

IP Federation submissions on draft UPC legislation

Introduction

The IP Federation represents IP intensive companies in the United Kingdom - a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do our companies own considerable numbers of IP rights, both in Europe and elsewhere, but they are affected by the activities and IP rights of competitors. They may be either claimants or defendants in IP related court actions, here and elsewhere.

The consultation

On 10 June 2014, the IPO launched a [consultation](#) comprising a Technical Review and Call for Evidence on Secondary legislation implementing the Agreement on a Unified Patent Court (UPC) and EU Regulations establishing the Unitary Patent. Responses and questions about policy issues raised in the document have been requested by the IPO's UPC Taskforce by 2 September 2014.

IP Federation response

Before addressing the 20 individual questions in the consultation document, the IP Federation would like to make some generalised remarks on the following topics.

1. JURISDICTION

- a. Bringing national law into line with the UPC
- b. Transitional provisions - interpretation of Article 83 UPCA (see Annex)
- c. Jurisdiction of UK IPO
- d. Technical drafting issues

2. UNITARY PATENT

- a. Threats provisions
- b. Double patenting

3. INFRINGEMENT

- a. Software interoperability - Article 27(k) UPCA

1. JURISDICTION

1a. National law harmonisation with UPC law

The IP Federation realises there is a logic in bringing UK infringement law into line with UPC infringement law, so that the UK Courts are applying the same infringement provisions as the UPC and no advantage could be sought

by litigants choosing one forum or another where options may exist. However there is one UPC infringement provision in particular, actually an exception to infringement, which is very unclear, namely Article 27(k) of the Unified Patent Court Agreement (UPCA), which the IP Federation is opposed to introducing into national law.

According to the Consultation document (paragraph 89), “The UPC Agreement does not require infringement provisions for national patents to be the same as the UPC provisions.” The IP Federation agrees there is no compelling legal reason requiring the UK to bring the law relating to national patents into line with the UPC Agreement*. We would be concerned if the UK is the only country to do so particularly in respect of Article 27(k) UPCA as that may introduce unintended consequences, as explained in more detail in section 3a below.

Ideally the UPC infringement provisions should be harmonised. However, true harmonisation will not be achieved unless all Participating Member States amend their domestic laws to have exactly the same effect as the UPC Agreement, which also means abandoning any and all national limitations or exceptions not included in the UPCA. As far as we are aware, no other Participating State has indicated, at least publicly, that they are preparing or even contemplating amendment of their domestic patent law to align with the UPC Agreement. Unless and until all Participating States commit to implement the same changes to their domestic infringement laws to ensure harmonisation there appears to be neither a political nor a legal reason for the UK to ‘go it alone’.

1b. Transitional Provisions – Interpretation of Article 83 UPCA

We note paragraph 2 of the proposed new Schedule A4 to the Patents Act which permits only national revocation and infringement actions for “opted in” (strictly not opted out) Classical European patents. We understand this to be based upon a reading of Art 83(1) which refers only to such actions. Many points can be made about the transitional provisions, and we invite the UK IPO to consider the annexed note on the problems of interpretation of Art 83 both in this context and as a separate matter, since the IP Federation remains deeply concerned by these provisions. Of all the issues outstanding on the operation of the new UPC system, this is the one on which there is greatest uncertainty and is among the most significant from a practical perspective.

Paragraph 2 of Schedule A4, replicates the literal wording of Article 83(1), and expressly permits only infringement and revocation actions to be commenced in the UK courts. This prescriptive formulation raises doubts about other types of action that the IP Federation believes should be within the competence of the UK national courts, most notably:

* Although Article 64(1) EPC requires a European patent to confer the same rights as a national patent, and Article 64(3) EPC specifies that any infringement of a European patent shall be dealt with by national law, arguably it does not outlaw limitations or exceptions to infringement that may apply in domestic law. Indeed Article 5(3) UPP Regulation seems to acknowledge different national limitations (exceptions) applying to a Unitary Patent.

- **Declarations of non-infringement (DNIs).** Some commentators believe that the omission of DNIs from Article 83(1) UPCA was unintentional and that DNIs should be read into the UPC by implication. Otherwise, this would mean that anyone wishing to “clear the way” for the UK (e.g. because it trades only in the UK) by seeking a declaration of non-infringement, will have to apply to the UPC. Depending on the subject matter, this could mean having to bring an action in the London, Paris or Munich branch of the Central Division. If, however, the same entity wished to clear the way by a revocation action against the same patent, it could do so by bringing that action in the UK Patents Court, or in the Intellectual Property Enterprise Court (IPEC). Since there is little difference between an infringement action and a declaration of non-infringement the IP Federation believe that DNIs should clearly fall within the competence of the UK national court.

In this context reference is made to CJEU jurisprudence, namely *The Maciej Rataj Tatry (cargo owners) v Maciej Rataj (owners)* Case C-406/92 [1995] All ER (EC) 229 which held that under the Brussels Convention (as it then was):

[...] an action seeking to have the defendant held liable for causing loss and to pay damages has the same cause of action and same object with meaning of [the convention] as earlier proceedings brought by that defendant seeking a declaration that he is not liable for that loss.

It is arguable therefore, given the decision in *Tatry*, that Article 83(1) should be read as if it included the specific reference to DNIs which was omitted, probably inadvertently, in the drafting. In that case, DNIs should be added to paragraph 2 of Schedule A4.

- **Declarations of non-essentiality.** UK courts should similarly have competence over declarations of non-essentiality for standard-essential patents which are in essence a type of declaration of non-infringement but with *erga omnes* effect.
- **Actions for preliminary injunctions.** It seems incongruous that actions for provisional and protective measures and injunctions (recited in Article 32(1)(c) UPCA) in respect of non-opted out patents would be sheltered within the exclusive competence of the UPC during the transitional period, as it will be possible to bring ‘standard’ infringement proceedings before the UK court.

These examples in particular highlight ambiguities of Article 83 UPCA which will eventually get addressed and clarified by the UPC and/or the CJEU. However, merely replicating language of Article 83(1) UPCA in the statutory instrument would prejudicially hardwire these uncertainties into UK domestic law. For this reason, it would seem preferable to adopt a more flexible, accommodating, approach in the implementing UK legislation.

