



# A seat at the table

**Alan Johnson** looks at the scenarios for the Unified Patent Court and the UK's departure from the European Union

**D**espite the referendum in the UK on 23 June 2016 to decide if the UK should stay in the EU or leave, the UK shortly after reaffirmed its commitment to being a part of the unitary patent/UPC system, and duly ratified the treaty which is the UPC Agreement (the "UPCA") in April 2018. Hence, if the legality of the system under the German constitution had not been challenged and Germany had been able to proceed with its ratification, the UPC would have started by now with the UK in it.

The discussion would now be on whether the UK could stay in the system or not? In one sense the legal issues in that scenario would have been very much the same as they are now when considering the UK's potential place in a future UPC. However, there are two differences. One is that (arguably at least) the continuation of a system started when all participants were EU member states at inception, is different from (easier than) starting a system when one is not an EU state. The other is that politically the two situations are also different, and with Germany holding the key to UPC start-up, it can potentially at least exercise a choice as to whether to go forward with the new system or not.

Against that backdrop, let us look at the legal issues. What are the problems facing the

new system caused by the UK being a non-EU state when the UPC is due to start – whenever exactly that might be? Although colloquially when reference is made to the UPC generally (and in this paper, unless the context requires otherwise) the term UPC is used to describe the whole package, when analysing the legal issues, one needs to consider the two separate parts of the package, that is the court (the UPC) and the unitary patent. Hence the issues are:

- Can the UK, as a non-EU state participate in the court part of the package? This raises several sub-issues:
  - Are the references in the agreement of the UPC (UPCA) to EU member states a substantive problem?
  - Can the CJEU accept references from the UPC with the UK participating?
  - What of the fact that the UK will not be subject to the Brussels Regulation?
  - Are there any issues concerning the governance of the UPC if there is a need to modify the UPCA to align it with developing EU law?
- Can the UK, as a non-EU state participate in the unitary patent?

These issues may seem more in the realm of the EU constitutional lawyer than a humble patent lawyer, but can nonetheless be usefully

examined by one who has had more than three years to mull them over.

## Can the UK, as a non-EU state participate?

Are the references in the UPCA to EU member states a substantive problem? The UPCA was drafted as an agreement between EU member states. The UK's new status as a non-member state is a potential issue but is not one of substance. The solution could be as simple a mechanism as the contracting states adopting a protocol stating that references to an EU member state should be construed as references to a state which was, as of the date of its ratification of the agreement (in the case of the UK in 2018), a member state.

Can the CJEU accept references from the UPC with the UK participating? This is a matter of some controversy. Under Art 267 TFEU, the CJEU may accept references from the UPC (under Art 21 UPCA) if it is a national court of a member state. Despite being an international court in the sense that multiple nations have agreed, in the field of patents, to delegate their national jurisdiction to the UPC, it can properly be regarded as a national court. However, one view is that the CJEU can accept references only from a national court of member states exclusively, while the other view is that provided it is a national court of some member states, it



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EU law? In Max Planck Research Paper No 18-20, the authors Ullrich and Lamping argued that governance of the UPC to align it with future developments in EU law might be blocked by the UK. While in any event only a theoretical issue, in fact amendments to the UPCA can (under Art 87(3)) only be delayed by an individual country. In the event of a country objecting to a decision of the Administrative Council to revise the UPCA, a review conference (a diplomatic conference) must be convened, and at such a conference no one country may apply a veto under international law (Vienna Convention). Hence this is a non-problem.

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patent system. But even if this is not achievable, it has no impact on the ability of the UK to be a part of the UPC: after all, that was the exact position of Italy for quite some time after it signed the UPCA, before it too sought to sign up to the unitary patent part of the package.

