

Kluwer Patent Blog

'Seat central division Unified Patent Court cannot be outside EU'

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Even if a way is found to keep the United Kingdom in the Unitary Patent system after the Brexit, it is hard to believe London can keep its seat of the central division of the Unified Patent Court. This is argued in an interview with Kluwer IP Law by Cesare Galli, president of the Italian law firm IP Law Galli and IP Law professor at the University of Parma. He thinks Milan as central court seat could be a fallback solution.

After the Brexit vote, doubts rose whether the UK would still ratify the UPCA, and quite a few people in Italy lobbied for the pharma branch of the UPC central division to be based in Milan, if it weren't to be London. This lobby died down when the UK announced on 28 November 2016 that it intended to ratify indeed. What is your view?

'First and foremost, I would like to stress that the United Kingdom's continued participation in the UPC system remains a highly desirable outcome among Italian IP professionals and could be viable through a limited modification of the Agreement on the Unified Patent Court, should the United Kingdom remain within the European Economic Area or the single market.



Cesare Galli

However the UPC, even if it has been established through an international agreement and is not an EU Court, has been set up within the framework of EU legislation. The CJEU's power of interpretation of the UPC Agreement has been expressly provided. Therefore it is hard to believe that a central division of a Court established within the framework of EU legislation, according to an Agreement expressly limited to EU members, may have its seat outside the EU. Hence the nomination of Milan as a potential central court seat is still on the table, at least as a fallback solution.

In this respect, we should also consider that the European Patent Office in 2015 granted 2476 patents to Italian patentees, ranking Italy in 3rd position in the European Union after Germany and France and before the UK. Annually, Italian Courts (mainly the specialized IP division of

the Court of Milan) deal with more than 200 European patent cases. The average duration of the proceedings in first instance is less than two years. This may appear longer than the European average, but it is not, considering that Italian patent litigation normally includes a decision not only on infringement, but also on patent validity and assessment of damages/account of infringer's profit.

Likewise, Italy is among the European countries that recognize the highest damages/account of infringer's profits in case of proven infringement. A decision rendered by the Court of Milan in 2016, for instance, awarded more than 2.5 million Euros in damages for infringement of a patent concerning Dual SIM portable phones. Therefore, Italy has got the right stuff for playing a significant role in the new European patent system. More generally, London will be reconsidered as a global hub for IP rights management, while other European locations could become more attractive at an EU level. Milan, in particular, could become a major player in this context.

The UPC Preparatory Committee expects the UP system to launch in December 2017, provided with the clear disclaimer that the UK and Germany have ratified, among others. Do you expect this to happen indeed?

'Time will tell, of course. Even if I am perfectly aware of the difficulties in achieving this goal, what I can say is that all the institutions involved are working hard. Italy, in particular, has already identified the new building in Milan where the Italian local division will be located and is making all the necessary arrangements, both in terms of logistics and of training of people. All the preparatory activities have been set in motion and we are ready to start in due course.'

If the UK ratifies the UPCA, it will create uncertainty as to what should happen once the UK leaves the EU. Is this a problem?

'I don't think so. What really matters is that the people from the EU and the UK Government who are going to negotiate Brexit will be creative enough to find new cost-effective solutions which also ensure a sufficient certainty of rights for all the subjects involved. IP experts should be included in the think tanks on both sides of the Channel, since Brexit does not involve the UPC or the Unitary Patent only, but all IP rights in Europe; and IP issues play a major role not only in international trade, but also in future decisions which will decide the growth of this whole area.'

In what way have you been preparing clients for the upcoming changes? Have the preparations intensified since the 28 November announcement in the UK that it intends to ratify the UPCA despite the Brexit vote?

'We have been working hard from the very beginning to prepare clients, since I have never believed that Italy could stay out of the Unitary Patent project. We have already established a net of boutique patent law and patent prosecution firms in Europe to be able to face all the challenges of the new system. Over the last months we have been informing Italian companies in detail about practical steps to prepare for the Unitary

Patent and Unified Patent Court, about opportunities deriving from the new system and we have discussed custom made road maps with them.

