



THINK FORWARD

European Unitary Patent and Unified Patent Court after Brexit

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After British citizens voted on June 23, 2016, to leave the European Union (Brexit), the UK Intellectual Property Office (UKIPO) made an announcement on August 2 that, for now, existing European IP rights in the UK are unchanged until further notice.

On the one hand, trademarks and designs will only eventually be affected once the UK leaves the EU organizations governing EU Trademarks and Registered Community Designs. By then, new agreements will have to be put in place of existing ones.

On the other hand, the European Patent Convention (EPC) is not an EU institution, and various countries outside of the EU are member states, including Norway, Switzerland, and Turkey. Thus, the membership of the UK in the EPC will not be affected by Brexit.

But how does Brexit affect the European Unitary Patent System? The implementation of the UPC requires ratification by all of the three largest EPC membership countries (measured by number of patent activities), Germany, the UK, and France, which up to now, have all been EU members.

The departure of the UK from the EU has thrown the system into jeopardy. As the UK becomes a country outside of the EU, the legal framework for the UPC based on EU law cannot easily be adapted to include the UK.

The UK was expected to ratify the UPC by the end of 2016. After Brexit, it is unlikely that this will actually happen, either in 2016 or in the future. Rather, it is more likely that the UPS and UPC will be adapted to remove the UK as a required member of the UPC and to move either Italy or the Netherlands into the group of required countries. Further, it is highly unlikely that the UPC, an EU institution, will continue to establish one of its main divisions in London, outside the EU. Such changes to the Agreement will result in the invalidation of all ratifications received to date.

In any event, the territory of the UPS and the UPC, the fee structure, and the geographical locations of the UPC divisions are still undecided. While it is unlikely that the UPS and the UPC are abandoned altogether after countries dedicated significant effort to their creation, their enactment will certainly be delayed by years.

This uncertainty will be dissatisfying for patent applicants. Patent Applicants will likely view the UPS and UPC as less attractive if European patents validated in the UK must be maintained and litigated separately from a Unitary Patent in EU countries. The UPS and UPC framework, however, provides that every granted patent is automatically a Unitary Patent and subject to the UPC once the UPS and UPC come into force.

To mitigate unintended consequences, patent applicants should take advantage of an opt-out provision outlined in Articles 10 and 83 of the UPC Agreement. Because the UPS and the UPC come into force

three months after the UPC Agreement has been signed by all required countries, patent applicants have a three-month window after the final ratification to opt out of the system for applications that are about to be granted as a patent. The effect of opting out of the UPC is that the patent application becomes a conventional EP patent subject to individual national maintenance fees and individual national court decisions.

While originally a fee for opting out was envisioned, this fee has been eliminated. Further, the opt-out decision can once be reversed by the patent applicant. Thus, once it is clear that the UPS and UPC are desirable for a patent application, the patent applicant can still choose to participate as long as the patent has not yet been granted.

There are additional reasons to opt out of the UPC - one being that there is no existing case law guiding the UPC, which results in legal uncertainty. Also, a single court decision can wipe out patent rights in the entire territory of the Unitary Patent. In addition, the territory and the annuities for a Unitary Patent is fixed for the entire patent term; individual countries cannot be dropped from the maintenance schedule.

Because the decision to opt out of the system is reversible, many patent applicants may benefit from opting out for every patent application once the three-month time window opens.

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