

## **The Chartered Institute of Patent Attorneys**

### **Response to the IPO's Technical Review and Call for Evidence on Secondary Legislation Implementing the Agreement on a Unified Patent Court and EU Regulations Establishing the Unitary Patent**

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## Executive Summary

1. The Unitary Patent and Unified Patent Court Agreement represent the most important change in patent law since 1 June 1978 when the Patents Act, the EPC and the PCT came into force. Proper implementation is vital.
2. The key issue is EU harmonisation. The Preparatory Committee has taken the position that harmonisation is not required. But it is our firm view that a failure to do so will result in added complexity and cost for litigants and a risk that Member States will fail to comply with their obligations under the EPC.
3. However, that is not to say that there are no downsides to harmonisation. We certainly do not think that the UK should act on its own, without all other member states. That would risk damage to innovative businesses in the UK.
4. There is so much uncertainty as to the meaning of the UPC Agreement, Unitary Patent Regulation and the interactions between them and national law that we now stand on the verge of creating an impenetrable patent law.
5. If these problems cannot be ironed out, we are likely to face years of practitioners arguing about what the laws mean and the interactions between them.
6. If the Government fails to implement EU law correctly, that can lead to fines by the EU. In some circumstances, those who lose rights can seek compensation.
7. While it is evident that much hard work has gone into the drafting of the Statutory Instrument, it is still far from clear what it is that the IPO is supposed to be implementing.
8. In particular, Schedules A3 and A4 are overly complex to the point where we struggle to follow them and therefore must question whether the proposals correctly implement the UPC Agreement and Regulations.
9. Other areas of critical concern are:
  - Whether a statutory instrument is the best way to make the required changes to UK law
  - How to manage the transitional provisions in the UPC Agreement
  - Whether the new exemptions Art 27(c) and 27(k) should be introduced into UK law as they could potentially have very costly, unintended consequences
  - Whether the UK can unilaterally extend the UPC Agreement and Regulations to the Isle of Man, which is not part of the EU.
10. Because this consultation was held at a time when many were on holiday, we were not properly able to engage with the IPO workshops (which were advertised at short notice). We have now done much background work and wish to offer our assistance to work on a redraft of the Statutory Instrument and other amendments to the Act. We did this with the drafting of the Patents Act 1977.

## Consultation topics

11. The consultation paper sets out a number of discussion topics, but only asks questions in relation to some aspects. Accordingly, in addition to answering the questions, we also offer comments on some additional important topics.
12. In addition, we identify matters beyond the scope of this consultation which are vital for the IPO to address before this new system comes into force.

### A Harmonisation across the EU

13. None of the UPC Agreement, Unitary Patent Regulation or Translation Regulation expressly calls for the infringement laws of all Contracting Member States to be harmonised. In fact, the Preparatory Committee has taken the position that harmonisation is not required. However, a failure to do so will make patent law even more uncertain and advice in relation to it even more expensive. This is not helpful for litigants. Further, it will mean that Member States fail to comply with their obligations under the EPC.
14. We therefore urge the IPO to
  - **Agree a package of harmonised legislation with other member states**
  - **Or, if this cannot be agreed, then to understand what changes are proposed to be introduced by other Contracting Member States and to ensure that any measures adopted in the UK do not prejudice the UK as against other jurisdictions.**
15. In particular, much has already been ceded to Germany<sup>1</sup> and this must not be exacerbated by the way in which implementation takes place.

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<sup>1</sup> All Unitary Patents filed by non-EU businesses with no EU address or domicile on the application form (i.e. a large number of EP-PCTs), will be governed by German property law and German infringement law. This puts German patent attorneys in a strong position to bid for the work and weakens the hands of professionals in other jurisdictions.

### Why harmonisation is required

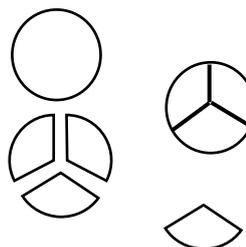
16. Going forward we will have four types of patent coverage in the UK.

Unitary Patents

Bundled patents (not opted out)

Bundled patents (opted out)

National patents



17. In the UK, the majority of enforcement will take place in two different courts – the UPC and the High Court (both the Patent Court and IPEC). If those courts are applying different laws, and particularly, if those courts are applying different rules on exemptions, then this will lead to different outcomes for the same parties, depending on which court they are in and will result in different rights subsisting under different patents (of the type shown above). At least initially, it will also result in different rights subsisting under the same patent depending on whether the patent is opted in or opted out. As the opt-out status may change, this means that an act which was exempted one day may cease to be exempted the next. This causes real jeopardy for a potential defendant to an infringement claim. How is such a business to take a view of its potential liability and make decisions as to whether or not to invest in a particular new line of business? There is no suggestion that it would acquire a form of prior user rights.
18. At one stage, prior to signature, it was proposed to have infringement provisions for Bundled patents in the UPC Agreement and infringement provisions for Unitary Patents in the Unitary Patent Regulation. The wording was not the same. Sense prevailed. However, instead of referring to the infringement provisions in the UPC Agreement, when the specific infringement provisions were removed from the Unitary Patent Regulation, they were replaced with the wording in Art 5(3):
- The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7. (*emphasis added*)
19. Consequently, without any harmonisation, the infringement rules and exemptions will differ from Unitary Patent to Unitary Patent, depending on what is recorded in the European Patent Register as the address of the applicant on the date of filing of the application for the European patent<sup>2</sup>. If there is no address within the EU specified, then the law of infringement will be the German law of infringement, even though this will apply to other participating member states, including the

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<sup>2</sup> We have detailed comments on the contents of the EPO register which we set out in separate document as this is not part of this consultation, but is a matter which the IPO should address through the EPO Select Committee.

UK. For ease, we will refer to Unitary Patents as “belonging” to the Member State whose property law applies – so s60 can only apply to the UK’s Unitary Patents and not to those of other States (the draft SI does not seem to have drawn this distinction).

20. Art 24 of the UPC Agreement sets out the sources of the law as:
  - (a) Union law, including Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/2012;
  - (b) this Agreement;
  - (c) the EPC;
  - (d) other international agreements applicable to patents and binding on all the Contracting Member States; and
  - (e) national law
21. Some schools of thought regard this list as a ranking of the order in which the judges are to apply the different sources of the law. The UPC Agreement is second. National law is last. So when approaching infringement of EP Bundle patents, the judges are likely to decide that the provisions of Art 25-27 provide a complete code and that they only need to resort to national law where the UPC Agreement does not provide an answer. However, in ranking EU law first, the Unitary Patent Regulation is raised above the UPC. It is probably a fair interpretation then for the UPC to hold that infringement of Unitary Patents, as set out in Art 5(3) Unitary Patent Regulation, is to be decided under the applicable national infringement law, and that the UPC should look first to the national law and only subsequently to the UPC Agreement. As the rules which govern which law is applicable for deciding infringement of a Unitary Patent are set out in an EU Regulation, if the UPC applies the wrong test, this is probably a matter which can be taken to the CJEU. So although national law is featured at item (e) in the above list, the reference to national law in the Unitary Patent Regulation raises it to item (a).
22. The question is not whether this interpretation of the complex interactions of national law, treaty and EU law is correct, but whether there is room to **make** such an argument. Lawyers arguing cases are paid to think up difficult arguments. Where there are significant sums at stake, representatives will be attacking and appealing on whatever grounds they can. Bringing in a system in which there is such a possibility and with it the potential for significant delay and uncertainty will get this new system off to a poor start.
23. **It is for these reasons we believe that, at the very least, each country should specify that the infringement law which it applies to Unitary Patents is that set out in Arts 25-28 UPC Agreement – i.e. complete harmonisation.**
24. The draft SI does not take this approach. The UK must clearly make some provision as to which infringement law is to be applied to Unitary Patents. Instead of applying the provisions of Arts 25-28, the draft SI is applying s60

Patents Act (see Sch A3, para 2(1)). As set out in more detail in relation to Question 14, the wording of s60 Patents Act is not the same as Arts 25-27 UPC. With due respect, this is ill-advised.

25. We believe that this approach will inevitably lead to additional costs and delay, not to mention generate legal uncertainty, as a consequence of inconsistent substantive laws in the available courts dealing with the same subject matter. If all other Participating Member States operate in the same unilateral way, then each will specify a different infringement law for its own Unitary Patents, even though ALL Unitary Patents are to be enforced across the same territory.
26. This means that if e.g. a Lithuanian company enforces its Unitary Patent in the UK, Lithuanian infringement law applies, not UK infringement law or even a harmonised infringement law. So all advisers will have to learn (and keep up to date with) **25 or so different infringement laws** in order to be able to advise clients in relation to activities to be undertaken within their own jurisdictions. Even before we start considering the court fees, the cost of obtaining advice on patent enforcement and defences will go up. This has the potential to bring the IP system into disrepute.
27. One unintended consequence may be that owners of Unitary Patents will forum-shop for the best national infringement law. In making amendments to the experimental use provisions, the IPO has been seeking to help those who wish to carry out clinical trials by making it clearer as to which acts are not infringements. In the Government Response “The Research and Bolar Exception: Proposals to exempt clinical and field trials using innovative drugs from patent infringement”, it states in the summary:

“Responses suggest that the costs to the UK economy of the current legislation include the loss of skills and expertise if a trial is run abroad, and the public health costs of delays in new products reaching the market. They consider that the proposed change to the law will improve the clinical trials environment, making the UK a more desirable location in which to perform trials and bringing economic benefits to the country.”
28. However, if the patentee is able to select the **national** infringement law which is to be applied to a Unitary Patent and can therefore forum-shop for a jurisdiction which is less friendly to those who would carry out clinical trials, then there will be no gain from the amendments brought in by Legislative Reform (Patents) Order 2014.
29. Further, as mentioned above, with regard to Bundle patents, what comfort can there be for a person setting up a clinical trial in reliance on the EP(UK) being opted out, if halfway through the trial, the proprietor opts the patent back in and the exemption being relied upon disappears, as it is not relevant to the decisions of the UPC?
30. Moreover, CIPA is of the view that even if the only amendment that Participating Member States make to their patent law was to specify that the UPC Agreement contained the provisions for the infringement of Unitary Patents (thereby

harmonising infringement law for Unitary Patents), then Member States would still cease to comply with their obligations under the EPC.

31. Article 64(1) EPC specifies

“A European patent shall ....confer on its proprietor from the date on which the mention of its grant is published...the same rights as would be conferred by a national patent....”

32. Until now, the UK has complied with Art 64(1) EPC. Its law has provided that all European patents are treated as national patents and the same infringement provisions apply to both. However, without harmonisation, this will change dramatically. A UK national patent will confer the rights granted under the Patents Act (including any amendments). EP(UK) patents will be treated in the UK courts in the same way. The UPC will probably treat EP(UK) patents differently. The UPC is obliged to apply Arts 25-28 UPC Agreement which, without harmonisation will be different from the law applied in Participating Member States. So already, a European Patent is conferring on its proprietor different rights from national patents simply by being enforced in a different forum.

33. If Member States specify that their own infringement law applies to Unitary Patents, then this will exacerbate the problem of non-compliance with Art 64(1) EPC. A Unitary Patent may have a new name, but it is still a European Patent and Art 64 EPC still applies. If each Unitary Patent picks up different idiosyncrasies from the applicable national law, then it will only confer on its proprietor the same rights as are conferred by a single Member State. These Unitary Patents are effective in all the other Member States, but will not confer the same rights in those other States as the national patents of those other States.

34. It is for this reason we believe that, even if there is no formal obligation for all Contracting Member States to harmonise their patent laws within either the UPC Agreement or the Unitary Patent Regulation, there is an obligation under the EPC for them to do this.

