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### **The Unitary Patent & Unified Patent Court System – Perspectives after the Brexit Referendum, Munich, August 11, 2016**

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**Before the Brexit referendum, the public was warned that a Brexit would ruin the timeline for the Unitary Patent (UP) & Unified Patent Court (UPC) system due to come into force in early 2017. After the referendum, the responsible bodies for implementing the system, the Select Committee of the EPO and the Preparatory Committee of the UPC announced that they would continue and terminate their preparatory work as scheduled and some of those who had conceived and supported the project were eager to emphasize that the UK could ratify the Agreement on the Unified Patent Court (UPCA) as envisaged before the Brexit.**

#### **Can the UK still ratify the UPCA?**

Under Article 84 UPCA, the Agreement is open to ratification by any EU Member State. Article 89 of the Agreement requires for its entering into force ratification by thirteen Member States, including the three countries where the highest number of European patents were in effect in the year 2012, i.e. France, Germany and the UK. So far, 10 member States, including France have deposited their instruments of ratification. Therefore, three States are still lacking. In Germany parliamentary proceedings are well advanced, in the Netherlands parliamentary approval is concluded and only the deposit of the instrument of ratification is necessary. Therefore, the only real obstacle

to the entering into force of the UPCA is its ratification by the UK. Ratification of the UPCA is foreseen in the UK Intellectual Property Act 2014. The Act requires an order by the Secretary of State for giving effect to the UPCA and the order has to be approved by a resolution of the Parliament.

The referendum has not changed the legal situation of the UK as a EU Member State. The procedure for withdrawal from the EU is laid down in Article 50 of the EU Treaty. First, the UK has to notify its intention of withdrawal. A period of two years follows in which the EU and the UK may negotiate and conclude an agreement on the details of the withdrawal. EU law ceases to apply from the entry into force of the withdrawal agreement, or failing that, two years after the notification of the intention of withdrawal. The two years for negotiating the agreement may be extended by unanimous decision of the parties involved.

Thus, for the time being, the UK is still a EU Member State and formally entitled to ratify the UPCA, i.e. in a position to make the entering into force of the Agreement possible.

#### **What could happen if the UK ratifies before the Brexit?**

The UPCA is only one of three legal instruments creating the unitary patent package. It is an international treaty among EU Member States. The other two legal instruments are the Regulations on unitary patent protection



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and on the translation arrangements for unitary patents. Whereas the EU Regulations would cease to be applicable to the UK after the Brexit by operation of law, the situation is not so clear for the UPCA since the Agreement is not part of the EU law. However, by restricting ratification to EU Member States, the UPCA presupposes that non-EU States cannot be Member States of the UPCA. Therefore, EU membership of all UPCA States may be seen as an essential basis for the consent of the parties to be bound by the UPCA and any Member State may be considered to be entitled under Article 62 of the Vienna Convention on the Law of Treaties to invoke the UK's withdrawal from the EU as a fundamental change of circumstances for terminating its treaty obligations vis-à-vis the UK. So, whereas a ratification by the UK could make the unitary patent system operational, the legal consequences thereof would remain unresolved for the time being.

In this context, it has been suggested to open UPCA membership to non-EU Member States by amending Article 84 UPCA on the basis of a decision pursuant to Article 87 (2) UPCA. The latter provision gives the Administrative Committee of the Court the power to amend the Agreement in order to bring it into line with an international treaty relating to patents or EU law. Already from a procedural perspective, there may be doubts whether the conditions of Article 87 (2) UPCA for a legislative act of the Administrative Committee are fulfilled. Furthermore, such a decision of the Administrative Committee would require unanimity and different interests of the Member States may be involved. From a substantive law point of view, the question arises whether jurisdiction of the UPC is compatible with the EU judicial system as interpreted by the CJEU in

its Opinion 1/09 if the UPC is not exclusively common to EU Member States. This problem is interlinked with the question whether a non-EU Member State can assume liabilities for damages resulting from infringements of Union law as foreseen in Article 22 UPCA, quite apart from the question whether the UK would be prepared to commit itself in such a way.

In respect of the effect of the unitary patent, it has been proposed to extend the unitary patent to the UK on the basis of an agreement pursuant to Article 142 (1) EPC. From a formal point of view, the question arises whether extending a unitary patent can be a matter of European patent law. Since the right to be extended is a right under EU law, it may be argued that EU law would be the appropriate legal order for such an agreement. From a substantive law point of view, an extension of the unitary patent would presuppose that jurisdiction of the UPC and the CJEU is given (see the preceding point), otherwise no unitary effect would be possible.

Whereas it may appear tempting to finalize the work on the unitary patent, a quick ratification of the UK would not only be contradictory to the intention to leave the EU. It would also mean to postpone the resolution of problems until after the system has become operational. This may diminish the readiness to find compromises how to solve the problems and legal attacks based on a doubtful legal basis may follow, not only under Article 62 of the Vienna Convention on the Law of Treaties.

