



Clear direction

Patent and Trade Mark Attorneys

The European Unitary Patent System

Matt Barton – CincyIP – 10 February 2015



About the speaker

- Matt Barton
- Partner at Forresters
 - Munich office
- Degree and PhD in Chemistry
- In practice for 13 years
 - EPO and UKIPO drafting, prosecution, opposition, appeal, freedom-to-operate opinions, litigation support
 - Chemical and mechanical subject matter

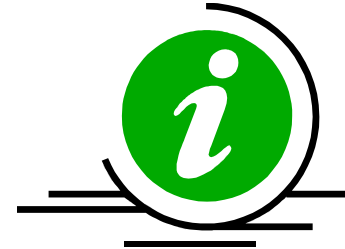


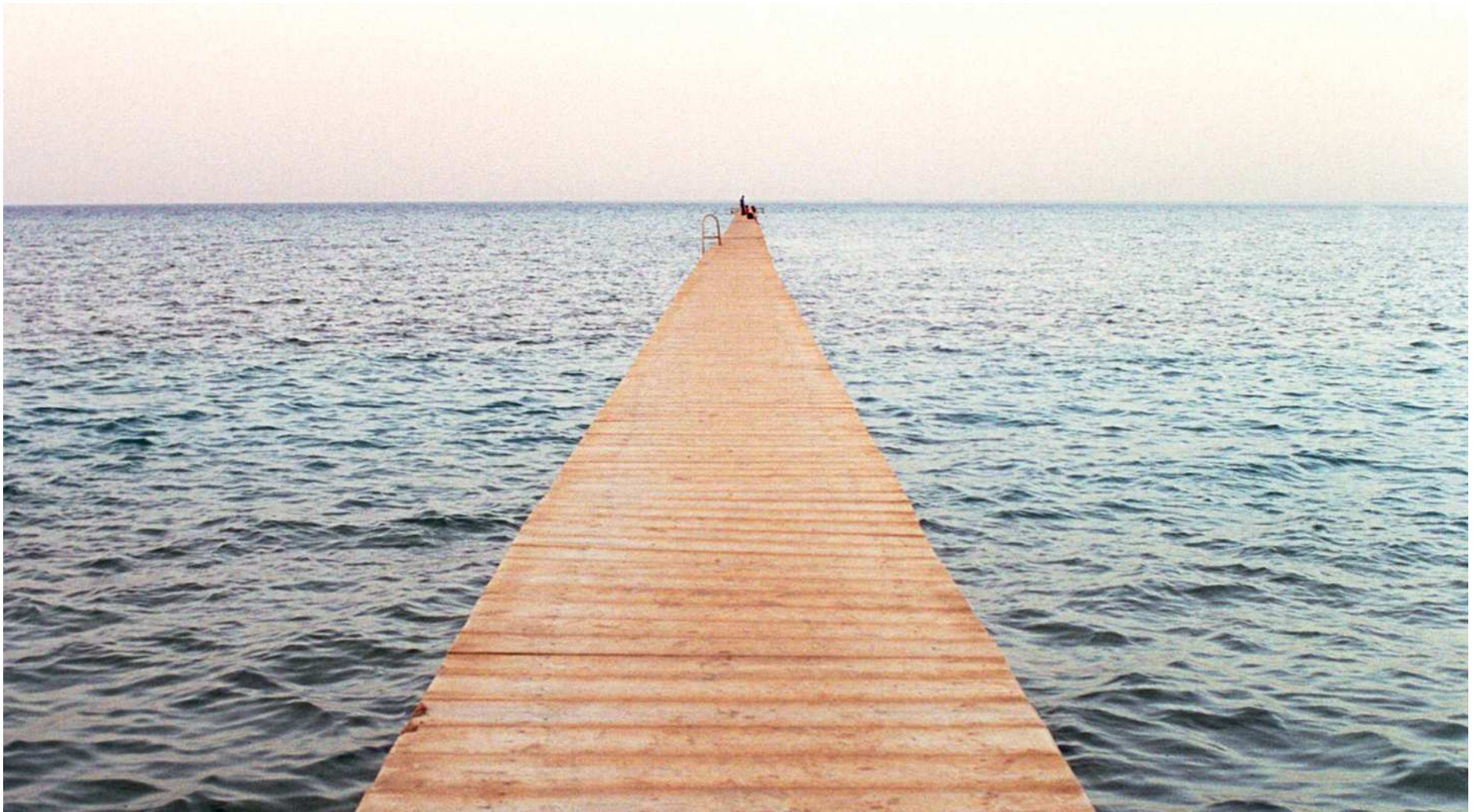
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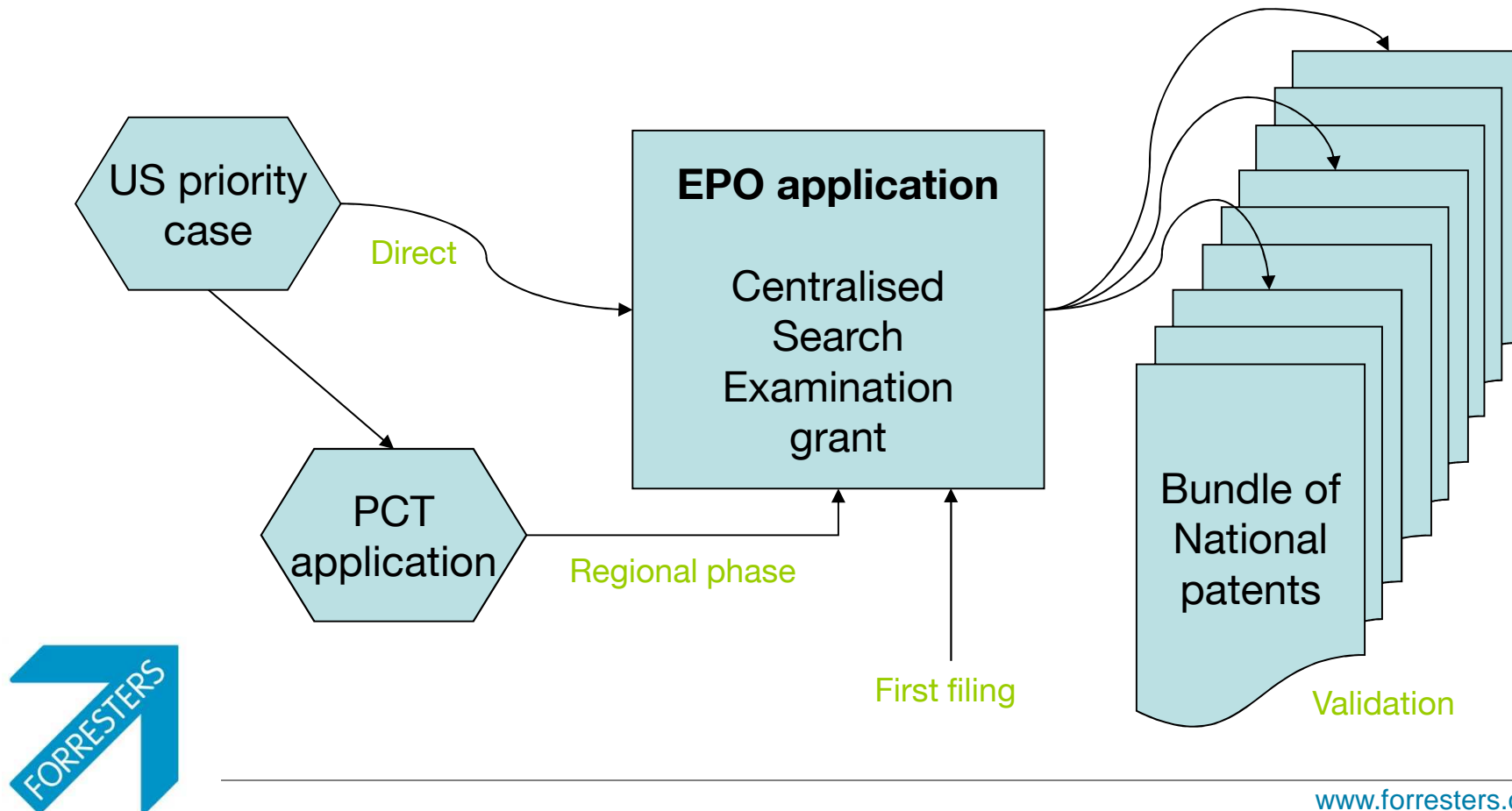




