

The Unitary Patent and UPC: an important step closer

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The Unified Patent Court (UPC), a new patent court system planned for Europe, along with a new form of patent, the unitary patent, will radically alter the way in which patents in Europe are filed and enforced.

On 26 April 2018, an important milestone was reached with the UK's ratification of the UPC agreement (the Agreement).

The UK is one of three EU member states along with Germany and France (who ratified in 2014) required to ratify the agreement in order for it to come into force. After more than 30 years of discussion the system has come close to adoption in the last couple of years and is popular with industry. However, two major obstacles still lie in the way of the UPC project: an unexpected German constitutional challenge to the UPC and uncertainty over whether the UK's participation in the system can survive Brexit.

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, on grant, provide patentees

EU patent reform

The key features are:

- * Central application to the European Patent Office (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 (Unified Patent Court) allowing for central enforcement and cross border injunctions throughout participating states but also central attack on validity.

with a bundle of national rights that 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). Unitary patents will be prosecuted through the European Patent Office. They will be governed and enforced by the new UPC. This will comprise local and regional courts and a central division, including a court in London for life sciences cases (see feature articles "[The unitary patent: a new patent and court system for Europe](#)" and "[The unitary patent: central enforcement of patents in Europe](#)").

The new UPC system will enable owners of unitary patents to enforce patent rights across

Europe by seeking a Europe-wide injunction in proceedings in one jurisdiction. Conversely, however, third parties will be able to attack the validity of a unitary patent centrally, potentially leading to the loss of the whole patent across Europe.

Crucially, the UPC will also have competence over existing traditional European patents and pending applications for European patents unless the owner(s) actively opts out of the system for that patent. Failure to do so will make the European patent subject to proceedings in the UPC and consequently vulnerable to central attack.

Issues ahead

The key question is whether and how the UK can remain in the system following its departure from the EU. There is enthusiasm for the UK joining before Brexit in order to facilitate the UK remaining part of the system or at least influencing its early development.

Impact of Brexit. Brexit raises difficult political issues; the UPC system is established between EU member states and decisions of the court will be appealed to the European Court of Justice (ECJ), which the UK will not be subject to post-Brexit. However, the agreement is an international agreement rather than an EU legal instrument. As the UPC is an international court system, decisions of the ECJ in respect of UPs will be actions of the ECJ acting under an international agreement and be binding on the UPC courts (including any London court), as international courts, and not as local courts. Consequently, it would not make an English court subject to ECJ decisions.

Long-term participation will require legal complexities within the agreement to be addressed. It seems likely that these complexities can be resolved given the political desire within the EU and UK for this to happen. This will however require negotiation and is on the Brexit negotiation agenda. In contrast, the unitary patent is clearly an EU instrument and arguably

presents more difficulties for the government to overcome.

However, time is against policy makers. The UK will formally leave the EU on 29 March 2019. The EU and UK have now agreed (in the draft withdrawal agreement) that certain registered EU intellectual property rights, notably trade marks and designs, will continue until the end of the transitional period in December 2020. However, there has been no mention of the unitary patent and UPC in this context. There are no guarantees when, or even if, the new system will come into force as a result of developments in Germany.

German challenge to ratification. In 2017 Germany suspended its ratification process as the German Federal Constitutional Court (BVerfG) is examining a constitutional complaint against ratification of the agreement in Germany. The challenge, lodged by an individual patent attorney, claims that entering the UPC is contrary to Germany's constitutional laws.

If the challenge is successful or if it requires determination by the ECJ which would take at least two years, this could effectively halt the whole project. The German Bar Association and other interested parties have submitted that the complaint is not admissible or is unfounded. The case is listed for hearing in the BVerfG's 2018 calendar, but as yet, no date has been set.

Expected timetable

Given these events, the UPC Preparatory Committee has abandoned its provisional start date of mid-2018 and has said it cannot at present predict a timeline.

If the BVerfG case does not take place soon, it is unlikely that the UPC could come into operation before the UK's departure from the EU in March 2019. Some agreement would be required to prevent the project from stalling completely. If, however, the German challenge resolves quickly, the first stage towards the UPC's opening would be the commencement of a provisional application phase during which various

institutional, financial and practical arrangements are established before the UPC 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 EPs (based in the UK or elsewhere) to opt out their patents before the court becomes operational. 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 and the impact of Brexit before deciding whether to opt back in (assuming there have been no national proceedings meanwhile). 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).

Action to take now

The timing is becoming increasingly tight for the system to come into effect before the UK leaves the EU. However, judging by the UK's determination to push ratification through, there does seem a certain political will behind the project succeeding. Patent owners should therefore monitor developments and be ready to make preparations for the new system by giving early consideration to which European patent rights to opt-out.

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