**35. However, notwithstanding our view that harmonisation is desirable, we do have significant concerns regarding Arts 27(c) and (k) UPC Agreement. These militate against a blanket harmonisation. Our views in relation to this new exemption are set out in the answers to Questions 16 and 19.**

**B The use of Secondary Legislation to implement the changes**

36. We previously expressed our reservations as to whether or not the wording in the IP Bill was the right way to go about the current amendments. We express that again here. Although the selected route does diminish pressure on the Parliamentary timetable, the Statutory Instrument is not open to debate. It

stands or it falls *in toto*. If there are areas of controversy around the drafting of the legislation, then the draft SI will be lost. As we saw with the passage of the IP Bill, there can be points on the drafting which do need amendment. That may well happen here. So by selecting this route, the IPO may well be unable to introduce all the necessary changes.

37. Further, in CIPA's submission the impact of having the UPC and a Unitary Patent makes further changes to the Patents Act desirable. The Law Commission has also reported on the issue of unjustified threats. As will become apparent below, we do not agree with the manner of applying the law of unjustified threats in relation to Unitary Patents. At best the proposal is a sticking plaster, and a sticking plaster stuck in the wrong place. Some changes we advocate are not strictly required to implement the UPC agreement or the Unitary Patent Regulation or the Translation Regulation. Accordingly, some of those changes may not be legitimately made by an SI.
38. We have set out comments on the ban on double patenting. If the IPO decides to reconsider prohibition, then that change may also need primary legislation.
39. Furthermore, the manner in which the changes are being put forward is very hard to follow. The IPO have not offered a marked-up copy of the Patents Act. This would have been preferable, so that consultees could understand what changes are actually being proposed. Schedules A3 and A4 are particularly difficult to follow, as will be discussed in more detail below.

## **C The transitional provisions under the UPC Agreement**

40. CIPA remain concerned by the uncertainty around Art 83 of the UPC Agreement. We do not consider that statements by the Preparatory Committee as to what these provisions should mean are enough. There has to be a further treaty or protocol to the UPC Agreement to make this completely clear.
41. It was of immense importance to industry that those who had bought and paid for their patents under the existing regime of enforcement should not retrospectively find that they are part of a new, untried and untested enforcement regime without their consent. The intention was to allow them to opt out of the UPC completely. Art 83(1) already provides for concurrent jurisdiction between the UPC and national regimes during the transitional period. So an opt-out of "exclusive competence" during the transitional period does not really have any effect until that competence becomes exclusive. One reading is that this might possibly give national courts concurrent jurisdiction even after the transitional period, but it does not clearly mean that patentees can opt out of the UPC entirely.
42. Even though this is not strictly part of this consultation, we make the following comments. Given the importance of this issue, we consider that the Government should do more to ensure that this matter is not left for the UPC or even the

CJEU to rule on at a later date that the UPC Agreement has a different meaning from that which the Preparatory Committee has said was intended.

- 43. If this is not resolved satisfactorily, then the UK should consider carefully whether the UPC Agreement should be ratified.**
44. The drafting of Art 83 UPC Agreement leaves much to be desired. Given this lack of clarity, it is hard to know what it is that the UK should be implementing. It is not clear why the IPO is approaching the drafting differently for different provisions. In Sch A4 para 1(1), the exclusive jurisdiction is set out by reference in Art 32 UPC Agreement. However, in Sch A4 para 2(1) the IPO has chosen to set out the exact wording of Art 83(1) UPC Agreement, rather than just refer to it.
45. CIPA considers it preferable to define the jurisdiction of UK courts and the comptroller in a negative manner, e.g. by inclusion of a section along the lines:-
- “Any matter within the exclusive competence of the Unified Patent Court under Article 32(1) UPC Agreement is not justiciable before any UK court or by the comptroller unless permitted under Article 83 UPC Agreement.”
46. This ensures that no matter is uncovered, complies with Art 32(2), and adjusts to the transitional period. It further uses the word “exclusive competence” as used in Art 83(3). We see no need to change the wording to “exclusive jurisdiction”, as this might lead to a different meaning being given to the two provisions.
47. One reading of Art 83(1) is that national courts will only have co-jurisdiction with the UPC during the transitional period for infringement and validity actions. They will not have jurisdiction alongside the UPC for declarations of non-infringement, provisional measures, or provide any relief for infringement during the period the application was pending. However, there is UK case law<sup>3</sup> which suggests that an action for infringement and an action for a declaration of non-infringement are the same cause of action.
48. Therefore there is scope to argue that Art 83(1) may extend to declarations of non-infringement. However, if the IPO implement Art 32 UPC Agreement by setting out wording in the Patents Act, then there is a danger that by listing only infringement and revocation actions, this will in fact limit the extent of the UK jurisdiction. This could be particularly important in relation to opted-out Bundle patents: there should be no fetter on the jurisdiction of the UK courts or the comptroller.
49. It is CIPA’s view that it should also be possible to seek a declaration of non-infringement (s. 71) from the UK court, the comptroller or the UPC during the transitional period. Such actions can be very important for businesses, such as those in the pharmaceutical sector, who wish to clear the way before launching a product. Moreover, provisional measures currently available through the UK courts should also be available during the transitional period.

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<sup>3</sup> See for example, obiter comments of Floyd J (as he then was) in *Mölnlycke Health Care v BSN* [2009] EWHC 3370 (pat)

50. It is not clear whether the opt-out means opting out of the exclusive competence of the UPC in its entirety as set out in Art 32(1): or, during the transitional period, only those areas where the UPC does not have shared jurisdiction with national courts.
51. If the former, the opt-out is understandable and workable.
52. If the latter, chaos results since then there could be no court competent for, e.g. declarations of non-infringement.
53. So the interpretation that the opt-out is for all relevant matters as set out in Art 32(1) seems preferable.
54. **If this was the intended meaning of the Article, CIPA suggests that an explanatory Protocol on the meaning of the opt-out be agreed by the Contracting Member States, as the courts may reach varying conclusions. We recognise that this recommendation goes beyond the scope of this consultation, but it is important, particularly if the IPO is then to implement the transitional provisions by transposing the wording into UK law.**
55. It is also possible to read Art 83(3) UPC Agreement in a manner that the opt-out will only take effect during the transitional period and that following the end of the transitional period, all opt-outs are cancelled. It is noted that opt-outs can still be registered until one month before the end of the transitional period. That would have very limited effect if the opt-out then ends with the end of the transitional period.
56. One interpretation is that the opt-out is for the transitional period, the other is that it is for the life of the patent – as set out by the IPO and the Preparatory Committee.
57. At the end of the transitional period Art 83(1) implies that action may no longer be brought before the national courts. Transitional provisions are provided in Art 83(2) for actions already underway before a national court.
58. If the opt-out is for the life of the patent, this could imply that after the transitional period no court would be competent to hear infringement or revocation actions, since national courts would not be competent under Art 32(1) and 83(1): and the UPC would not be competent under Art 83(3) which:
  - does not mention the lifetime of the patent; and
  - is part of the transitional provisions.
59. Further, the transitional provisions could last 34 years (two opt-out periods plus a 20-year patent term) which might be considered excessive by the UPC and still more so by the CJEU.
60. If the opt-out is for the transitional period only, Art 83(1) ceases to have effect at the end of the transitional period, and exclusive competence lies with the UPC.

61. **Again, CIPA suggests that an explanatory Protocol on the meaning of the opt-out be agreed by the participating States, as the courts may reach varying conclusions.**
62. This is of considerable concern to applicants. In the event that the opt-out will continue beyond the end of the transitional period, it will be important in any implementation to ensure that the powers of the UK courts and the comptroller to deal with opted-out European patents (UK) and supplementary protection certificates continue beyond the transitional period for so long as there are relevant rights. It is not clear which of the current provisions in the draft SI extend those powers. The amendment we have suggested above at para 45, should preserve that competence if it exists.

## D The Isle of Man

63. We have concerns about the proposed treatment of the Isle of Man. We disagree with the approach as touched upon on page 6 of the consultation paper. We propose an alternative below.

### Current situation

64. UK national patents extend to the Isle of Man
65. European Patents (UK) are extended to the Isle of Man by virtue of Art 168(1) EPC

Any Contracting State may declare in its instrument of ratification or accession, or may inform the Government of the Federal Republic of Germany by written notification at any time thereafter, that this Convention shall be applicable to one or more of the territories for the external relations of which it is responsible. European patents granted for that Contracting State shall also have effect in the territories for which such a declaration has taken effect.

66. The Patents Act is currently extended to the Isle of Man by The Patents (Isle of Man) Order 2013 (SI 2013/2602).

### Issues under the UPC Agreement

67. Under Arts 2(b) and (c) of the UPC Agreement **a Contracting Member State must be a Member State of the European Union:-**

Art 2(b) "Member State" means a Member State of the European Union.

Art 2(c) "Contracting Member State" means a Member State party to this Agreement.

68. Under Art 2(c) UPC Agreement and Art 34 UPC Agreement **decisions for Bundled patents only extend to the territory of Contracting Member States:-**

Art 2(e) "European patent" means a patent granted under the provisions of the EPC which does not benefit from unitary effect by virtue of Regulation (EU) No 1257/2012.

Art 34 Decisions of the Court shall cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect.

69. The Isle of Man is not a Contracting State since under Art 355 TFEU ***the Isle of Man is not a Member State of the European Union:-***

Art 355(c) the Treaties shall apply to the Channel Islands and the Isle of Man only to the extent necessary to ensure the implementation of the arrangements for those islands set out in the Treaty concerning the accession of new Member States to the European Economic Community and to the European Atomic Energy Community signed on 22 January 1972.

70. The "extent necessary" is set out in Protocol No.3 to the Treaty of Accession and is limited to customs measures and agricultural product measures.

71. Under Art 2(g) UPC Agreement and Art 32 UPC Agreement ***the UPC will have exclusive jurisdiction for non-opted-out European patents and Unitary Patents.***

Art 2(g) "Patent" means a European patent and/or a European patent with unitary effect.

Art 32 The Court shall have exclusive competence in respect of:(a) actions for actual or threatened infringements of patents.....(etc.)

72. The effect is that for a European patent (UK) [after the transitional period ends]:-

- The European patent (UK) extends to the Isle of Man
- The UPC has exclusive jurisdiction for the European patent (UK)
- The UPC cannot take decisions in respect of activities in the Isle of Man.
- No other court can take decisions in respect of activities in the Isle of Man (because the UPC has exclusive jurisdiction)

73. A similar outcome arises with a Unitary Patent since Art 2(a) Unitary Patent Regulation and Art 18(2) Unitary Patent Regulation limit the territorial scope of Unitary Patents to EU Member States:-

Art 2(a) 'Participating Member State' means a Member State which participates in enhanced cooperation in the area of the creation of unitary patent protection by virtue of Decision 2011/167/EU, or by virtue of a decision adopted in accordance with the second or third subparagraph of Article 331(1) of the TFEU, at the time the request for unitary effect as referred to in Article 9 is made;

74. By way of derogation from Arts 3(1), 3(2) and 4(1), a European patent for which unitary effect is registered in the Register for Unitary Patent protection ***shall have unitary effect only in those participating Member States in which the Unified Patent Court has exclusive jurisdiction*** with regard to European patents with unitary effect at the date of registration.
75. The effect is that for a Unitary Patent:-
- The Unitary Patent ***cannot*** extend to the Isle of Man
  - The UPC has exclusive jurisdiction for the Unitary Patent
  - The UPC cannot take decisions in respect of activities in the Isle of Man.
76. As a corollary, if Unitary Patents extend to the Isle of Man there is a risk that such patents will not have effect in the UK at all, since it could be argued that:-
- unitary effect is given only in those Participating Member States in which the Unified Patent Court has exclusive jurisdiction;
  - if Unitary Patents extend to the Isle of Man they extend the UK part to a region where the UPC does not have exclusive jurisdiction; hence,
  - the unitary effect will not apply anywhere in the UK.
77. This (rather extreme) possibility is too great a risk to take.

