EU Patent Reform

In 2012, the Unitary Patent and Unified Patent Court (UPC) dossier has been among the Federation's highest priorities, with major developments notwithstanding the breakdown of negotiations at the Competitiveness Council meeting in Warsaw in December 2011 over the location of the Central Division of the UPC.

In spring, in Westminster, the Scrutiny Committee of the House of Commons chaired by Bill Cash MP took evidence including from the Federation (PP2/12). The resulting report was highly critical of the proposals, identifying three main areas where improvement was needed:

- deletion of Articles 6–8 of the Unitary Patent Regulation which would have given the Court of Justice of the European Union (CJEU) increased jurisdiction over infringement issues;
- the perils of bifurcation for defendants wishing to rely upon the defence of invalidity; and
- the desirability for UK industry and the legal services sector to locate the Central Division of the Unified Patent Court in London.

Following this, the Federation wrote to the Prime Minister (PP11/12) and to Kerstin Jorna of the Commission (PP13/12), highlighting its main concerns. Despite the Danish Presidency limiting its ambitions to resolving the deadlock concerning the location of the Central Division, at the summit on 29 June the PM, "by sheer brute force of negotiation", secured not only a share of the Central Division for London in the important area of chemistry and pharmaceuticals, but also an agreement by Council to propose the deletion of Articles 6–8.

The reaction of the JURI Committee to the proposed deletion of Articles 6–8 was one of un-disguised outrage. It regarded the inclusion of Articles 6–8 as a central part of the deal brokered in 2011. Negotiations then proceeded in Brussels under a cloak of considerable secrecy until news broke in mid-November of a compromise draft Article 5a to replace 6–8, which was agreed in COREPER and by the JURI Committee on 19 November. Rapid analysis of this gave rise to considerable concern about the implications: not only might the provisions be ineffective in excluding CJEU jurisdiction, but also give rise to a host of additional uncertainties. The Federation accordingly wrote again to Scrutiny to alert the Committee to its concerns. However, on 5 December, the Committee decided to release the Regulations from Scrutiny.

At the same time, discussions as to defects in the UPC agreement were also falling on deaf ears. Representations made on behalf of the Federation to the UK IPO's European Focus Group were consistently met with the response that the UK was unable to influence the draft beyond a very few points. Even those points which are regarded by the UK as non-contentious such as the need to regulate accessory liability and provide for the ability of the Court to allow amendment of patents during litigation, have been impossible to achieve. Among the Federation's concerns are the following notable points:

- the matter of privilege among in-house attorneys, especially patent attorneys, is wholly unclear;

- the new Article 5a appears to require the application of different national laws according to the nationality of the patent proprietor, with a default provision specifying the application of German law for those patentees having no place of business in contracting States. This provision will undoubtedly also open the way for at least some CJEU references on the meaning and application of this provision; and most importantly

- there is no restriction on the ability of the Court to grant a final injunction notwithstanding that a defence of invalidity has been pleaded, but transferred to the Central division under the bifurcation procedure.

Notwithstanding these concerns, it presently appears that the Unitary Patent Regulation (and the accompanying Language Regulation) will be approved by the European Parliament and adopted by 21 December; and the UPC signed on 18 February 2013 with no further substantive amendments.

What then are the next stages?

The Commission continues to publicise its view that the new system will come into operation by April 2014 – coincidentally the date when the current Commissioner's term of office expires. In reality, so much remains to be done that this is impossible.

One area in which progress has been made is on the Rules of Procedure. The twelfth draft is now available. It will be the subject of a short (one month) consultation in February, and doubtless the Federation will comment as it did upon a previous draft (PP10/12) in April 2012.

One potential "wild card" is the CJEU. It has before it cases launched by Spain and Italy which challenge the legality of the use of the Enhanced Cooperation process which is the vehicle being used to create the Unitary Patent Regulation. The opinion of the AG (Advocate General) is expected on 11 December, but regardless of which way this goes, the decision of the Court itself will not be known until well into 2013.

The key point in terms of process, however, is that ratification of the UPC agreement (an international treaty) is required by the UK, France and Germany and 10 other states. It seems highly unlikely that at least the UK and Germany will ratify before the costings are completed – and they appear not yet even to have been started. At a purely practical level, the new Court will require an internationally coordinated IT project to permit electronic filing of papers in over 20 languages, and secure inter-Division communication. It will also have to be capable of handling a massive volume of opt-out notifications for existing European Patents on day one – possibly several hundreds of thousands. Such systems are not cheap, and notoriously prone to budget overrun or even total failure. A dilemma for participant states is that the investment decisions will have to be taken well in advance of the opening date of the Court, but this is only four months after the last required ratification. Which state is going to underwrite a hugely expensive system without the certainty that it will be needed? Likewise, Judges will have to be selected, trained – by whom is wholly unclear – and paid. Notwithstanding this, the IPO's best guess is that the UK will ratify in mid-2014, that is before the next scheduled General Election. Primary legislation will be required, and hence, there is a long way to go even in terms of UK process before the project can become a reality. Likewise in Germany, elections in autumn 2013 seem destined to delay the ratification process there. However, all one can say with certainty at present is that the politicians throughout Europe appear determined to press on, such that it is now likely only a matter of when, and no longer if, this project becomes a reality.

Alan Johnson, 7 December 2012