

EXPLANATORY MEMORANDUM TO THE AGREEMENT ON A UNIFIED PATENT COURT

Title of the Agreement

Agreement on a Unified Patent Court

Command Paper Number: 8653

Subject Matter

Currently individuals or businesses seeking to protect their inventions across Europe can either apply separately to each national patent office for a national patent or they can apply to the European Patent Office (EPO) for a "bundle" of national patents; one for each country specified. The process is typically subject to costly translation provisions and, in some countries, additional validation charges which apply before the EPO granted patent can take effect.

An EPO bundle of patents (for the same invention) does not necessarily offer uniform protection in each state, as different national rules apply. Thus, obtaining patent protection across Europe is not only costly (compared with, for example, the US), but the protection provided is not uniform, and enforcement must be separately initiated in each country.

The Unified Patent Court (UPC) Agreement is part of a package of measures designed to establish and enforce unitary patent protection within Europe. The other measures include two EU regulations which establish the unitary patent and the associated translation arrangements. The package will provide individuals and businesses with the opportunity to protect their inventions across participating states under a single unitary patent, and to have disputes (on infringement or validity) settled under a court system common to the participating states.

The Agreement is between participating EU states; the EU itself is not party to it. Poland and Spain did not sign the agreement (but may accede at a later date). The Agreement sets up a court with exclusive jurisdiction concerning the infringement and validity of European patents with unitary effect and EPO bundle patents. However, during a seven year transitional period (extendable up to fourteen years), the proprietor of (or applicant for) an EPO bundle patent can opt out from the exclusive jurisdiction of the UPC; in which case the patent could only be litigated before a national court. In addition, during the same period litigants may choose to bring infringement and revocation actions to a national court rather than the UPC when those actions concern "bundle" patents that have not been opted out.

All European Patents (Bundle and Unitary) applied for after the transition period will be litigated through a single action, rather than multiple national actions, creating a simplified system and eliminating duplicative litigation.

The UPC will be comprised of a Court of First Instance (CFI), consisting of a central division and local and/or regional divisions, hosted by member states or groups of member states, and a Court of Appeal to be sited in Luxembourg. CFI divisions will

typically have a multinational panel of three judges, while the Court of Appeal will have multinational panels of five judges.

The seat of the central division will be in Paris but with specialist technology sections set up in London and Munich according to subject matter. The London section will deal with validity actions in the chemical and pharmaceutical fields. It will also deal with infringement actions transferred from local or regional divisions and cases from countries where there is no local or regional division. The local or regional divisions will handle infringement actions and will be set up by participating states.

Ministerial Responsibility

The Secretary of State for Business Innovation and Skills has the principal ministerial responsibility for intellectual property. Intellectual property is a matter which is reserved under the Scotland Act 1998 and the Northern Ireland Act 1998. The Foreign Secretary has overall responsibility for European issues. The Lord Chancellor and Secretary of State for Justice has overall responsibility for the court system in England and Wales. The devolved administrations generally have responsibility for the administration of the court systems in Northern Ireland and Scotland.

Policy Considerations

(i) General

The UK sees an effective patent litigation system as an important element in removing trade barriers between EU member states and supporting growth for Europe. The Agreement is an integral part of the Patent Package which will establish a single patent covering participating countries, providing UK businesses with an alternative and cheaper option to protect their inventions across the EU. It could provide savings of up to £20,000 per patent in translation costs alone, while a single court system will save businesses the expense of having to enforce patents in more than one state.

The Agreement will remove jurisdiction for certain patents granted by the European Patent Office from UK courts. However, UK patentees would need to use the Unified Patent Court in Europe even if the UK were not participating in the Agreement. By taking an active role in the development and operation of the Unified Patent Court the UK can retain influence over how the court will work.

(ii) Financial

The UK will pay for the facilities (local and / or regional division and central division) in its own territory. In addition, the UK will contribute to the central funding of the court until the system becomes self-funding through court fees. Costs to Government could be of the order of £10 million per annum until the system becomes self-funding. However, detailed financial and funding arrangements will be clarified between the participating states before the UK completes ratification of the Agreement.

(iii) Reservations and Declarations

No Reservations or Declarations were made at the signing of this agreement. The extent to which the Agreement will apply to UK Crown Dependencies and overseas territories will be confirmed when the UK ratifies the Agreement and following consultation with relevant bodies.

Implementation

The UK has signed the agreement as a participating State and will ratify according to its constitutional practices.

The Agreement will enter into force on 1 January 2014 or on the first day of the fourth month after the UK, France and Germany and 10 other states have ratified it, whichever is later. The instrument of ratification will be deposited with the General Secretariat of the European Council.

Ratification of the Agreement will require amendments to national legislation to recognise the Unitary Patent and the jurisdiction of the UPC. This will primarily affect the Patents Act 1977 (as amended) but other legislation may be affected particularly legislation which covers the jurisdictional scope of UK Patent Courts.

Consultations

The European Commission's original proposal on a Community patent included the creation of a court to deal with Community patents. This was the subject of a formal consultation. Informal consultation with UK industry has continued through regular consultation group meetings. This method was found to be the most efficient and effective way of ensuring stakeholder views on the evolving text could be considered and used to inform negotiations.

The House of Commons European Scrutiny Committee conducted an enquiry into the draft Agreement and produced a report (HC 1799 the Unified Patent Court: Help or Hindrance?). The Government's response was published as HC541. A number of recommendations in the report were secured by the UK during the negotiations.

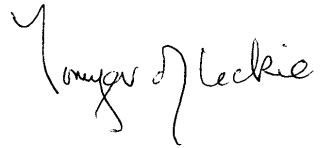
The House of Lords European Union Committee completed consideration of the Agreement at its meeting of 19 December 2012. The Commons European Scrutiny Committee completed consideration of the Agreement at its meeting of 30 January 2013. Both committees have cleared the related EU regulations from scrutiny and reported an interest in the implementation of the Agreement.

The Government plans to undertake further consultations on the detailed implementing measures before the UK ratifies the agreement.

Devolution

Implementing this Agreement may impact on the powers of the courts and the civil justice system in Scotland and Northern Ireland. In light of this, discussions with the devolved administrations in Northern Ireland and Scotland, the respective judiciary

and any other interested parties regarding UK compliance with this aspect of the Agreement will continue.

A handwritten signature in black ink, written in a cursive style, that reads "Younger of Leckie".

**The Viscount Younger of Leckie,
Parliamentary Under-Secretary of State for the Department for Business,
Innovation and Skills**