All in all, this scenario involves a level of uncertainty and risk that does not seem to be appropriate to be allowed for in the first

place. If the UK ratified the UPCA before the Brexit nevertheless, it would be interesting to see whether Germany would accept such uncertainty and risk or – more likely – put its own ratification on hold until there is more clarity about the terms and consequences of the Brexit.

In any case, unitary patents registered before the Brexit would lose their effects after the Brexit and European patents registered as unitary patents after the Brexit would not benefit from unitary effect for the UK but take effect as European bundle patents in the UK. It would be a matter for UK law to give unitary patents registered before the Brexit a legal effect under national law.

### **May ratification by the UK be expected before the Brexit?**

It has been argued that there is a common interest of the UK and the other Member States in realizing the unitary patent system. Indeed, some organizations, users and attorneys have suggested that the UK should ratify the UPCA as if the referendum had not been successful. After the consensus on setting the level of the renewal fees to be paid for unitary patents at the »True Top 4« level, the concept of the unitary patent became increasingly popular and a significant number of users were prepared to test the future UPC in order to profit from improved possibilities of enforcing their patents. From the specific British point of view, there is a strong interest in having a Local Division of the UPC and the Section of the Central Division as foreseen in Article 7 (2) UPCA in London, the latter being competent for economically very interesting pharmaceutical matters.

However, it is difficult to imagine that the

British Government and the British Parliament could ignore the express will of the majority having voted for leaving the EU. As a logical consequence, the UK did not take part in the ceremony for signing the Protocol on Privileges and Immunities to the UPCA in the week following the referendum. The new Prime Minister stated a Brexit is a Brexit and decided to relinquish EU presidency in the second half of 2017. The UK IPO published on 2nd August 2016 a short guide called »*IP and Brexit: The Facts*« and stated therein on the UPC:

*»The UK remains a Contracting Member State of the Unified Patent Court at present. We will continue to attend and participate in UPC meetings in that capacity. There will be no immediate changes.«*

The statement that »*There will be no immediate changes*« insinuates that there are no plans for a quick ratification by the UK. In any event, any attempt to by-pass the people's will will probably be vigorously attacked. Whereas the argument that the UPCA is an international treaty and not EU law is formally correct, the public at large will hardly care about such details. Europe is Europe and approaching Europe in the specific field of patents will be understood as contrary to the decision to leave Europe. From a legal point of view, accepting the supremacy of the CJEU jurisdiction means to give up an important element of sovereignty and an electorate which was driven by its antipathy against law making in Brussels may hardly like to be subject to decision making in Luxembourg, be it by the Court of Appeals of the UPC, be it by the CJEU. It would actually be – to say the least – ironic, to leave the EU for its law making powers and to then voluntarily submit to such law making and EU

decisions without having any more influence in the law and decision making itself.

### **The unitary patent package without the UK?**

As long as the UK remains a EU Member State, ratification of the UK is a precondition for entry into force of the UPCA pursuant to its Article 89 (1). Only after the Brexit will have become effective, Italy can replace the UK in this role as the EU State in which the highest number of patents had effect in 2012. Article 7 (2) UPCA, establishing the London Section of the Central Division and Annex II to the UPCA, containing the distribution of cases within the Central Division, will have to be amended. The easiest and most economical solution would be to delete the third Section of the UPC and assign its competences either to the Paris or Munich Section, wherein Munich, being home to a number of pharmaceutical companies, would even provide a certain factual connection. However, it may be expected that Italy claims the third Section for Milan. Further, Dutch practitioners are already lobbying for the third Section to be established in The Hague. Political issues can thus be expected.

Further, any change of the Agreement means re-negotiation and substantial amendments would not be possible in the simplified procedure pursuant to Article 87 (2) UPCA with the consequence that ratification would become necessary in several states.

Without doubt, a unitary patent system without the UK as one of the most important markets in Europe will be less attractive for the users. Nevertheless, a simplified system for a smaller territory could be better than none at all. As to enforcement, UPC pilot

cases may well allow for broader settlements including the UK, thus avoiding duplicate litigation. Concerning translation requirements, an additional burden for applicants would not arise because the UK does not require a translation of European bundle patents under the London Agreement on the application of Article 65 EPC. As to the level of renewal fees, the »True Top 4-level« would have to be reconsidered, taking the additional burden of national renewal fees for the UK into account.

Within the IP community inside and outside the UK, there is a widespread interest in a quick implementation of the unitary patent system including the UK. However, IP rights are not a matter which can be separated from the legal and economic consequences of the Brexit referendum. Although many were surprised by the result of the referendum, there are no signs of a turnabout in public opinion in the UK which might give hope that the Brexit will be implemented on a low level.

Certainly, IP rights are not on top of the UK agenda for Brexit negotiations. Much more important are the problems directly connected to the principles of the free movement of goods and services which the UK wants to maintain and the free movement of persons which the UK wants to restrict. There is the fear that the Brexit referendum will be followed by a period of uncertainty about the future of the unitary patent. However, there is no reason to wait for the results of the Brexit negotiations. Rather, the possibility that the unitary patent system cannot be realized with the UK should be considered as a realistic scenario and the available time should be used to reach consensus on the alternative to realize a unitary patent system without the UK.