

January 11, 2017

## ***Brexit, European Patents and the Unified European Patent***

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Whilst a lot of hot air has been expelled over “Brexit” and its potential impacts on the UK and the European Union the question of how it impacts intellectual property (IP) rights has for most slid under the radar. For you as an IP holder the picture is now more complicated than it was before. Within this article we address utility patents and will address trademarks and industrial designs subsequently. How Brexit impacts each IP type is dictated by which organization oversees the centralized European process. Importantly, these changes not only impact you if you an IP holder for your products but also if you are an IP licensor / licensee.

For patents, the relevant organization is the European Patent Office, which it may come as a surprise to many is not actually a European Union organization. Prior to Brexit the UK was one of the leading supporters for the Unified Patent (UP) and the Unified Patent Court (UPC) Agreement. At present, whilst prosecution of a European Patent in centralized the final issued patent is validated in each member state individually upon allowance based upon which member states are of interest. The UP would provide a simple path of central examination and then an issued patent automatically valid in all member states that have ratified the UP agreements. It also provides for a Unified Patent Court (UPC) to rule on validity and infringement across all member states removing the requirement for an IP holder to prosecute in every member state individually. With Brexit there were questions over whether the UK would ratify the agreement that sets the UPC in Paris (electronics, software etc.), London (chemistry and pharmaceuticals etc.) and Munich (mechanical engineering etc.) with a Court of Appeal in Luxembourg given the Prime Minister’s first speeches including statements such as *“Our laws will be made not in Brussels but in Westminster. The judges interpreting those laws will sit not in Luxembourg but in courts in this country.”*

However, the UK has subsequently stated that despite Brexit they will ratify the UPC and whilst all details of the timeline are unclear, given the hiatus in the process from the Brexit vote etc., it is now clear that the UP will become a reality and that some aspects of the process may be up and running any time in 2017 with potentially the UPC open for business by the end of 2017. This means you need to begin reviewing and making decisions on both your existing portfolio and new applications going forward.

As with many such agreements the UP and the UPC come with benefits and risks. The one-stop UP should mean lower maintenance fees to maintain rights as only one fee is required rather than each validated member state post-issuance. Also the UPC should mean lower costs to prosecute infringement for an IP holder as the single ruling applies to all member states. But it also brings the risk of the UPC striking down the UP in all member states in one ruling. But fear not, as the bureaucrats created an escape, the “opt-out.” Where an IP holder “opts-out,” they essentially shunt the UP into the old process and the patent is validated, maintained and litigated in the member states individually. Accordingly, you will have the ability to opt-out as part of the new EP



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process creating another decision point. Importantly, you will also be given the option of opting-out from the UPC for granted patents which means the default process going forward becomes the one through the UPC. The target UPC timing for first ruling is 12 months which is comparable to current UK, German, French court times but is certainly faster than many jurisdictions in Europe. So for some speed in obtaining an infringement ruling may at times outweigh the risks and slower process through some individual member states.

Whether you want your granted and pending patents subject to the jurisdiction of the UPC will depend on several factors and there is no one size fits all approach. You should not assume that opting out will be the best option as the advantages - risks balance may mean keeping some or all of your patents within the jurisdiction of the UPC. Further, for patents currently in prosecution more nuanced strategies can be considered by exploiting the European divisional patent to provide one patent within the UP process and one opted-out. Amongst the issues to consider for each patent are:

- The strength of the patent;
- The value of the technology covered to the business in the relevant jurisdictions;
- How this patent interacts with others to protect your commercial products;
- Do you find a central attack for an infringement by a third party attractive or are their jurisdictional factors that make multiple attacks more attractive; and
- The likelihood that a third party will consider a central attack attractive versus multiple attacks.

For patents that are jointly owned or licensed into / out of your business then there is the important question of who has the right to exercise the opt-out for those patents and hence the associated UPC. If you are licensing into your business and have no control, then you can find that a UPC action arising from an issue in a different member state (where the patent is licensed to different businesses in different jurisdictions) strikes down the patent you are licensing.

Whilst we do not know the exact timing for the UP and UPC what we do know is that the protocol agreed establishes the Registry for you to register any opt-out to be one of the first things open and for it to be open ahead of the official UP / UPC launch. As with many aspects of IP the opt-out is only effective when formally entered onto the Register. Accordingly, this opt-out exercise should be under consideration and review in a timely manner (we know along with the 101 other things that have to be done).

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