#### Proposed Solution

78. CIPA suggests that a way forward is for the Isle of Man to change the basis for patent protection there.
79. Rather than treating this as an “extension” of the corresponding UK/European/Unitary Patent, it could be treated as a deemed “registration” of the corresponding UK/European/Unitary Patent.
80. This would enable separate action in the Isle of Man for activities not within the competence of the UPC; and would remove any doubt as to the applicability of unitary effect in the rest of the UK.
81. Such a deemed registration would not need a separate register, and could refer simply to the UK and Unitary Patent registers.

#### **E Supplementary Protection Certificates (“SPCs”)**

82. SPCs are covered by both Sch A3 and Sch A4, introduced by the draft SI. These schedules are discussed below, together with suggestions for tidying up the proposed wording.

Schedule A4, para 2(1) – opting SPCs out of the UPC

83. Para 2(1) states that certain actions in relation to EP(UK)s and associated SPCs can be opted out. We have commented in response above as to why this provision should be deleted and replaced with different wording set out at para 45. However, to the extent that this provision is retained, then the way SPCs are defined as being related to these EP(UK)s could be improved. Although the proposed wording mirrors the UPC Agreement, we propose the following changes to the draft SI (if this wording is retained) to clarify that it is SPCs for which the basic patent is an EP(UK) that can be opted-out (not just SPCs issued for a product that is protected by an (i.e. apparently any, even if unrelated) EP(UK)):

2.—(1) During the transitional period, an action may be brought before the court, the comptroller or the Unified Patent Court for any of the following—

- (a) infringement of a European patent (UK);
- (b) revocation of a European patent (UK);
- (c) infringement of a supplementary protection certificate for which the basic patent is issued ~~for a product protected by a~~ European patent (UK);
- (d) declaration of invalidity of a supplementary protection certificate for which the basic patent is issued ~~for a product protected by a~~ European patent (UK).

84. It does not seem that this amendment would require a definition of “basic patent” to be introduced into the Patents Act, because this expression is already used in s128B and Sch 4A (discussed further below). Anyway, a definition could be added easily enough if required by a reference to Art 1(c) of the SPC Regulation.

Schedule A4, para 2(3) and para 2(4) – opting SPCs out of the UPC

85. As discussed in section C above, we consider that these provisions should be deleted. However, if they are retained, then the IPO should note that the wording does not refer to pending SPCs, even though it refers to pending patent applications. This is consistent with the wording in Art 83(3) of the UPC Agreement. Nevertheless, it is difficult to see why SPC applications should be treated differently from pending patent applications (indeed, we think the Preparatory Committee is wrong to say in its explanatory material for the UPC Agreement that SPCs do not provide any provisional protection – s128B/Sch 4A lists s69 as applying to SPC applications, for example). If SPC applications should also be covered, then by implementing Art 83(3) in this way, the IPO risks limiting UK legislation in a way which the courts may decide was not intended by the UPC Agreement. That could mean the UK legislation would need be changed as follows (including repeating the changes above to explain that the SPC must have an EP(UK) as the basic patent).

(3) Unless an action has already been brought before the Unified Patent Court, a proprietor of, or an applicant for, a European patent (UK) granted or applied for before the end of the transitional period, as well as a holder of, or an applicant for, a supplementary protection certificate for which the basic patent is issued for a product protected by a European patent (UK), may opt out from the exclusive jurisdiction of the Unified Patent Court in accordance with Article 83(3) and any relevant Rules of Procedure.

(4) Unless an action has already been brought before a court, a proprietor of, or applicant for, a European patent (UK), or the holder of, or an applicant for, a supplementary protection certificate for which the basic patent is for a product protected by a European patent (UK), who has opted out in accordance with paragraph (3) may withdraw their opt-out at any time in accordance with Article 83(4) and any relevant Rules of Procedure.

Schedule A4, para 1(1) – giving the UPC exclusive jurisdiction for SPCs

86. Art 32 of the UPC Agreement gives the UPC exclusive jurisdiction for certain actions in relation to patents and SPCs. This has been implemented into Sch A4, para 1, but SPCs are not mentioned.

87. In CIPA's view that would only have the effect of including SPCs if the word "patent" can also mean "SPC", as it does in the Patents Act by virtue of s128B/Sch 4A. However, we think this cross-referencing approach is risky:

- first, because there is no such thing as a "European SPC with unitary effect" or "European SPC (UK)", which is what a direct substitution of the word "patent" by "SPC" would give you (as required by s128B/Sch 4A); and
- second because s128B/Sch 4A does not list this new Sch A4, para 1(1) as one of the parts of the Act where this substitution should be made and the amendments in the SI do not amend Sch 4A.

88. **We therefore propose a change to the draft SI** so that either s128B/Sch 4A is amended to include a reference to this new schedule or (our preference) this paragraph in the draft SI is amended to include an explicit reference to SPCs, as follows:

1.—(1) The Unified Patent Court has exclusive jurisdiction in respect of the actions listed in Article 32 of the Agreement on a Unified Patent Court in relation to—

- (a) a European patent with unitary effect, ~~and~~
- (b) a supplementary protection certificate for which the basic patent is a European patent with unitary effect,
- (c) subject to paragraph 2, a European patent (UK), and
- (d) subject to paragraph 2, a supplementary protection certificate for which the basic patent is a European patent (UK).

### Schedule A3 – applying the UK Patents Act to SPCs based on Unitary Patents

89. It seems from paragraph 85 of the consultation document that the IPO will grant SPCs that apply to the UK only based on Unitary Patents. In other words, the current system of national SPCs will not change (there will be no unitary SPC granted by the EPO or other central body, for instance). This seems correct, as the SPC Regulations would presumably need to be changed to allow for unitary SPCs. Even so, the only enabling provision that we can see that applies the current SPC system to Unitary Patents is in Sch A3, which lists s128B/Sch 4A as a part of the Patents Act that will now apply to Unitary Patents. This seems to be adequate and **we do not propose any changes to the draft SI**, but we do fear that the reliance on cross-referencing might leave lacunae that are hard to foresee.

## **F Threats provisions**

### Overall view

90. CIPA considers that the best way to deal with groundless threats and any other type of actions that could distort and/or affect the UK economy through misuse of patents would be through the introduction of a general unfair competition law.
91. Nevertheless, CIPA recognises that such legislation may require some time and therefore keeping the groundless threats provisions under the Patents Act and extending them to cover potential effects due to the introduction of the UPC is of critical importance to preserve competition and avoid damage to the UK economy. However, there are a couple of years before the UPC will be in force and so there is time to do this properly and not by means of a “sticking plaster”.

### The proposed approach and why it does not work

92. CIPA believes that the approach and interpretation proposed by the IPO is unclear and leaves possible loopholes which could put UK businesses at risk.
93. First, it is not clear what the IPO means by “made in the UK” in the context of a groundless threat. This is not wording which is currently present in the Patents Act. Does the IPO consider a threat to be “made” at the location of the person issuing the threat, or at the location of the person receiving the threat? If it means that the threat itself must be issued by someone who is present in the UK when the threat is issued, then it would leave an important gap that could expose the UK economy. This risk is heightened by the impact that a threatened infringement action under the UPC could have on the UK economy – as, for example, an injunction granted under the UPC would be applicable across all countries ratifying the UPC Agreement.
94. To put this into context, we will discuss a possible scenario. Assume that a UK manufacturer has a major retail customer in the UK and Germany. A German competitor of the manufacturer makes a groundless threat to bring actions for

infringement of a Unitary Patent against the customer before the German local division of the UPC. The customer, aware of the potential implication of a pan-European injunction, decides to withdraw all his orders with the UK manufacturer and look for alternatives. The UK manufacturer may therefore suffer irreparable damage in the UK that could potentially threaten its existence, and in turn, have an impact on the UK economy.

95. Under the current law, it is not necessary for the threats to be issued or received in the UK. See, for example, cases such as *Prince* and *Best Buy*, both of which are referenced by the Law Commission in its report on threats<sup>4</sup>. This position would seem to be especially useful now that threats – as other forms of communication – can so readily be generated electronically from virtually any location.
96. Accordingly, neither the Patents Act nor current case law supports the IPO's interpretation of there being a requirement for the threat to be made in the UK.
97. Under such a provision, the UK manufacturer would be completely unable legally to challenge the groundless threat as (i) it was not made in the UK and (ii) it was not in relation to a UK patent, despite having an impact on the activities of the UK manufacturer.

#### CIPA opinion and proposal

98. CIPA's preferred option would be to introduce legislation that deals with unfair competition. Such an approach would be beneficial as it would be applicable not only to unjustified threats for actions relating to patents and other IP rights, such as trade marks and design rights, but also to other types of actions which are currently not covered, including, for example, baseless or vexatious litigation.
99. Although the UK Courts are astute in dealing with baseless litigation when it occurs before them<sup>5</sup>, it is not clear whether the UPC has jurisdiction to penalise baseless or vexatious litigation other than through an order for costs (which may be considerably less than the economic damage done).
100. Importantly, the UPC would appear not to have any jurisdiction at all over groundless threats of litigation.
101. With that in mind, and only as an interim measure, CIPA considers that the groundless threat provisions could be retained and adapted to the changes occurring in relation to the UPC – despite there being major issues with implementation (see below).
102. In particular, the driving principle behind any change to the groundless threats provisions should be one of protecting the competitiveness of the UK market and avoiding irreparable damage to the UK economy and, in particular, to small and medium-sized enterprises which could be at the receiving end of a new system that is open to abuse by competitors – as discussed in the example above.

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<sup>4</sup> See [http://lawcommission.justice.gov.uk/areas/unjustified\\_threats.htm](http://lawcommission.justice.gov.uk/areas/unjustified_threats.htm).

<sup>5</sup> *Media CAT Ltd v Adams & Ors* [2011] EWPC 6 (08 February 2011)

103. Interestingly, the recent report on groundless threats from the Law Commission (referred to above) reached similar conclusions, in particular recommending that the provisions “*should apply to any threat in relation to a Unitary Patent which would cause a reasonable person in the position of the recipient to believe that either proceedings would be brought against them in the UK or that a judgment would be enforced against them in the UK*”<sup>6</sup>..
104. As a Unitary Patent is intended to be enforceable in the UK, accordingly, a proposed amendment to Section 70(1) of the Patent Acts could read as follows:
- 70(1) Where a person (whether or not the proprietor of, or entitled to any right in, a patent) by circulars, advertisements or otherwise threatens another person with proceedings for any infringement of a patent or a Unitary Patent, a person aggrieved by the threats (whether or not he is the person to whom the threats are made) may, subject to subsection (4) below, bring proceedings in the court against the person making the threats, claiming any relief mentioned in subsection (3) below<sup>7</sup>.
105. Other subsections of Section 70 (in particular, Sections 70(2A), 70(5) and 70(6)) should also be amended to include reference to “patent or Unitary Patent” in addition to “patent”.
106. Such an amendment would be a simple way of allowing extension of the groundless threat provisions to the Unitary Patent regardless of whether or under what circumstances the threat is made.
107. An additional amendment could focus more explicitly on the economic effect that a threat for infringement of a Unitary Patent could cause due to the pan-European effect of any judgment as discussed above.
108. An alleged justification of the UK not having an unfair competition law is that torts such as passing-off and unjustified threats actions provide equivalent remedies. If threats in relation to Unitary Patents are not actionable, then the UK will be failing in its obligations under Article 10bis Paris Convention.

#### Potential implementation problems and possible ways of solving them

109. The key issue with the implementation of the groundless threats provision is the limitation of jurisdiction that a UK court would have when evaluating Unitary Patents (and, once the UPC has exclusive jurisdiction, European Patents (UK)).
110. In particular, a defence against an action for groundless threats could require an evaluation of any alleged infringement of the Unitary Patent/European Patent (UK), an evaluation of the validity of the same, or both. Both infringement and validity of a Unitary Patent (and European Patents (UK) once the UPC has exclusive jurisdiction) will be outside the competence of the UK court. As a consequence, it might be difficult for a UK court to deal with all issues in a case

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<sup>6</sup> E.G. see page 117 of “Patents, Trade Marks and Design Rights: Groundless Threats”, April 2014, The Law Commission (Law Com No 346)

<sup>7</sup> Although this might need further detailed amendment to ensure that there is a sufficiently close connection to the UK, where the threat relates to a Unitary Patent.

relating to a groundless threats action involving a Unitary Patent, or a European Patent (UK), if the defence has to be heard in the UPC.

