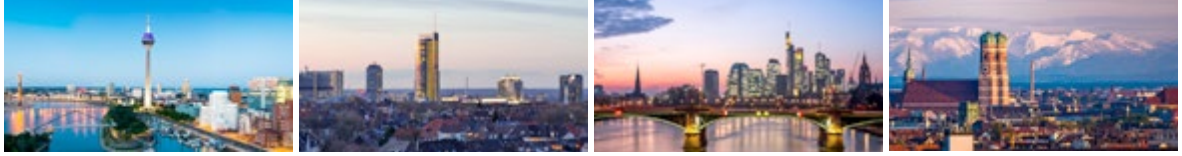

Newsletter Edition 4/2020

Düsseldorf/Essen/Frankfurt/München, 18. Mai 2020

G 3/19 – Rule 28(2) EPC remains in force

What is next for the unitary patent system?

MICHALSKI HÜTTERMANN

PATENTANWÄLTE

G 3/19 – Rule 28(2) EPC remains in force

On 14 May 2020, the Enlarged Board of Appeal of the European Patent Office published decision G 3/19, and left Rule 28(2) untouched as a result. Nevertheless, all previously granted European patents, as well as all European patent applications filed before 1 July 2017, the date Rule 28(2) took effect, are subject to the (contrary) decisions G2/12+G2/13.

This decision is a good example how creative courts can be when it is necessary to resolve conflicts in a face-saving way while still preserving their authority to some degree.

The starting situation for this decision[1], as is well known, was that:

- a discussion had developed sometime in 2010 as to whether the patenting prohibition pursuant to Article 53 EPC, stipulating that essentially biological processes for plants and animals are excluded from patenting, would also extend to plants and animals obtained by these means; the EU and some member states were of the opinion that this was the case;

- nonetheless, in 2015 the Enlarged Board of Appeal ruled in decisions G2/12+G2/13 that Article 53 did not include such a patenting prohibition, whereupon the Administrative Council of the EPO issued Rule 28(2) codifying this patenting prohibition;

- but then, in T 1063/18, the Board of Appeal again invalidated Rule 28(2), invoking G2/12+G2/13 and stating among other things that using a retroactive rule change to annul an interpretation of an Article (here: Article 53) already made by the Enlarged Board of Appeal would be in conflict with Article 164(2) EPC.

In response, both the EU[2] and some member states[3] openly threatened to amend the European Patent Convention, whereupon President Campinos attempted to save the situation with referral G 3/19 – a successful attempt, as it has now turned out.

The Enlarged Board of Appeal was faced with a very difficult starting situation at that point:

- If it were to declare the referral inadmissible, or ultimately adhere to T 1063/18, an approach with much to recommend it, this would have far-reaching legal and political consequences on the part of the Administrative Committee or the member states.

- On the other hand, if it were to leave Rule 28(2) intact, and thus grant the Administrative Council the authority to retroactively nullify its own decisions through corresponding new Rules of Procedure, the Council would have a free pass – or, as decision G 3/19 itself says, "carte blanche"[4] – to change the established case law of the European Patent Office at will when decisions of the Enlarged Board of Appeal are not to its liking.

In Our Own Affairs

"Managing Intellectual Property" has once again included our firm in its list of the most important law firms in the area of "Patent Prosecution" for Germany. Dr. Ulrich Storz and Dr. Aloys Hüttermann have once again been named "Patent Stars" for 2020.

[1] See detailed discussion in our Newsletter 4/2019

[2] As expressly stated by D. Dambois of the European Commission at the Academy of European Law's Annual Conference on European Patent Law, 8 November 2019 in Brussels

[3] As likewise expressly stated by J. Karcher of the Federal Ministry of Justice and Consumer Protection at the 17th Düsseldorfer Patentrechtstage 2019, 14 March 2019 in Düsseldorf

[4] II. 5 of the decision

How did the Enlarged Board of Appeal resolve this dilemma? By the simple expedient of not deciding this question at all, but instead reformulating[5] the questions of the referral in a way that no longer has much to do with the original questions, but does lead to a decision in the case.