Introduction

The present system

- At present, the EPO patent procedure is centralised, but validation, translation, renewal and **enforcement** is “unbundled”



EPO countries

- Source:
- www.epo.org



Enforcement issues

- Forum shopping - choose best country to meet aim of enforcement or revocation
- No common appeal court
- Different results in different countries
- No EU-wide injunctions (probably)
- Bifurcation (Germany, Austria, Hungary)
- Stay during EPO opposition? DE yes, NL no, GB maybe!



More enforcement issues

- Different speed of proceedings:
 - UK 6-12 months
 - DE 6-12 months but 2 years for separate validity proceedings
 - FR 2-3 years
 - IT more than 3 years
- Variation in costs e.g. UK versus Germany
- Extremely expensive to enforce in numerous states



Objectives of the new system

- Need was felt for:
 - Less fragmentation – a truly unitary EP patent
 - One set of proceedings
 - Common appeal court
 - Cost-effective system to stimulate innovation and assist applicants with lower budgets (remove translation requirements)



Timeline

- 1975 (!) – Community Patent Convention (CPC)
 - Never ratified
- 2000 – the idea is revived: new system and court proposed
- 2007 – progress at last
- 2012 – regulations adopted to create the unitary patent
 - Patent regulation in force 20 January 2013
- 2013 (19 February) – signed by 25 EU member states
 - BUT needs ratification by 13 states including GB, DE and FR