111. If these problems are not addressed properly, a UK court may find itself in the difficult position of having to deal with a groundless threats action without knowing exactly how to operate in an effective way that would not lead to potential further legal challenges – even at European level. As a result, the groundless threats provision may turn out to be unusable, thus leaving UK businesses without any effective defence against abuse of the Unitary Patent system.
112. A possible solution would involve introducing two new subsections into the Patents Act to allow a UK court to give a non-binding opinion on the likely infringement and validity in the UK of patents within the exclusive jurisdiction of the UPC for the sole purpose of evaluating whether the threat is a groundless threat. Possible wording is as follows:

70(2B) When the threat is made in respect of a patent within the exclusive jurisdiction of the Unified Patent Court or a Unitary Patent and the court is of the opinion that the patent or Unitary Patent is likely to be infringed,

- (a) the claimant or pursuer shall be entitled to the relief claimed only if the court is of the opinion that the patent or Unitary Patent alleged to be infringed is invalid in a relevant respect;
- (b) even if the claimant or pursuer does show that the patent or Unitary Patent is invalid in a relevant respect, he shall not be entitled to the relief claimed if the defendant or defender proves that at the time of making the threats he did not know, and had no reason to suspect, that the patent or Unitary Patent was invalid in that respect.

70(2C) The opinion given by the court in Section 70(2B) is non-binding on any court and valid only for determining whether the claimant is entitled to relief under Section 70(3).

113. Alternatively, to avoid having to determine whether infringement or validity was relevant, the defences could look to whether the threatener could have had just cause. This could either be by a direct consideration of reasonableness, or by looking at whether the threat was made in accordance with honest practices in industrial or commercial matters. For example, sections 70(2) and 70(2A) could be amended

(2A) If the defendant or defender ~~proves~~ shows that it was reasonable for ~~it~~ them to have considered that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of a patent and that it was reasonable for it to have considered that the patent was valid to an extent necessary for said acts to constitute infringement, then -

- ~~(a) the claimant or pursuer shall not be entitled to the relief claimed only if he shows that the patent alleged to be infringed is invalid in a relevant respect;~~
- ~~(b) even if the claimant or pursuer does show that the patent is invalid in a relevant respect, he shall not be entitled to the relief claimed if the defendant or defender proves that at the time of making the threats he did not know, and had no reason to suspect, that the patent was invalid in that respect.~~

Or

~~(2A) If the defendant or defender shows that the threat was made in accordance with honest practice in industrial or commercial matters proves that the acts in respect of which proceedings were threatened constitute or, if done, would constitute an infringement of a patent— (a) the claimant or pursuer shall not be entitled to the relief claimed only if he shows that the patent alleged to be infringed is invalid in a relevant respect; (b) even if the claimant or pursuer does show that the patent is invalid in a relevant respect, he shall not be entitled to the relief claimed if the defendant or defender proves that at the time of making the threats he did not know, and had no reason to suspect, that the patent was invalid in that respect.~~

114. The former formulation attempts to consider whether the threatener was subjectively justified in making the threat: the latter formulation adheres more to the definition of unfair competition in the Paris Convention, and uses wording the courts are already used to considering in trade mark matters<sup>8</sup>.
115. An alternative (and some consider preferable) solution would be to treat this as a case management issue for the court to deal with in the light of all the circumstances before the court. For example, the court might impose time limits for a defendant to launch an infringement action before the UPC if justification is to be pleaded, failing which the defence could not be pleaded.
116. Similarly, the court might impose time limits for a claimant to launch an invalidity action before the UPC if invalidity of the patent is part of the basis for the assertion that the threat is unjustified. This, however, might be deemed unnecessarily onerous for a party – in particular an SME – which has been forced to litigate by another party's potentially unjustifiable actions.
117. Of course, once a UPC action was underway the UK court would have the difficult decision on whether any sort of interim relief could be given for the period while the UPC was coming to a decision.
118. CIPA would recommend further discussions, involving relevant representatives from the judicial system, in order to understand how case management could be effectively used to deal with groundless threats actions in relation to Unitary Patents/ European Patent (UK).

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<sup>8</sup> Sections 10(6), 11(2), Section 3(2) of Schedules 1 and 2

## **G Status of the EP(UK) patent when unitary effect is registered**

119. As the IPO is well aware, the Unitary Patent Regulation provides for European patents to have unitary effect across the Participating Member States. On the date of grant a bundle of EP national patents are granted. Through the London Agreement, automatic validation happens immediately in a number of Member States, including the UK. So an EP(UK) patent having the effect of a national patent immediately comes into being (s77(1) Patents Act).
120. Patentees have one month in which to request unitary effect. Art 9 Unitary Patent Regulation sets out some of the actions of the EPO with respect to the unitary effect. This includes ensuring that the request is filed in the language of the proceedings, that the request is filed no later than one month after grant, and that the required translation is filed during the transitional period. But already there are a number of actions which must be done within a specified and limited time frame and there is potential for this to go wrong.
121. As can already be seen from the way the Select Committee of the Administrative Council of the EPO is trying to write rules for this process, the Regulation does not deal with all matters adequately and there are differing views as to whether the patentees have to be common for all Member States. So there is considerable room for uncertainty and it may take one or more appeals to the UPC or even, as this relates to the operation of an EU Regulation, to the CJEU, before we know whether the EPO are properly administering the scheme for unitary effect.
122. Currently the IPO proposes that once the EPO has registered the unitary effect, the EP(UK) patent will be deemed never to have existed. But if a patentee relies on the procedure put forward by the EPO, only to find that at a later stage judges declare those acts unlawful, the party concerned will have lost all patent rights in the UK for an administrative error by the EPO. Alternatively, the rights might be lost due to an administrative error by the applicant<sup>9</sup> (e.g. translation error, wrong language used for the request).
123. The wording in Art 4(2) Unitary Patent Regulation only states that the EP national patent is deemed not have taken effect. The draft SI goes further than that.
124. There are other wrinkles as well. The actions of the EPO under Art 9 can be appealed to the UPC. So whether that results in the registration of unitary effect being withdrawn or the EPO being found to have incorrectly refused to register the unitary effect, it is highly unlikely that these appeals can be exhausted within 3 months of grant. Whilst that does not affect the timetable for validation in the

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<sup>9</sup> If it is possible to get rid of a competitor's patent by attacking the administrative procedure followed by the applicant to obtain the unitary effect, then this is a route which will be taken. If however, such an attack does not lead to the loss of all rights, but merely the break up back to national patent rights, then there is far less point in pursuing these sorts of attacks.

UK, it does affect the time table for validation in those States where it is still necessary to file translations and pay local fees.

125. Art 3(3) Unitary Patent Regulation indicates that unitary effect shall be deemed not to have arisen to the extent that the European patent has been revoked or limited. This implies that claims can be limited differently for different jurisdictions and that the unitary effect is lost in respect of some claims, but not that the entire patent rights are lost. So it is possible for the EP(UK) and other national patents to revive.
126. Art 138(1) EPC provides “Subject to Article 139, a European patent may be revoked with effect for a Contracting State **only** on the grounds that...” (*emphasis added*). This provides a closed code. Art 139(2) EPC provides for where national patent rights give rise to prior right effects – e.g. an earlier local application has a novelty-only effect against the later European application but only in the member state in which it is published.
127. Art 65 UPC Agreement enables the UPC to revoke patents partly or entirely only on the grounds referred to in Art 138(1) and Art 139(2) EPC. So this expressly prohibits the loss of rights in one Contracting State on the basis of a novelty-only publication in another Contracting State. Therefore if that type of publication arises in one Member State, it should lead to the claims of the European patent for that Member State being limited, or the patent rights in that Member State only being revoked. It is not permitted for the UPC to revoke the European patent for all the other Member States. Under the Unitary Patent Regulation, this sort of limitation will lead to the loss of the unitary effect, but should not necessarily lead to the loss of e.g. the EP(UK). CIPA therefore urges the IPO to make provision for the rights under the EP(UK) to revive and to ensure that other Participating Member States take appropriate action to preserve these property rights.
- 128. CIPA proposes that the effect of a request for unitary effect to be registered should lead to the suspension of the effect of the EP(UK) patent, but not to its being “treated as never having applied”. It could be “deemed not to have taken effect” for so long as the unitary effect is registered.**
- 129. Although this is beyond the scope of this consultation, CIPA further urges the IPO to negotiate with other Participating Member States for them to apply a similar rule and/or suspend any timetable for local validation until such time as the unitary effect is lost. Of course if the Unitary Patent is revoked on substantive grounds (other than local novelty), then all underlying EP patents would also be revoked.**
130. If the EP(UK) is not “deemed never to have existed”, then
  - It may make application of the Patents Act to Unitary Patents much easier to implement.
  - It will still be possible to use the EP(UK) to register rights in the various territories identified at <http://www.ipo.gov.uk/pro-policy/policy-information/extendukip.htm>.

- The patentee will risk less in opting for the new Unitary Patent, as it will still have an EP(UK) to fall back on if there was an administrative error.

## H Double patenting

131. CIPA is aware of the potential downside of double patenting. However, there are also arguments in favour of being able to retain a national patent, particularly for SMEs. CIPA notes that other countries do not have the same concerns or provide the same barriers to double protection. Recital 26 of the Unitary Patent Regulation states that it is without prejudice to the rights of the Participating Member States to grant national patents.
132. Companies currently have to navigate multiple claims within each patent and frequently file multiple divisional patents which can cover the same product. Examples of this sort of patenting for simple mechanical products can be provided on request.
133. Additionally for complex products, there are likely to be multiple patents, in multiple ownership, each of which must be understood and navigated.
134. There is no prohibition on obtaining multiple trade mark protection for the same subject matter or multiple design protection for the same subject matter. Both Community Trade Marks and Community Registered Designs have come into being since the European Patent Office started its work. No prohibitions on double protection were introduced by the IPO at that time. Community Trade Mark registrations can subsist at the same time as parallel national trade mark registrations. Community Registered Designs can subsist at the same time as parallel national registered designs. In this area a competitor must navigate multiple overlapping rights at the national and European levels, but this does not lead to repeal of the national right. Additionally, there may also be overlapping unregistered design rights and copyrights.
135. However, in the case of a national and a Community Registered Design for the same design, the Community Design Regulation prohibits separate actions for the same cause of action between the same parties for infringement of national and CDR rights – see Art 95 Regulation (EU) No 6/2002. And in the case of a national and a Community Trade Mark for the same trade mark, the Community Trade Mark Regulation prohibits separate actions for the same cause of action between the same parties for infringement of national and CTM rights – see Art 105 Regulation (EU) No 207/2009.
- 136. If the IPO is minded to permit double patenting, then it could instead amend the Patents Act to prevent two actions being brought in separate courts for infringement of parallel rights. Once a decision has been reached, the same parties can be estopped from arguing the same issues again, but in relation to the other patent.**

137. This issue may be more important for UK based SMEs than for international companies. Currently, SMEs may elect to validate EP patents in only a handful of jurisdictions. Just before grant many patent attorneys review any co-pending UK patents for the same invention and decide whether to allow the EP to grant for all states or to withdraw the UK designation.
138. If an SME is going to take advantage of the Unitary Patent instead, then withdrawing the UK designation will cease to be an option. If the SME wants to retain a UK national patent, then it can still do so provided that it has spent money elsewhere in prosecution to ensure that the different patents have different claim scopes. In many other European jurisdictions there is no bar on holding a national patent and an EP patent. For EP countries which are outside the Unitary Patent, SMEs will continue to be able to take advantage of having a home patent for the home market, whilst taking advantage of the Unitary Patent for much of the rest of the European Union.
139. Within the Participating Member States, for example we have heard from colleagues in Sweden that according to Swedish law, you can have both a Swedish patent and an EP patent for the same invention. In Germany, a utility model or Gebrauchsmuster can provide 10 years' protection for the same invention by filing it as a divisional of a pending European application. This survives grant of the EP(DE) patent.
140. As an example, if a revocation action against a Unitary Patent owned by an SME was commenced in a local, regional or central division of the UPC based outside the UK, the SME might not be able to afford to defend its patent and might allow the patent to be revoked. In those cases, if the SME had been allowed to obtain both a UK patent and a Unitary Patent for the same invention, at least the SME could still keep its UK patent and its right to defend that patent in a low cost UK court such as the IPEC or in the IPO. Moreover, in the event that, contrary to the position we put forward above, the Unitary Patent were revoked for example over a local "novelty" only prior publication not applicable to the validity of the UK patent, the patent owner could still fall back on its UK patent.
141. As a counter-measure, abuse provisions could be introduced in order to prevent patentees from enforcing more than one patent for the same invention. For example, if a company has started an action under the UPC, the company could be prevented from also starting an action under a UK patent for the same invention. Currently, if a company has started an action under a Spanish EP patent, we understand that the company is prevented from also starting an action under the Spanish national patent, but holding both is not prohibited.
142. Moreover, UK law could be amended such that if the Unitary Patent is revoked, the comptroller can look at the reasons for that revocation, as he will shortly be able to do in relation to an opinion on validity, and take steps to revoke the UK patent as well if the comptroller considers that the reason for revoking the Unitary Patent also applies to the UK national patent.

