

EXPLANATORY MEMORANDUM TO

THE PATENTS (EUROPEAN PATENT WITH UNITARY EFFECT AND UNIFIED PATENT COURT) (REPEAL AND REVOCATION) REGULATIONS 2021

2021 No. XXXX

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Intellectual Property Office, an Executive Agency of the Department for Business, Energy and Industrial Strategy, and is laid before Parliament by Act.
- 1.2 This memorandum contains information for the Sifting Committees.

2. Purpose of the instrument

- 2.1 This Instrument repeals and revokes domestic legislation concerning the Unified Patent Court (UPC) and the European Patent with Unitary Effect (Unitary Patent or UP).
- 2.2 This legislation would have implemented the UPC and UP system but is no longer necessary following the withdrawal of the United Kingdom (UK) and Isle of Man (IoM) from the Agreement on a Unified Patent Court on 20 July 2020. The implementing legislation was due to take effect upon commencement of the UPC and UP system in the UK. However, this will now not occur. This instrument provides clarity by removing pending legislation relating to a system that the UK and IoM will not participate in. The UK and IoM patent system will continue to operate unchanged after the instrument passes.

Explanations

What did any relevant EU law do before exit day?

- 2.3 The UPC was agreed by an international agreement between EU Member States, but has not yet entered operation. The UP was a European Union agreement, to be established by Regulation (EU) No 1257/2012, adopted under enhanced cooperation by the then 26 European Union (EU) Member States. This UP Regulation had entered into force but was not operative before the end of the Transition Period, 31 December 2020. Consequently, it does not form part of retained EU law. Regulation (EU) No 1260/2012 made provisions for the translation requirements for the UP. Similarly, this regulation was in force, but not operative at the end of the Transition Period so does not form part of retained EU law.
- 2.4 The UPC, if it enters into force, will be a linked new specialist patent court, with jurisdiction over the new UP and existing non-EU European Patents. This UPC will be established by an international agreement, signed by the then 25 EU Member States in 2013. This international court will apply EU law and be bound by the jurisprudence of the Court of Justice of the European Union (CJEU) and not UK courts.
- 2.5 Although the UP and UPC were not in operation before the end of the Transition Period, the UK took steps to prepare for the system to commence. Consequently, relevant domestic provisions were passed to implement the UPC and UP system.

However, as the implementing legislation was due to enter into force at the same time as the system commenced, it has not taken effect.

Why is it being changed?

- 2.6 On 20 July 2020 the UK (including the IoM to which the UPC Agreement had been extended) formally withdrew from the UPC system. The EU regulations to establish the UP do not form part of retained EU law in the UK, because they were not operative before the 31 December 2020. The domestic legislation passed to facilitate the introduction of the UPC and UP is regarded as EU retained law.
- 2.7 As a result of the withdrawal of the UK and IoM from the UPC and UP, this domestic legislation cannot have practical effect, even if the UPC and UP were to enter into force within the remaining participating states.
- 2.8 This instrument removes legislation that was introduced to implement the UPC and UP in the UK and IoM. The changes within the UK are made using the power at section 8(1) of, and paragraph 21(b) of Schedule 7 to, the European Union (Withdrawal) Act 2018 to address deficiencies in retained EU law arising from the withdrawal of the UK from the UPC and UP. The changes relating to the IoM are made using sections 124(3) of the Patents Act 1977 which under 132(2) extends to the Isle of Man.

What will it now do?

- 2.9 Once this instrument comes into effect, the UK and IoM statute book will reflect the fact that the UPC and the UP have no effect in domestic law.

3. Matters of special interest to Parliament

Matters of special interest to the Sifting Committees

- 3.1 This instrument is being laid for sifting by the Sifting Committees. A statement regarding use of legislative powers in the Withdrawal Act is contained in Part 2 of the Annex to this memorandum.
- 3.2 *Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*
- 3.3 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument matches the extent of the provisions repealed or revoked.
- 4.2 The territorial application of this instrument is the UK and IoM.