Furthermore, the proposed statutory instrument makes no mention (doubtless because none is explicit in Article 83) of any prohibition on bringing infringement or validity proceedings if there is already an action pending in the UPC on the same patent. This would appear to mean, therefore, that

the owner of a European (UK) patent not opted out, could, for example, bring UPC proceedings against a company trading throughout the UPC zone, but also subsequent UK national proceedings against the UK subsidiary. Likewise, a defendant to UPC infringement proceedings could potentially defend the UPC proceedings by counterclaiming for revocation, but also bring a revocation action, perhaps through a local subsidiary or straw man, at least in the UK. In either set of circumstances, one is left with parallel proceedings and potentially complex jurisdictional questions to resolve if the evil of having two sets of proceedings on the same subject matter is to be avoided. It is the view of the IP Federation that it should not be possible to bring proceedings nationally if there is already an action pending in the UPC on the same patent, and the statutory instrument needs to be amended accordingly.

1c. UK IPO jurisdiction

In the Consultation document it is asserted (at paragraph 36) that the UPC Agreement makes it clear (in Article 32 of the Agreement) that neither national courts nor *national authorities* (such as the Comptroller) will be able to deal with infringement and validity of Unitary Patents and EP(UK)s that have not been opted out, as those categories of patent will fall under the exclusive jurisdiction of the Unified Patent Court. Whilst the IP Federation does not have an issue with the Comptroller not having jurisdiction over Unitary Patents and EP(UK)s this gives rise to two potential anomalies that we would like to flag.

1. Consistent approach with EPO and other national patent office jurisdiction

It is widely understood that the EPO will retain jurisdiction for oppositions in relation not only to opted-out EPs but also to non-opted-out EPs as well as Unitary Patents. The reason often cited for the exclusivity provided in Article 32 of the UPC Agreement not to apply to the EPO is that it is an administrative, not a judicial, forum. If that reasoning is sound then likewise it would appear that the UK IPO, itself an administrative forum would not cede jurisdiction under the exclusivity provision. On the other hand, if that reasoning is unsound then it is unclear on what legal basis the EPO would retain jurisdiction over validity in the context of opposition. Therefore, the UK proposal to remove the Comptroller's jurisdiction appears to raise at least a question over consistency of interpretation as to how the exclusivity provision applies to administrative fora. Indeed, it begs the question whether other national patent offices which currently have jurisdiction over infringement and or validity would lose or retain that jurisdiction. Without national implementing legislation in other countries (and we are not aware any is proposed other than in the UK) other national patent offices would retain the benefit of any doubt, whereas the UK would lose out.

We do not disagree with the Comptroller ceding jurisdiction over non-opted-out EP(UK)s and Unitary Patents as proposed in the draft secondary legislation, but we believe it is important that a consistent approach is taken by all Participating States and that such an approach does not undermine the legal basis for the EPO retaining jurisdiction over oppositions.

2. *Opinions*

On the other hand, the Consultation (in paragraph 42) expresses the view that the Comptroller would still be entitled to give opinions on validity and infringement of Unitary Patents and EP(UK)s. The IP Federation is not opposed to this and, on balance, would see this as a positive development. However, it does seem somewhat curious that the IPO would be setting itself up to give non-binding opinions on patents over which it has no jurisdiction. This raises a question about the scope and limits of the Opinion service. Specifically, would the IPO ever envisage extending its Opinion service to foreign patents?

1d. Technical drafting issues

The IP Federation would like to flag the following technical drafting issues in the proposed Schedule A4:

- It is not clear to us why para 1(2) proposes to exclude sections 58(7-9) of the Patents Act (part of the Crown User provisions) and section 68 of the Patents Act (effect of non-registration of assignments) in respect of actions referred to in Article 32 UPCA, or indeed whether this is correct.
- If the word “exclusive” were omitted from para 2(3) it would signal that the understanding of the UK is that there is no concurrent jurisdiction left after the opt-out is exercised. The attached Annex deals in more detail with the ambiguity around the opt-out provisions in Article 83(3) UPC Agreement, and the need for clarification prior to ratification.
- While paragraph 2(3) closely follows the language of the UPC Agreement verbatim, we note that the word “competence” in Article 83(3) UPC Agreement has been replaced by “jurisdiction” in paragraph 2(3). We do not know what effect, if any, this word change may have in practice.
- It is not entirely clear from paragraph 2(3) that the opted-out status applies for the life of the patent not merely during the transitional period. The inclusion of this provision under the title *Transitional provisions* may introduce uncertainty about the duration of ‘opted out’ status, which is undesirable. It is the understanding of the IP Federation that the opted-out status is meant to endure for the life of the patent and this should be clear in the statutory instrument.
- Paragraph 2(3) refers to an unspecified “court”. Section 130 of the Patents Act defines “court” in terms of UK courts. So, as drafted, an action in a national court outside the UK would not preclude withdrawal of the opt-out. This would seem to be inconsistent with Article 83(4) UPCA. Paragraph 2(3) needs to be amended to make clear that an action brought in a national court of any Participating Member State which has ratified the UPC would preclude withdrawal of an opt-out.

2. UNITARY PATENT

2a. Threats actions

The threats provisions of the Patents Act are proposed to be extended to Unitary Patents. At first blush this may seem unsurprising and unobjectionable. However, there are at least two troubling ramifications:

- First, when threats actions are started, the usual defence is that there is infringement of a valid claim, together with a counterclaim for infringement. A counterclaim for infringement will be impossible, but the defence could (and indeed should) in principle be tried. If so, this will mean that the UK Court must decide the merits of infringement and validity of a Unitary Patent at least on an *inter partes* basis for the purposes of the threats action. Of course, there may be a parallel UPC action. In this case, should the UK threats action be stayed pending the equivalent UPC action? If not stayed (or if there were no equivalent UPC action) what if the UK Court decided the patent was invalid? It would not have jurisdiction to revoke a Unitary Patent, but could it give a declaration of invalidity? What effect (legal or persuasive) would this have inside and outside the UK? Naturally it would be very unsatisfactory if a situation developed where conflicting decisions were given nationally and in the UPC.
- Second, the consultation paper (paragraph 83) asserts that to be actionable, the threat itself must be made in the UK because s.132 Patents Act limits the Act to the UK territory. However, given the Unitary nature of the Unitary Patent, by implication any threat of infringement would seem to be made in respect of any potential act done anywhere within the Unitary territory. Further, the proposed amendments refer to threats of infringement proceedings in the UPC, which is, in effect, a UK court, and certainly the UPC can order relief in respect of the UK. Hence, is a threat (as defined by s.70 of the Patents Act) made by a German company against an Irish company that it is infringing a Unitary Patent, in fact actionable in the UK under these provisions? Would it make a difference if the Irish company threatened were a customer of a UK supplier such that the person aggrieved was within the UK Court's jurisdiction? Would it make any difference if Ireland (as seems likely) has no local or regional division, and this were a pharmaceutical matter such that the infringement proceedings being threatened would have to be brought in the London branch of the central division? What would be the measure of damages - the loss incurred in the UK or in all jurisdictions where the patent exists? (In making these points, the IP Federation is aware of a decision of the Court of Appeal on appeal from Mr Justice Floyd in *Best Buy v Worldwide Sales* which is analogous in as far as it related to threats in relation to a Community Trade Mark (CTM). These decisions tend to support the IP Federation's concerns that a threat to bring an action in respect of a Unitary Patent in an international court such as the UPC would be an actionable threat.)
- Whilst on this topic, the IP Federation observes that the first above-mentioned problem may also apply to classical European patents which are not opted out, or at least those where the UPC has gained exclusive

jurisdiction, for example because they were not opted out, and UPC litigation has been commenced. In such a scenario, a UK patentee making threat (as defined by s.70) against a UK customer of a third party could potentially be sued for threats, and yet there could be no UK action for infringement because the UK Court's jurisdiction had been ousted. This would again mean the UK Court opining on the validity and infringement of a patent over which the Court had no jurisdiction to make an order for revocation consequent upon a finding of invalidity.

In view of these concerns, the IP Federation urges the UK IPO to think again about the threats provisions in the light of the UPC and potentially recast the provisions entirely.

2b. Double patenting

The IP Federation is in principle against double patenting, including double patenting via national and EP routes. It sees no justification from the defendant's perspective for the "double jeopardy" of identical patent claims being potentially asserted twice in the same jurisdiction. It recognises, however, two major factors which point in favour of permitting UK patents to be of the same scope as a Unitary Patent which do not arise when comparing a UK patent with an EP(UK). These are:

- that a Unitary Patent could only be litigated in the UPC whereas the national patent could be litigated locally, potentially in IPEC to be benefit of SMEs. Hence, it may be that there is justification on that account to permit SMEs in particular local access to justice whilst encouraging them also to seek broad unitary protection to aid international enforcement in the case of widespread infringement; and
- other jurisdictions notably Germany with its utility model system, permit de facto double patenting to the advantage of its local industry. Again providing a degree of equality of advantage for UK industry does not seem unreasonable.

In conclusion, although we see the case to the contrary, the IP Federation would prefer no double patenting for Unitary Patents.

3. INFRINGEMENT

3a. Software Interoperability – Article 27(k) UPCA

Among the proposed changes to UK national law are the addition of two new defences to infringement equivalent to those provided in Article 27(c) and 27(k) UPCA. The first provision relates to the relatively narrow use of biological material from plants, but the second provision introduces an interoperability and decompilation defence in accordance with Articles 5 and 6 of the Copyright Directive 2009/24/EC. Quite how this provision will apply to patent cases is extremely difficult to say. It is not even clear whether this gives rise to a new exception in the patent domain or not. If it is merely meant to preserve and shelter the existing copyright exception then it would seem redundant. Its inclusion therefore implies that it does provide a new exception for patent infringement, the scope of which is decidedly unclear. The IP Federation knows of no other country which has

such a provision, or is intending to introduce one. The UK IPO's consultation document suggests that this will relate only to computer implemented invention patents and by inference will be of limited scope. However, in sectors such as information and communications technology (ICT) and computer-implemented invention (CII) patents, the reality is that the vast majority of patents relate in the broadest sense to computer-implemented inventions. More and more product and service industries nowadays are reliant on digital technology, for example automotive, healthcare, finance, and travel, and this exception could have a major 'spill-over' effect into all those industries and undermine the enforceability of many of their patents. Whilst this provision will probably be interpreted narrowly in patent law, it is possible it could have some wider more harmful effect.

The IP Federation recalls that when the CII Directive was being discussed, a corresponding provision was tabled (among countless other proposals) and was somewhat controversial, due in no small part to its unclear effect. Indeed many of the proposals on the table at that time either openly or covertly were designed at significantly reducing the protection available for innovation in the evolving world of digital technologies. The IP Federation regards it as dangerous to 'voluntarily' introduce such a provision into UK national law, at least until its scope is clearly understood. Should it be determined in due course to have a wider, harmful effect, this could lead to a situation where certain patentees wish to file nationally to protect inventions exempted from infringement but this 'safety net' would not be available if the UK had the same law applying to UK national patents. On the presumption that other Participating States do not similarly amend their domestic law, this would have the unfortunate, albeit unintended consequence, that uniquely among European industry, UK industry would be unable to protect its inventions in its home market. For this reason primarily, the IP Federation opposes the introduction of an Article 27(k) provision into UK national law, and would prefer to leave national law unchanged. In short, the voluntary extension of Article 27(k) to national patents without certainty as to its scope or impact is a step too far.

ANSWERS TO CONSULTATION QUESTIONS

Questions on changes relating to Jurisdiction

1. The aim of the proposed changes to UK law is to ensure the correct division of competence between UK courts and the UPC, in accordance with the UPC Agreement.
 - a. Do you think these changes achieve this aim?
 - b. Why do you think this?

Concerning the IPO's jurisdiction, the IP Federation does not disagree with the Comptroller ceding jurisdiction over non-opted-out EP(UK)s and Unitary Patents as proposed in the draft secondary legislation, but we do see the need for a consistent approach across all Participating Member States, and the application to the EPO.

Please see section 1c above for more detail.