**143. It is an option for the IPO to allow patentees to have both a Unitary Patent and a national UK patent for the same invention and to provide the UK court with case management powers if both patents were enforced or attacked.**

#### Double patenting of UK patents and EP(UK) patents

144. Currently s73(2) give the comptroller the power to revoke the UK patent when a EP(UK) patent is granted for the same invention. This was clearly important when both UK patents and EP(UK) patents fell within the jurisdiction of the same UK courts. However, with the advent of the UPC and the Unitary Patent this might be an opportunity to revisit this ban. An infringement issue with respect to a UK patent will not be decided by the same courts as those in which issues relating to the EPO granted patents will be decided. If the IPO is correct in implementing a different set of infringement provisions for the UK from that for the UPC, the acts exempted from infringement will be different in the two jurisdictions. This might be a reason for a patent owner to be allowed to keep its UK patent, even when an EP(UK) or a Unitary Patent is granted for the same invention.

#### Extension of UK Patent Rights to other Jurisdictions

145. The IPO website lists a number of territories for which patent protection can be obtained by registration of a UK patent or an EP(UK) patent. Many of those rights only subsist for so long as there is a UK patent or an EP(UK) patent. Although a Unitary Patent is a European patent having effect in the UK it will not be an EP(UK) patent. We are not clear how national registration laws will work with a Unitary Patent. Will each of those jurisdictions need to enact more legislation to enable protection to be based on a Unitary Patent? Accordingly, by not being able to possess a UK patent and a Unitary Patent for the same invention, patent protection may no longer be possible in these states for a Unitary Patent holder.

146. For the list of relevant countries and a summary of registration requirements see <http://www.ipo.gov.uk/pro-policy/policy-information/extendukip.htm>.

147. This is a further reason why a patentees might be allowed to retain a UK patent alongside a Unitary Patent at least for purposes of maintaining patent protection in those territories for which a UK patent holder can register rights.

148. The proposals for new s77(10) i.e. to deem that the EP(UK) never existed may also have a serious impact on the ability to register EP(UK) patents in these countries. So notwithstanding the wording in Art 4(2) Unitary Patent Regulation, it may be necessary to organise this in a different way.

#### Patent Box

149. The UK Patent Box regime allows UK companies to claim corporation tax relief on profits arising from patents granted under the European Patent Convention as well as patents granted under the Patents Act 1977. It is CIPA's understanding that a company would be able to make a Patent Box claim based on a Unitary

Patent. It is expected that some companies will file a UK patent application in order to be able to obtain a granted patent quickly, and thereby be able to claim the tax relief early, and also file an application for a Unitary Patent to obtain protection in additional EU jurisdictions. If the UK patent is revoked as a result of grant of the Unitary Patent, the company would need to keep the Unitary Patent in force in order to continue to claim the tax relief, irrespective of whether the company considers that protection for the invention throughout the Participating Member States is still required. Moreover, if the Unitary Patent is revoked because the company cannot afford to defend the patent in an overseas local, regional or central division of the UPC or because of a local “novelty” only prior publication which is not applicable to the UK patent, the company would not be able to continue to claim the tax relief under the Patent Box. This is yet another reason why a patentee should be allowed to retain a UK patent and a Unitary Patent – i.e. for the purpose of benefitting from the Patent Box - irrespective of what the patentee decides to do with the Unitary Patent.

150. Details of the Patent Box scheme can be found at <http://www.ipo.gov.uk/types/patent/p-patentbox/p-patentbox-qualpat.htm>.
- 151. If double patenting is to be permitted for EP(UK) patents, then section 73(2) to 73(4) would have to be repealed and the Act amended instead to bring in anti-abuse measures. This probably goes beyond implementation through a statutory instrument.**

## Questions on changes relating to Jurisdiction

### Question 1

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?**

### Answer

152. Answer to 1a. No.

153. Answer to 1b. CIPA is of the opinion that the formulation of Sch A4 is unclear. To understand the division of competence between the UK courts and the UPC Agreement from proposed Sch A4, the reader would need to look up and compare both the wording of the UPC Agreement and the relevant sections of the Patents Act. By seeking to rewrite the relevant clauses of the UPC Agreement, there is also a risk that errors arising from an inaccurate interpretation of the UPC Agreement will become enshrined in UK law. It is CIPA's view that it would be preferable instead to refer in the Patents Act only to the relevant Articles of the UPC Agreement.

154. For example, it is CIPA's understanding that Sch A4 para 1(2) is intended explicitly to set out the sections of the Patents Act which do not apply when the UPC has exclusive jurisdiction. If this is the case, this sub-paragraph appears to be superfluous in view of Sch A4 para 1(1) which refers to the actions listed in Art 32 of the UPC Agreement. Therefore, to improve the clarity of the schedule and to avoid the risk that errors arising from an inaccurate interpretation of the UPC Agreement will remain in UK law, CIPA suggest that Sch A4 para 1(2) is deleted.

155. Recital 13 of the Unitary Patent Regulation states "the regime applicable to damages should be governed by the laws of the Participating Member States, [including reference to the Enforcement Directive]." In that case, is it not important for the national law on damages for infringement, including whether damages are available for partially valid patents etc, to continue to apply to all EP(UK) patents and Unitary Patents which are subject to UK national law, even if the cases are to be heard in the UPC? We therefore question whether it is correct for Sch A4 para 1(2) to disapply the provisions relevant to the calculation of damages.

156. Regarding the implementation, we question how proceedings under s58 would proceed when some of the issues to be discussed must be heard in another court. Also, we are not clear why s58(9) is mentioned, but s58(9A) is not.

157. We are not aware that the IPO should cease to have the ability to handle amendments for an EP(UK), whether opted in or not.
158. The use of both “Sch A4” and “Sch 4A” as nomenclature will cause considerable confusion.
159. Towards the end of Sch A4 para 1(2), there appears the wording:
- In paragraph 2(1) of Sch 4A
- (a) sections 61 to 69 (infringement of a patent);
  - (b) section 74(1)(a) and (c) to (e) and (7) (proceedings in which validity of the patent may be put in issue);
  - (c) section 75 (amendment of a patent in infringement or revocation proceedings).
160. Given that Sch 4A relates to supplementary protection certificates and not patents, this shorthand notation used in the draft SI takes considerable deciphering. There is no reference to SPCs in Sch A4 para 1(1) – however, see CIPA’s proposed amendments to this at para 88. So if this schedule is also to apply to SPCs, it should be specifically stated.
161. Further it is not clear whether this has been considered properly at all. This should be a reference to “paragraph 1(2)”, not “paragraph 2(1)”, of Sch 4A. We also question whether it is correct for Sch A4 para 1(2) to disapply the provisions relevant to the prior user rights for SPCs (Sch 4A, para 1(2) referring to s64), and why the provisions relevant to the declaration as to non-infringement for SPCs (Sch 4A, para 1(2) referring to s71) are not disapplied.
162. We comment on the proposed changes to UK law in respect of the transitional period below.

## Question 2

**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?**

### Answer

163. Answer to 2a. No.

164. Answer to 2b. We propose that the implementation is done by reference to Art 83(3) for the reasons given in paras 40 to 62 above.

### Question 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.**

#### Answer

165. It is CIPA's view that an opinion service for a Unitary Patent would be welcome. The opinion service is already being used to assist in resolution of multi-jurisdictional disputes where parties do not want the expense of full court cases. We still do not know how expensive the UPC will be, but it is likely to be beyond the reach of some smaller businesses and of some lower value disputes.
166. However, if that opinion service is to be useful, the IPO will need to give an opinion under the relevant law which would be applied by the UPC, as that is the court within whose jurisdiction the Unitary Patent falls. This will also become true of EP(UK) Patents which are to be litigated in the UPC.
167. Consequently, if an infringement opinion is provided on a European Patent (UK) which falls within the jurisdiction of the UPC, the opinion will need to be based on the infringement provisions of the UPC – which will not necessarily be the same as for UK patents. If an infringement opinion is provided on a Unitary Patent, infringement would have to be considered under the relevant national law that would be applicable to that Unitary Patent (which in many cases will not be English infringement law). Consequently, the IPO may need to give opinions under, for example, French, German or Bulgarian infringement law, unless the infringement law for Unitary Patents is harmonised to that of the UPC Agreement.
168. For cases falling within the jurisdiction of the UPC, opinions on validity will have to be provided under the validity provisions of the EPC, as supplemented by the EPO and UPC case law and approach. For example, when giving an opinion on inventive step, the IPO will need to see whether the UPC follows the problem-and-solution approach of the EPO, rather than the *Pozzoli* approach of the UK courts. Moreover, when considering the patentability of computer-implemented inventions, the approach adopted by the EPO, and not that of the IPO, would need to be used in preparing the opinion.

### Question 4

**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.**

**Answer**

169. We refer to the points made above about the smaller enterprise/dispute not being able to afford proceedings at the UPC: these are important. The all-or-nothing approach is going to be a much larger risk for a patent owner – the threat of invalidity proceedings for a Unitary Patent could prove to be a very big stick if wielded by a big player at one much smaller.

**Question 5**

**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.**

**Answer**

170. Answer to 5a. CIPA commends the decision to have a central division in London. This affects not just life sciences, but chemistry and human necessities at large, including many fields where litigation is common. This will add to the attractions of London as a venue, with consequent benefit to the UK economy including, ultimately, CIPA's members. European patents under the UPC jurisdiction represent a bigger "target" than a series of separate national patents, and so the UPC will facilitate "clearing the path" action where hitherto running multiple challenges made this daunting for some smaller entities.

171. Answer to 5b. Yes.

**Question 6**

**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.**

**Answer**

172. Answer to 6a. It has been part of Government policy to make the UK a forum of choice for litigants. One aspect of this can be seen in the development of the

Rolls Building as a flagship court for international litigation. Notwithstanding the size of the UK and its location on the edge of Europe, the UK has been one of the prime jurisdictions for patent litigation. The Government recognised the value of that for the UK economy when bidding to host part of the central division. However, hosting part of the central division is not enough. The UK must have its own local division. In fact, the UK should consider whether it needs more than one division or whether it can have multiple chambers in the same division. In part this depends on whether the local division of the UPC needs its own building, whether it can share the building for the central division or whether it can share space with the High Court.