The questions that the Enlarged Board of Appeal then decided were paraphrased as follows:

"i. With regard to the exception to patentability of "essentially biological processes for the production of plants and animals", does Article 53 (b) EPC permit only a single interpretation or could it bear a wider scope of interpretation?

ii. Does Article 53(b) EPC allow a dynamic interpretation in the sense that its meaning may change over time?

iii. And if so, can an amendment to the Implementing Regulations give effect to a change of meaning resulting from a dynamic interpretation of Article 53(b) EPC"

The paraphrasing itself reveals where this is leading – in the end, all three questions were affirmed, which is to say that G 2/12+G2/13 no longer apply; Rule 28(2) prevails instead.

In this way, the conflict is resolved without answering the question[6] – which of course remains eminently significant – of the hierarchy within the European Patent Office, to say nothing of the question of whether the Board of Appeal had the authority to invalidate Rule 28(2) in T 1063/18 in the first place[7].

Instead, the Enlarged Board of Appeal simply reinterpreted Article 53 in G3/19, namely in accordance with the wishes of the EU and the majority of the member states.

However, so as not to leave applicants and patent holders of applications in this area totally in the lurch, it was also decided that this new interpretation only applies as of the effective date of Rule 28(2), i.e., starting on 1 July 2017. In contrast, patents granted or filed earlier enjoy the more applicant-friendly interpretation of G2/12+G2/13, which is to say that in principle patenting is possible here – provided, as the Enlarged Board of Appeal itself notes[8] in this decision, that no other patenting exclusions such as a lack of inventive step stand in the way[9].

It remains to be seen whether the Administrative Council will be tempted again in future to nullify decisions of the Enlarged Board of Appeal through rule changes. However, G 3/19 indicates indirectly that the Enlarged Board of Appeal does not intend to simply give away its authority so easily, and that this most likely was a special case.

Ultimately, this decision ends a conflict that has now lasted nearly ten years, albeit at the cost of the legal position of the holders and applicants of corresponding plant patents.

What is next for the unitary patent system?

As has already been reported[10], on March 20 of this year the German Federal Constitutional Court published its long-awaited decision[11] on the Act of Approval to the Agreement on a Unified Patent Court – and declared the Act void.

[5] III. 2 of the decision
[6] See Haedicke, GRUR Int, 885
[7] See Hüttermann, GRUR Int. 2019, 896
[8] G 2/12+G3/12, 6(b), p. 62
[9] See also Hüttermann/Storz, Mitt. 2012, 107
[10] See our Newsletter 3/2020
[11] https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2020/02/rs20200213_2bvr073917.html

In Our Own Affairs

The prestigious business magazine brand eins and the independent market research institute Statista have taken on the questions of where companies are best served in legal matters and who provides the best advice for relevant business topics. For the first time ever, they used an extensive, two-stage evaluation process to identify the best business law firms in Germany. A great many recommendations from industry experts and in-house lawyers put our firm on the list of 399 outstanding law firms. The detailed industry report from brand eins can be found here.

The sole reasoning for this, however, is that the Act itself was not passed with the two-thirds majority of all members of the Bundestag enshrined in Art. 79 of the Basic Law. The remainder of the complaint was dismissed as inadmissible.

What has happened since then, and what might happen next?

It has come to seem essential in the meantime to consider this decision not in isolation, but rather very much in light of the decision on the ECB's bond purchase program[12] issued shortly thereafter, which is a good example of the measures courts are capable of taking when they decide "not to just bark, but also to bite every so often"[13]. This, too, involved the conferring of powers on supranational institutions and the recognizable reservations that the Federal Constitutional Court has with such conferrals.

The barrier placed before the unitary patent system by the Federal Constitutional Court does not appear insurmountable, however – and the Federal Ministry of Justice and Consumer Protection has already announced that a new attempt at ratification will be made in this same legislative session.[14] Since no party represented in the Bundestag other than the AfD (Alternative for Germany)[15] has rejected the unitary patent system thus far, the majority for this seems assured.

But what obstacles still remain before the unitary patent system can finally see the light of day against all opposition?

The first unresolved question concerns Great Britain – but in a different direction from what was previously the subject of discussion.

While the topic of discussion was previously whether and how Great Britain can remain a part of this unitary patent system even after leaving the EU,[16] and Great Britain even ratified the Agreement on a Unified Patent Court,[17] this has since become a moot point now that the new British government has announced that Great Britain will not participate in the unitary patent system.[18]

Nevertheless, only declarations of intent are known to date; there has been no official diplomatic initiative.

