

EXPLANATORY MEMORANDUM TO THE PROTOCOL ON PRIVILEGES AND IMMUNITIES OF THE UNIFIED PATENT COURT

Title of the Agreement

Protocol on Privileges and Immunities of the Unified Patent Court

Command Paper Number: 9405

Subject Matter

1. The Agreement on a Unified Patent Court (UPCA) was signed on 19 February 2013. A Command Paper (Number 8653)¹ on the Agreement on a Unified Patent Court was presented to Parliament in June 2013 along with an accompanying Explanatory Memorandum². The purpose of the protocol is to establish privileges and immunities for the Unified Patent Court (UPC).
2. The Protocol was agreed by the Signatory States of the UPC Agreement working within the framework of the Preparatory Committee of the UPC which was established in 2013 to make all the necessary preparations to bring the UPC Agreement into force. The UK is a member of the Preparatory Committee and played a key role in the negotiation of the Protocol. The EU is not a signatory of the Protocol.
3. The UPCA establishes a specialised, non-EU patent court under international law with jurisdiction for disputes relating to European patents in 25 European countries. The Agreement is between 25 EU countries (not Spain, Croatia or Poland), the EU is not a signatory, and establishes a court common to the 25 participating countries as an international organisation with legal personality in each. The UPC is part of the judicial systems of the participating countries in so far as it has jurisdiction over patents valid in their territories. However, the UPC forms a separate jurisdiction to the national court systems and it will not be part of the UK Court system.
4. The UPC will be comprised of a Court of First Instance, consisting of a Central Division and Local or Regional Divisions hosted by participating countries, and a Court of Appeal sited in Luxembourg. The seat of the Central Division will be in Paris with two specialist technical sections in London (chemical technologies including life sciences and pharmaceuticals) and Munich (mechanical technologies). The UK will also host a Local Division co-sited with the UK section of the Central Division in London. The UK is responsible for providing administrative staff for the divisions hosted in London. The judiciary for the UPC will be drawn from across Europe.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/250143/EU_Series_No_3.pdf

² [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/250144/No. 17 Cm 8653 Unified Patent Court.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/250144/No.17_Cm_8653_Unified_Patent_Court.pdf)

5. The UPC Agreement makes some provision for the immunity of judges. In particular the Agreement provides that judges shall be immune from legal proceedings and that they shall continue to enjoy immunity in relation to carrying out their official duties after they have ceased to hold office. The Agreement also applies the Protocol on Privileges and Immunities of the European Union to the judges of the UPC but it is silent on any other privileges and immunities.
6. The Protocol makes further provisions on privileges and immunities of the Court necessary for the exercise of its official functions. Specifically, the protocol provides privileges and immunities relating to the premises of the Court, its archives, documents and papers, and its staff. The Protocol also provides further detail on the way in which the relevant provisions of the Protocol on Privileges and Immunities of the European Union apply to the judges of the UPC, particularly in relation to the taxation of judges' salaries and pensions.
7. The Protocol provides for the inviolability of the Court's premises and its archives, documents and all its papers wherever they may be located. The Court shall also enjoy limited immunity from legal process. The Court, its property and assets are exempt from direct taxes.
8. The Protocol provides for a system of internal taxation on the salaries of the judges, and staff of the Court. It further stipulates that these salaries shall be exempt from national taxation from the date on which the internal tax is applied. Operational staff of the UK hosted divisions who are either British nationals or who were permanent residents of the United Kingdom prior to taking up their employment by the UPC will not be exempt from UK taxation.
9. Preparations for entry into force of the UPCA are almost completed and the Court is expected to become operational in 2017 once Germany and the UK have ratified the UPC Agreement and Protocol on Privileges and Immunities.