173. Not only is it important for the prestige of the UK that we have a local division, it is CIPA's view that this would be important for patent owners to be able to bring actions for all subject matters with respect to a Unitary Patent in a court located in the UK. The jurisdiction of the Patents Court and the IPEC for patent cases is going to be eroded and needs to be replaced locally.
174. The central division in London will only deal with patent cases classified into sections (A) and (C) of the International Classification. Consequently, without a local division, businesses would not be able to bring actions for patents falling in others classes in a court with its seat in the UK. It is CIPA's view that this would discourage some business from taking action, as distance does lead to increased costs. Also, if delays creep into the handling of cases in the central division, then there needs to be another forum for litigants.
175. Moreover, some disputes may involve patents which have been classified into different sections, even though they cover the same product. There is likely to be some "shopping" over classifications in future, but there is increasing overlap of biotechnology and electronics. For example, activities related to DNA sequencing using semiconductor technology may fall within patents that have been put into a number of separate classifications. It may still make sense for a single infringing product to be looked at in one case rather than one patent at a time. If the subject matter then falls between the London central division and the Paris or Munich central divisions, where should the case be brought? Far better to have a competent local division which can handle the case regardless of subject matter than to have to split the case artificially due to the set-up of the central division.
176. Answer to 6b. Location of the court is usually important to litigants. Hence, although most patent cases are heard in London, there is also patent litigation in Scotland and occasionally in Northern Ireland. The local division does need to have a home, where it can keep its papers and its support staff and, importantly, not be too far from where its judges want to live. If the local division is likely to attract international litigants and not just UK-based litigants, then it needs to be a major metropolis with good transport connections, hotels and supporting services.
177. Where litigants are local, then the IPEC (and the PCC) before that has been able to move around England and Wales. The IPO has been known to have hearings

where it was convenient for the parties and the Patents Court has also offered to sit elsewhere. This flexibility is important. So it is CIPA's view that it would be preferable if hearings and trials could be moved as necessary.

## Question 7

**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?**

### Answer

178. We expect that sophisticated risk-averse patentees will want to opt out as a matter of course. Where a patent is protecting a multi-million pound business, its owner does not start taking unknown risks about how enforcement will work. That owner wants first to see how the court operates, how its procedures work, how responsive it is, whether it is patentee friendly or more likely to revoke patents, how the costs are likely to be awarded. It is still early yet to know how this will work.
179. Less sophisticated patentees are likely to have to rely on the advice of their patent attorneys. So CIPA will be arranging workshops for members to explore the risks and how this might affect their clients so that they can offer advice.
180. Whether the UK courts will have full jurisdiction during the transitional period to handle all actions currently available will be an important factor for patent owners in deciding whether to opt out of the UPC. If some types of actions and reliefs are not available through UK courts (e.g. declaration of non-infringements or provisional measures – see paras 40 to 62 above) this may affect patent owners' decisions about whether to opt out or not.
181. The costs associated with opting out and opting back in will be another important factor influencing patent owners' decisions. This may be particularly the case for non-European patentees who may have a completely different view of risk in relation to litigating European patents.
182. The uncertainty and risk associated with the new UPC will also be an important factor. The better the information available to businesses, and the understanding of the implications of opting out or staying opted in, the more equipped businesses will be to make a decision. If only little or unclear information is available to businesses, the more likely businesses may be to opt out.
183. Despite the assumption of the question that the opt-out is for the lifetime of the patent, a natural reading of Art 83 UPC Agreement is that the opt-out does not extend beyond the transitional period. If as discussed above, the opt-out only provides access to concurrent jurisdiction for the transitional period and that is

available anyway under Art 83(1) UPC Agreement, then there is no benefit from an opt-out.

## Questions on changes relating to the Unitary Patent

### Question 8

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

### Answer

184. We have no idea whether we have understood the proposals or not. So this makes it difficult to answer these questions.
185. Sch A3 para 3 states that the relevant statutory provisions shall apply to a Unitary Patent in the same way that they apply to an EP(UK). The Patents Act applies to an EP(UK) as s77(1) states that it is to be treated “as if it were a patent under this Act”. Where the provisions are to be applied to SPCs, the Sch 4A states at para 1(1)(a) “references to a patent are to a supplementary protection certificate”.
186. The draft provision does not follow either format for a Unitary Patent. The Unitary Patent is a European patent. It is just in a unified form. To make it more complex, proposed s77(10) disapplies s77(1) the moment unitary effect is registered by the EPO. So in a sense s77(10) and Sch A3 para 3 are in conflict.
187. There has to be a simpler way of implementing this legislation. Currently, in order even to begin to make sense of it, you have to read the Patents Act together with Sch A3 para 2(1) to working out whether the Unitary Patent is “a patent under the Act” or not, together with the modifications under Sch A3 para 4(1), whilst also keeping in mind any exclusions under Sch A4 para 1. One also has to keep in mind any other modifications made by any other Schedule.
188. We have gone through Sch A3, para 2 with a view to trying to follow the amendments made. Our comments are set out in an Appendix to this response, rather than in the body of this question. However, we have some key issues which we mention here.
189. Art 7 Unitary Patent Regulation states that a Unitary Patent will be treated as an object of property in its entirety according to the law of the Participating Member State – to be selected in accordance with the provisions of that Article. We comment in a separate document regarding the difficulties of third parties determining the relevant State as that is outside this consultation. We are struggling to understand just what is proposed by the draft SI.
190. Sch A3, para 1 is confusing. It starts by referring in para 1(1) to a set of provisions carefully selected and listed in para 2. This implies that these and

only these provisions apply. Sch A3, para 1(b) is non-prescriptive. So it leaves each person to guess as to which provisions apply – or even whether other provisions in other statutes might apply – e.g. the Law of Property (Miscellaneous Provisions) Act 1994. So the shorthand used is not making clear at all as to which parts of the Act should apply and to which Unitary Patents. Some of our confusion in relation to this is exemplified in our comments on the specific provisions of Sch A3, para 2 in the Appendix.

191. Sch A3, para 1(a) and para 2, appears to apply the list of provisions to Unitary Patents regardless of the nationality of the patent owner. We are not sure that is necessarily correct. For example, Art 5 Unitary Patent Regulation states that the law of infringement which governs Unitary Patents is that of the State decreed by Art 7 Unitary Patent Regulation. So s60 should not apply to all Unitary Patents, but only those to which UK national law applies by reference to Art 7. So we think the IPO may be wrong in para 89 of the consultation where it suggests that this amendment will ensure that the infringement provisions will be the same for all patents valid in the UK. The UK cannot set out the infringement provisions for Unitary Patents which do not belong to the UK – see our comments e.g. at para 26 about harmonisation above.

192. Article 5(3) Unitary Patent Regulation defines the acts and limitation for infringement:

“The **acts** against which the patent provides protection referred to in paragraph 1 and the **applicable limitations** shall be those defined **by the law applied to European patents with unitary effect** in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7”.  
(*emphasis added*)

193. However, s60 requires acts to be undertaken in the UK. Art 5(1) Unitary Patent Regulation

“The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection **throughout the territories of the participating Member States** in which it has unitary effect, subject to **applicable limitations**”.

194. Is Art 5(1) sufficient to give s60 extraterritorial scope, and allow the limitation to acts done in the UK in s60 to be ignored in relation to infringement of a Unitary Patent in other EU states? Or should the implementation state explicitly that acts committed in other EU States should also be infringing acts? Amendments to s60(2) and s60(7) were deemed necessary to give the right territorial effect (see Sch A3 para 4(10)).

## Question 9

**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 of this approach?**

Answer

195. We respectfully ask the IPO to consider carefully when is it appropriate to talk of “exceptions” and when of “exemptions”: CIPA believes in certain contexts “exemptions” is more legally correct but in what follows we have not departed from the language of the questions.
196. We agree that this should be the approach to the way in which the Unitary Patents fit alongside the Patents Act. However, the amendments are so complicated and fragmented that we do not believe that this has been achieved. See the response to Question 8 and our observations above.

## Question 10

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

Answer

197. There are reasons why double patenting should be allowed, leaving patent owners with both a Unitary Patent and a national UK patent for the same invention. However, CIPA is aware of the potential downsides as well.
198. The detailed comments in relation to this issue are set out in the discussions at Section H above (paras 131 to 151).

## Question 11

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

Answer

199. CIPA considers that it is important that the provisions relating to groundless threats should also cover Unitary Patents. However, this is a really complex issue. Unitary Patents are not enforceable in a UK court. As with Bundle patents which are not opted-out, these are going to be heard in the UPC, which is not a court within the meaning of s130(1) Patents Act. Moreover, the defence to a threats action is usually to show that the patent is infringed and that any invalidity was not one which the patentee knew of or had reason to suspect when the threat was made. The issue of infringement and validity will become matters

within the exclusive jurisdiction of the UPC. So how will such claims be defended?

200. The question as to how threats can be made in respect of such patents is a difficult question. We have seen the IPO's proposals for amending the Patents Act in the draft SI. We do not think these proposed amendments work. Instead, CIPA is of the view that the IPO would do better to implement the work of the Law Commission in revising all the threats provisions in primary legislation. Even if it could be said that extending the threats provisions to the Unitary Patent was strictly necessary for ratification, this approach is the application of a sticking plaster and does not address the real points which the Law Commission has raised.
201. The detailed comments in relation to this issue are set out in the discussions at Section F above (paras 90-118).

## Question 12

**12. a. What, if any, impacts on your business do you foresee 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?**

### Answer

202. Answer to 12a. In part this depends upon whether the IPO allows the EP(UK) to be restored when unitary rights are lost. If not, this creates a further administrative burden where a patent right can be lost for failure to comply with administrative provisions. This in turn may lead to higher professional indemnity insurance premiums and unnecessary cost when appeals have to be taken, as there is no alternative.
203. Answer to 12b. The more risk associated with obtaining Unitary Patents and the greater the risk of losing all patent rights for the wrong reason, the more this is likely to lead to CIPA members advising clients not to seek unitary protection. It may also impact on clients for whom it is important to register a UK or EP(UK) patents overseas.
204. The detailed comments in relation to this issue are set out in the discussions at Section G and H above (see para 119 – 151).

## Questions on changes relating to Infringement

### Question 13

**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?**

Answer

205. No.

206. The proposed changes do not follow the wording of Arts 25-27 UPC Agreement.

207. Further, the UK has already made changes which may result in the exemptions to infringement in the UK being different from the exemptions set out in the UPC Agreement.

208. The UK must also remember that it has obligations under the EPC.

209. Article 64(1) EPC specifies

“A European patent shall ....confer on its proprietor from the date on which the mention of its grant is published...the same rights as would be conferred by a national patent....”

210. The UPC agreement is capable of providing a complete code relating to infringement, including exemptions<sup>10</sup>, and will, in the absence of conflicting national law, harmonise infringement of the Unitary Patent and bundled patents not opted out from the exclusive jurisdiction of the Unitary Patent Court.

211. Currently the infringement provisions for European and national patents are not fully harmonised between the Contracting Member States. There is considerable similarity where national infringement provisions are based on the text of the Community Patent Convention. However, these have evolved over the years and the attempt by the EU to harmonise the Bolar provisions led to divergence of provisions which had been much more closely harmonised. See the UK implementation of Section 60(5)(i) Patents Act 1977 and the revisions to be introduced by the Legislative Reform (Patents) Order 2014. The infringement provisions as between national and EP granted patents within each country are currently harmonised, where both a national patent and an EP(national) patent are both treated as being national patents. But they are not harmonised between Contracting Member States.

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<sup>10</sup> Although probably not in relation to liability as an accessory to infringement.

