26 of the 28 European Union Member States (MSs) have participated in the enhanced cooperation needed to establish a new patent right - the European Patent with Unitary Effect, otherwise known as the unitary patent (UP). This new right will become available as soon as the new court system - the Unified Patent Court (UPC) - set up to enforce it comes into effect. The UPC will also handle enforcement of current (and future) European patents (EPs) designated to MSs which have ratified the Agreement on a Unified Patent Court (UPCA), unless such EPs are opted out of the UPC's jurisdiction.

To add to the complexity, for a transitional period, national courts will continue to have jurisdiction over non-opted out EPs also. Once this transitional period is over, the UPC will provide an exclusive court for all decisions involving the UP. The transitional period will last at least 7 years but could be extended. During this period EPs can be opted out but once this period has come to an end, all new EPs (and current non-opted out EPs) will fall under the exclusive jurisdiction of the UPC.

Until sufficient signatory states have ratified the UPCA, the new court system cannot commence. Currently this is being held up by the UK and Germany. The UPC Preparatory Committee had announced a 1 December 2017 start date but has had to withdraw this, with no new commencement date set as yet.
For more information on the current state of ratifications of the UPCA see the Unified Patent Court Agreement section of this hub.

The UK's decision to leave the EU had been expected to mean that its participation in the UPC was unlikely at best. If not a member of the EU, the UK would also be excluded from participation in the UP. The UK is one of three EU member states whose ratification of the UPC Agreement is a pre-requisite of it coming into force. If the UK had not decided to ratify the agreement (as announced in November 2016), the other participating states would have had to wait for the UK to leave the EU before the UK's ratification requirement could be replaced by the next qualifying state (Italy). This would have delayed the introduction of the new system significantly, until at least beyond Brexit.

On 16 January 2017, the UPC Preparatory Committee announced its expectation that the UPC would be operational by December 2017 with a sunrise period for opting out patents from its jurisdiction from September 2017. However, it did sound a note of caution, stating that the "timetable is conditional and provided with the clear disclaimer that there are a number of factors that will dictate whether it is achievable. The most important factors in meeting these dates is the necessary ratifications of the UPCA and accession to the Protocol on Provisional Application. If these are not achieved the time-plan will be disrupted". This caution turned out to be justified, given the ensuing delays triggered by the UK general election and now the challenge to Germany's ratification of the UPCA. An announcement by the Committee on 27 June 2017 that the progress of ratification of the Protocol on Provisional Application (which allows practical arrangements for the new court to proceed prior to final ratification of the UPCA) has been slower than anticipated and referring to the challenge in Germany, concluding that it was not possible as yet to provide any update on a specific date towards which the Committee was working to establish the UPC. There has been no further announcement since then.

Participation in the UPC and UP system beyond Brexit: Discussions are taking place as to whether the UK can remain in the UPC/UP system in future even if no longer an EU member states. Shortly after the Brexit referendum, the Intellectual Property Lawyers Association (IPLA), of which Herbert Smith Freehills is a member, along with other IP representative groups, jointly requested an Opinion from counsel Richard Gordon QC and Tom Pascoe of Brick Court Chambers on specific questions concerning the impact of Brexit on the UK's participation in the UPC. The Opinion, published in September 2016, considered that there were ways to in which the UK could legally participate in the UPC even if not an EU member state, although with fairly significant barriers to be overcome to do so including the recognition of the supremacy of EU law and the authority of the Court of Justice of the European Union, which may not be politically acceptable to the UK Government in the long run. For a summary of the Opinion and commentary on it see our article here (hosted on our website). UK Prime Minster Teresa May's rejection of the CJEU in her Brexit speech on 17 January 2016 that the UK will make the UK's participation in the UPC post-Brexit difficult. See the comments by Mark Shillito, our Head of Intellectual Property, in an article "Brexit means ditching the CJEU, May makes clear", published on the Law Society Gazette's website on the same day. However, the Government's approach appears to be that as the UPC is an international court, not a UK court, the UK's involvement in the court would not be a contradiction.
However, if the UK cannot continue to take part in the UPC beyond Brexit, it will become one of the European jurisdictions where separate patent protection will need to continue to be sought following the introduction of the new UPC/UP system, as will be the case for Spain and Croatia which have not signed the UPCA or participated in the enhanced cooperation to establish the UP (and Poland which participated in the enhanced cooperation but have declared it will not ratify the UPC Agreement, so there will be no means of enforcement of UPs in Poland).

Transitional arrangements will need to be put in place to deal with UPC litigation that is in progress at Brexit if no way can be found for the UK to continue in the new system, and for the conversion of unitary patent rights in the UK into an equivalent UK patent right.

**The establishment of the UPC is dependent on the UPCA coming into force:** The UPC will be established via the UPCA; for the UPCA to come into force, it needs to be ratified by France, Germany, the UK and at least 10 more participating EU member states. To date, France has ratified and 14 other participating EU member states, so with the UK’s promise to ratify and Germany having already made legislative preparations to do so, there is little to prevent the UP and UPC becoming a reality now. It was thought likely that Germany was waiting for the practical arrangements for the new courts to be in place and sufficient judges recruited before ratifying so that everything would be ready.

The **UPC structure** will have local divisions, regional divisions and a central division. Regional divisions are a form of local division providing a UPC for several MSs at once where the number of patent cases a year is too low to merit individual local divisions. Infringement actions can be brought in a local division but the central division has exclusive jurisdiction to decide applications for declarations of non-infringement and revocation (see the section of this guide on **UPC structure**).