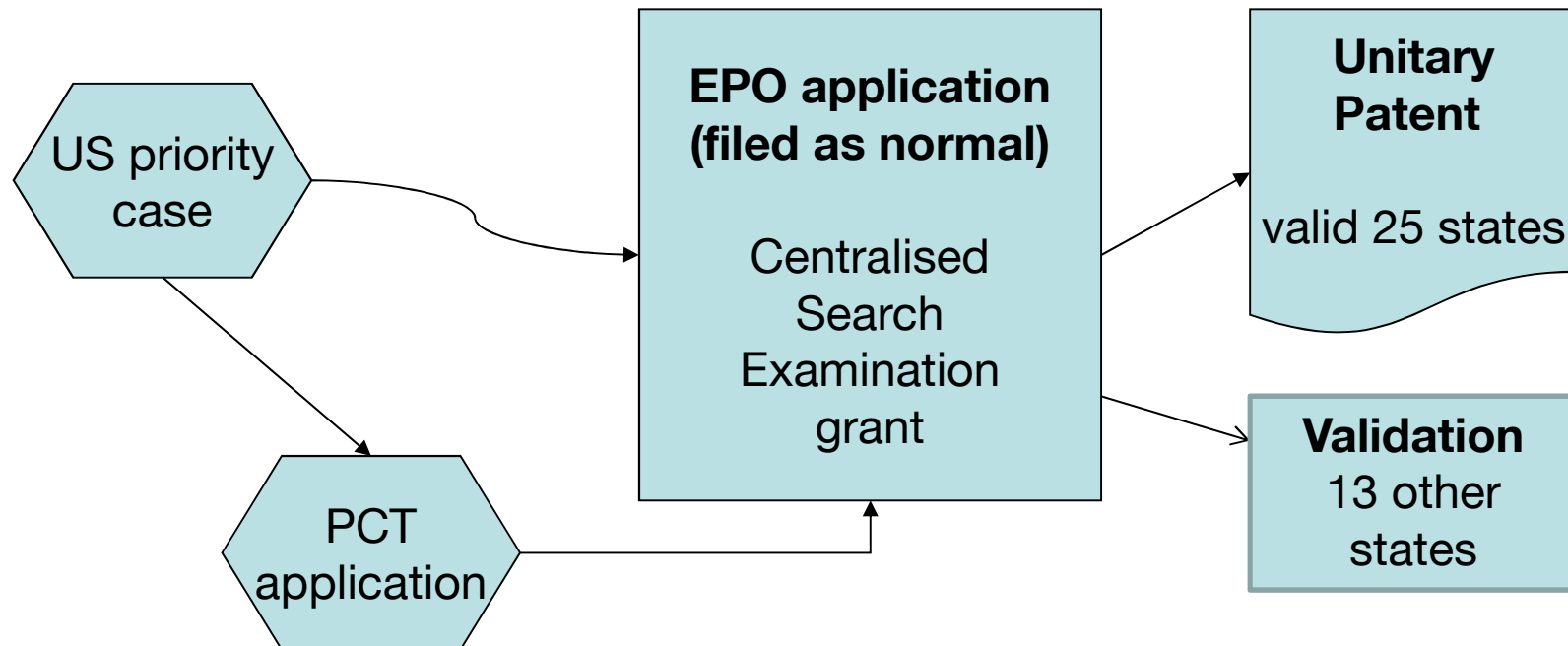




The Unitary Patent

The new procedure

- Centralised grant as now, leading to a single patent



Operation of the EU Unitary Patent (1)

- Application examined by the EPO centrally as is now the case
- Request that patent has unitary effect made at grant stage
- Unitary effect covers most of EU region and includes 25 EU states
- Does not include ES and IT
- Does not yet include Croatia (HR) – joined EU only recently
- Cannot include non-EU EPO states: e.g. TR, CH, NO, IS
- EPO states not party to the unitary patent can still be validated nationally using the existing procedures



Operation of the EU Unitary Patent (2)

- Accepted and granted for unitary effect by filing French and German claims – as at present; NO other translations needed
- High quality machine translations will ultimately be available online
- Transitional translation provisions: into EN if the specification is FR/DE, or EU member state language if EN.
- Compensation system where applicant is from an EU member state where EN/FR/DE is not an official language, and the applicant needs to prepare EN/FR/DE translation – money back



Advantages and disadvantages

- Very limited translations needed – huge cost saving
- Single renewal fee, not per state
 - Highly attractive for smaller / budget constrained applicants
 - However, the level of the renewal fee is yet to be decided
- Centrally enforceable – but can also therefore be centrally attacked and revoked
- Single injunction across all 25 participant states