As I said when chairing the AIPPI panel on Brexit, during the world congress last September in Milan, we need to “Keep calm and be prepared to Brexit”, in all IP fields, starting with patents, of course. While changing filing strategies and putting British patents alongside European patents seems premature, the main task for European companies and their legal counsels at this moment is a review of contracts – in particular license agreements and technology transfers, especially if they are long term –, also including jurisdiction clauses that work effectively in the worst scenario of the UK leaving the UP system.’

In the past, there has been opposition to the UP system in Italy because of the language regime, among others. Italy even chose to stay outside the enhanced cooperation, before it changed its mind in 2015. Will the language regime be a reason for Italian companies, in particular SMEs, not to use the UP system?



‘Not at all. Actually, the opposition was purely political, mainly due to the resistance of some interest groups seeking to maintain their actual privileges, while the Association of the Italian companies, including SMEs, already backed the project. I feel absolutely confident the UP system will be used in Italy.’

Last autumn, both chambers of Parliament in Italy ratified the UPCA. Still, Italy has not yet formally deposited its instrument of ratification with the EU Council. Do you know why?

‘Italy faced a government crisis meanwhile and many activities have been slowed down. However there is no change of mind in the Italian Government. The person in charge of the issue, State Secretary for European Affairs Sandro Gozi made Italy join the enhanced cooperation in 2015. He is a firm advocate of both the UP and the UPC.’

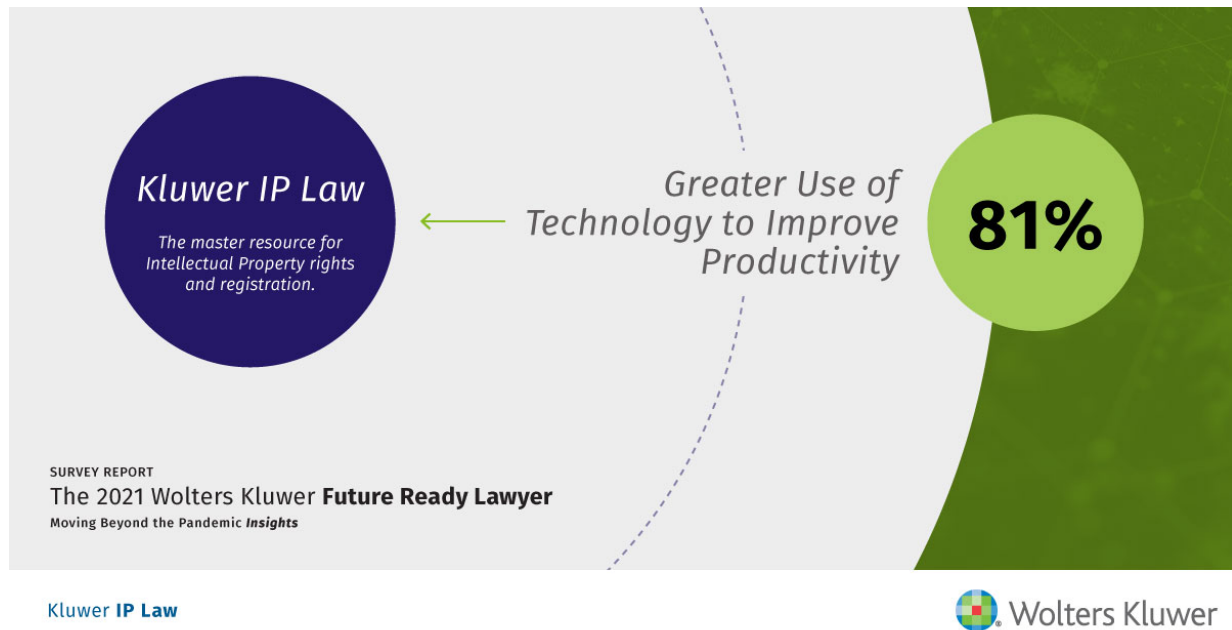
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