

EXPLANATORY MEMORANDUM TO

THE PATENTS (ISLE OF MAN) (AMENDMENT) ORDER 2017

2017 No. 162

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 Command of Her Majesty.

2. Purpose of the instrument

- 2.1 The Patents (Isle of Man) (Amendment) Order 2017 (“the Order”) amends the Patents (Isle of Man) Order 2013¹, and thereby modifies the Patents Act 1977 (c.37, “The Patents Act”) as it applies to the Isle of Man.
- 2.2 This instrument applies the provisions of the Patents (European Patents with Unitary Effect and Unified Patent Court) Order 2016 (S.I. 2016/0388, “the Unitary Patent Order”) to the Isle of Man.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 The Patents Act is the principal statute governing the patents system in the UK and it gives the Comptroller-General of Patents Designs and Trade Marks, and the Patent Office (operating as the Intellectual Property Office, “the IPO”), certain powers and duties in relation to the running of the patents system. This includes the examination of patent applications, the granting of patents and acting as a quasi-judicial body with jurisdiction over certain legal proceedings concerning patents.
- 4.2 On 19 February 2013, the UK Government signed an intergovernmental Agreement to provide for a Unified Patent Court (UPC) within participating European countries – the UPC Agreement (UPCA). The Unified Patent Court was agreed as a package of reforms along with a Unitary Patent which provides a single, uniform patent right covering the territories of the participating European countries. The Unitary Patent was established through two related EU Regulations (Regulation (EU) No 1257/2012 for the creation of unitary patent protection, “the Unitary Patent Regulation” and Regulation (EU) No 1260/2012 relating to the translation arrangements, “the Translation Regulation”).

¹ S.I. 2013/2602, amended by the Patents (Isle of Man) (Amendment) Order 2016 (S.I. 2016/559).

4.3 The Unitary Patent Order will, on entry into force, give effect to the UPC Agreement, and implement necessary provisions through amendments to the Patents Act². Specifically, the Unitary Patent Order makes provisions to give the UPC jurisdiction to decide some issues in relation to certain patents valid in the UK, and ensures the new Unitary Patent is reflected in the Patents Act.

4.4 This Order is made under sections 124(3) and 132(2) of the Patents Act.

5. Extent and Territorial Application

5.1 The extent of this instrument is the Isle of Man.

5.2 The territorial application of this instrument is the Isle of Man.

6. European Convention on Human Rights

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

7.1 A patent protects an invention and lets the owner of that patent take legal action against anyone who infringes the patent, i.e. makes, uses, sells or imports that invention without the owner's permission. There are currently two types of patent that are valid in the UK – GB national patents granted by the IPO, and European patents designating the UK (“European patent (UK)”) granted by the European Patent Office (EPO). The EPO is a non-EU international organisation set up under an intergovernmental agreement (the European Patent Convention) which is able to grant patents covering the territories of up to 38 European countries, including all EU countries. The Isle of Man does not have its own register of patents, but the Patents Act extends to the Isle of Man, and so patents valid in the UK also apply to the Isle of Man.

7.2 Whilst the current system allows for patents to be granted covering multiple European countries, these patents (often referred to as “European bundle patents”) are administered and enforced individually in each country they cover. As a result, the system is heavily fragmented, legally uncertain, and costly. Fees are often required for validation of the patent in each country being covered, and translations into official national languages are also needed in many cases. Actions for infringement are commonly brought in multiple jurisdictions. This can sometimes result in different conclusions being reached by courts in different countries, even though the facts of the case may be the same. Furthermore, businesses need to file documents in all these jurisdictions (often requiring translation into the language of the court), pay court fees, hire local counsel, etc., all of which increase the cost burden of enforcing patents.

7.3 The Unitary Patent will be a single patent which will have uniform effect in up to 26 participating EU countries. The patent will be applied for and administered through the European Patent Office, to whom the request for unitary effect must be made after the patent has been granted. The Unified Patent Court will be a specialised court with

² In accordance with Article 1(2) of the Unitary Patent Order, the provisions come into effect on the entry into force of the UPC Agreement.

jurisdiction to hear disputes on European bundle patents and the new Unitary Patent, as well as supplementary protection certificates³ (“SPCs”) based on those patents. The UPC is a non-EU international court.