The **central division** has been split between Paris (the main seat of the central division), London and Munich. Each seat of the central division will deal with cases dependent on their content, based on IPC classifications. The London central division will take cases on patents involving human necessities and pharmaceuticals/chemistry including genetic engineering and Metallurgy (International Patent Classification of WIPO sections (A) and (C)). Munich will hear cases involving patents in IPC class F, concerning mechanical engineering. All other patent classifications will fall to be heard before the Paris central division.
UK ratification of the UPC Protocol on Privileges and Immunities and Protocol on Provisional Application:

On 14 December 2016 the UK signed the Protocol on Privileges and Immunities of the Unified Patent Court (PPI) which recognises that the UPC is an international organisation with legal personality in each contracting Member State and generally provides the recognition framework for the UPC to be established along with apply the Protocol of privileges and immunities of the EU to the judges of the UPC. Other signatories to the PPI can be found here. The Unified Patent Court (Immunities and Privileges) Order 2017 was laid before Parliament on 26 June 2017 – see the explanatory memorandum here. This has now been approved by both Houses of Parliament and the Privy Council. This Order implements the Protocol on Privileges and Immunities of the UPC (the Protocol) and confers legal status in the UK on the United Patent Court and privileges and immunities on the Court, its judges and staff, under the International Organisations Act 1968, which allows the grant of certain immunities and privileges to the international organisation and its officers and employees. This Order (and an equivalent measure in the Scottish Parliament) needed to be passed before the UK could be in a position to ratify the Protocol as well as the UPC Agreement itself.

The UK signed the Protocol on a Unified Patent Court on provisional application (PPA) in October 2015. The PPA allows the provisional application of the institutional, financial and administrative provisions of the UPCA and will enable the necessary legal and practical arrangements to be made in contemplation of the establishment of the UPC, including the appointment of judges. The EPO has commented that the Protocol "should ensure that the Court is fully operational and ready to hear cases on the very day the Agreement formally enters into force".

For the PPA to come into effect, 13 signatory states - which have signed the UPCA (and which must include France, UK and Germany) and have also ratified the UPCA or informed the depositary that they have received parliamentary approval to do so - must have signed and ratified, accepted or approved the PPA (in accordance with Article 2(2) PPA) or declared by unilateral declaration or in any other manner that they consider themselves bound by the provisional application of the articles of the UPCA mentioned in Article 1 PPA. These Articles cover, inter alia, the establishment of the UPC, the Registry, the Mediation and Arbitration Centre, the training and appointment of judges, and the provisions allowing for the UPC Statute and Rules, legal aid, remuneration of judges, the setting up of local or regional divisions, and the establishment of the pool of judges. As at December 14th 2018 one more country needs to ratify the PPA and Germany for it to come into operation.

UPs cannot be granted without the UPC in place: Regulation 1257/2012 establishing the UP is already in force but the grant of UPs is dependent on the UPC being established. Once the UPCA is in force and thus the UPC and UP established, any European patent (EP) application coming to grant can be converted into a UP at grant if the applicant chooses.
Currently, EPs are applied for centrally, at the European Patent Office (EPO), and then on grant are converted into a bundle of national patent rights, designated to whichever European Patent Convention signatory states have been selected by the applicant. Although there is a central system for opposition before the EPO, post grant infringement and revocation actions must be brought in relation to individual designations and cannot be litigated centrally. This frequently leads to multiple actions across Europe in relation to EPs derived from the same initial application.

The Commission and the European Parliament have sought to resolve the multiplicity of actions based on the same EP, by allowing the new UPC to hear EP litigation as well. However, for a transitional period, the proprietor of an EP may choose to "opt-out" of the UPC system and retain the right to litigate designations separately in national courts. Once this period has passed (after 7 years, although this may be extended to 14 years), all EPs which have not been opted out will be litigated "centrally" using the UPC system. For more on the consequences of opting out or not doing so see the section of this guide on opt-out and our article for Managing Intellectual Property (see below).

It will not be obligatory to apply for UP status on grant of an EP by the EPO, EPs will continue to be granted as now. Once the new regime is in place, it will still be possible (as it is now) to apply for national patents (NPs) instead of EPs (or UPs) by lodging separate applications at each of the national patent offices. These national patents will not be litigated at the UPC and actions relating to them will continue to be heard by national courts. National patents are therefore one way of avoiding the new UPC system if there are strategic reasons for doing so.

Non-EU EPC states (such as Switzerland, Norway and Turkey) were not allowed to take part in the UPCA (only EU MSs could take part) and thus for patent protection in these states and any MSs which have not signed up to the UP or UPCA, the only option for protection will continue to be via an EP (or an NP). See below for more on where UP will have effect.

The cost of a UP: The EPO has adopted a "business friendly fee pattern" for the new UP equivalent to the current charges for the "top 4" most popular validation jurisdictions for EPs - see our e-bulletin "EPO adopts "business friendly" Top 4 approach to UP renewal fees" of 29 June 2015.

For major articles we have written on the advent of the unitary patent and UPC see below:

- We published an article on the impact of the UP and the UPC on the management of patent applications, patent portfolios in general and licensing in particular in PLC Magazine (November 2015) "The New Unitary Patent Regime - Prepare and Protect your Portfolio" available as a pdf from this link and also on Practical Law at http://uk.practicallaw.com/3-619-5858 The article considers, in particular:
the law applicable to UPs and the impact on this of the place of business of the applicants and the order in which they are named on the patent

issues for co-owners and co-ownership agreements (including opt-out considerations and control over proceedings, conversion of EP applications to UPs)

licensing – opt-out (both from a licensee and licensor point of view), control of proceedings

impact on patent valuation and security of opting out or not and of obtaining unitary protection

In June 2015 we published an article in Managing Intellectual Property Magazine, "What should influence your decision to opt-out of the UPC?" discussing European, unitary and national patent registration strategies in the context of the option to opt-out European patents from the Unified Patent Court's jurisdiction.

SEE MORE ON OUR UPC AND UP HUB

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If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.

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