

## The Unitary Patent and UPC: uncertainty ahead

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A new form of patent, the Unitary Patent, and a complementary patent court system, the Unified Patent Court (UPC), will radically alter the way in which patents in Europe are filed and enforced.

However, the reforms have been delayed and controversial not least following the Brexit decision and, most recently, an unexpected German constitutional challenge to the UPC ratifying legislation. The timetable for implementation is for now unclear. Uncertainty also remains over whether the UK's participation in the system - if it happens - can survive Brexit. The current delays exacerbate those risks.

If the system does go ahead, there may be limited time for patent owners to decide whether to “opt out” particularly valuable patents so this option does need to be considered meanwhile.

### Background

The UK is one of three Member States required to ratify the UPC Agreement in order for it to come into force. Germany and France are the other required states. Since the UK's vote to leave the EU in June 2016

there has been much uncertainty over its future; the system is established between EU Member States and decisions of the UPC are subject to appeal to the Court of Justice. Pressure was exerted by the EU on the UK Government for the UK to ratify quickly and irrespective of the referendum result so that it did not delay or even prevent the new system from coming into effect at all.

In November 2016, the UK Government unexpectedly announced its intention to ratify the Agreement and since then has been making preparations to ratify the Agreement as quickly as possible with the final piece of secondary legislation required for ratification being laid in Parliament in June. However, there has been no clarification over the UK's involvement in the UPC once it formally leaves the EU.

### EU patent reform key features:

- central application to the EPO for patents with Unitary effect across participating states (in contrast to the separate national patents currently granted from an EPO application)
- centralised court system (UPC) allowing for central enforcement and cross border injunctions throughout participating states but also central attack on validity

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There is some doubt as to whether it will be legally possible for the UK to be part of the UP/UPC system post Brexit. It seems likely that the legal complexities can be resolved, if (as seems to be the case), there is a political desire within the EU and UK for this to happen. This will require negotiation and is on the Brexit negotiation agenda. Even if the UK cannot remain a member in the long term there may be advantages in it joining for an interim period and continuing to shape the system, however the scope for this is reducing with the increased delays.

## **Key features of the new system**

The Unitary Patent is a new right offered in addition to national and traditional European patents. In contrast to traditional European patents which, upon grant, provide patentees with a bundle of national rights which must be enforced on a country-by-country basis, the Unitary Patent is a unitary right providing patent protection in up to 25 countries in Europe (but not Spain). UPs will be prosecuted through the European Patent Office (EPO) and governed and enforced by a new European court system known as the Unified Patent Court (UPC).

This will enable owners of UPs to enforce patents across Europe by seeking an injunction which applies across all of Europe by bringing proceedings in one jurisdiction.

Conversely, however, third parties will be able to attack the validity of a UP centrally (“central attack”) which, if successful, would lead to the loss of the whole UP across Europe.

Crucially, the UPC will also have competence over existing traditional European patents and pending applications for EPs unless they

are actively opted out by the owner(s) of the patent. Failure to do so will mean that the EP will be subject to proceedings in the UPC and consequently vulnerable to central attack.

## **Latest Developments**

While the UK appears now to be on track to complete ratification soon following delays caused by Brexit and the UK General Election, Germany has suspended its ratification process. This is as a result of a request from the German Constitutional Court which is examining a constitutional complaint against German ratification of the UCP Agreement. It appears that the challenge (lodged by an individual patent lawyer) is based on grounds that the relevant legislation exceeds the limits on the transfer of sovereignty under the constitutional right to democracy derived from Germany’s constitutional laws. If the challenge is successful it could effectively halt the whole project. The German Constitutional Court is currently allowing interested parties to comment on the complaint and has recently extended the deadline for responses and comments to the end of this year.

## **Expected timetable**

Owing to delays with ratification, the UPC Preparatory Committee has abandoned its provisional start date of mid-2018 and has stated that it cannot at present predict a timeline.

The difficulties in Germany, combined with a lack of clarity over the UK’s involvement following its departure from the EU, is causing uncertainty for patent owners over when and even if the new system will come into operation. It remains to be seen

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whether an agreement can be reached over the UK's future involvement as part of the proposed transitional/implementation arrangements. The delays caused by Brexit might at least also allow more time for the German constitutional challenge to be resolved.

## **Sunrise Period for Opt-out**

If the German challenge is resolved and the implementation process re-starts, the first stage towards the Court's opening would be the commencement of a "Provisional Application Phase" during which various institutional, financial and practical arrangements are established before the Court itself opens. Importantly, this phase establishes a sunrise period for opting-out European patents. This should provide a minimum of three months for owners of European patents (whether based in the UK or elsewhere) who wish to opt out their patents to do so before the court becomes operational.

## **Importance of opt-out**

A patentee which opts out its EP will avoid the risk of central attack in the UPC. This is an attractive option for particularly important patents. This will also provide opportunities to monitor how the system is performing before deciding whether to opt back in (assuming there have been no national proceedings meanwhile).

Significantly, opting-out would also reduce the potential risks associated with the uncertainties the Court could face if the UK departs from the EU and cannot agree suitable terms to continue being part of the UPC.

Opt-out notifications (for which no fee is payable) must be made on a patent-by-patent basis by the owner/applicant (or all co-owners if jointly held); licensees are not eligible to opt-out.

## **Action to take now**

Although there is much uncertainty surrounding ratification in Germany and the effect this will have on the overall timetable, patent owners must still be ready to make preparations for the new system. If ratification in Germany does proceed, opt-outs will be required a matter of months after that. Early consideration should therefore be given to which European patent rights patent owners wish to opt-out. If this is not done, the UPC will have competence over these rights.

The decision will vary depending on individual patent portfolios. However, generally speaking, those with smaller numbers of patents (particularly in the Life Sciences sector) are likely to want to opt out at least key patents but perhaps have some less critical patents that remain in, with the benefits of central enforcement. Those with large portfolios (for example telecoms and electronics focussed technology) where individual patents may not be critical might feel the risk of attack is less of an issue and be keen to have an opportunity to influence development of the system.

Brexit has made the participation of the UK and the future system as a whole uncertain and serious consideration should be given by patent owners to whether any European Patent rights covering the UK should remain subject to the jurisdiction of the UPC.



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