212. Under the UPC, all Unitary Patents will be subject to the infringement provisions of the UPC agreement. Unless the national law of each Contracting Member States is amended exactly to correspond to the wording of the UPC agreement provisions, there is the possibility that a European patent derived Unitary Patent and a national patent (whether a national or an EP(national) opted out) will be subject to different infringement provisions and Art 64(1) EPC will not apply.
213. The only way to ensure harmonisation of infringement provisions within the UPC Contracting Member States is for all countries explicitly to amend their laws using the exact wording of the UPC Agreement or simply refer to the UPC provisions in their own law. The UPC Agreement should not be ratified and brought into force until all Participating Member States have amended their laws.
214. Although it would have been preferable simply to use the exact wording or refer to the provisions, the wording of parts of the infringement provisions of the UPC agreement is so obscure that it would be a mistake to carry those obscure provisions over into the Patents Act. Accordingly, CIPA requests that no amendment is made to the infringement provisions of the Patents Act until the scope of the exemption in the UPC Agreement has been amended or a definitive protocol on interpretation has been agreed.
215. The detailed comments in relation to this issue are set out in the discussions at Section A above (paras 13-35).

#### Question 14

**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?**

**Answer**

216. The difference in wording between the infringement provisions in the UPC and section 60 Patents Act is hard to justify. The difference in wording between the Patents Act and the UPC has been criticised by judges and that is when s130(7) states that such provisions are to have the same effect. There is no such wording here.
217. For example, s60(1)(b) states that process patents are infringed by a person who “uses the process or .. offers it for use... when he knows, or it is obvious to a reasonable person in the circumstances....”. This wording was never the same as the CPC, which, in the 1989 draft stated at Art 25 “using a process which is the subject-matter of the patent or, when the third party knows, or it is obvious in the circumstances, ... from offering the process for use...”. Art 25 UPC Agreement uses neither “obvious to a reasonable person in the circumstances”, nor “it is obvious in the circumstances”. Instead the wording is “should have

- known". These different words have different meanings and the courts will have to decide on the extent to which those meanings overlap or differ. This is a point of unnecessary difference.
218. The same comments apply to the difference in wording between s60(2) Patents Act and Art 26(1) UPC Agreement.
219. s60(5)(c) Patents Act is not the same as Art 27(e) UPC Agreement. The Patents Act states that the prescription must be given by a registered medical or dental practitioner. The UPC Agreement just refers to a "medical prescription". The words are not the same. Therefore the meaning could also be different.
220. s60(5)(i) Patents Act is not the same as Art 27(d) UPC Agreement. The UPC Agreement permits acts in respect of any patent covering the product. s60(5)(i) Patents Act is not so limited. It covers any patent which might apply to the study, test or trial, whether that is a patent covering the product in respect of which marketing authorisation is being sought or a completely different patent, e.g. for a process or a research tool.
221. S60(6D) to (6H) have no equivalent provisions in the UPC.
222. For the reasons given above, it is important that all Contracting Member States amend their laws to have the same effect as the provisions in the UPC Agreement. However, if that is not to happen, then the UK should not disadvantage itself.
223. CIPA and the industry sought clarity with regard to the non-infringement of acts which are required to gain approval of innovative (as well as generic) medicines. This means that there are some concerns that should sub-sections 60(5)(b)&(i) be replaced with their counterparts Art 27(b)&(d) UPC Agreement it would reopen that uncertainty. Also, the recent introduction of s60(6D) was made in order to provide clarity, and a degree of uniformity with other countries which had implemented the Bolar provisions broadly, and removing these provisions would also not be welcomed in those quarters.

## Question 15

- 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?**

## Answer

224. As indicated above, it is important to ensure that the law corresponds exactly to that in the UPC Agreement so direct reference to the UPC Agreement would be preferable to copying the wording. However, please note our concerns over implementing Arts 27(c) and (k). See the responses to Questions 16, 18 and 19.

## Question 16

**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?**

## Answer

225. Answer to 16a. As indicated above, Art 64(1) EPC requires that infringement provisions be the same for national and European patents. However, it would be unacceptable to introduce provisions into UK patent law that were unclear in their effect on UK business. In particular, the Art 27(k) exception from infringement could have unintended consequences for all proprietors of patents which could be within the scope of the software decompilation and interoperability provisions.

226. The 'plant variety' amendment (Art 27(c)) is particularly obscure. A similar provision has already been included in the national laws of France, Germany and Holland – but this may not resolve the ambiguity. In CIPA's understanding, what plant breeders wanted was the right, for development purposes, to cross patented plant varieties with other varieties (as they have the right to do when these are protected only by plant variety rights). Hence the reference to 'other varieties' (which otherwise makes no sense – it seems to have been copied from the French law). But what they may have got is much broader than this - the right to use any 'biological material' (regardless of patents) in plant variety development. This seems to include, for example: gene marker sequences; enzymes used in PCR; genes from organisms other than plants; a range of research tools: etc. It is unclear whether the exception will be construed broadly (because patents on biological material are unpopular) or narrowly, as presumably was intended. We need a uniform (and if possible narrow) interpretation across Europe: and that is most likely to be obtained by a reference to the Agreement, rather than by copying the (English) words into UK law.

227. Answer to 1b. The Art 27(k) exception from infringement will affect all proprietors of patents which might be covered by the exception. The enforceability of any patent with interoperability elements will become very uncertain, which is likely to make licensing difficult (or perhaps impossible). It should be pointed out that interoperable digital technology is not just used in the ICT and

telecommunications areas but is an essential element of products and services in the automotive, healthcare, defence, and many consumer product industries.

228. The Art 27(c) exception is similarly unclear – see our response to 16a above.

## Question 17

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

### Answer

229. It is essential that all laws on patent infringement are harmonised amongst all the Contracting Member States. The new provisions should only apply once all Contracting Member States have brought their law into full harmonisation with the UPC agreement, and the UPC agreement has been ratified and comes into force. Any changes should not have any retrospective effect.

230. In the consultation document, the IPO implies that it should be clear when acts are infringing and when they are not. However, please see our comments at paras 17 and 29 above regarding how differences in the laws of infringement will leave this uncertain when any opted-out patent might opt in and so change the law being applied from that of the national court to that of the UPC.

## Question 18

**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?**

### Answer

231. Plant breeders will inevitably be handicapped by uncertainty about what Art 27(c) means. However, if it is implemented in UK law otherwise than by a direct reference to the UPC Agreement provisions, they will be further handicapped by uncertainty as to whether their competitors in continental Europe will have a different and more favourable law.

## Question 19

**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?**

## Answer

232. The meaning of this particular exception is unclear and the scope of the exception would need to be decided by the courts or, preferably would be made clear in a binding protocol on interpretation of the exception. It is possible that this exception is merely to shelter the copyright exception outlined in the Directive (EC) No 2009/24, in which case it is not needed. If the exception is a new exception similar to those that were proposed and rejected during the lengthy debate on the Computer Implemented Inventions (CII) Directive, then the impact on UK business could be disastrous. Where it could be argued that it was necessary for the elements to interoperate with other such programs or devices, then the effective scope and value of patent coverage for inventions that relate to such elements of a computer program or computer-controlled device would be highly uncertain, and potentially greatly reduced (or lost altogether).
233. For example, it is unclear whether patent rights are suspended just when a third party is looking e.g. to write application software which will interoperate with the patented program, or whether a competitor can also then write software which is compatible with the application software, thereby in effect allowing the competitor to take the invention and ignore the patents.
234. **We therefore strongly oppose changing s60(5) to include this exception while its meaning and effect are so uncertain.** In a worst case interpretation, the impact of including the exception is that both Unitary Patents and national patents could be worthless. The advantage of not including the exception in national law is that UK industry would be able to use UK national patents as a way of protecting their valuable innovations in this technology, if there had been no overall harmonisation. It is not clear that other participating states will include the exception in their national law which would place UK industry at a disadvantage if it was included in UK law.

## Question 20

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?**

## Answer

235. Any exemption from infringement of a patent has the potential to reduce the value of a patent and can, in some circumstances, make the patent worthless. An exemption would always be considered as the first line of defence in any infringement action. Any exemption must therefore be given a narrow interpretation if the value of a patent is not to be put at risk.

### Biological material

236. As noted above, all plant breeders wanted (apparently) was the right to cross patented plant varieties with other material to develop new varieties without running the risk of being sued for infringement in the development phase. Most breeders have assumed that if the developed new variety still infringes the claims of the original patent (for example by still containing a patented gene) they would be unable to sell the new variety commercially without first negotiating a licence. We note that the IPO thinks this is what is intended by Art 27(c). We hope the courts will agree. But the right to development use of 'any biological material' (for development of plant varieties) goes much more broadly – unnecessarily so, we believe. It unreasonably limits the rights of researchers in GM inventions – contrary to TRIPs Art 27, we suggest. It is hard enough doing R&D on plant genetic modification in Europe – a technology with enormous potential for good – without diminishing the possible rewards for success. Clearly it is too late to change Art 27(c), but working towards a common restrictive interpretation (in view of the context, equating 'biological material' to 'plant variety', or 'plant biological material' at broadest) would be a worthwhile policy objective

### Computer programs

237. If the scope of the new exception is narrow then the new exception will have no effect on licensing of patents relating to computer programs. If the exception is broad then all patents for computer programs, program-controlled devices, and programmable devices could be unenforceable and there would be no licensing for the UK and participating states market. Until the scope of the exception was decided, all licensing would be hindered by the uncertainty about the value of the right being licensed. The use of patents in the ICT and telecommunications industries, in particular, where disclosure is required in order to establish standards, would no longer fulfil the purpose of protecting investment and standard setting would be hindered.

**GLOSSARY:**

Bundled patents – national patents granted by the EPO

Contracting Member State – Member State of the Unitary Patent Convention

Draft SI – The Patents (European Patents with Unitary Effect and Unified Patents Court) Order 2015

EPC – European Patent Convention

IPEC – Intellectual Property Enterprise Court

Participating Member State – Member State implementing the Regulation for the creation of unitary patent protection

Patents Act – UK Patents Act 1977 (as amended)

SME – Small and Medium Sized Enterprise

SPC – Supplementary Protection Certificate

SPC Regulation – Regulation (EU) No 469/2009

Translation Regulation - Regulation (EU) No 1260/2012

Unitary Patent – European patent with unitary effect

Unitary Patent Regulation – Regulation (EU) No 1257/2012

UPC – Unified Patent Court

UPC Agreement – Agreement on a Unified Patents Court

## APPENDIX

### Detailed comments on Schedule A3

#### European patent with unitary effect

In this section we shall use “Unitary Patent” in place of “European patent with unitary effect”.

#### Para 1

This paragraph defines the meaning of “relevant statutory provisions”. There are two parts to this definition, part a) which applies certain sections of the Act to a Unitary Patent. Part b) is worded in a quite difficult way and is hard to understand. We believe that it intends to refer to the provisions of the Act which the requirements of the Unitary Patent Regulation, require to be applied to a Unitary Patent because of the nationality of the applicant at the date of filing. However, the Schedule does not set out which sections are applied by part b). This is leading to confusion. Also, without any statement that a Unitary Patent is to be treated as a patent under the Act, it is not clear that any other provisions would have the effect intended. See the points made in answer to Question 8.

#### Para 2

This paragraphs then lists those provisions of the Act which are to apply to a Unitary Patent (i.e. part (a) of section 1). Where this is a simple list, it is not too difficult to follow, but the format means that it is harder to follow the law accurately and increases the likelihood of error. This is exacerbated where the list itself includes provisos and specific restrictions (e.g. s97 .. so far as it relates to.....), at which point its meaning dissolves in a morass of complexity.

In the opening sentence, the words “are to” and “in relation” appear unnecessary in the preamble of this section. We suggest this should read:

“The following sections of this Act are to apply in relation to a European Patent with unitary effect.”

Or alternatively,

“In relation to the following sections of this Act a European Patent with unitary effect is to be treated as if it were a patent under the Act...”

