

Legal Aspects – how to keep the UK as Partner in the Patent Package

I. UK ratification - political aspects

1. I will be speaking on How can we keep the UK as partner in the Patent Package, what are the legal aspects? You see this picture. It is designed to remind us of the Beatles' song "I want to hold your hand".

2. I will try to answer that wish or question in 4 steps.

Having a quick look at the political arguments for a rapid UK ratification.

Looking at the legal aspects for the UPCA facing UK leave.

Looking at the legal aspects of the Unitary Patent Regulation facing UK leave and, finally

suggesting a timetable for the steps proposed.

3. What are the political arguments for a UK ratification?

4. I start out with 3 Theses. 1. Further UK participation is a question of political will. 2. It does not contradict the Brexit vote. 3. Legally, a continued adherence of the UK is possible without much ado.

5. Now to the arguments pro UK ratification. Rowland Freeman will go into more detail. The Brexit vote, as such, you see it on the right side of my slide, has no legal effect. The exit effects start with the exit agreement entering into force.

- The UK today is still a Union Member State. It still qualifies for ratifying the Unified Patent Court Agreement, the UPCA. A European patent with unitary effect would have that effect also in the UK.

- Only a deposition of the ratification instrument is needed. Both houses of the British parliament already seem to have agreed on the UPCA.

- What would be the material UK arguments for ratification despite the Brexit vote?

The UPCA is an international treaty and not Union law. The Union is not participating in the UPCA. The UPC is an international court, not a Union court. Therefore, the Brexit vote, in principle, should have no effect on the UPCA and its membership.

Moreover, the UK users, industry, judges and practitioners, to my knowledge are still interested in the local division and in the pharmaceutical division of the central division being located in London. They are still interested in having UK judges in the UPC system and UK practitioners representing clients before the UPC.

Also the other signatory states of the UPCA are interested in the UK continuing to be a partner in the UPCA. The UPCA and the Unitary Patent Regulation without the UK participating would lose at least 30% of its value.

Therefore, there are strong economic and political arguments for the UK finishing its ratification procedure now .

II. UPCA

6. What are the legal aspects of keeping the UK as partner in the UPCA facing the UK leaving the Union?

7. There is an Art 84 UPCA problem: Sure, as I said, the UPCA is an international agreement. It is a daughter agreement of the European Patent Convention based on Art 149a EPC. The UPC is not a Union court.

But UPCA is restricting ratification to Union member states. The reason is that the UPC also decides on European patents with unitary effect, on the Unitary Patent. Art 84 UPCA does not expressly say so, but it implies that a State which has ratified must continue to be a Union member state.

However, if the UK would leave the Union after ratification, she would not automatically lose her membership in the UPCA. Pursuant to Art 62, 65, 67 of the Vienna Convention on the Law of Treaties both sides, the UK and the other signatory states of the UPCA, would have the right to cancel the contractual relationship between the UK and the other UPCA member states.

But, certainly, no side would cancel. Therefore, the UK would stay in the UPCA, despite a legal ground for cancellation existing. The UPC could still decide validly for the UK.

Would that already solve the Art 84 problem?. It would not, because the relationship between the UK and the UPCA for Union law purposes would need clarification and confirmation.

First: The logical solution of the Art 84-problem would be to change Art 84 UPCA , in having it expressly state that a Union Member State who has ratified the agreement may stay in the UPCA even after having left the Union. Such change of Art 84 UPCA would be possible for the Contracting Member States on the basis of Art 149a(1)(a) EPC. but would it be compatible with Union law?

8. What would be the precise Union law question raised by such a change of Art 84? Presently, the UPC is a common court of Union member states, Art 1 UPCA says so and it is confirmed by Art 71a ff of

the revised Brussels Regulation. The precise question, therefore, is whether the UPC would lose its status of being a common court of Union member states, if one of the 25 UPCA Member States, be it Malta or the UK, leaves the Union but stays in the UPCA.

The answer must be found against Opinion 1/09 of the European Court of Justice. The Opinion seems to require that the membership of the UPCA is restricted to Union member states. The Court of Justice, in its Opinion compared the UPC in its previous form with the Benelux Court stressing that that court is a common court of Union Member States and that, therefore, the cooperation regarding the referral procedure under Art 267 TFEU is safeguarded there.

However, important changes have occurred since that Opinion. First change, the UPCA itself contains a clear obligation that the UPC must refer questions on Union law to the Court of Justice and the UPCA now provides that all UPCA Member States are jointly and severally liable for damages, if the UPC applies Union law incorrectly, Articles 21 and 22 UPCA. Second change: Art 71a ff Brussels Regulation expressly confirm that the UPC is a common court of EU Member States.