- 7.4 The UPC Agreement and the Unitary Patent and Translation Regulations therefore mean that it will be possible to apply to the European Patent Office (using the same application process as at present) for a single patent covering all participating countries, and to have that patent litigated in a single court (the Unified Patent Court), providing a single judgment valid in all the participating countries. This will be an optional route for business to protect their inventions but could save money by reducing the need to litigate in multiple jurisdictions, along with reducing the associated administrative and cost burden. It is intended to make access to the patent system easier, less costly, and more legally secure.
- 7.5 The Unitary Patent Order gives effect to the UPC Agreement and the Unitary Patent Regulation, implementing provisions that give the Unified Patent Court the proper degree of jurisdiction over the appropriate patents, as well as ensuring the new Unitary Patent is reflected in the Patents Act as a patent valid in the UK.
- 7.6 The amendments to the Patents Act made by the Unitary Patent Order do not extend to the Isle of Man. Following consultation, the Government decided that the extension of the provisions should be made through a separate Order in Council. This is required for the Isle of Man to be included in the UK’s ratification of the UPC Agreement.
- 7.7 Extension of the UK’s ratification to the Isle of Man is in line with the request by the Council of Ministers of the Isle of Man in mid-2013⁴. Being included in the UK’s ratification will mean that the Isle of Man will be within the territory of the contracting Member States of the UPC Agreement and the participating Member States for the Unitary Patent Regulation.

Consolidation

- 7.8 No consolidation of the Patents (Isle of Man) Order 2013 is planned at present.

8. Consultation outcome

- 8.1 An early draft of the Unitary Patent Order for technical review, combined with a call for evidence as to the impact of the proposed changes, was published in June 2014⁵. The purpose of the technical review was to allow interested parties to review the draft legislation and to provide comments as to whether the text achieved the policy objectives set out in the review document. The draft legislation in the technical review and call for evidence applied to the same territorial extent as the Patents Act (meaning that it extended to the Isle of Man), and the document discussed application of the proposed changes to the Isle of Man. The technical review enabled people to make representations through written submissions over a 12-week period from 10 June to 2 September 2014. Public workshops and a webinar were used to raise interest in the review document, and to gain further insight into stakeholder views.

³ These provide holders of patents relating to certain medicinal and plant protection products an additional period of protection, to reflect regulatory delays.

⁴ https://www.gov.im/media/629447/comin_aprilmayjune2013.pdf

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/318769/Consultation_Technical_Review_Unified_Patents_Court.pdf

- 8.2 Twenty responses were received during the period, from professional representative bodies, patent holders, attorney firms and individuals. No specific comments were made in relation to the application to the Isle of Man; however, following review and consultation with the Isle of Man Government, the Government decided that the Statutory Instrument would not include the Isle of Man in its territorial extent. Instead, the changes needed to ensure compliance with the Unitary Patent Regulation and for the UPC to come into effect in the Isle of the Man would be made through an Order in Council under section 132(2) of the Patents Act.
- 8.3 A summary of responses to the technical review and call for evidence was published on 12 March 2015, and the Government Response was published on 15 January 2016; both are available on the gov.uk website⁶.

9. Guidance

- 9.1 The IPO intends to provide formal guidance for users of the patent system on the availability of the Unitary Patent and the new court ahead of its expected start date. This will include users in the Isle of Man.

10. Impact

- 10.1 The impact on business, charities or voluntary bodies is dependent on the choices they make with regard to the various methods of protection available to them in the patent system. Bodies that choose to protect their inventions via Unitary Patents will benefit from reduced translation costs and validation fees, as well as the single jurisdiction of the Unified Patent Court with its reduced litigation costs. Holders of existing European patents (UK), and those who continue to use that route, may also benefit from the single jurisdiction of the Unified Patent Court; however, they will lose the benefit of some of the low-cost forums available in the UK, such as the Intellectual Property Enterprise Court, unless they choose to opt out of the Unified Patent Court's jurisdiction.
- 10.2 There will be no impact on the public sector caused by application to the Isle of Man. Any obligations under the UPC Agreement fall to the UK Government, and changes stemming from the Agreement or the Regulations are not considered to affect the Isle of Man authorities.
- 10.3 Details on the benefits and costs were provided in three Impact Assessments relating to the three elements of the changes made in respect of the Unitary Patent Order – jurisdiction, effect of the Unitary Patent, and infringement – which are submitted with this explanatory memorandum and published alongside it on the legislation.gov.uk website. These assessments were made taking into account application of the changes to the Isle of Man, and remain up-to-date.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 11.3 The basis for the final decision on what action to take to assist small businesses is that the Unitary Patent and the Unified Patent Court are optional services which small businesses are not required to use. Where they choose to use these services there may

⁶ <https://www.gov.uk/government/consultations/secondary-legislation-implementing-the-unified-patent-court>

be a benefit to them, which will be the same as for large businesses. For these reasons small businesses are not exempted from the changes. During the consultation process, the technical review was provided to a number of organisations that represent or support small business users of the patents system. Each of the three Impact Assessments are also considered specific implications for small and micro-sized businesses.

12. Monitoring & review

- 12.1 The review and updating of Orders in Council in relation to intellectual property is continuous. The IPO will be reviewing its implementation of the UPC Agreement and the Regulations within five years of entry into force of the Unitary Patent Order. Any changes made as a consequence will be applied to the Isle of Man in due course.

13. Contact

- 13.1 Michael Warren at the Intellectual Property Office, an executive agency of the Department for Business, Energy and Industrial Strategy, Telephone 01633813988 or email: Michael.Warren@ipo.gov.uk can answer any questions regarding the instrument.