

# Countdown to the UPC

On 16 January the UPC Preparatory Committee announced an intended start date for the UPC of December 2017. Back in 2013 when the UPCA Agreement was signed, the European Commission said the system would be up and running by spring 2014, and since then the start date has been pushed back with monotonous regularity. Can we really believe that the UPC will be with us in ten months' time? **Alan Johnson** (Associate) looks at the timetable to the predicted start date and whether there is still scope for more delays.

The Commission's prediction in February 2013 when the UPCA was signed that the system would start just over a year later was always hopelessly optimistic. The Agreement itself was drafted such that the Unified Patent Court (UPC) would almost magically pop into existence as a fully formed organisation. But how could it have been thought possible to set up a brand new multi-national court from scratch in a matter of months? And what chance was there of 13 ratifications in this timescale? Processes for ratification vary hugely from country to country. Whilst France was constitutionally able to ratify first and sort out practical steps second, the opposite is true for the UK where protocol requires that all steps to implement necessary legislation must be completed before ratification. Most countries have some form of relatively slow Parliamentary process.

UPCA ratification has, in the end, proceeded at a gentle pace, but in part this has reflected a lack of urgency given the speed at which practical steps have moved forward. As to this, it is difficult to overstate the magnitude of the task which faced the Preparatory Committee when it convened a few weeks after the 19 February 2013 signature of the UPCA. Courts, rules, systems, and personnel were all required. It was not as if the Agreement provided ready-made answers on any of these issues. No thought had been given to what the Court's budget would look like, and no EU financing was available to assist. And of course to make life more difficult than it might have been, a very complex organisation had been agreed with courts in multiple locations operating in multiple languages.

On the Unitary Patent side of the equation, the task was less imposing, but still difficult politically. Not only did renewal fees have to be agreed, but also a distribution key to share out

those fees. Your author seriously doubted at one stage that this could be agreed, since back in 2003/04 it was one of the two issues which had caused the Community Patent project to collapse – and that was at a time when far fewer countries had to agree (the deadline which could not be met was the date of accession of six new eastern European countries).

In truth it was no real surprise, therefore, that there were delays. But as of 23 June last year, a specific start date (2 May 2017) was being talked about, and thought realistic. The main tasks which remained to be completed were, in brief: signature of the Privileges and Immunities Protocol<sup>1</sup>, completion of the IT system, and appointment of judges. But the Privileges and Immunities Protocol had been agreed (although not yet published and open for signature); the IT system had been handed over by the UK to the UPC IT team in Luxembourg (in March) and was well in hand; and the judicial application process had already been opened (in May). Further, very shortly after the Brexit vote, on 30 June, the Preparatory Committee resolved to press on with its work and took various steps to approve a number of papers, a Code of Conduct, revised court Rules of Procedure, and a draft budget.

Work on the IT system continued, the process of judicial selection was taken as far as possible without actually interviewing judges (a process which took until mid-October), and the Netherlands became the tenth non-mandatory country to ratify. Hence, the real delays resulted from the stalled UK and German ratification processes (France being the only mandatory country to have ratified). Then, of course, the UK made its announcement of 28 November and both those processes quickly restarted. This meant that what had been caused by the 23 June referendum was little more than a five-month delay. Add five months to a May 2017 start date

and one comes up with a revised start date of October. In that light, a proposed start date of December looks entirely feasible.

Looking in more detail at the Preparatory Committee's 16 January timetable, the Committee's statement made clear that the timetable was:

“conditional and provided with the clear disclaimer that there are a number of factors that will dictate whether it is achievable.”

It continued:

“The most important factors in meeting these dates is the necessary ratifications of the UPCA and accession to the Protocol on Provisional Application. If these are not achieved the time-plan will be disrupted.”

### Is UK and German ratification on course?

Looking at the first of the two components mentioned, UK and German ratification are both on course. The UK had already completed the more difficult parts before 23 June, to pass legislation to permit amendment to the Patents Act 1977, and then to pass those amendments in the form of a Statutory Instrument. Ratification was being held up by the Privileges and Immunities Protocol, which, although agreed (in February 2016), was not open for signature until 29 June (when several countries signed). However, the UK has now signed (on 14 December), and it was laid before Parliament (as a Command Paper) on 20 January. The next stage (national legislation on privileges and immunities) is to be subject to Committee approval in the Commons, Lords and in the Scottish Parliament (but no vote will be required in either House in Westminster, nor in Holyrood). Plainly something might go wrong, but it seems unlikely given the somewhat mundane subject-matter (giving legal personality to the UPC and creating privileges and immunities – in the style of the EPO's special status – for the Court and its staff in the new international organisation). Once this process is over, the last steps will be for the IPO (presumably the Minister, Mr Jo Johnson MP) to write to the Foreign and Commonwealth Office with evidence that all necessary steps have been completed to enable ratification and requesting that an instrument of ratification be prepared, signed by the Secretary of State (the IP Minister's brother, Mr Boris Johnson) and then lodged with the UPC 'depository' in Brussels.

Germany had put its own ratification process on ice pending a decision from the UK on its UPC participation, but is now also back on track. It had apparently started the process using the wrong procedure, but is now using the correct one, and it is predicted that it too will complete its substantive processes by “spring”. In contrast to the UK, however, Germany plans to hold back the formal deposit

of its instrument of ratification as this would trigger the countdown to the Court opening in accordance with Article 89 UPCA.