5. European Convention on Human Rights

- 5.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) Amanda Solloway MP has made the following statement regarding Human Rights:

“In my view the provisions of The Patents (European Patent with Unitary Effect and Unified Patent Court) (Repeal and Revocation) Regulations 2021 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 As the UK (including the IoM to which the UPC Agreement had been extended by Order) have withdrawn from the UPC and the UP, the UPC and UP are not operative in domestic law. Thus, domestic legislation passed to implement these arrangements is redundant, even if the UPC and UP were to enter into force within the remaining participating states. The removal of this remaining domestic legislation, which constitutes retained EU law, serves to put the statute book in order, producing clarity.
- 6.2 The UP and UPC system are not yet operative. As a result, although the relevant domestic legislation constitutes retained EU law, the EU regulations to establish the UP, Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/2012 do not form part of retained EU law in the UK.
- 6.3 The instrument repeals and revokes provisions in domestic law which are redundant in circumstances where the UK has withdrawn its ratification of the UPC Agreement, the UP regulations do not operate, and the UK has withdrawn from the EU.

7. Policy background

What is being done and why?

- 7.1 The UK and IoM are viewed as an important market by many innovative companies, who correspondingly choose to protect their intellectual creations within the UK and IoM. Patent protection, if granted by an appropriate body, provides a time restricted monopoly to such companies in exchange for disclosure of their invention to the public.
- 7.2 There are two routes innovators can use to obtain granted patent rights within the UK: the United Kingdom Intellectual Property Office (IPO) and the European Patent Office (EPO - a non-EU institution comprising 38 contracting states, including all current Member States of the EU). The EPO examines applications for, and grants, European Patents. European Patents are in fact a bundle of up to 38 national patents corresponding to the contracting states, for example a European Patent (UK), European Patent (DE), etc. The IoM does not have its own register of patents, but the Patents Act 1977 extends to the IoM, and so patents valid in the UK also apply to the Isle of Man.
- 7.3 The UPC, when it enters into force, will be an international court founded by participating EU Member States to deal with the infringement and validity of both UP and European patents and will be established by the Agreement on a Unified Patent Court. This international agreement was entered into by a number of Member States of the European Union. The UPC will have exclusive jurisdiction over all UPs and also some bundle European Patents, which would have included patents covering UK and IoM. This court will apply EU law and be bound by the jurisprudence of the CJEU and not UK courts.
- 7.4 The introduction of Unitary Patents (UP) will create an option for businesses, at grant of their bundle of European Patents, to instead opt for a singular patent right with an

international territory. The territory of these patent rights would have included the UK and IoM.

- 7.5 The UK extended its membership of the UPC and UP to the IoM with The Patents (Isle of Man) (Amendment) Order 2017, thus ensuring that the IoM would participate fully in the UPC and UP. As part of preparations for the introduction of the UPC, a Protocol on Privileges and Immunities of the UPC was agreed and signed by Contracting Member States (including the UK) on 14 December 2016. The Protocol has been implemented by the Unified Patent Court (Immunities and Privileges) Order 2017. The UK ratified the Protocol on 26 April 2018. The Protocol needs France, Germany, Luxembourg and the UK to ratify. However, the UPC Agreement and consequently the UP has yet to enter into force, due to delays in ratification by other countries.
- 7.6 Separately, in July 2020 the Government took the decision to withdraw from the UP and the UPC. As the UK is no longer an EU member state, our continued participation was no longer considered practical. Further, participation in a court that applies EU law and is bound by the CJEU was and remains inconsistent with the Government's policy. This withdrawal also took effect in the IoM, with the result that both the UK and IoM are no longer participants in the UPC and UP.
- 7.7 Domestic legislation concerning the UPC and UP will not come into force in the UK and IoM, even when the UPC and UP come into force, as the UK and IoM have formally withdrawn from the UP and UPC. Nonetheless, it is now necessary to repeal and revoke domestic legislation that relates to the UPC and UP to ensure legal certainty.
- 7.8 This instrument removes domestic legislation that would have established the UPC and UP, if it had entered into force in the UK and IoM. As discussed, this domestic legislation concerning the UPC and UP was sequenced to come into force in the UK and IoM, at the same time as the UPC and UP system did.
- 7.9 This removal will provide clarity by removing pending legislation, which would otherwise remain on the statute book, relating to a system that the UK and IoM have already withdrawn from. There should be no effect on businesses, as the UK and IoM patent system will continue to operate in the same way, after this instrument takes effect, as it does currently.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

- 8.1 This instrument is being made using the power in section 8 of the European Union (Withdrawal) Act 2018 to address failures of retained EU law to operate effectively or other deficiencies (falling within section 8(2)(a), (c), (d) and (e)) arising from the withdrawal of the UK from the European Union. The instrument repeals and revokes domestic law deriving from EU law and retained EU law, which no longer has any practical application in the UK and is redundant. The retained EU law makes provision for reciprocal arrangements between the UK and EU Member States in relation to the UP which are no longer appropriate. The retained EU law also makes provision for, or in connection with, arrangements in relation to the UPC which depend on the UK's membership of the EU and are no longer appropriate. The retained EU law additionally makes provision for arrangements in relation to the IoM which are no longer appropriate as a result of the UK ceasing to be party to the Treaty on the European Union and the Treaty on the Functioning of the European Union.