#### The Listed Sections

We make the following comments on the proposed amendments. These are not exhaustive, but are illustrative of the problems which the proposed amendments are throwing up.

s28A: this section relates to the effect of an order for restoration of a patent following unintentional non-payment of a renewal fee. It is not clear whether a Unitary Patent can be restored and in particular whether this would be done through an “order for restoration” as envisioned in s28A. Additionally, s28(3)(a) makes reference to payment of a renewal fee in the time period allowed under s 25(4) which would not in any case apply to a Unitary Patent. In fact, the question of whether or not a Unitary Patent can be restored is going to be a matter under the Unitary Patent Regulation, not under the Patents Act and any order is going to be made by the EPO or the UPC. So merely stating that s28A applies, without context, is unhelpful.

ss 48-48A and 49: We are not clear of the basis upon which the comptroller can make an entry in the European patent register to the effect that licences under a Unitary Patent are to be available as of right as envisioned in s48(1)(b). Art 8, Unitary Patent Regulation allows the proprietor to file a statement at the EPO to the effect that licences are available as of right. This does not forbid the UK IPO from making such licences available for the UK only, but will the comptroller be able to effect entry into that register?

We have to turn to Sch A3, para 4(5) to see how this section is modified. This specifies that the “register” of sections 48(1)(b) and 48B(4) is to be interpreted as the Register for unitary patent protection where it applies to a Unitary Patent, so the “register” here is the UP register held by the EPO. Also under Sch A3, s4(6), references to “making an entry” are instead “directing the making of an entry” and in s4(7) reference to the “journal” is replaced with reference to the “EP Bulletin”. The point remains, who is the comptroller going to direct to ensure that each of these (effecting the entry and publication) happens? And if the comptroller directs the proprietor to enter that licences of right are available, can the proprietor do that for just the UK? Country-specific licences of right are not referenced under Art 8 Unitary Patent Regulation. Further, we are not clear how the comptroller can effect publication in the EP Bulletin of such a licence.

s50: s50(2)(a) refers to the “publication in the journal of a notice of the grant of the patent”. No such notice will be published in the UK journal for a Unitary Patent. However, in Sch A3, para 4(7), reference to the “journal” in s50(2)(a) is replaced with reference to the “EP Bulletin”. See comments under s48 concerning publication in the EP Bulletin.

s50A and s51: s50A(4) allows the comptroller to make an entry in the register to the effect that licences under the patent are to be available as of right. Art 8 Unitary Patent Regulation allows the proprietor to file a statement at the EPO to the effect that licences are available as of right. This does not forbid the UK IPO from making such licences available for the UK only, but will the comptroller have a separate register? (If so, will each country have its own “national” register version for each Unitary Patent? If not, where will the availability of the licence be noted?). It would seem that s50A(4) should have been referenced in Sch A3, para 4(6), as has been done for s48. The same point also applies to section 51(3).

s52: no comment

s53: same point as above regarding the comptroller making an entry in the register – subsections (3), (4) and (5).

s54: no comment

s55: any amendments or comments on the infringement provisions (if any) would need to be mirrored here in sub-s(1). Subsection (5) refers to preparations for publication [of the application] by the Patent Office. However, Sch A3 para 4(8) replaces this by reference to the EPO.

ss56, 57 and 57A: no comment

s58: Subsections 7 to 9 are omitted and so do not apply to a Unitary Patent. These subsections relate to relief available if the patent is found to be “partially valid” by “the court”. Is there going to be equivalent relief for the proprietor of a Unitary Patent that is only “partially valid”? It would seem inequitable for there to be no provision for equivalent relief. Presumably, since Crown use is a matter for the UK Court, the proprietor of a “partially valid” Unitary Patent should still be able to apply to a UK Court for such relief. Subsection 9 relates to amendment of the specification and its omission seems correct, and is covered by 9A as applied to a Unitary Patent. However, there are other complexities, in that the definition of “court” does not usually include the UPC and there are other provisions in Sch A4 which also bite on s58 and so make understanding this section really hard.

s58(11) refers to a transaction, instrument or event to which s33 applies. s33 does not extend to a Unitary Patent (such transactions being recorded at the EPO) so the application of s58(11) with no other amendment seems inappropriate.

s59: Subsection (2) refers to “a right under s69 below to bring proceedings in respect of the application concerned”. This part of this subsection cannot apply to an EP application which gives rise to a Unitary Patent since jurisdiction is/will be in the UPC. Sch A3, para 4(9) specifically “includes” a reference to Art 67 EPC in this mention of section 69. This seems circular since Art 67(2) refers back to national rights. Do we need this reference to Art 67 EPC? Also, s69 does not apply to Unitary Patents.

ss60, 64, 70 and 73(2) to (4): These are discussed separately, in the body of the answers to the questions. However, note comments on s74 below.

s74: only subsection (1)(b) [i.e. the ability to challenge validity as a defence in a groundless threats action] and then subsections (2) to (8) insofar as they relate to section (1) (b) are being applied to a Unitary Patent. Thus the UK IPO envisage that validity could be raised and decided in a UK court as part of a threats action. This seems to contradict Art 32 UPC Agreement which refers to “exclusive competence” for *inter alia* “(d) actions for revocation of patents ...”. Also, since s75 is not included in Sch A3, if validity is put in issue for a threats action, a patentee would not have the option to amend if infringement can indeed be decided in response to a threats action.

s74A: This is discussed separately, in the body of the answers to the questions.

s74B: Mostly OK, but subsection (2)(c) allows the proceedings on a review of the opinion to be treated as if these were proceedings under s61(1)(c) or (e), 71(1) or

72(1)(a). None of these sections is listed in Sch A3 so this seems to be a potential “backdoor” to getting the sections applied to a Unitary Patent. So should subsection (2)(c) be excluded from the Schedule?

s77: Only subsections (4) to (5A) are referenced. Subsection (4) makes reference to the requirements of subsection (6)(b) – these requirements (that for an amendment to a DE/FR language EP Patent, a translation into English is filed at the Patent Office and the prescribed fee paid) will not apply to a Unitary Patent, so this needs to be made clear. Subsection 5A: It is not clear how “any fee” could be imposed by UK IPO for a granted Unitary Patent which is revoked by EPO and then reinstated (presumably on appeal after opposition), as all renewal fees are being paid to EPO. *[NOTE the version of the Patents Act on the IPO website does not include s77(5A)!]*

s76A: reference to this section should be moved above that to s77; it is hard enough to follow without being out of a strict numerical order!

This section is included for a Unitary Patent but ONLY so far as the section relates to s37 (entitlement). But s37 itself is not being specifically applied to a Unitary Patent (as not listed in Sch A3 para 2). So this seems to mean that s37 can apply to a Unitary Patent, but only for biotech inventions? Unless this is a provision which we are supposed to guess is applied by virtue of Sch A3 para 1(b)? Also, entitlement is not an exclusive matter for the UPC, so should s37 not be listed in Sch A3? (Also see s97 and s108 below.) Note also that the wording of s37(7) is being modified by Sch A3 4(4). Also it would seem that s38 would then also need to be listed.

s80(1): no comment

s97: applies only insofar as it relates to appeals under ss 37, 40 and 74B. Concerning s37, see comments on s76A above and s109 below. Likewise section 40 (compensation for employees) is not being specifically applied to a Unitary Patent under Sch A3 para 2. So unless we are supposed to guess this provision is applied by virtue of Sch A3 para 1(b), this does not seem very fair to employees since the route selected by their employer to obtain patent rights affects their ability to obtain compensation where relevant. It would be better to add ss39-43 to Sch A3.

Also, we think the word “and” should be inserted after the semi-colon to make it clear that the other sections listed (ss 98, 99, 99A, 99B and 100) also apply insofar as they relate to appeals under ss37, 40 and 74B. Actually, we would much prefer that each of these sections are also listed separately and not bunched under section 97; it is all too easy to miss them.

ss101 and 102: no comment

ss103 and 105: no comment other than to note: it would be better to list s105 separately – it is easily missed.

s107: no comment

s108: this relates to an order for grant of a licence under ss 11, 38, 48 or 49. Of these sections only 48 and 49 are specifically listed in Sch A3 para 2. What about sections 48A and 48B (also listed in Sch A3 para 2)? s11 relates to a pre-grant process under

s8 or 10, and so would have taken place during the application process, when the UK had jurisdiction under s82. Does it really have application to a post-grant Unitary Patent? As noted, we consider ss37 and 38 should also be listed in Sch A3 (see comments on s76 and s97). Also, see s128A below.

s110: no comment

s116: no comment

s118: we do not see the relevance of this section to a Unitary Patent

s125: Is only to be applied for s37. But if there is to be a local validity defence to a threats action s70 would also seem relevant. Surely it would be better for s125 to apply to any situation where the UK court or comptroller has jurisdiction to look at the extent of an invention in a Unitary Patent? s37 may not be the only situation. Also, if s60 is to apply to a question of infringement, then the UK law on the meaning of the claims should also apply to the Unitary Patent.

s128A: Subsection (3) lists the sections of the Act where EU compulsory licence legislation is applied. Of the sections listed, ss 32 and 33 can't apply to a Unitary Patent, ss 37, 38, 41 and 46(2) are not currently specifically listed in Sch A3 para 2 (unless these are provisions which we are supposed to guess are applied by virtue of Sch A3 para 1(b)), leaving only sections 57(1) and (2) as being relevant to a Unitary Patent.

s128B: no comment

### Para 3

We have commented on this wording above in the answers to the questions.

### Para 4

This is setting out modifications to certain section to make them "fit" for a Unitary Patent. As mentioned above, we find this approach very confusing. There must be an easier way of doing this.

#### Para 4(1)

For clarity we suggest deleting "those of".

#### Para 4(2)

We are not sure whether this is correct. In the situation where a person has limited entitlement (say, for France) this amendment would seem allow them to also have the right for the whole EU since the paragraph refers to "the whole of the property in it". The issue might be that different people have different rights in different jurisdictions and that the unitary effect should not have been registered.

Para 4(3)

No substantive comment, but why is not the validity defence to a threats action treated in this way?

Para 4(4)

With regard to the reference to s38(2), the licences and other rights should presumably only be those that extend to UK?

Para 4(5) and (6)

Discussed above in paragraph 2 in relation to s48.

Para 4(7)

No comment for s48B(2)(b) and for s50(2)(a). But for s29(3) how is the comptroller going to ensure that surrender of a Unitary Patent is going to be published in the EP Bulletin? However, it does not appear that the right to surrender under s29 is being applied to Unitary Patent at all – s29 is not listed in the draft SI anywhere else, unless we have to guess that it applies by virtue of Sch A3 para 1(b).

Para 4(8)

No substantive comment, but see comments in paragraph 2 on s55.

Para 4(9)

Do we need this? The reference to s69 is deemed to include a reference to Art 67 EPC. We are not sure why this has been included. As far as we are aware there is no such formal cross-reference to Art 67 EPC for an EP application. In any case, this is rather circular as Art 67(2) passes the rights back to each Contracting State.

Para 4(10)

We have commented generally on this wording above in the answers to the questions. We would like to receive clarification as to how this wording works with the intention to include the Isle of Man, as the Isle of Man is not an EU state and did not sign the Unitary Patent Convention.

Para 4(11)

We have commented on this wording above in the answers to the questions.

Para 4(12)

The effect of this is to allow proceedings for validity to be brought before the UPC. This is an empty promise if the patent is a UK patent or an opted out EP(UK) patent as the UPC will simply not have jurisdiction. It is misleading to even suggest that the UPC might have jurisdiction in such cases. For a Unitary Patent or opted-in Bundle patent, the following proceedings cannot be decided by a UK court: infringement (s74(1)(a), a declaration of non-infringement (s74(1)(c), and an application for revocation (s74(1)(d). so the only situations where validity could be raised at the UPC concern s74(1)(b) [threats] and s74(1)(e) [Crown use]. This should be better expressed. If the

intention of this paragraph is to allow the UPC to determine a declaration on only validity or invalidity, our view is that this is a matter for the UPC and does not rely on UK legislation.

Para 5

No substantive comment, but note the Unitary Patent Regulation defines “Participating Member State” singular, not plural.