2. The draft legislation aims to reflect the transitional period set out in the UPC Agreement.
 - a. Does the draft legislation clearly implement the transitional period provisions of the UPC Agreement?
 - b. What, if any, improvements would you suggest?

We have several major concerns which point to the need for clarification of Article 83 UPCA and the true effect of opting out under Article 83(3).

Please see section 1b above for more detail, and the Annex.

3. What is your view on the provision of an opinions service for a Unitary Patent? If possible, please provide evidence in support of your views.

The IP Federation is not opposed to this. However, it does seem somewhat curious that the IPO would be setting itself up to give non-binding opinions on patents over which it has no jurisdiction. This raises a question about the scope and limits of the Opinions service.

Please see section 1c above for more detail.

4. The proposed changes will mean that UK courts will not have jurisdiction for certain disputes related to EP(UK)s, Unitary Patents or related SPCs.
 - a. What, if any, impact do you think the changes to jurisdiction introduced by the legislation will have on your business?
 - b. What, if any, impact would there be on you as a patent owner, a person wishing to challenge the validity of another's patents, a patent attorney, lawyer, a translation service provider, or other (please define)? If possible, please provide evidence in support of your views.

We are very concerned that litigation in the UPC may in fact turn out to be more expensive than it is today. Further, at least in the start-up years, litigation both to enforce and to challenge patents under the jurisdiction of the UPC will be more uncertain than it is today.

5. There will be a section of the central division in London which will deal with revocation cases on life sciences.
 - a. How will the presence of the central division in London affect you?
 - b. Do you anticipate using it?
If possible, please provide evidence in support of your views.

Although the IP Federation itself is not a user of the court system our members welcome the presence of a section of the central division in London. We see this as beneficial not only for patentees, but also for the legal and patent attorney profession in the UK, and more broadly for the reputation of the UK in the realms of innovation and IP.

6. The UK can have a local division which will deal with infringement cases.
 - a. How important is it to your business to have access to a local division of the UPC within the UK and why?
 - b. Is the location within the UK important to you?
If possible, please provide evidence in support of your views.

The IP Federation would welcome one, or preferably more, local divisions in the UK. London is an obvious choice. The precise location is not important. However, communication, accessibility and good transport links are vital. Proximity or accessibility to an airport, and availability of good quality accommodation, would be an important consideration for overseas users of the court. Bearing in mind that infringement proceedings have to be started in a local division, it is vital to make the UK local division(s) as attractive a venue as possible because it will in effect be competing for business with local divisions in other Participating States. This element of choice is a feature which distinguishes the local division from the central division. For this reason also it may be useful to have several local divisions in different parts of the UK each with good transport connections.

7. Patent owners and applicants will be able to register an opt out of the UPC during the transition period, which will apply for the lifetime of the patent.

What factors will influence you in choosing to opt-out or not of the UPC's jurisdiction?

The IP Federation continues to urge for much-needed clarification of the opt-out provisions in the UPC Agreement, and of the true legal effect of opting-out.

Please see section 1b above for more detail.

We agree that the factors outlined in the recent study by Dr L McDonagh will be key to the success or otherwise of the UPC. At present, it seems likely that many of our members will opt out many of their patents.

Questions on changes relating to the Unitary Patent

8. The aim is that UK law is compliant with the Unitary Patent Regulation.
- Are the proposed changes sufficient to ensure compliance of UK law with the Unitary Patent Regulation?
 - If not, why not?

The IP Federation understands that UK law needs to be compliant with the Unitary Patent Regulation, as far as it applies to Unitary Patents and non-opted out EP(UK)s, but we question the need for the UK to bring the law relating to *national patents* into line with the UPC Agreement as this may have unintended consequences.

Please see sections 1a and 1b above for more detail.

9. We propose that all the provisions of the Patents Act 1977 which apply to Unitary Patents should apply in the same way as they apply to EP(UK)s, except where they are expressly modified.

What is your view on this approach?

This would seem to make sense both from a legal and logical point of view, as a Unitary Patent is essentially an EP patent with 'unitary effect' - see Art. 142 EPC and Art. 33 UPP (Unitary Patent Protection) Regulation.

10. What is your view on whether double patenting should be allowed for Unitary Patents?

Although we see a case to the contrary for Unitary Patents, the IP Federation is opposed to double patenting generally.

Please see section 2b for more detail.

11. What is your view on extending the groundless threats provisions to threats made in the UK in relation to Unitary Patents?

Please see our answer in section 2a above.

12. a. What, if any, impacts on your business do you foresee [sic] of the proposal to extend the restriction on double patenting to Unitary Patents?
- b. How might this affect your likelihood of seeking Unitary Patent protection?

Please see our answer to question 10 and section 2b.

Questions on changes relating to Infringement

13. The proposed changes to infringement include the modification of some provisions to account for the territory of the Unitary Patent and the introduction of two new exceptions.

Are the proposed changes sufficient to give effect in UK law to the infringement provisions of the UPC Agreement?

The IP Federation opposes the introduction of an Art. 27(k) UPCA provision into UK national law, and would prefer to leave national law unchanged. A unilateral 'voluntary' extension of Art. 27(k) to UK national patents, without a proper understanding its scope or impact, is a step too far and may close off the UK as an important 'refuge' for UK industry, so putting UK industry at a disadvantage compared with its European counterparts.

Please see sections 1a and 3a above for more detail.

- 14.** We have taken an approach of making only minimal changes to implementing the infringement provisions. This means that the exact wording of the infringement provisions found in the UPC Agreement is not replicated in section 60 of the Patents Act.

What do you think the consequences are of this approach?

From a technical drafting point of view we do not have an issue with this 'minimalist' approach - but we do have serious concerns about extending the infringement exception provisions, particularly the Article 27(k) UPCA provision, to UK national patents.

Please see our answer to Question 13, and section 1a above.

- 15.** At this stage we have taken two different approaches to the way the two new exceptions to infringement are drafted. For the plant breeders exception, we have copied out the wording as found in the UPC Agreement; whereas the software exception makes a direct reference to the UPC provisions.
- a. What is your view on which form of words works best?
 - b. Should the same approach be adopted for the two new exceptions or is it preferable to adopt different approaches?

