

Current status of the Unitary Patent System: legislative implementation, Brexit's effects and expected commencement of its application

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This document describes the complex path followed by the "unitary patent package" since its approval.

1. Preamble

As is well known, the European patent with unitary effect system is set out in three texts which form the "unitary patent package": (a) Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection; (b) Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements; and (c) the Agreement on a Unified Patent Court ("UPC Agreement"), signed by twenty-five of the Member States of the European Union in early 2013.

When the aforementioned regulations were approved and the UPC Agreement was signed, it was estimated that the system would be operational by 2015. Obviously, this forecast was overly optimistic. In fact, the system has had to overcome new obstacles, as well as be subject to legislative implementation, and to this day (March 2017) it is not yet effectively applied.

This paper presents the various vicissitudes that the system has undergone since the approval of the legislative package and the current forecasts regarding its implementation. [For a detailed overview of the system, see the GA&P Analysis series "*La patente europea con efecto unitario (I) a (VII)*", available at www.gomezacebo-pombo.com, and my work GARCIA VIDAL, Á., *El sistema de la patente europea con efecto unitario*, Gómez-Acebo & Pombo/Aranzadi, 2014].

2. The validity of Regulations (EU) Nos 1257/2012 and 1260/2012

The approval process for the unitary patent package was quite tortuous. But the difficulties did not end with its approval, because after the same several actions were brought before the Court of Justice of the European Union ("CJEU"), none of which were upheld. Spain and Italy, for instance, made applications for annulment of Decision 2011/167/EU of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, applications which were rejected by the Judgment of the CJEU of 16 April 2013 [Joined Cases C 274/11 and C 295/11. ECLI:EU:C:2013:240].

On 22 March 2013 Spain also brought an action for annulment against Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/2012, requesting that the regulation in each case be annulled in whole or, in the alternative, that certain articles thereof be annulled. However, on 5 May 2015 the CJEU gave judgments against the applicant in case C-146/13, *Kingdom of Spain v. European Parliament and Council of the European Union* (ECLI:EU:C:2015:298), and case C-147/13, *Kingdom of Spain v Council of the European Union*, (ECLI: EU: C: 2015: 299).

3. Evolution of the list of states participating in enhanced cooperation and of signatories to the UPC Agreement

The regulations of the unitary patent package were approved by the procedure of enhanced cooperation between all the States that then formed the Union, except for Spain and Italy, which objected to the language regime. In July 2013 Croatia entered the European Union, and, for the time being, it is outside the system on account of its subsequent entry. Italy, on the other hand and having failed in its application, has since joined the enhanced cooperation procedure [Commission Decision (EU) 2015/1753 of 30 September 2015 on confirming the participation of Italy in enhanced cooperation in the area of the creation of unitary patent protection, OJ L 256, 1.10.2015].

At the same time, as regards the UPC Agreement, such was signed on 19 February 2013 by 24 EU Member States (all of which then formed the EU, except for Spain, Poland and Bulgaria), and on 5 March 2013 also by Bulgaria.

As things stand, the following are currently excluded from the system: Poland, which, despite participating in enhanced cooperation, has not signed the UPC Agreement, and Spain and Croatia, which are neither participants in enhanced cooperation nor signatories to the UPC Agreement.

In any case, as regards Spain, on 7 March 2017 a "non-legislative proposal to promote Spain's accession to the European unitary patent system" was approved by the Lower House Standing Committee on Economy, Industry and Competitiveness. This proposal was submitted by the Socialist Parliamentary Group on 13 February, urging the Government to take all necessary steps for accession to the enhanced cooperation system, for execution of the UPC Agreement, to request the location in Spain of the specialist section of the Unified Patent Court ("UPC") planned for London, and to continue to defend Spanish as a scientific-technical language in all areas.

In the explanation of the proposal (which includes a number of inaccuracies, such as the statement that “Spain is the only Member State remaining outside the system”), it is stated that maintaining the opposition to the unitary patent system only because of the language regime will seriously damage the competitiveness of our companies and our innovation process once this system comes into effect, and it is recalled that the language-related prejudice is already suffered by any Spanish company applying for a European patent.

However, the proposal was approved with the vote of all parliamentary groups but for that of the governing party, Partido Popular, so it does not appear that there will be any effective changes in this regard.