Consequential provision is made under paragraph 21(b) of Schedule 7. Alongside the EU (Withdrawal) Act 2018 powers the instrument is also being made under sections 124(3) of the Patents Act 1977 which under section 132(2) extends to the Isle of Man. This is necessary as it enables revocation of the Order which extended the implementation of the UPC and UP to the IoM.

- 8.2 In accordance with the requirements of the EU (Withdrawal) Act 2018 the Minister has made the relevant statements as detailed in Part 2 of the Annex to this Explanatory Memorandum.

9. Consolidation

- 9.1 No legislative consolidation is being done. Informal consolidated texts of this legislation are publicly available for free on the gov.uk website.

10. Consultation outcome

- 10.1 No public consultation has been carried out, as this instrument will not change the patent system of the UK. This is because the instrument merely removes legislation that cannot take effect, ensuring a clearer statute book. Patents are a reserved matter generally. However discussions have been held with the IoM and Scottish Governments regarding the portions of UPC and UP implementation that were specific to their territories. The IoM Government has been consulted with regards to revocation by this instrument of the Order which extended the UPC and UP implementation to the IoM. A separate Scottish Order in Council has been prepared to deal with those provisions relating to privileges and immunities that fall within the legislative competence of the Scottish Parliament and has been laid.

11. Guidance

- 11.1 Given the nature of the instrument, it is not necessary to provide any guidance, as there will be no changes to the patent system of the UK. This is because the instrument merely removes legislation that cannot take effect.

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 While an analysis of the impacts of this instrument has been carried out, an Impact Assessment has not been prepared for this instrument because it will not change the patent system of the UK or IoM. This is because on 28 February 2020 the UK announced it would not be seeking continued participation in the UP and UPC system and duly withdrew formally on 20 July 2020. This instrument removes domestic legislation that would have provided for the implementation of the UPC and UP system in the UK and IoM, if the UK and IoM had remained a participatory member and the UPC Agreement had entered into force in the UK. This legislation cannot come into force, as the UK and IoM are no longer participating in the UPC and UP systems and does not relate to a change in policy. This instrument provides clarity by removing pending legislation, which would otherwise remain on the statute book. The impact to businesses should be negligible as the UK and IoM have already withdrawn from the UPC. Further, the UK patent system will continue to operate in the same way after the instrument passes as it did before.

13. Regulating small business

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 13.3 The basis for the final decision on providing no specific help to small businesses is that this instrument will have no effect on small businesses. This is because the instrument will only repeal and revoke legislation that will not come into force.

14. Monitoring & review

- 14.1 The approach to monitoring of this legislation is to assess the effect of the changes being made as part of the course of normal departmental business. In particular, as the authority responsible for patent application, examination, and granting process, the IPO will closely monitor how it operates and whether any practical issues arise.
- 14.2 As this instrument is made under the EU Withdrawal Act 2018, no review clause is required.

15. Contact

- 15.1 Aquila Brandon-Salmon or Max Emery at the Intellectual Property Office Telephone: 01633811154 or 01633814948 or email: aquila.brandon-salmon@ipo.gov.uk or max.emery@ipo.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 James Porter, Divisional Director for Policy and Legal at the Intellectual Property Office can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) Amanda Solloway MP at the Department for Business, Energy & Industrial Strategy can confirm that this Explanatory Memorandum meets the required standard.

Annex

Statements under the European Union (Withdrawal) Act 2018

Part 1

Table of Statements under the 2018 Act

This table sets out the statements that may be required under the 2018 Act.

