

# The UPC springs back to life

The Unified Patent Court received an unexpected boost in November 2016, when the UK government committed to ratifying the agreement despite Brexit. Private practice experts from three leading European law firms discuss the implications

By Joff Wild

**O**n November 28 2016 the UK government caught almost everyone by surprise when it announced that it intended to ratify the Unified Patent Court (UPC) Agreement, despite UK voters' decision to leave the European Union following the June 2016 referendum. This latest move means that, instead of being mothballed until either the United Kingdom actually leaves the European Union or the other member states develop an alternative agreement, the UPC is now back on track and could be up and running as early as autumn of this year.

In *LAM 81*, a group of leading European private practice lawyers discussed the UPC's prospects post-Brexit referendum. As we went to press before the government's ratification announcement, we have reassembled some of the participants in that roundtable – Sofia Willquist and Julia Mannesson of Awapatent in Sweden; Alan Johnson of Bristows in the United Kingdom; and Gottfried Schüll of Cohausz & Florack in Germany – to discuss what this latest announcement means and how it will affect patent owners' plans and strategies.

**Q: What precisely has the UK government said about ratifying the UPC Agreement?**

**Alan Johnson (AJ):** The UK government's announcement is a no strings attached commitment to ratifying the UPC Agreement "over the coming months", with a view to bringing the UPC into operation "as soon as possible".

**Q: When can we now expect UK ratification to occur?**

**AJ:** The most complex legal step towards ratification – namely, amendments to the Patents Act – has already been completed. We believe that it is highly likely that the UK government will try to push through the remaining ratification procedure, or at least the legislative aspects of that process, before Article 50 notice is given. In brief, the process will involve committees in the House of Commons and the House of Lords, in addition to an equivalent committee in the Scottish Parliament, looking at a statutory instrument to approve the Immunities and Privileges Protocol – which enables the court to have a base in the United Kingdom. This is likely to be completed by April. Following that, there is the purely formal step of having the foreign secretary sign the instrument of ratification and lodging it in Brussels.

This may be delayed to avoid triggering the start date for the court until everything else is ready (notably, the appointment of judges and finalisation of the IT system).

**Q: There have been some issues with German ratification too. What is the situation there now?**

**Gottfried Schüll (GS):** While Germany was on track to ratify the UPC Agreement as soon as all other necessary states had done so, the government has recently discovered a mistake in its preparation, which may result in unexpected delays. The secretary of justice had initiated a short-track mode for ratification. However, this has now been identified as inapplicable for this type of agreement – meaning that the German Council of Constituent States must be granted more time for review. This may mean that the ratification process needs to be restarted, which might entail some additional delay.

In any event, the German government will wait for ratification by the United Kingdom. If this comes soon, there will be some delay as a result of the German procedural update. However, if the UK government needs more time, there will be no relevant delay as a result of this error.

**Q: When can we now expect the UPC to be up and running?**

**Sofia Willquist (SW):** As of the time of writing, we have received no more information from the United Kingdom as to when it expects to ratify the agreement – the same is true for Germany. However, provided that things progress smoothly and that both countries actually ratify the UPC Agreement by spring, the UPC should launch during Autumn 2017. The UPC's preparatory committee has already carried out a great deal of work – especially with regard to case management systems, the locations of the different courts and the recruitment of judges. Therefore, once the proper ratifications are in place, the administrative or sunrise period will commence. If neither the United Kingdom nor Germany can ratify before the United Kingdom hands in its Article 50 request, I believe that a start during the latter part of 2018 or the first part of 2019 is still viable – particularly since the United Kingdom will be under a great deal of pressure to complete negotiations quickly, while the remaining UPC countries will probably try to renegotiate the agreement to allow for the UPC to start without the United Kingdom as one of the three mandatory countries.

**AJ:** Assuming that Germany and the United Kingdom ratify in April, the court itself will likely open for business in late autumn (at which time newly granted European patents will also be eligible for unitary protection). Before that will be the provisional or sunrise period, when patent owners will be able to lodge opt-outs for existing European patents which they do not wish to have subject to UPC jurisdiction. This should take place around May.

**GS:** I am still of the opinion that the UPC will not be up and running in the foreseeable future. The weight of political will in the United Kingdom to leave the European Union makes me believe that the government will not ratify; this could then signal a long hiatus in the process to establish the UPC. This, of course, would be an unfortunate outcome; but we have to stay realistic. The public will – especially in the United Kingdom – presently appears less interested in the development of the IP sector and strengthened integration than in EU disintegration.