4. Application of the Regulations and effective date of the UPC Agreement

- 4.1. Satisfied as to the validity of the procedure followed in the approval of the Regulations, as well as of the Regulations themselves, it should be noted that - although they have already come into force - they are still not applicable.

Both Regulation (EU) No 1257/2012 – art. 18(2) – and Regulation (EU) No 1260/2012 – art. 7 – entered into force on the twentieth day following that of publication in the Official Journal of the EU, but their application was deferred until 1 January 2014 or until the date of entry into force of the UPCA, whichever was the later.

As on 1 January 2014 the UPC Agreement was not yet in force, the Regulation will not apply until said Agreement enters into effect. In this regard, it should be borne in mind that, according to art. 89 UPC Agreement, its entry into force will be (a) on 1 January 2014; or (b) on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with art. 84, “including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place” (i.e., Germany, France and the UK); or (c) on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.

In short, there are three moments that must follow one another. And since Regulation (EU) No 1215/2012 has been amended by Regulation (EU) No 542/2014 of the European Parliament and of the Council of 15 May 2014, we have only to wait for the ratifications of the UPC Agreement for the entry into force of this Agreement and, at the same time, Regulations (EU) Nos 1257/2012 and 1260/2012, and along with this the possibility of requesting the unitary effect of a European patent.

- 4.2. As has been seen, the process of ratification of the UPC Agreement is crucial, not only for the operation of the UPC, but also for the coming into operation of the whole system.

This process of ratification of the UPC Agreement by the Signatory States is taking longer than initially expected due to a number of mishaps. For example, Belgium’s ratification

was impugned at this country's Constitutional Court by the European Software Market Association, claiming, inter alia, language discrimination; the case was shelved, however, on the grounds of late filing. And in other countries, like Denmark, ratification has had to be preceded by a referendum (which would also be Ireland's case).

At present, the States which have ratified the Agreement are the following, with the date of notification of ratification indicated in brackets: Austria (6/8/2013), Belgium (6/6/2014), Bulgaria (3/6/2016), Denmark (20/6/2014), France (14/3/2014), Italy (10/2/2017), Luxembourg (22/5/2015), Malta (9/12/2014), Netherlands (14/9/2016), Portugal (28/8/2015), Sweden (5/6/2014) and Finland (19/1/2016).

There are a total of twelve, and so, with the ratification of Germany and the UK, the system would come into effect. [It should be recalled that Regulation (EU) No 1257/2012 may apply when the UPC Agreement has not yet been ratified by all participating States. In such a case, the EPUE shall take effect only in respect of the participating States which have ratified the Agreement. This is because Regulation No 1257/2012 itself (art. 18(2) *in fine*) provides that "a European patent for which unitary effect is registered in the Register for unitary patent protection shall have unitary effect only in those participating Member States in which the Unified Patent Court has exclusive jurisdiction with regard to European patents with unitary effect at the date of registration"].

- 4.3. The outcome of the EU referendum held on 23 June 2016 in favour of withdrawal has impinged on the UK's process of ratification. The result immediately raised fears of a further halt in the process, for if the UK decided not to ratify the UPC Agreement, such could not come into effect until the UK's effective withdrawal from the EU. However, in November 2016 the UK government announced its intention of ratifying said Agreement, notwithstanding its desire to start Brexit talks.

If this ratification and that of Germany take place before the UK's effective withdrawal from the EU, the unitary patent system will come into operation, as the UPC Agreement would come into effect and, at the same time, Regulations (EU) Nos 1257/2012 and 1260/2012 would apply.

Thus, foreseeably, the British and German ratifications will take place before the end of the process that culminates in Brexit within two years from now. In fact, on 9 March 2017 the German *Bundestag* (Lower House of Parliament) approved a bill for the ratification of the UPC Agreement and another for the amendment to the *Patentgesetz* (German Patents Act). They must now be approved by the *Bundesrat* (Upper House of Parliament) and sanctioned and published.

Consequently, with this calendar, other countries' (Italy, the Netherlands or even Spain, according to the non-legislative proposal approved by the Spanish lower house of parliament) ambitions of housing London's specialist section of the UPC will be cut short.