Statement	Where the requirement sits	To whom it applies	What it requires
Sifting	Paragraphs 3(3), 3(7) and 17(3) and 17(7) of Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) to make a Negative SI	Explain why the instrument should be subject to the negative procedure and, if applicable, why they disagree with the recommendation(s) of the SLSC/Sifting Committees
Appropriateness	Sub-paragraph (2) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	A statement that the SI does no more than is appropriate.
Good Reasons	Sub-paragraph (3) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain the good reasons for making the instrument and that what is being done is a reasonable course of action.
Equalities	Sub-paragraphs (4) and (5) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2	Explain what, if any, amendment, repeals or revocations are being made to the Equalities Acts 2006 and 2010 and legislation made under them. State that the Minister has had due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010.
Explanations	Sub-paragraph (6) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9 and 23(1) or jointly exercising powers in Schedule 2 In addition to the statutory obligation the Government has made a political commitment to include these statements alongside all EUWA SIs	Explain the instrument, identify the relevant law before exit day, explain the instrument's effect on retained EU law and give information about the purpose of the instrument, e.g., whether minor or technical changes only are intended to the EU retained law.
Criminal offences	Sub-paragraphs (3) and (7) of paragraph 28, Schedule 7	Ministers of the Crown exercising sections 8(1), 9, and	Set out the 'good reasons' for creating a criminal offence, and the penalty attached.

		23(1) or jointly exercising powers in Schedule 2 to create a criminal offence	
Sub-delegation	Paragraph 30, Schedule 7	Ministers of the Crown exercising sections 10(1), 12 and part 1 of Schedule 4 to create a legislative power exercisable not by a Minister of the Crown or a Devolved Authority by Statutory Instrument.	State why it is appropriate to create such a sub-delegated power.
Urgency	Paragraph 34, Schedule 7	Ministers of the Crown using the urgent procedure in paragraphs 4 or 14, Schedule 7.	Statement of the reasons for the Minister's opinion that the SI is urgent.
Explanations where amending regulations under 2(2) ECA 1972	Paragraph 14, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement explaining the good reasons for modifying the instrument made under s. 2(2) ECA, identifying the relevant law before exit day, and explaining the instrument's effect on retained EU law.
Scrutiny statement where amending regulations under 2(2) ECA 1972	Paragraph 15, Schedule 8	Anybody making an SI after exit day under powers outside the European Union (Withdrawal) Act 2018 which modifies subordinate legislation made under s. 2(2) ECA	Statement setting out: a) the steps which the relevant authority has taken to make the draft instrument published in accordance with paragraph 16(2), Schedule 8 available to each House of Parliament, b) containing information about the relevant authority's response to— (i) any recommendations made by a committee of either House of Parliament about the published draft instrument, and (ii) any other representations made to the relevant authority about the published draft instrument, and, c) containing any other information that the relevant authority considers appropriate in relation to the scrutiny of the instrument or draft instrument which is to be laid.

Part 2

Statements required when using enabling powers under the European Union (Withdrawal) 2018 Act

1. Sifting statement(s)

- 1.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) Amanda Solloway MP has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view the Patents (European Patent with Unitary Effect and Unified Patent Court) (Repeal and Revocation) Regulations 2021 should be subject to annulment in pursuance of a resolution of either House of Parliament (i.e. the negative procedure).”

- 1.2 This is the case because it does not meet the criteria for the affirmative procedure to apply as set out in the Withdrawal Act. The instrument is technical in nature, removing from the UK statute book redundant legislation that cannot come into force as the UK and IoM have already withdrawn from the UPC and UP. Sections 2, 6 and 7 of this explanatory memorandum provide further detail on the nature of this instrument.

2. Appropriateness statement

- 2.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) Amanda Solloway MP has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view The Patents (European Patent with Unitary Effect and Unified Patent Court) (Repeal and Revocation) Regulations 2021 does no more than is appropriate.”

- 2.2 This is the case because the instrument removes from domestic law legislation that has no practical application following the UK and IoM withdrawal from the UPC and UP. It will ensure that the statute book is clear and coherent.

3. Good reasons

- 3.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) Amanda Solloway MP has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018:

“In my view there are good reasons for the provisions in this instrument, and I have concluded they are a reasonable course of action.”

- 3.2 This is the case because without this instrument redundant legislation related to the UPC and UP would remain on the UK and IoM statute books, but would not have any practical application as the UK and IoM have withdrawn from the UPC and UP.

4. Equalities

- 4.1 The Parliamentary Under Secretary of State (Minister for Science, Research and Innovation) Amanda Solloway MP has made the following statement:

“The draft instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts.”

4.2 The instrument is unlikely to have any impact on equalities. The instrument is technical in nature and removes legislation that no longer has any practical application following the UK and IoM departure from the UPC and UP.

5. Explanations

5.1 The explanations statement has been made in section 2 of the main body of this explanatory memorandum.