

The UK decides to ratify the UPC Agreement: the UPC and Unitary Patent to proceed in 2017

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As we have reported previously, it had been thought that the UK's vote on June 23, 2016 to leave the European Union would delay the commencement of the Unified Patent Court (UPC) and the introduction of the unitary patent. Some had even questioned whether the UPC and unitary patent would survive at all. The reason is that, in order for the UPC to commence, and for unitary patents to be granted, the Unified Patent Court Agreement must be ratified by thirteen countries, including at least the UK, France and Germany. It was thought that the UK would either be unwilling to ratify the agreement in light of the referendum result, or else that the ratification would feature as part of the wider exit negotiations, and so be delayed. However, on November 28, 2016, the UK Minister of State for Intellectual Property announced at the EU Competitiveness Council that the UK will ratify the UPC Agreement. Although the ratification by the UK Parliament may encounter some resistance from certain Members of Parliament, it is expected to pass. This means that the UPC will now proceed in 2017.



Eleven countries have so far ratified the UPC Agreement and, therefore, once the UK and Germany have also ratified, the opt-out sunrise period will commence. Four months later, the court will open its doors and the first unitary patents will be granted. Ratification by the UK is likely to be in the first half of 2017. Ratification by Germany is also expected to happen in early 2017. Accordingly, the current realistic estimate is that the opt-out sunrise period will commence in spring or summer 2017, with the court starting by the end of 2017 (although the UK Government's estimates are more optimistic than that). Upon commencement, the UK will play a full part in the UPC, and the pharmaceuticals and life sciences section of the court's central division will be located in London, which will also host a local division.

It is not certain whether the UK will be able to be involved in the UPC in the long term, although this uncertainty will not prevent the UPC from commencing or continuing. There is also a separate question mark over whether unitary patents will continue, once granted, to extend to the UK in the long term. It is expected that other EU Member States will want the UK to remain part of the UPC, as they have been urging the UK to ratify the UPC Agreement, although it is possible that the political situation may change as the wider EU exit negotiations progress. More significantly, the Court of Justice of the European Union (CJEU) poses a hurdle. In its Opinion 1/09 the CJEU ruled that an earlier proposal for a pan-European patent court which involved non-EU Member States, was unlawful. However, the UPC Agreement acknowledges the primacy of EU law, which may overcome the previous objection. It remains to be seen how the CJEU will view the inclusion of the UK as a future non-EU Member State.

The UPC will offer to patentees the opportunity to obtain pan-European injunctions. However, it will also be able to order pan-European revocations, and pan-European declarations of non-infringement. Furthermore, it is going to be a completely untried and untested court, with a completely new hybrid civil law/common law procedure. As a consequence, stakeholders have been reticent about entrusting their patents to this new court. In light of the opt-out sunrise period probably commencing in the first half of 2017, we once again advise that you formulate your strategy as to which European patents and applications to opt out, if you have not already done so.

OPT-OUT STRATEGY

European patents that are opted out will not be able to benefit from the possibility of obtaining a pan-European injunction, but will also not be vulnerable to pan-European invalidation by the UPC. Note that it is possible to withdraw the opt-out, so that UPC infringement proceedings can be brought. However, this cannot be done if national proceedings have been brought in the meantime. You should, therefore, formulate your strategy on the basis that you may not be able to withdraw an opt-out.

Factors to consider when deciding whether to opt out a European patent or application include:

- The value of the patent and consequences of pan-European invalidation
- Whether an EPO opposition has been filed or is likely, which would make a pan-European invalidation claim in the UPC more likely
- The likelihood that you will enforce the patent
- Relatedly, the benefit of the pan-European injunction (which is likely to become more important, once it becomes available, as national courts become less influential)
- The potential perception towards an opted out patent
- The need to engage with the UPC to influence the jurisprudence
- The due diligence required to opt out (see below)

Our recommendation is to consider leaving at least some patents in the UPC system, in order to benefit from the possibility of obtaining a pan-European injunction (which, once it becomes available, may become increasingly important if the influence of national courts diminishes), and also so as to help shape the jurisprudence of the UPC in its early years (and not, for example, leave the case law to be overly influenced by one particular sector or business model). One possibility, in the case of key inventions where there are still applications under prosecution, is to make use of divisional applications, leaving in some patents (including designating some future applications as unitary patents), and opting out others that are for almost the same invention (national patents could also be used to hedge in this way).



DUE DILIGENCE

On February 25, 2016, the Preparatory Committee of the UPC published the final Rules on Court fees and recoverable costs, announcing that there will now be no fee for opting out. While it might be thought that this will encourage patent holders to opt out European patents, it should be noted that significant due diligence will be required prior to opting out.

For a given European patent or patent application, it will be necessary for all proprietors or applicants, and all holders of any Supplementary Protection Certificates (SPCs), to join the application for an opt-out. Furthermore, it is all those “entitled to be registered” as proprietors (or applicants) who must be specified on the application, whether or not they have been registered as such. Therefore, we recommend conducting due diligence to establish the identity of all of the actual proprietors of each patent/application/SPC that is to be opted out, and obtaining their agreement to opt out. To the extent that it is found that the proprietorship needs to be changed, assignments should be executed before the opt-out application is made. If the proprietorship details entered on the opt-out application form are incorrect, the rules state that the opt-out will be invalid. (Note that, as a practical matter, a party seeking to revoke a European patent may be unable to tell that the stated proprietor is incorrect and so may, on the presumption that the opt-out is valid, bring a revocation action in a national court, which may then bar it from later bringing a pan-European revocation action in the UPC – although it may not bar another party from doing so.)

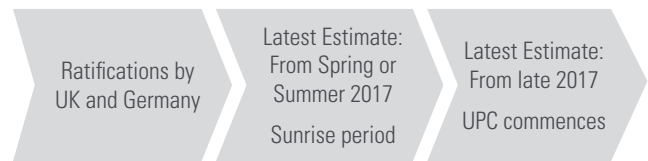
We also recommend checking license agreements to establish whether consultation with licensees about opting out, or their consent, is required. In addition, going forward, future license and collaboration agreements, and agreements transferring SPCs, should provide for who decides whether or not such an application is to be made.

FOR MORE INFORMATION, PLEASE CONTACT:

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TIMELINE

The UPC will be operating a “sunrise period” in order to allow opt-out applications to be made (online) up to four months before the court commences operation. The opt-outs would take effect on the first day and so shelter patents from revocation actions issued on that day. If opt-out applications are not made during the sunrise period, European patents risk being challenged in the UPC from the first day. It is recommended that you commence your preparations immediately, if you have not already done so, in order to be ready when the sunrise period commences.



FUTURE INTERNATIONAL PATENT LITIGATION AND WILMERHALE

We believe that the UPC will, in the course of time, and after a possibly extended teething period, become a significant forum in which patents are litigated. With the UPC having a jurisdiction with over 400 million people, it seems likely that patent disputes will routinely be litigated in both the United States and the EU. It will be necessary for that litigation to be completely coordinated to ensure a consistency of approach, preferably handled by a single team.

Trevor Cook and **Anthony Trenton** lead the firm’s IP litigation practice in Europe. We are happy to discuss further details of the forthcoming changes in Europe and advise you on strategies for preparing for these major changes, including as to opt-out strategy.