What would actually happen if the UK would leave the Union after ratifying the UPCA? The UK would carry with it all obligations contained in the UPCA thus amended. It will be bound to a full extent to the interpretation of Union law by the Court of Justice upon referral questions of the UPC. It will be bound to pay damages pursuant to Art 22 UPCA. That should satisfy the Court of Justice that the referral regime of Art 267 TFEU would work perfectly with the UPC, even after a UK exit.

There remains a special issue. During the transitional period UK national courts may decide European Patent cases on the basis of Art 83(1) UPCA, giving parallel jurisdiction to the national courts, and UK courts will have an exclusive jurisdiction for European Patent cases where an opt-out pursuant to Art 83(3) UPCA has been declared.

However, in both functions the national courts stay within the framework of the UPCA. They are not going to decide outside of the UPCA on the basis of national law. Therefore, Art 21 UPCA on referrals to the Court of Justice would have to be applied by the UK courts and the UK would be bound to pay damages pursuant to Art 22 UPCA together with the other UPCA states, if UK national courts apply Union law incorrectly. For safety reasons, the exit-agreement could expressly confirm that.

The exit-agreement could also confirm the proposed change of Art 84 UPCA. If that were done, I see no risk that the Court of Justice would find that the UPC loses its character as a common court of Union

Member States, if just one state which had been a Union Member State at the time of ratification left the Union afterwards.

The proposed change of Art 84 UPCA would not even require ratification by the UPCA Member States. Pursuant to Art 87(2) UPCA, the Administrative Committee has the power to change the UPCA in order to bring it in line with Union law. The exit-agreement would have the quality of Union law.

The change by the Administrative Committee may be agreed upon well before the exit-agreement, but it should provide that its agreement shall enter into force only together with the exit-agreement. The Art 84 problem only arises at the time of the legal exit. The agreement reached within the Administrative Committee would at that time be supported by the exit-agreement.

III. EPUE Reg

9. Let us now turn to the Unitary Patent Regulation and the legal aspects facing it in case of a UK leave.

10. Up to the legal exit of the UK, the patent proprietor may gain a unitary effect for his European Patent in the UK in the normal way: by way of an application to the EPO.

After the exit the unitary effect of an European Patent may be extended to the UK on the basis of an agreement by the participating EPC member states on the basis of Art 142(1) EPC which is indeed the basis of the unitary effect. That means: by international law. After the exit a European Patent with unitary effect would have two kinds of unitary effects: One based on Union law regarding all UPCA Member States subject to the Regulation and one based on international law regarding the UK.

If the exit-agreement would confirm such EPC-agreement there would be no room for the argument that the EU Member States have lost their competence to agree as EPC member states on a unitary effect with third states.

IV. Timetable

11. This leads me to the following proposed timetable which will serve as a repetition of my views on the seemingly complex legal aspects which, however, in fact, are rather simple:

12. The UK should use its present position as a Union-MS and deposit its instrument of ratification of the UPCA. In that case the UPCA could enter into force at the expected date (April 2017), well before the exit-agreement becomes operative.

After the entry into force of the UPCA, the Administrative Committee of the UPCA acting together with the Select Committee under Art 145 EPC should amend Art 84 UPCA by a Protocol to the UPCA in providing that a CMS, which has ratified will not lose its contractual position if it leaves the Union . It can do so on the basis of Art 149a(1)(a) EPC.

The Administrative Committee acting together with the Select Committee should also agree in that Protocol on an extension of the unitary effect of a Unitary Patent to the UK. It could do so on the basis of Art 142(1) EPC.

The proposed Protocol should be established before the exit-agreement. It should enter into force at the point of time of the legal exit. Endorsement by the exit-agreement is not needed but helpful. If given, it will be operative at the time of the legal exit. The exit-agreement would be helpful for confirming conformity with Union law and because it would provide the basis for an application of Art 87(2) UPCA regarding the power of the Administrative Committee to change Art 84 UPCA without ratification needed.

The effect of all this would be the following: At the date when the exit-agreement becomes operative the UK will stop being a Union Member State but its further adherence to the UPCA would be based on Art 84 UPCA amended by the Protocol. The UK would be in the legal position to receive the unitary effect of a Unitary Patent on the basis of the Protocol pursuant to Art 142(1) EPC.

The UK would be safe and dry under this legal umbrella.