relevant in rare cases where a place of business is given for the address indicated in the request for grant, but where another country is also indicated in the request as the country in which the residence or principal place of business is located. One might think of another theoretical possibility, which involves indicating a place of business as a separate address for correspondence in field 9 of the patent application. However, this would not work out as, firstly, not every applicant can take advantage of the possibility to use a separate address for correspondence and, secondly, the address for correspondence is, in every case, not entered in the Register (Official Journal EPO 1980, 397). Thus, *de lege lata* places of business determined according to the European Patent Register will be very rare. In the future, the EPO should therefore also allow for the entry of places of business in the territory of the countries for which a unitary patent may be granted. This would be an easier solution compared to the other alternative of also using places of business not entered in the Register to determine the applicable legal system as, in this case, not only would it be necessary to clarify what is meant by a place of business (interpreted independently), but it would also be necessary to check where such a place of business existed *at the time of the patent application*. However, the patent application will already date back many years when the unitary effect is conferred. And this period further increases in the course of the patent's lifetime. It is difficult to imagine how the problems in producing evidence associated with this should be overcome. Furthermore, one would be confronted with the highly problematic issue as to whether there may simultaneously be numerous places of business in the unitary patent territory and, if this were the case, which of these places of business should be taken into account in determining the relevant legal system. Thus, it clearly would be the much easier solution to only accept places of business entered in the European Patent Register. And if the scope of Art. 7 (1) (b) UPR turns out to be too small, the EPO still has the possibility to change its registration practices.

Numerous applicants

If a unitary patent is based on a European patent application filed by numerous applicants, the order in which the applicants are entered in the European Patent Register is relevant in determining the applicable legal system pursuant to Art. 7(2) UPR. In this regard, a residence or principal place of business in the unitary patent territory has priority over a place of business. This means checking, in the order of entry, whether one of the applicants has a residence or principal place of business in the relevant territory. If this is not the case for any of the applicants, it needs to be checked whether there is a place of business in the unitary patent territory – again in the order of entry. If the relevant legal system cannot thereby be determined, the residual legal system comes into play.

German law as the residual legal system

If no residence, principal place of business or even a mere place of business is maintained by the applicant(s) in the unitary patent territory, Art. 7(3) UPR stipulates that German law shall

apply as the residual solution. Although, given the character of the provision as an ancillary solution, it could be assumed that this case will not often arise, it seems that Art. 7(3) UPR would have to apply extremely frequently in the future as, if we take the EPO's statistics for 2010 through 2013 as a basis, it appears that over 80% of all applicants for a European patent are either from Germany or countries not forming part of the unitary patent territory. If we were now to assume that these applicants did not maintain any place of business in the unitary patent territory either, we would come to the striking conclusion that German law would, in addition, have to apply for over 80% of all future unitary patents, assuming that the ratio of applicants' origins will be the same for future unitary patents.

German law will therefore acquire considerable significance in circumstances involving the unitary patent as an object of property. And as, pursuant to Art. 5 UPR, the legal system determined by Art. 7 UPR will also be used to fill in the gaps in infringement issues, the relevance of German law for unitary patents will also further increase significantly in the future, depending on the interpretive practice of the future Unified Patent Court.

Therefore, in the future, a variety of details will have to be examined when a unitary patent as an object of property comes into play. As the applicable legal system for these future scenarios might be determined even now, a proper examination of each individual case and patent application should be carried out under any circumstances and starting now.

Dr. Tilman Müller-Stoy, Florian Paschold

BARDEHLE PAGENBERG

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The authors can be reached at: mueller-stoy@bardele.de, florian.paschold@bardehle.de