From a technical drafting point of view we do not see any substantial difference to the two approaches (copying the wording on the one hand and incorporation by reference on the other hand) except that incorporation by reference has the benefit that the statutory instrument would not need to be amended if the UPC Agreement is ever revised in future. However, as said, we do have serious concerns about extending the infringement exception provisions, especially the Article 27(k) UPCA provision to UK national patents.

Please see our answer to Question 13.

- 16.**
- a. What is your view of the proposed changes to align the exceptions to infringement in the Patents Act with those of the UPC Agreement?
 - b. Would you be affected by these changes, if so, what impact might this have?

As said, the IP Federation has serious concerns about the unintended consequences of aligning the infringement exceptions in the Patents Act with Art. 27(k) UPCA. This may have serious unintended consequences for all industries reliant on digital technology innovation.

Please see section 3a above for more detail.

- 17.** When should the new provisions on infringement apply and why?

The new provisions should apply in relation to UPPs and non-opted out EP(UK)s on entry into force of the UPC Agreement and UPP Regulation. They should not have retro-active effect for EP(UK)s as to do so would change the applicable legal framework for those patents. However, the provisions should not apply at all to UK national patents. Please see our answer to question 16 above.

- 18.** We propose changing section 60(5) of the Patents Act to include an exception from infringement for the use of biological material for the purposes of breeding, or discovering and developing another plant variety.

What, if any, would be the impact on your business of doing this?

This exception would appear to be relatively narrow and of clear scope. From that point of view the IP Federation does not have a strong view one way or the other about its inclusion in the Patents Act. On the other hand, as explained in section 1a above we see no legal reason or political motivation for its voluntary inclusion and so, on balance, our preference would be to see this exception omitted from the Patents Act.

Please refer to sections 1a and 3a above for more detail.

- 19.** We propose changing section 60(5) of the Patents Act to include an exception from infringement for an act permitted under Articles 5 and 6 of Directive (EC) No 2009/24 on the legal protection of computer programs and the use of information obtained by such an act.

What, if any, would be the impact on your business of doing this?

The scope of this exception is far from clear. The IP Federation is strongly against including this exception voluntarily in the Patents Act. To do so unilaterally risks introducing far-reaching unintended consequences while at the same time removing the UK as a refuge, putting UK industry at a disadvantage over European industry.

Please refer to sections 1a and 3a above for more detail.

- 20.**
- a. How might the proposed new exceptions affect your business in terms of licensing of patents relating to biological material or computer programs?
 - b. What evidence can you provide in support of your view?

To the extent that the software exception (Art 27(k)) could have a broad scope it could have a potentially disastrous effect on licensing not only in the ICT and telecoms sectors but in all product and service sectors that are increasingly reliant on digital technology innovation, for example automotive, healthcare, financial and travel services, to name but a few examples.

Please refer to sections 1a and 3a above for more detail.

IP Federation
2 September 2014



IP Federation members 2014

The IP Federation represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. Its Council also includes representatives of the CBI, and its meetings are attended by IP specialists from three leading law firms. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

AGCO Ltd
Airbus
ARM Ltd
AstraZeneca plc
Babcock International Ltd
BAE Systems plc
BP p.l.c.
British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Caterpillar U.K. Ltd
Dyson Technology Ltd
Element Six Ltd
Eli Lilly & Co Ltd
ExxonMobil Chemical Europe Inc.
Ford of Europe
Fujitsu Services Ltd
GE Healthcare
GKN plc
GlaxoSmithKline plc
Glory Global Solutions Ltd
Hewlett-Packard Ltd
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia UK Ltd
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Smith & Nephew
Syngenta Ltd
The Linde Group
UCB Pharma plc
Unilever plc
Vectura Limited

Annex – Interpretation of Article 83 UPC Agreement

Article 83 UPCA provides for a regime which transitions towards the full exclusive jurisdiction of the UPC for EPs. In general terms, Art 83 provides that during the 7 year transitional period:

- Actions for infringement and revocation of patents and SPCs may be brought before national courts (Art 83(1));
- patentees (including holders of SPCs and applicants for European patents[†]) are entitled to opt their patents out of the exclusive competence of the UPC (Art 83(3)).

The Art 83(3) opt-out provision was enormously important for large parts of innovative industry and some Member States.

Since the UPC was signed the lack of clarity of Art 83 has become clear. This note describes some of the uncertainties, particularly around Art 83(3).

The fact that there are several tenable interpretations of Art 83 is very significant for businesses, whether they are potential claimants or defendants, because it creates uncertainty as to which court proceedings must or may be brought in. It thus affects litigation and business strategies for a long period of time. Further, at least one possible interpretation of Art 83(3) would mean that the UPC would have jurisdiction to revoke a patent or grant declarations of non-infringement in respect of an opted out patent. This creates the very significant commercial risk that Art 83(3) sought to avoid.

In our view, it is imperative that a clear understanding of the impact of Art 83(3) is established by participating Member States before the UPC comes into effect. This could be done by some form of agreed statement at the appropriate political level (the Preparatory Committee is not the appropriate body).

In our view, this issue is so important to all users that the UPCA should not be allowed to enter into force until it is resolved.

The conventional interpretation

The conventional interpretation is that during the transitional period the owner of an existing EP[‡] (and those applied for in the seven year transitional period) can opt it out of the UPC completely and do so for the life of the patent (plus SPC where applicable). Hence, after the opt-out is exercised and for the life of the patent (unless it is opted back in), one's EP national designation would be capable of being litigated, at least in infringement / invalidity proceedings[§], only in national Courts.

This is what we believe was the intention of Art 83.

[†] In general, the remainder of this note treats patents, applications for patents and SPCs as one.

[‡] This issue has no relevance to Unitary Patents where national litigation is impossible.

[§] See below for declarations of non-infringement.

The “literal” interpretation

Art 83(3) refers to opting out of the “exclusive” competence of the UPC. The argument has been raised that although one can opt out of the exclusive competence of the UPC (allowing national court jurisdiction) the UPC retains *non-exclusive* or concurrent competence (along with national courts).