### **The politics – do the other states still want the UK in the system?**

Having established that any legal issues should be capable of being fixed, the main question may well then be whether there is a political will to fix them? As stated by way of introduction, despite the Brexit referendum vote, the UK Government committed to continuing with UPC ratification and followed through on that promise to the remaining states. For its part, the remaining states have thus far likewise retained their enthusiasm for having the UK in the system. This is with the possible exception of Italy which (misguidedly in your author's view) seems to see itself as a successor to the UK's share of the Central Division of the UPC. Critically, Germany appears still to wish to have the UK as a participant; and France, despite some initial reservations, has been persuaded by its industry to stay on board too. As to other states, the likes of the Scandinavian countries and the Netherlands remain wholeheartedly in favour of UK participation. Hence there is a clear and broadly supported desire to have the UK in the system. Why that should be is perhaps irrelevant but matters such as the importance of the UK as a top-five economy and UK judicial expertise are among the most important.

In short, at least as matters stand now, both sides want the UK to participate.

However, there are risks with UK participation. Plainly one scenario is that the UPC goes ahead with the UK as a participant and a litigant challenges the legality of the system under EU law. The matter could then be referred to the CJEU, and it cannot be said to be impossible that the result would definitely be that the CJEU would endorse its legality. It is at least possible that the CJEU could find a problem.

The situation is not dissimilar to the situation facing the EPC due to the separate ongoing constitutional challenges in Germany: potentially a court (in that case the German constitutional court) could effectively rule the whole EPC system incompatible with the German constitution despite more than 40 years of history. But would a court really do that? Or at least would it do so without affording an opportunity for revision? It seems unthinkable. But at least it is a possibility which could cause Germany to pause before proceeding with the UPC as and when the

is sufficient that the uniformity and autonomy of Union law is safeguarded. Unfortunately, this is ultimately a matter which only the CJEU itself can determine, and no mechanism exists to ask the CJEU for a preliminary ruling before UPC commencement. (This is unlike the previous iteration of the agreement considered by the CJEU in 2009-11 when the EU was itself a party, hence giving the CJEU jurisdiction to opine.) However, what is relatively certain is that any issue could be dealt with by an agreement relating to the UPC between the UK and the EU. Hence, it is again an issue which (if it exists at all) could be fixed.

What of the fact that the UK will not be subject to the Brussels Regulation? The international jurisdiction of the UPC is founded on Art 31 UPCA. This Article references both the Brussels Regulation and the Lugano Convention. Hence, exclusion from the Brussels Regulation regime is not per se a bar to the UK's participation in the UPC provided that instead the UK joins (re-joins) the Lugano Convention. It is understood that this is in any event UK government policy, and again, therefore, this is a problem which can be (and in this case may confidently be expected to be) fixed.<sup>1</sup>

Are there any issues concerning the governance of the UPC if there is a need to modify the UPCA to align it with developing

### **Can the UK participate in the unitary patent?**

In principle, EU instruments including regulations can be extended to non-EU states. The European Common Aviation Area is an example and includes acceptance of CJEU jurisdiction to interpret Union law (though in any event, the UK has already accepted the primacy of Union law and that the UPC shall base its decision on Union law including the unitary patent regulations – see Arts 20 and 24(1)(a) UPCA).

Such an extension would require an agreement between the UK and the EU. Accordingly, it is very far from hopeless to envision the UK being a part of the unitary

green light is given to do so (as it widely predicted to happen at some stage). Given the present uncertainty, it is to say the least very convenient for the German government that the constitutional court has been slow so that it does not have to make a decision with the outcome of Brexit uncertain.

So what will Germany do? Only time will tell. The only recent clue we have is a statement by the German Parliament in July this year that:

“The question of the exit of the United Kingdom from the European Union (so-called Brexit) and its effects on the European patent reform play an important part in the subsequent implementation process of the Treaty on a Unified Patent Court. The actual and legal effects of an exit must be reviewed in relation to the Treaty and coordinated at European level. Currently, this opinion forming process is not yet complete, not least because significant factors of the likely exit are currently not yet known”

Of note, perhaps, is the moderately positive reference to the “subsequent implementation process” and the accompanying reaffirmation of German commitment to the system:

“The federal government has always strongly advocated the creation of a unified patent system in Europe as well as the Unified Patent Court. This commitment continues unchanged.”