Ministerial Responsibility

10. The Secretary of State for Business, Energy and Industrial Strategy has the principal responsibility for intellectual property including the Unified Patent Court. The Secretary of State for Foreign and Commonwealth Affairs has overall responsibility for the conclusion and implementation of treaty obligations and responsibility for their application in overseas territories. The Lord Chancellor and Secretary of State for Justice has responsibility for the administration of the court system in England and Wales.
11. Intellectual property is a matter which is reserved under the Scotland Act 1998 and the Northern Ireland Act 1998. The devolved administrations generally have responsibility for the administration of the Court systems in Scotland and Northern Ireland.

Policy Considerations

General

12. Currently, businesses seeking protection for their inventions across Europe can either apply for separate patents at national offices or make a single application to the non-EU European Patent Office (EPO). The EPO grants a European patent which gives rise to individual patent rights in each of up to 38 countries (including all EU Member States) which are then enforced separately in the relevant national courts. This system can be costly and burdensome for businesses wishing to protect their inventions across Europe.
13. A new system for European patents has been designed to promote cross-border innovation by streamlining the protection of inventions across Europe and to reduce burdens for businesses, through a new Unitary Patent (UP) and dedicated Unified Patent Court (UPC). This package of reforms will provide businesses with an alternative, uniform patent right, also to be issued by the EPO, covering up to 25 EU countries (not Spain, Croatia or Poland). The UPC will hear legal disputes on European and Unitary patents in a single action with effect across the 25 participating countries.

(i) Financial

14. The unified patent court has the potential to bring significant benefits to the UK legal sector and UK firms that patent in multiple European jurisdictions. Estimates produced by the Intellectual Property Lawyers Association (IPLA) suggest a current total fee income of £166 million from patent litigation in the UK. The chemical section of the Central Division of the UPC in London will likely lead to a large increase in the number of patent cases heard in the UK, and with this an associated rise in legal business for IP legal firms. This is estimated to be worth around £200 million a year depending on estimated case load over the first ten years and estimated average legal costs per case.
15. UK firms who patent across Europe may benefit from a more streamlined court process. 26% of UK patent court cases are duplicated in other European jurisdictions³. Based on this the UPC could save UK firms around £2 million a year through reduced duplication of court cases. Additional savings from the unitary patent for UK applicants are estimated at up to £17 million per year in reduced renewal fees although this is an upper bound and actual savings realized are likely to be less.
16. The UK will pay for the facilities of the UPC in the UK and administrative staff for UK facilities for at least the first seven years of the Court. This cost is estimated at £2.4 million per annum. In addition, the UK will contribute to the central budget of the UPC until the system becomes self-financing through court fees, and at least for the

³ Cremers, K., Ernicke, M. Gaessler, F. et al. Eur J Law Econ (2016)

first seven years of the court. UK contributions are estimated to be £1 million per annum. The costs of tax exemptions provided for in the Protocol have not been estimated.

(ii) Reservations and Declarations

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

(iii) Implementation

18. The UK has signed the Protocol and will ratify according to its constitutional practices. The one-in-three-out rule has been considered as part of the process of concluding the Protocol, but is not applicable.
19. The Protocol will come into force 30 days after the date on which the last of France, Germany, Luxembourg and the United Kingdom has deposited its instrument of ratification. The instrument of ratification will be deposited with the General Secretariat of the Council of the European Union which acts as the depository.
20. Legislation is required to recognise the legal personality of the UPC and to confer privileges and immunities on the Court before ratification. An affirmative Order will be brought before Parliament in due course. Further legislation is also required in Scotland to implement privileges and immunities which fall within devolved areas.

(iv) Consultation

21. The Government consulted on a draft affirmative Order which introduced the substantive implementing measures for the UPC Agreement within UK patent law in June 2014. The responses to the consultation were taken account of in the Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016 No. 388 which was debated by both Houses of Parliament in March 2016. No further consultation on privileges and immunities implementing legislation is required.
22. The Devolved Administrations in Scotland and Northern Ireland have been consulted throughout the negotiations on the UPC Agreement and its implementation.



Jo Johnson MP

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