On this interpretation, if a patent is opted out, it can still be the subject of a central UPC revocation action. If the interpretation is correct, it would mean that the opt-out is actually worthless because it provides no protection from a geographically wide finding of invalidity / non-infringement which was the main concern of patentees which led to acceptance of the opt-out principle.

Nevertheless, this view is not untenable. It has been expressed (as a personal view) as a possibility by Nicholas Forwood in the annexed letter dated 19 March 2014 when addressing the separate issue of which law applies in cases brought post-UPC, but in national courts. He raises this exact point in the first full paragraph on page 3 of the letter, and his conclusion in the next short paragraph is clear.

There are reasons to suggest that this is wrong.

For example, it is clear that efforts are being made to ensure that the opt-out can be exercised immediately the UPCA come into force so as to prevent lodging of revocation / declaration on non-infringement actions in the UPC before entry of the opt-out on the register. (See in particular the Council Presidency report 9563/14 (19 May 2014) where it is stated (on page 10): “Patent holders wishing to opt-out their patent in accordance with Article 83(3) of the Agreement on a Unified Patent Court will need to be provided with the opportunity to register their opt-out in a way which will ensure the process is effective from the first day of the UPC being operational.” These efforts would be unnecessary if the UPC would have concurrent competence over validity actions after an opt-out.

Further, the Preparatory Committee has stated in its recent publication on the UPC (under the heading: “The transitional period - Opt-out scheme and choice of forum”):

... during the transitional period, a proprietor of - or an applicant for - a European patent granted or applied for prior to the end of the transitional period or a SPC issued for a product protected by such a patent will also have the possibility to opt out the patent / application / SPC, from the jurisdiction of the UPC unless an action has already been brought before the UPC.

It is interesting that the Preparatory Committee talks of opting out of “the jurisdiction”, not “the exclusive jurisdiction” of the Court. However, this may have been inadvertent as no express reference is made to the “exclusive / non-exclusive issue”. In any event, the views of the Preparatory Committee will at best be persuasive to a Court considering the point and may carry little weight given that the point was not expressly addressed.

The “opt-out applies only for 7 years” interpretation

Under this interpretation, Art 83(1) permits national litigation during the transitional period, and Art 83(3) sets out the mechanism to achieve this i.e. by opting out. But after the transitional period, the national option expires and only UPC actions are permissible.

Again, this is not entirely untenable. The Commission’s FAQs posted on 11 December 2012 when announcing the new system contained the following language:

The UPC will have exclusive jurisdiction especially in respect of civil litigation related to infringement and validity for both the “classical” European patents and the European patents with unitary effect ... During a transitional period of 7 years, actions concerning “classical” European patents without unitary effect can still be brought before the national court *if those patents have been opted-out* before an action has been brought before the UPC.

The language highlighted is clear: the Commission envisaged that the ability to bring national court proceedings for infringement or revocation would exist in relation to opted out patents only and for those patents only for 7 years after entry into force.

This language on the site was changed on 19 February 2013 - the day the UPC Agreement was signed in Brussels (and this language remains on the site). The amended language reads as follows:

During a transitional period of 7 years, actions for infringement or for revocation concerning “classical” European patents without unitary effect can still be brought before national courts. A proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period will also have the possibility to opt out from the exclusive competence of the Court (unless an action has already been brought before the Court).

One can see that in the revised Commission language, the first sentence reflects Art 83(1) and the second sentence reflects Art 83(3), generally along the lines of the conventional interpretation.

While this appears to reflect a change of Commission view on the idea that the opt-out only lasts for the first 7 years after entry into force, it is not determinative. Further, and importantly, this revised language does not address the non-exclusive issue discussed above.

What types of action are permitted under Art 83(1)?

Art 83(1) provides that during the 7 year transitional period actions for infringement and revocation of patents and SPCs may be brought before national courts. It does not refer to other types of actions over which generally the UPC will have exclusive competence. These types of action are set out in Art 32(1) UPCA, and notably include actions for a declaration of non-infringement (32(1)(b)) and actions for provisional and protective measures and injunctions (32(1)(c)). Are these actions also permitted during the

transitional period, or is Art 83(1) to be read as strictly limited to the specific types of action mentioned?

Scope of opt-outs under Art 83(3)

Art 83(3) does not talk specifically about what types of action may be opted out. It would be useful to clarify that where a patent has been opted out, none of the types of proceeding listed in Art 33(2), most importantly, declarations of non-infringement, but also for example actions for provisional and protective measures and injunctions, can be brought in the UPC.

COURT OF JUSTICE
OF THE
EUROPEAN UNION
-
GENERAL COURT



NICHOLAS FORWOOD
JUDGE

Paul van Beukering,
Chairman of the Preparatory Committee
Preparatory Committee of the Unified Patent Court
c/o EPO
Munich

19 March 2014

by email c/o secretariat

Dear Mr van Beukering,

Interpretative Note of 9 January 2014 on the Consequences of the Application of Article 83 UPCA

Since I wrote to you last year, I have been following the work of the Preparatory Committee, and I therefore read with interest the Interpretative Note of 9 January 2014.

The Note concludes that, if a relevant “European patent” (i.e. an EPC patent that does not benefit from unitary effect under Regulation 1257/2012) is “opted out” by reason of the operation of the transitional provisions of Article 83 of the Agreement, the substantive rights conferred by that “European patent” will cease to be those set out in Chapter V of the Agreement, but will instead revert to those arising under the national laws of the national courts in which proceedings are commenced.

May I respectfully draw attention to a possible problem with that conclusion, and that concerns the issue of legal certainty which, as the Note recognizes, was also one of the objectives of Contracting States in concluding the Agreement. In short, if the proposed interpretation were followed, it would appear to create a real, and I would suggest unacceptable, situation of legal uncertainty as to the substantive content of the rights that would attach to a relevant European patent, at any given time, in each of the Contracting States. Since this problem does not appear to have been identified, or discussed, in the reasoning of the Note, it may be helpful if I explain it below.

