



European Patent Reform

As in all recent years, the unitary patent and Unified Patent Court (UPC) dossier has been among the Federation's highest priorities in the last 18 months, following the long-awaited agreement between the European Parliament and Council in late 2012 which resulted in the unitary patent and language Regulations being adopted in December 2012, and signature of the UPC Agreement on 19 February 2013.

The dossier continued to move forward smoothly during the first half of 2016, with first Finland, then Bulgaria, joining the list of countries which had ratified, bringing the total to 10 (one mandatory ratifying country, France, plus nine of the required 10 others). Additionally, steady progress was made in a number of other countries, notably including in both the two remaining mandatory ratification countries, the UK and Germany. Other important milestones included adoption of the rules on court fees (including the zero fee for the opt-out) and the handover of the IT system by the UK to the team in Luxembourg. Then came 23 June and the UK's decision to leave the EU. This was of significance to the UPC project, of course, due to the widely held view that participation in the UPC was strictly limited to EU states.

The Federation published its first reaction to Brexit on 18 July 2016 in Policy Paper 8/16, which included these comments about the UPC:

- We support the Unitary Patent (UP), and the Unified Patent Court (UPC) with the UK participating on the current terms, including the location of the branch of the Central Division in London.
- Without a guarantee of continued UK participation post-Brexit, the UK should not ratify the UPC at present. We consider that ratifying the UPC to bring it into effect and subsequently being forced to leave the system would bring an unacceptable amount of uncertainty to industry across the UK and EU.
- Further, certainty is required to ensure that the UK's ratification would not threaten the validity of the UPC.
- The involvement of non-EU, European Patent Convention Contracting States in the UPC (e.g. Switzerland, Norway) would be a potential advantage to industry, and it may be advantageous for the UK to promote this.
- If the UK cannot or does not wish to participate in the UPC, we would prefer to see the minimum of amendment to the UPC Agreement (i.e. to remove the UK).

In the immediate aftermath of the referendum, the work of the Preparatory Committee continued and other countries continued toward ratification (indeed the Netherlands completed its process within days - taking the total non-mandatory countries who had ratified to the crucial 10), but more importantly, some commentators expressed the view, contrary to previous consensus, that it may be possible for the UK to continue participation in the UPC post-Brexit. The IP Federation decided to aid this debate by contributing (together with CIPA and some IPLA firms) to the funding of an opinion from counsel specialist in EU constitutional matters, Richard Gordon QC (and a junior, Tom Pascoe). This opinion concluded that subject to appropriate steps being taken, the UK could indeed continue as a participant in the UPC. Nonetheless, the political uncertainty as to the UK's involvement inevitably disrupted progress. Pressure mounted from other countries for the UK to make a

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decision and plans were discussed for the UPC to proceed, if necessary, without the UK. To the surprise of many, the UK announced on 28 November 2016 that it would ratify the UPC, albeit without any announcement as to the plans for long-term participation (post-Brexit).

The UK announcement was followed immediately by renewed steps toward UK ratification and also a re-start of the German process. Importantly, the Preparatory Committee announced (on 16 January 2017) a new timetable leading to the UPC opening for business in December 2017.

In the light of this, the IP Federation revised its Brexit policy statements on the UPC in PP 1/17 (published on 20 January 2017) to concentrate on the long term participation issues. The relevant comments read as follows:

- We recognise the benefits for industry that can come from the Unitary Patent and Unified Patent Court and call on the UK and other Contracting States to work together urgently to enable the UK to stay in the system after Brexit, and to give consideration to transitional arrangements in case the UK or any other Contracting State is unable or unwilling to remain in the system.
- Once the UPC is established, the involvement of non-EU, European Patent Convention Contracting States (e.g. Switzerland, Norway) in the UPC could be an advantage to industry, and should be explored.

Hence 2017 began with the dossier appearing to be progressing smoothly once more, with various practical steps being taken, leading to the Preparatory Committee holding what was stated to be its final meeting in March, and Italy joining the list of non-mandatory countries, thereby adding a further large economy to the system. The IP Federation therefore turned attention to practical preparations for the start of the system and in particular the sunrise period for opt-outs. This ultimately led the Federation to writing to the Chair of the Preparatory Committee, Alexander Ramsay - see PP 5/17 dated 14 June 2017.

Meanwhile the EPO was progressing its preparations - and these are now well advanced - for technically implementing the unitary patent, including new forms, a new (searchable) register for unitary patent protection, and renewal fee payment arrangements. In order to promote a smooth transition it is understood the EPO is considering the possibility of an EPO sunrise period, allowing early requests for unitary effect, perhaps three months before the official UPC start date.

In the interim, however, there was a seemingly minor delay in the submission to the Westminster and Holyrood Parliaments of draft secondary legislation to enact the Protocol on Privileges and Immunities which the UK had signed in December 2016 and laid before parliament without opposition in January 2017. The delay would have been of no consequence had it been possible to lay these draft SIs as was latterly scheduled for 24 April. However, this plan was defeated by the announcement on 18 April that the UK would hold a General Election on 8 June. This left scarcely enough time post-election to enable the UK to ratify the UPC Agreement prior to the summer parliamentary recesses. Further, the start of the Provisional Application Phase, crucial to the start of the system on 1 December, and planned to start late May was also jeopardised. Moreover, by then insufficient other countries had approved the Provisional Application Phase Protocol, such that on 7 June the Preparatory Committee admitted defeat and formally announced that the 1 December 2017 start date was being abandoned, with no replacement date being announced.

The re-election of the same UK Government (albeit with a reduced majority) was fully expected to result in the UK immediately resuming its ratification timetable, and hence complete the process this autumn. Indeed, this remains the position, with steps having been taken in late June to re-start the process once again and in early July formally to approve the start of the Provisional Application Phase.

However, on 12 June a more serious impediment to UPC start-up came to light. It transpired that on 31 March 2017, a challenge to the legality of Germany acceding to the UPC had been filed, including a request for an interim injunction to prevent the adoption of

the relevant German legislation. As a result, the German Constitutional Court (the BVerfG) had advised the German President on 3 April not to sign the UPC Agreement. No information is currently known about the challenge, not even the identity of the challenger, or the timescale for resolution of the interim injunction application. This move effectively stalls the whole process, especially because it also in effect prevents Germany from agreeing to the start of the Provisional Application Phase. Lack of clarity as to a potential start of the Provisional Application Phase also makes planning that phase difficult (notably the interviewing of some 234 candidate judges) and hence will extend its duration and mean an even greater delay overall.

The timetable going forward is therefore highly uncertain. At the optimistic end of the spectrum, the challenge could be dismissed within weeks or less such that Germany could permit the Provisional Application Phase to start almost immediately. Then taking into account the timetable for UK ratification and a slightly extended Provisional Application Phase, one could foresee the UPC starting as early as May 2018, and the sunrise period for opting out in January 2018. At the other end of the spectrum, the challenge could succeed, leading to an uncertain period of further delay while the constitutional position is resolved, for example by re-passing the UPC ratification legislation or even passing a suitable constitutional amendment. Such a process could add many months to the UPC start up and prejudice its commencement prior to the UK leaving the EU, which would add a new level of complication.

Hence, the future of the UPC may be thought to remain as uncertain as it seemed on 24 June 2016, albeit for very different reasons. However, the optimistic end of the spectrum remains more likely, and the IP Federation remains committed to supporting the project and continued efforts to resolve the important matter of the UK's long-term participation.

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