All of the above is without prejudice to the effects of Brexit on unitary patents already granted (as it does not appear in principle that such patents can continue to take effect in the UK subject to EU legislation, such as Regulation (EU) No 1257/2012). A possibility is that the UK will agree with the EU on an extension of unitary patents to a third country, as the UK would go on to become. The status of the UK as a State party to the UPC Agreement will also have to be reviewed. Although it is true that this Agreement is not a legislative instrument of the Union, but an international treaty, and that the UK may wish to remain a party to the UPC Agreement in relation to classical European patents, given the close link of the UPC with EU law, it is equally true that the UKs desire to remain a party to the UPC Agreement after Brexit encounters some difficulties in the current text of the Agreement. Bear in mind that the UPC is defined as “a court common to the Contracting Member States” (art. 1 UPC Agreement) and that a Member State means “a Member State of the European Union” (art. 2). That is why art. 24 provides that the UPC shall base its decisions primarily on Union law and art. 21 that the UPC shall cooperate with the CJEU to ensure the correct application and uniform interpretation of Union law.

5. Legislative supplements to the system

During these years, the unitary patent system has been supplemented, notably, by the following texts:

- (1) Rules relating to unitary patent protection: These Rules were approved on 9 December 2014 by the Select Committee of the Administrative Council of the European Patent Office (“EPO”), created pursuant to art. 145 of the Convention on the Grant of European Patents (“EPC”) by requirements of Regulation (EU) No 1257/2012. Insofar that these Rules implement the functions entrusted to the EPO by Regulations (EU) Nos 1257/2012 and 1260/2012, this is an important instrument to add to the list of legislative sources of the unitary patent system.
- (2) Unitary patent renewal rates: The matter of renewal fees, although part of the aforementioned Rules (Chapter IV), was not decided on by the Select Committee in 2014, but (together with compensation for translation costs incurred in European patent applications filed in an official language of the Union other than the official languages of EPO) on 24 June 2015 with the adoption of the so-called “True Top 4” proposal , based on the renewal rates for the four countries where most European patents are validated (Germany, France, UK and the Netherlands). In a comparison of the rates approved with the fees payable to renew a classic European patent in all of the 25 participating States, it turns out that the cost of renewing a unitary patent over 20 years will be approximately €35,500, compared to €159,000 that the renewal of the classical European patent would involve.
- (3) The Protocol to the UPC Agreement on provisional application of 1 October 2015: This protocol allows some parts of the UPC Agreement to be applied early, including final decisions on the practical set up of the UPC such as the recruitment of judges, the testing

of IT systems and the provision of an early notice period to opt out from the exclusive competence of the UPC.

In this respect, it should be recalled that under art. 83 the UPC Agreement not only allows, during a transitional period, actions for infringement or for revocation of European patents without unitary effect (or actions for infringement or for declaration of invalidity of supplementary protection certificates issued for products protected by such patents). It also allows the proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period (7 or up to 14 years, as appropriate), as well as a holder of a supplementary protection certificate issued for a product protected by a European patent to opt out from the exclusive competence of the UPC. To this end they shall notify their opt-out to the Registry by the latest one month before expiry of the transitional period and the opt-out shall take effect upon its entry into the register. In any case, for the opt-out to be possible, it is imperative that an action has not already been brought before the UPC.

The Protocol allows for the early application of art. 10, concerning registration, in order to allow the submission of opt-out applications before the entry into force of the UPC Agreement. This is known as the 'sunrise period'.

The Protocol shall enter into force the day after 13 Signatory States of the UPC Agreement, including Germany, France and the United Kingdom, have either ratified or informed the depositary that they have received parliamentary approval to ratify. Hence, the provisional application will take place only shortly before the entry into force of the UPC Agreement.

- (4) Rules of Procedure of the UPC: On 27 October 2015, the Preparatory Committee, composed of all the Signatory States to the UPC Agreement and which will exist until the UPC is established, approved the 18th draft of the rules of procedure.
- (5) The Protocol on Privileges and Immunities of the UPC, made in Brussels on 29 June 2016.

6. Upcoming steps

The Preparatory Committee, responsible for overseeing the work of setting up the UPC, last met on 15 March 2017. In principle, this was the final meeting prior to commencement of the provisional application of the UPC Agreement at the end of May 2017 (some more States need to approve this provisional application). It is also expected that in September the three-month sunrise period for opt-outs will commence, and that by December 2017 the system will be definitively applicable.