The objectives of the UCPA in relation to “substantive” law

It is common ground that, subject only to the transitional provisions of Article 83, the Agreement not only provides for the creation of a single “Unified” court with exclusive jurisdiction to determine infringement and revocation/invalidity cases in respect of relevant EPC patents and related applications and SPCs (for simplicity I will refer below only to patents), but also contains, in Chapter V, a series of provisions that determine the substantive content and scope of the rights attaching to all patents to which, by virtue of Article 3, the Agreement applies. These provisions define, respectively, the right of the proprietor of “a patent” to prevent direct use of an invention (Article 25) and the right to prevent indirect use of an invention (Article 26), together with a series of general limitations on those rights

(Article 27), a further specific limitation relating to prior use in certain states (Article 28) and finally an express provision defining the scope of the “exhaustion” principle. It also seems clear that these provisions are intended, in principle, to be exhaustive, and to exclude the application of substantive national law in relation to these matters.

It follows that the entry into force of the Agreement will have two distinct, but related, consequences. First, the substantive rights attaching to all relevant EPC patents in each of the Contracting States will, in principle, cease to be those defined according to the national laws of those states, and will be replaced by the provisions of Chapter V of the Agreement. Secondly, subject only to the possible application of Article 83 during the transitional period, the UPC courts will have exclusive jurisdiction to determine infringement or annulment claims relating to those patents.

The scope and content of Article 83 in determining the competent courts

The drafting of Article 83 is perhaps not ideal in all respects, but certain matters are clearer than others. Thus, the transitional provisions in that article apply only to “European patents” as defined in Article 2 of the Agreement, i.e. relevant EPC patents which do not benefit from unitary effect under EU Regulation 1257/2012. This is clear not only from the terms of Article 83, which refer only to “European patents”, but is confirmed by the fact that the cross-references to Article 83 in Article 3 of the Agreement are similarly limited in paragraphs (c) and (d) of that article. It follows that, for “European patents with unitary effect”, the transitional provisions of Article 83 will have no application whatever.

The next issue that arises is the relationship of the various provisions of Article 83. Article 83(1) sets out a clear and unqualified statement that, during the transitional period, actions for infringement or revocation of a European patent “may still be brought before national courts or other competent national authorities”. Taken alone, that paragraph could appear to constitute a self-standing rule that would suspend the “exclusive” character of the jurisdiction of the Court during the transitional period, by permitting (“may”) the bringing of infringement/revocation actions before competent national courts, while leaving the Court also competent. However, paragraph (1) also has to be read in conjunction with paragraph (3), which provides that a European patent proprietor may, in certain circumstances, “opt out from the exclusive jurisdiction of the Court” by so notifying the Registry at least one month before the end of the transitional period, and paragraph (4) which allows the patent proprietor to withdraw the opt-out, again by notification to the Registry. In each case, the opt-out and its withdrawal take effect only from the date of the relevant entry in the register.

It seems clear, therefore, that Article 83(1), despite its unqualified terms, does not contain a separate provision allowing patent proprietors (or indeed potential infringers that might wish to contest the validity of a patent) an unlimited recourse to national courts during the transitional period, and, moreover, to do so independently of the detailed mechanisms set out in paragraphs (3) and (4). Rather, paragraph (1) is simply the statement of the general principle, which is then implemented only in accordance with those specific mechanisms. Thus, as the wording of paragraph (3) makes clear, the opt-out, if and when exercised, is an opt-out “from the exclusive competence of the Court” (emphasis added). If paragraph (1) had the effect that might be suggested by its very broad terms, namely an unlimited suspension of the exclusivity of the jurisdiction of the Court for the whole of the transitional period, then not only would that be inconsistent with the wording of Article 83(3) (since, immediately before the opt-out, the jurisdiction of the Court would not be “exclusive”), but it would be also be

inconsistent with the existence of the detailed mechanisms in paragraphs (3) and (4), which would then serve little purpose.

The next question which arises is as to the effect of an “opt-out” under Article 83(3), if and when exercised. Does it merely bring to an end the “exclusivity” of the competence of the UPC in relation to the patents for which the opt-out is exercised, leaving the Court and national courts both competent (but subject, presumably, to rules such as the “lis pendens” and related action rules in Articles 29 and 30 of the “Brussels 1” EU Regulation 1215/2012)? Or does an opt-out exclude the competence of the UPC altogether, leaving the national courts alone competent? Again, the drafting of Article 83 does not immediately provide an unambiguous answer¹. As pointed out above, Article 83(1) appears merely to envisage the possibility of proceedings in national courts, and contains nothing that suggests that the Court would cease to have even “non-exclusive” competence. Nor does the rest of that Article suggest that result. Indeed, had a total exclusion of the competence of the UPC been the desired aim of the drafters of paragraph (3), that result would have been more appropriately achieved by the omission of any reference to exclusivity, so that the first sentence would have simply ended “.... shall have the possibility to opt out from the [] competence of the Court”.

If this interpretation is right, then it will follow that, even when a patent proprietor exercises his opt-out rights under Article 83(3), the competent national courts and the UPC will have concurrent competence. Which court actually determines the case will depend on the applicable “Brussels 1” rules, as amended to take account of the UPCA, but in practice will normally be the court first seized.

The determination of the applicable “substantive” law in the event of an “opt-out”

The Note suggests that the “opt-out” provisions of Article 83 – if and when exercised - will not only produce an opt-out from the exclusive jurisdiction of the UPC, restoring the jurisdictional competence of the national courts, but will also mean that those courts will “have to apply the applicable national law”.

It is this last conclusion that gives rise to particular difficulty. Firstly, from the simple perspective of the ordinary rules of legislative interpretation, the terms of Article 83 make no reference, explicit or even implicit, to “opting-out” from the provisions of Chapter V on substantive law. On the contrary, as just discussed, the terms of Article 83(1) and (3) by their very formulation appear to be limited in their effects simply to removing the “exclusivity” of the jurisdiction of the UPC, while nonetheless leaving that latter Court (non-exclusively) competent in parallel with the relevant national court(s). And even if those provisions were to be interpreted as removing the competence of the Court altogether, that is still an entirely different question from that of whether they also have the effect of changing the “substantive” law applicable to the affected European patents.