---

[12] Decisions 2 BvR 859/15, 2 BvR 1651/15, 2 BvR 2006/15, 2 BvR 980/16, available here: https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2020/05/rs20200505_2bvr085915.html

[13] Prof. Dr. Mayer, interview on 7 May 2020 in Süddeutsche Zeitung. Prof. Dr. Mayer was also involved as a representative of the German Federal Government in 2 BvR 739/17 on the unitary patent.

[14] Press release dated 26 March 2020, see: https://www.bmjv.de/SharedDocs/Pressemitteilungen/DE/2020/032620_Patentreform.html

[15] For example, in February 2019 the AfD proposed abandoning the unitary patent system in the legal affairs committee of the Bundestag (see BT Printed Paper 19/1180) – which was rejected by all the other parties (see BT Printed Paper 19/7961)

[16] See our Newsletter 3/2016

[17] See our Newsletter 3/2018

[18] See, for example, this letter from Parliamentary Undersecretary Solloway to Lord Morris dated 24 March 2020, or also the report of the Chartered Institute of Patent Attorneys (CIPA) dated 28 February 2020, https://www.cipa.org.uk/policy-and-news/latest-news/government-tells-cipa-it-will-not-seek-to-be-part-of-the-up-upc-system/

Consequently, if Germany ratifies the Agreement on a Unified Patent Court, Great Britain will also perforce be in it.[19] A departure by Great Britain, even before the agreement takes effect, is readily possible under the Vienna Convention on the Law of Treaties but naturally presupposes an appropriate official inquiry and agreement by all member states.

However, in that case it appears problematic to some observers[20] that London is the seat of a department of the central division under Article 7 of the Agreement on a Unified Patent Court.

This is of minor importance in the court practice that is to be anticipated, since nullity counterclaims are possible before the Unified Patent Court that would then be handled before the applicable local division.[21] The central division comes into play only in the case of isolated nullity suits – which are only likely to occur very rarely, however – and in other unusual constellations.

Nevertheless, the situation here is highly political – as is also the case for G3/19 – so London certainly cannot remain the seat of the central division.[22]

An amendment to the Agreement pursuant to Article 87(2) appears to be the mechanism of choice here. According to this provision, the Administrative Committee can amend the Agreement to bring it into line with an international treaty relating to patents or Union law, with no need for re-ratification[23]. Retaining the seat in London has already been described as a violation of Union law.[24]

The Administrative Council, which has yet to be created, would thus need to either move the seat to another city as one of its first official acts or – perhaps as a temporary measure – to amend the corresponding Annex to the Agreement and assign no IPC class to London.

The latter might perhaps be the mechanism of choice, since otherwise it is feared that several countries would lay claim to the seat in anticipation of a large number of cases. However, if there should turn out to be only few cases, this might calm things down a bit, making it easier to achieve an amicable solution here.

The second unresolved question is whether the Federal Constitutional Court might not perhaps take up the issue of re-ratification once more.

The grounds for complaint on which no action was taken, namely:

"because the status of the judges lacks an adequate basis in constitutional law (1), interferences with fundamental rights by the Unified Patent Court are not adequately legitimated in law (2), and the Unified Patent Court Agreement violates EU law (3)."[25]

were, of course, only dismissed as inadmissible for lack of standing to file a constitutional complaint. The complainant then floated the possibility of a constitutional complaint from a directly affected party, such as a company that owns European patents and could thus

---

[19] See Aymaz et al., Mitt. 2020, 197 or also interview by Ramsay on Juve-Patent: https://www.juve-patent.com/news-and-stories/people-and-business/the-upc-will-be-operational-in-early-2021/

[20] For example, Aymaz et al., Mitt. 2020, 197 with further references

[21] See Hüttermann, Unitary Patent and Unified Patent Court, Heymanns 2017, Chapter 9

[22] Aymaz et al., Mitt. 2020, 197 see significant legal difficulties in a London location, and they also consider ratification by Germany prior to Great Britain's formal withdrawal to be impossible.

[23] See Hüttermann, Unitary Patent and Unified Patent Court, Heymanns 2017, Margin No. 754

[24] Aymaz et al., Mitt. 2020, 197 with further references, although these do not allude to Art 87(2)

[25] Paragraph 103 of 2BvR 739/17

have standing to file a complaint[26]. Whether such a complaint would then be filed should ratification occur – and halt the process again – remains an open question.

It is worth mentioning that the above points were not even mentioned in the concluding section of the decision on the unitary patent court, which may perhaps be taken as an indication that the Federal Constitutional Court sees few problems here.