### A UPC without the UK?

Let us suppose, however, that despite these warm noises, Germany, after consultation with its fellow remaining EU member-state countries, decided to pull the plug on the UPC with the UK in it because the chances of the system being declared illegal were too high or, even if low, were too worrying to contemplate. In that scenario, the chances are that the UK would not make a fuss and insist on its Vienna Convention rights to participate but would permit the other states to go ahead without it if they wished to do so. A mechanism could rather simply then be found to allow the existing agreement to proceed, most probably another protocol, in this case to agree that a ratifying state could be permitted to pull out of the system before launch, or that the place of the UK could be taken by Italy, or that only the two rather than three most popular states for EP validation (Germany and France) should be mandatory ratifying states.

But would the other states want to proceed? The answer is that probably they would. The initial reaction to the Brexit vote was to look for a way to go ahead without the

UK. This led to discussion of a possible protocol such as mentioned immediately above in the weeks and months after the June 2016 vote before the UK had recommitted to the system. Indeed, it was revealed at a public meeting in Brussels just before the UK had recommitted to the system in late November 2016 that a draft of such a protocol was doing the rounds of the capitals of Europe. Hence, Brexit does most certainly not spell the death of the UPC. The system is wanted by European industry, and even though British industry would most definitely strongly prefer a UPC with the UK as a participant, it remains attractive for all (even in the UK) even if the UK is not included.

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Of course there are significant losses to the system in the UK leaving. Two of these have already been mentioned, that is the loss of the world’s fifth largest economy as a participant and the loss of English judicial expertise. These points deserve some expansion.

In Europe three countries are well ahead of the others in terms of where European patents are validated. Germany is the most popular, France is in second place, and the UK is only a little behind France, with Italy is a somewhat distant fourth. Hence, when looking at the value of the unitary patent, the loss of the UK is a major factor because most businesses will want to continue with their UK patent coverage and have to elect for a unitary patent plus an EP (UK). Alternatively, some businesses may simply elect for a national UK and a national German patent. Either way, the attractiveness and popularity of the unitary patent would suffer significantly.

As to the loss of English judicial expertise, by way of illustration, the respect shown for the English judges at the annual European

patents judges’ conference in Venice is hard to overstate. And let us not forget either that with or without the UK as a participant, English will be the main working language of the UPC, such that the loss of the main cohort of native speakers will be keenly felt.

Hence the loss of the UK to the system would be very significant. However, it would not be a fatal blow.

### Summary

In summary, there are undoubtedly difficulties to be overcome as a result of the UK’s departure from the EU, no matter whether this is with a deal or without one. These should not be legally insurmountable, however, and it is crucial that the political will which currently exists is maintained. If so, then the most important question is likely to be whether the remaining member states perceive the risk of the CJEU bringing down the system at some future date is too high and that it therefore might be better, albeit with reluctance, to ask the UK to step aside. To use an analogy, the situation may be likened to the risk of an asteroid strike: if it happened, it would be unpleasant, but the risk seems low. What needs to be done in response is similarly to detect where risks may be found, and take such steps as are possible to avert them.

Fortunately, unlike the case of an asteroid, as set out above, the risks are relatively clear, as are the steps which can be taken to minimise it. Hence in your author’s view, the relevant EU states should not be timid in their approach. Europe has been waiting long enough for an improved system, and it is presently within grasp. The opportunity should not be missed, and the UK should be allowed to play its part.

### Footnote

1. One caveat to this is the mis-alignment between the precise terms of the Brussels Regulation and the Lugano Convention, in particular the absence of Articles 71a-d of the recast Brussels Regulation. It may also be necessary to bring the Convention into conformity with the Regulation.

### Author



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