Secondly, it is instructive to consider the implications of the thesis underlying the Note, which appear to be that, at least as from the date of the opt-out, national law alone would apply to

¹ The current proposal to amend Regulation 1215/2012 to take account of the creation of the UPC would add a new Article 71c, according to which “Articles 29 to 32 shall apply where during the transitional period referred to in Art. 83(1) of the UPC Agreement proceedings are brought in the Unified Patent Court and in a court of a Member State party to the UPC Agreement”. While it is not conclusive, this would seem to suggest that the EU legislator at least considers that there is indeed a real possibility of actions relating to the same patent being brought concurrently before both the UPC and a court of a Contracting state..

determine the substantive content of the relevant patent rights. There are several problems with this approach.

In the first place, it is common ground that, from the date of the Agreement coming force and at least until the exercise of any opt-out, the substantive law applicable to all patents governed by the Agreement, including European patents (without unitary effect) will be that contained in Chapter V of the Agreement, and not that found in the national law of the relevant Contracting States. Thus, while the Note suggests that the effect of an opt-out would be to change the “substantive law” attaching to the relevant patents from “Chapter V” law to national law, it is not suggested that this change would, or could, be retrospective. [Indeed, an interpretation of the Agreement that purported to give the patent proprietor the possibility retrospectively to change, at will, the substantive rights attaching to his patents, and in consequence to change the obligations on “infringers”, would be so clearly contrary to recognized principles of legal certainty as to be unthinkable]. It follows that, in any event, even if an opt-out is exercised under Article 83(3), that will not have the effect of changing the substantive law applicable to acts that have taken place before the opt-out. In other words, if the conduct of an alleged “infringer” both ante-dates and post-dates the exercise of an opt-out, the legality of the conduct prior to that date can only be measured against the criteria of Chapter V, and not by any national law(s). Whichever is the competent court, it would then have – following the thesis in the Note – to apply different substantive laws according to the different periods of the alleged infringements: pre- and post- opt-out.

[The practical consequences of this situation provide – incidentally - a further reason why Article 83(3) should not be interpreted as involving the entire loss of competence of the Court in the event of an opt-out. If the UPC courts do not remain competent even in respect of matters where the substantive law is that in Chapter V, so that these then fall solely within the competence of the relevant national court(s), that would give rise to the very situation which the Note aims to avoid, namely national courts giving (possibly inconsistent) rulings on the interpretation of the substantive provisions of the UPCA, without even the possibility of ensuring coherence through a preliminary ruling mechanism.]

A mirror image of these problems would also risk being produced in reverse, should the patent proprietor decide to withdraw an opt-out in accordance with Article 83(4). If the thesis of the Note were correct, it would have the effect that the substantive law applicable to the relevant patent rights, having initially been that contained in Chapter V, and then from the date of the opt-out been those according to the law(s) of the relevant national court(s), would then revert back again to that in Chapter V, at least from the date that the “withdrawal” becomes effective. The result would be that the UPC courts would become (again) exclusively competent from the effective date of the withdrawal, but that if an infringement/revocation action were then brought relating to conduct during the period of the opt-out, the relevant UPC court would need not only to apply Chapter V to determine the legality of the allegedly infringing conduct during periods prior to the exercise of the opt-out under Article 83(3), and following the subsequent withdrawal under Article 83(4), but that court would (presumably) also have to apply national law to determine the legality of the conduct during the period of the opt-out. This would – on the thesis of the Note – then require the relevant UPC court to resolve issues of interpretation of national law, possibly of several different Contracting states (depending on the places where the allegedly infringing conduct took place).

It is respectfully suggested that neither of these results is consistent with the stated objective of legal certainty. Nor do they appear to correspond to other stated objectives of the Agreement, such as the wish to alleviate the difficulties caused by “significant variations between national court systems” with the consequent difficulties of small and medium sized enterprises. Indeed, the effect of this interpretation of the Agreement would be to reintroduce – at least for the period of any opt-out – the present unsatisfactory situation where the substantive law applicable to European patents and any alleged infringements will vary depending on which one or more of the 20-plus Contracting states is (or are) the “locus” of the infringing acts. Finally, it should not be overlooked that, under the rules relating to jurisdiction of national courts (including Brussels 1), it is not impossible or unusual for national courts to have jurisdiction in relation to disputes where the substantive law applicable is that of another state. There is thus no necessary or automatic link between the “nationality” of a court, and its ability to rule on the substantive law of other “nationalities”.

More generally, I would respectfully suggest that the Note may overstate the problems that could arise as a result of the risks of inconsistent interpretations of the Agreement by different national courts, in the absence of a preliminary ruling mechanism allowing the UPC to give preliminary rulings in a similar manner to the CJEU under Article 267 TFEU. First, this type of situation is a common feature of European legislation, with which courts and Member States have learned to live. It existed under the original Brussels Convention on Judgments and Jurisdiction, until there was a separate Protocol on the jurisdiction of the ECJ. It also existed for many years in respect of so-called Title IV and Title VI provisions under the former TEU and TEC treaties. In particular, while some states “opted-in” to an optional preliminary ruling mechanism, a significant number of states did not do so, and merely left their national courts to do their best without such a mechanism. This situation did not give rise to any insuperable difficulties. Secondly, this possibility will only be temporary, lasting no longer than the transitional period. Thirdly, the risk of inconsistent rulings will greatly be reduced by reason of the fact that the Court will, in any event, be delivering rulings on the interpretation of the Agreement, including Chapter V, in the context of litigation concerning all European patents with unitary effect, as well as for those European patents without unitary effect for which the proprietor has not sought an opt-out. National courts will presumably be reluctant to adopt a different approach, on an issue of interpretation of any provision of the Agreement, from one already adopted by a UPC court. Conversely, while UPC courts will no doubt have appropriate respect for decisions of national courts that may involve interpretation of the Agreement, including Chapter V, it seems unlikely that UPC courts will allow such national decisions overly to influence them, particularly where those interpretations appear to run counter to the scheme of the Agreement.

I hope that these observations may be of assistance to the Preparatory Committee in relation to this issue, which I realize is of importance both to Contracting States and to all interested parties. I should also stress that they are entirely personal, and in no way to be attributed to the General Court or indeed to the CJEU.

Yours sincerely,

Nicholas Forwood

*cc. Ms Eileen Tottle,
Secretary to the Preparatory Committee.*