In view of the abovementioned ECB decision, however, the following passage demands attention - because the Federal Constitutional Court explicitly left open the question of whether at least the established primacy of EU law pursuant to Article 20 of the Unified Patent Court Agreement might not in fact violate the constitution:

„[…] If there are indications that the establishment of an absolute primacy of EU law in Art. 20 of the Unified Patent Court Agreement violates [the Basic Law], the Federal Constitutional Court shall of course thoroughly review the measure in question with respect to its compatibility with [the Basic Law]. In the present case, however, it is possible to refrain from a final decision because the Act of Approval to the Agreement on a Unified Patent Court is already void for other reasons."

This very Article 20 is considered absolutely essential, however, for the unitary patent system to comport with Opinion 1/09, in which the CJEU – as is well known – considered an earlier version to be incompatible with European law.[29]

It seems worth mentioning here, too, that the practical impact of Article 20 is likely to be minor, since EU directives exist only in limited areas of patent law.[30]

The two barriers considered the most serious – namely London as the seat of the central division on the one hand and Art. 20 of the UPC Agreement on the other hand – are thus rather marginal in anticipated practice.

Nonetheless, it is certainly possible to gather from the Federal Constitutional Court's ECB decision that the Court has serious problems with this type of primacy. A very noteworthy and creative approach for dealing with this dilemma was recently published by Aymaz et al.[31], who propose ratification subject to reservation:

"The subject of such a reservation would have to be that, while Union law must have primacy, it is nonetheless necessary to respect the reservations of the Federal Constitutional Court concerning integration with regard to the UPC Agreement. This would likely assure conformity of Art. 20 of the UPC Agreement with the constitution in the view of the Federal Constitutional Court."

---

[26] See: https://www.juve-patent.com/news-and-stories/legal-commentary/dark-day-for-upc-european-reacts-to-surprise-judgment/

[27] Note: Article 20 was inserted at the time in response to Opinion 1/09 of the CJEU, and thus is considered the pivotal section of the Agreement on a Unified Patent Court.

[28] Paragraph 166

[29] See Hüttermann, Unitary Patent and Unified Patent Court, Heymanns 2017, Chapter 1

[30] See Hüttermann, Unitary Patent and Unified Patent Court, Heymanns 2017, Margin No. 465 ff. However, some commentators consider the CJEU to have a general authority based on the architecture of the unitary patent system and derived from the CJEU's decision C-414/11, "Daiichi". This decision was taken in view of the TRIPS Agreement, and in the final analysis would mean that the CJEU would have final authority in German patent law as well. A separate article on this topic is in preparation and will appear in Mitteilungen soon.

[31] Aymaz et al., Mitt. 2020, 197

This solution should be considered by legislators.

In the end, this will come down to a question of political will. In view of the fact that the Federal Ministry of Justice and Consumer Protection has responded so quickly, and especially that the industrial sector, not only large-scale industry[32] but also medium-scale[33], continues to stand behind the unitary patent system, it seems premature here to give up hope that it will come into effect.

In view of the other problems currently resulting from the coronavirus pandemic, it seems appropriate to think that entry into force this year would be premature in any case – priorities are elsewhere at the moment, and the unitary patent system could have a "cold start". Hopefully this will change soon, however, and then a unitary patent system might perhaps come at just the right time.

[32] https://www.juve-patent.com/news-and-stories/legal-commentary/european-industry-reacts-to-german-upc-judgment/

[33] On this point, see the presentation given by Heiner Flocke of Patentverein, which represents predominantly midsized companies, at PATENTE 2020, 18 February 2020, in Munich.

In Our Own Affairs

We wish all the best to your family, staff members, colleagues, and of course to you yourself, in these difficult times.

Impressum:
Michalski · Hüttermann & Partner Patentanwälte mbB

Speditionstrasse 21
D-40221 Düsseldorf
Tel +49 211 159 249 0
Fax +49 211 159 249 20

Hufelandstr. 2
D-45147 Essen
Tel +49 201 271 00 703
Fax +49 201 271 00 726

Perchtinger Straße 6
D-81379 München
Tel +49 89 7007 4234
Fax +49 89 7007 4262

De-Saint-Exupéry-Str. 10
D-60549 Frankfurt a.M.
Tel +49 211 159 249 0
Fax +49 211 159 249 20