**Julia Mannesson (JM):** The UPC might launch in 2017, although it will likely be later than this. What will happen when the United Kingdom actually leaves the European Union is of great interest. Will the United Kingdom follow the UPC's decisions when it is no longer an EU member? Will the UK section of the court remain in London? These and many other questions need to be answered in the coming months.

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**Q: What uncertainties remain and how attractive will the UPC be to industry while these are unresolved?**

**AJ:** There has been a question mark over whether the United Kingdom will be able to continue to participate in the UPC post-Brexit. Politically, the question is a much wider one relating to the jurisdiction of the European Court of Justice over the United Kingdom – albeit in the case of the UPC as member of an essentially international court. The IP minister made a point of stating on November 28 that “the decision to proceed with ratification should not be seen as pre-empting the UK's objectives or position in the forthcoming negotiations with the EU”. Legally, the question is whether anything needs to be done to ensure that the UPC in its post-Brexit form has a solid legal base and, if so, what it is. We may not have an answer to the political question any time soon, but there is no reason why work cannot be carried out early in the Article 50 negotiation phase to find an answer to the legal question.

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**Q: How should the announcement affect companies' planning for the UPC?**

**GS:** This is a key question for users of the system, who are likely waiting for a strong signal from either the UK government or Parliament before restarting their UPC plans. The UK political situation is presently too complicated and unstable for users to relaunch preparations based merely on an announcement from a UK government minister. In addition, Brexit has generated many additional tasks for IP departments, quite apart from the question of whether the UPC will launch, which are taking up capacity needed for UPC planning.

There is also a risk that as soon as UPC ratification becomes subject to a public discussion in the United

Kingdom, the government will go back on its recent statement. And it cannot be completely ruled out that this statement is itself part of a broader political choreography designed to avoid legal steps by other EU member states keen to push ahead with the UPC. Accordingly, for the time being, we expect UPC preparations to stay suspended.

**SW:** I believe that most companies were prepared for a start at the beginning of 2017 and that the sunrise period will give most patent owners ample time to prepare – for instance, by filing opt-out requests. Being cautiously optimistic about a start for the UPC during the second half of 2017, companies should in the short term try to delay the grant of patent applications that they would like to be covered by the unitary effect. Due consideration must be given to the fact that no one really knows how the negotiations between the United Kingdom and other EU member states will go – and even whether the United Kingdom intends to participate in full until it leaves the European Union and what will happen after it leaves. This means that businesses choosing the unitary effect must do so while being fully aware and in acceptance of the fact that protection in the United Kingdom might possibly be converted to a national right, and that the United Kingdom may not be part of the UPC litigation landscape in the future.

**JM:** It will soon be time to resume preparations that were suspended after the UK referendum. However, it might be a good idea to await developments in the upcoming months. Even though the United Kingdom has announced that it is proceeding with ratification, there is still great uncertainty. Companies should stay up to date; but apart from that, I think that they can afford to sit and wait for the first quarter of 2017. After that, they should consider what to do with their current patent portfolios and plan future patent strategy.

**AJ:** Most patent owners put their UPC preparations on ice on June 24. Now they need to start work again – and urgently, because the UPC really should start in 2017. Businesses – whether potential claimants, defendants or in most cases both – need to understand the new system and inform themselves about how the UPC will work. The second question is the extent to which they wish to have their patents in the system. Do they want to opt existing patents out or leave them subject to UPC jurisdiction (which in fact involves dual national and UPC jurisdiction for the first seven years)? If they want to opt out, they will be able to do so in the provisional phase. Moreover, do they wish to seek unitary protection for existing European patent applications coming to grant following start-up? This is a budgetary issue, as well as a question of whether patentees want their patents in the UPC system (mandatory in the case of unitary patents). And if the decision is to seek a conventional bundle of European patents, rather than unitary patents, will those new patents be opted out or left in the system? Also, users that license patents in or out will need to consult with their licensors and licensees to ensure that their views on these two issues (opting out and seeking unitary protection) are shared and, if not, resolve any differences. Identifying and reviewing licence and joint venture agreements could be a lengthy process, even before any discussions start. Finally, future licences should include provisions dealing with UPC issues – notably, the question of control of the opt-out and unitary protection for European patent applications.

There is a lot to do, so work needs to start soon. *iam*