### The Provisional Application Phase

Now to the second of the elements mentioned by the Preparatory Committee statement: the timing of the Provisional Application Phase. This was created by a Protocol to the UPCA (signed on 1 October 2015) and has its own “Entry into Force” provision. Provided German substantive procedures for ratification are indeed complete, the Provisional Application Phase will be able to start in May, in accordance with the Preparatory Committee announcement, despite Germany not having quite completed its ratification.

The significance of the Provisional Application Phase is twofold. First, it permits the creation of the various UPC Committees, one of which, the Administrative Committee, is responsible for judicial appointments. Hence, the final stage of that process (interviewing applicants) can begin. There are so many interviews to conduct that the process is expected to take upward of six months, but it is to be hoped that the appointments can be finalised within the necessary period. One possible issue, perhaps, might be that of where judges will actually work. Some judges will be based in their own local divisions, which should be uncontentious. However, there is a need for visiting judges (allocated from a pool) for local divisions which have only one local judge, and even those with two local judges will require one non-local judge serving on a long-term basis. Similar issues arise with the central and regional divisions. Will judges be prepared to be allocated for an extended period to a foreign country or engage in long-distance commuting? Might some applicants decline positions as judges unless offered ‘home’ positions? Further, in the context of English judges potentially working part-time in the Patents Court (or Court of Appeal) and part-time in the UPC, wasted travel time might disincentivise the Ministry of Justice from agreeing to English judges spreading their expertise over several divisions (which many users, not just in the UK, would like to see).

### The ‘sunrise period’

The final milestone before the Court opens and the EPO begins to grant unitary patents is the so-called ‘sunrise’ period. At one time this was envisaged as starting at the same time as the Provisional Application Phase, but it is instead scheduled for ‘early September’. This would seem to coincide with the date when Germany will have to deposit its instrument of ratification, and hence start the formal countdown to the Court opening. (Deposit by Germany any time in August will trigger a 1 December start date, and conveniently August is just before the German elections, a fact which may not be coincidental.) The sunrise period's purpose is to allow patent proprietors to opt out any existing European patents and published applications which they do

not wish to have subject to the jurisdiction of the UPC. This article is not the place to discuss the factors patentees may take into account in devising opt-out policies and how they should be implemented. Suffice to say that any patentees who have not already started the process of considering what they will do with their existing portfolio, but who might want to register opt-outs in the sunrise period, should start work on this more or less immediately, since it is not a simple task. What is more, it is quite possible that the sunrise period might close a couple of weeks before the UPC opens so as to avoid a last-minute rush of applications which might cause IT or other administrative problems on the eve of the Court opening, so regarding timings, that should be taken into account too<sup>2</sup>.

### The big day

The Preparatory Committee announcement refers to the system starting in December. In fact, as intimated above, according to Article 89 UPCA, the date should be the first of a month (unless it falls on a weekend or public holiday). Hence we can expect the actual start date to be Friday 1 December 2017.

It is not just in respect of existing EPs that pre-start up (in that case opt-out) planning is required. For pending applications proceeding to grant, will patentees want unitary protection? And if the grant looks like coming sooner than 1 December and patentees might want unitary protection, can and should they do something to delay that? As with opting out, whether or not to seek unitary protection is not an entirely simple decision: it requires devising a policy and method of implementation, including taking into account the current uncertainty over the UK's long-term future participation, and the possibility of dividing out new applications to hedge bets.

None of the decisions relating to the new system are simple, and many an in-house patent counsel may have secretly breathed a sigh of relief that he or she did not have to grapple with a new set of issues and downed tools on 24 June. Now is the time to pick those tools up again, because it really does look like this time the UPC will be with us this year. **D**

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## References

1. As noted later, this gives legal personality to the Court in the UK, and provides for immunities and privileges to the Court and its staff appropriate to an international organisation in the UK.
2. The UK IPO has stressed the desirability of ensuring that opt-outs are lodged early, rather than waiting to the end of the sunrise period. If a large proportion of opt-outs are delayed to the last moment, there is a risk that the IT system will not be able to handle them. (That is to say, patent attorneys should not follow their usual course of waiting until the deadline!) Ed.



## Unified Patent Court to open in December 2017

The **UPC Preparatory Committee** posted the news that the UPC is expected to open in December 2017 – see <https://www.unified-patent-court.org/news>. Since Article 89 of the UPC Agreement provides for the opening of the court on the first day of a month, the target opening date is presumed to be 1 December.

With UK ratification expected in April, and Germany expected to be able to confirm its intention to do likewise, the UPC "Provisional Application Phase" can begin in May. This phase, the result of a Protocol to the UPC signed on 1 October 2015, allows various parts of the UPC Agreement to come into force early.

The Provisional Application Phase will mean the hand-over of preparations from the Preparatory Committee (which will have its final meeting in early March) to UPC committees which can, for example, interview and recruit judges and other personnel.

The Provisional Application Phase will also include a "sunrise period" for accepting opt-outs for existing European patents and applications. This sunrise period will, however, not start until about September, allowing further time for the IT system to be refined before this online system is available to users, but still allowing users three months to file opt-outs prior to the system going live.

As well as the UPC opening, 1 December will also see the EPO able to issue unitary patents for newly granting European patents. Hence in the next ten months users must address their policies not only for opting out (or not) their existing patent portfolio, but also their future patenting policy. **D**

*Alan Johnson (Associate), 16 January 2017*

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