

PATENT FILE

UPC perspectives

Francesco Macchetta gauges the chances of the UPC Agreement entering into the final implementation phase in 2020



Francesco Macchetta

On the 27 February, the UK government confirmed that it would not be participating in the Unified Patent Court (UPC), despite having ratified the agreement in April 2018. I would like to add a few personal comments to the ongoing debate.

Industry almost unanimously, both in the UK and EU, would have preferred the UK to be part of the UPC Agreement (UPCA) territories for many practical reasons. Unfortunately, however, this desire was definitely frustrated by the UK government decision.

But this was not the only "breaking news" of the last few weeks. On 20 March, Germany's *Bundesverfassungsgericht* released its decision in case 2 BvR 739/17 relating to a constitutional complaint against the Act of Approval of the UPCA. In short, it stated that the law approving the ratification of UPCA is null and void, because of having been taken according to the wrong procedure. Approval, according to the Constitutional Court, should have been taken by a qualified majority. In my understanding, this is not necessarily the end of the project but it is now in the hands of the German parliament and government to decide to pass the law, properly, with the required majority. If this is the case, I hope to soon see the necessary procedural acts completed.

Actually, I see the matter going forward two-fold: will the UPCA still be attractive to industry worldwide and will the remaining contracting states ("EU 24" ie, the EU states that implemented the enhanced cooperation embedded in EU Regulations 1257/2012 and 1260/2012) go ahead without the UK? On the first issue, I would expect that the EU 24 unanimously, together with the EU Commission, confirm the intention to go ahead as soon as possible. As pointed out recently also by the chairman of the UPC Preparatory Committee, now that the UK decision has been

taken, there are straightforward formal ways to signify it, allowing "the others" to go ahead with the original project. As I see it, the main argument on the UK side is that it is no longer an EU member state, while the UPC is defined as "a court common to contracting member states" (see UPCA Art 1), and "member state" is in turn defined as "member state of the European Union" (see UPCA Art 2(b)). If so, I expect also that the UK has already taken the necessary formal steps for withdrawing from the Treaty, according to Art 65 of the Vienna Convention on the interpretation of treaties. In view of the factual reasons for withdrawal, I do not expect that any other contracting member state has reasons to object to it.

This formal diplomatic act, I believe, clears the way to swiftly proceed with the implementation of the Treaty by the remaining signatory/ratifying EU countries.

Once the system enters into force, one of the first issues to be dealt with is of course the location of the Central Division branch, currently allocated to London. Not a paramount difficulty, I hope. Actually, my personal view and hope is that the "EU 24" countries have already unanimously agreed, or will soon agree, to move it to Milano... but will the new court be attractive to businesses worldwide, even without the UK? My short answer is "Yes".

It is a fact, that the territorial coverage of the new court is diminished without the UK. However, it still covers a number of countries in Europe that represent a significant economic area. The key factor in the new court's success, I believe, will be if it can deliver on the promises of: high-quality judgments, largely in a written and electronic process, with a defined timeframe and an active case management.

If so, I am convinced that it can soon establish itself as a court of choice in

international patent litigation, both for patentees trying to enforce their rights and for third parties trying to clear their way to market. Having a reliable judgment in a large and economically significant territory, in about one year (and at a reasonably contained cost) is in my view decisive in any international litigation to prompt parties to find settlement conditions. A number of parallel cases, possibly including the UK, may still end up being run, but as I said, I am convinced that a favourable decision in the UPC, if obtained in a reasonably short time, is likely to be the decisive factor for settlement.

On the cost side, the scale fees foreseen for the new court is known. I consider these provisionally announced fees to be reasonable given the reach of the unitary territory in which the decision has an immediate effect, when compared to the current ones that apply to each of the territories, individually and separately. Should the fees now be reduced because the UK is no longer involved? Not an easy question, but I would instead encourage the decision makers to put an extra effort to further reduce the fees scale for SMEs, to help their "access to justice" in IP matters.

As to the representation fees, they are of course still unknown. However, if one considers that all the lawyers of all contracting member states who are entitled to represent before a national court are also allowed to represent before the new court (Art 48(1) UPCA), as well as all the EU patent attorneys having a proper additional qualification (Art 48(2) UPCA), we end up with a territorially wide competition arena, that should guarantee reasonable overall litigation costs.

In conclusion therefore, I believe that the UPC maintains its overall attractiveness to businesses worldwide even without the UK and, consequently, I look forward to seeing it come to life soon. See you in Milano!

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