Advantages and disadvantages

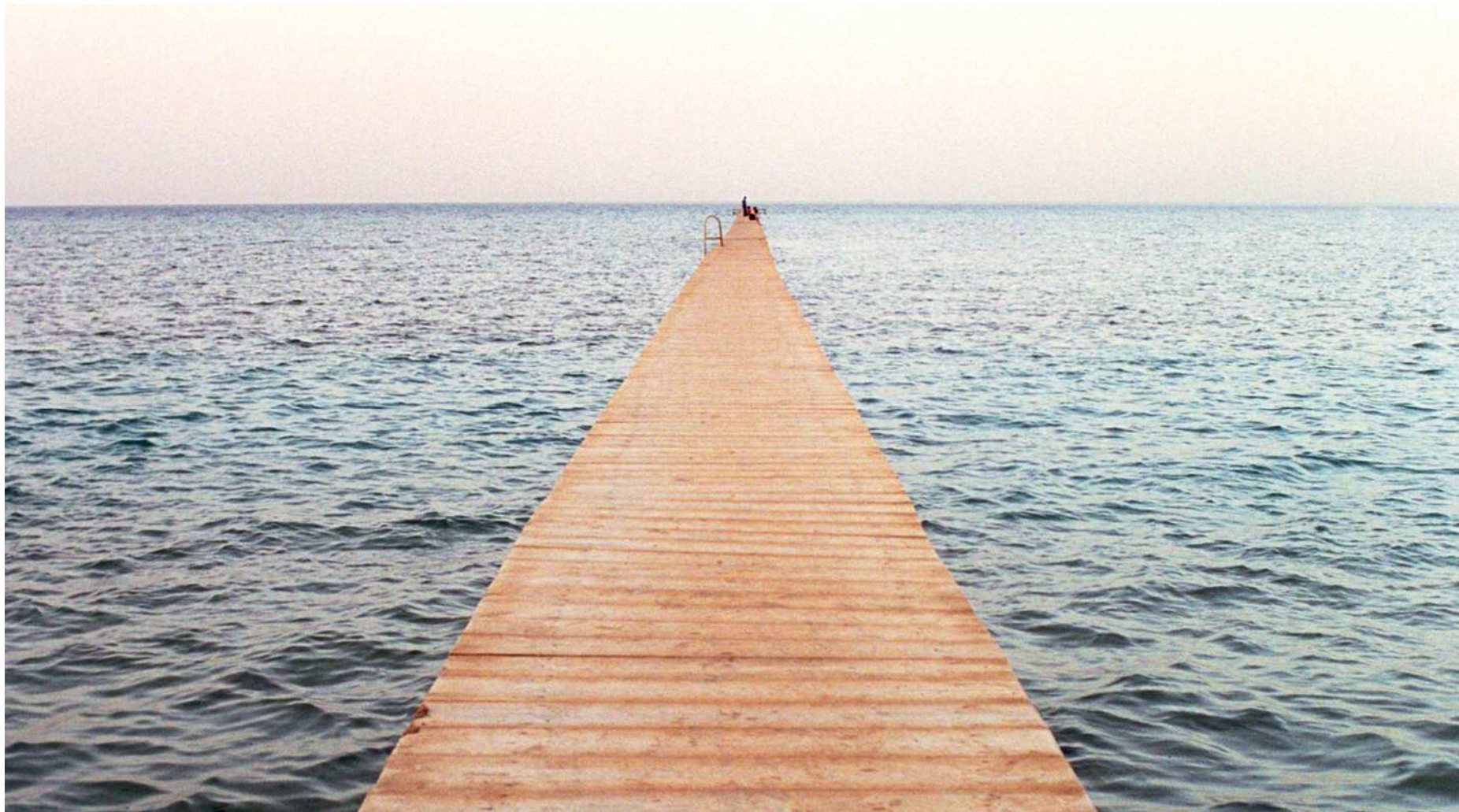
- Does not include ES, IT
 - These countries chose not to take part due to the translation arrangements
- Does not include non-EU EPC contracting states
 - e.g. NO, TR, CH
- But the old EPC system will still run in parallel – patentee can validate patent in ES, IT, NO etc in addition to unitary effect
- **As the decision does not need to be made until the patent is granted there is no need to change current filing approach**



Choices

1. Traditional EPO patent, validated in countries of choice
 - Divisional application with unitary effect?
 2. European patent with unitary effect in 25 states
 - Plus traditional validations for the remaining 13 states
 3. National patents
- Options (1) and (2) will, after entry into force, be enforced in the Unitary Patents Court (UPC)
 - Existing EPO validations can be opted out; see later.





The Unified Patent Court

www.forresters.co.uk

UPC - introduction

- Unified Patent Court (UPC) will ultimately have jurisdiction for enforcement of ALL patents issued by EPO
 - For the 25 UPC countries*
 - Including “old” ones
 - But see transitional provisions
- National courts will only have jurisdiction for nationally-issued patents e.g. by UKIPO or DPMA
- *It is a slightly different set of 25 countries
 - IT is “in” the court system but “out” of the patent system
 - PL is “out” of the court system but “in” the patent system
 - ES is out of both



Summary of countries – January 2015

Green – patent and court

Blue – ratified

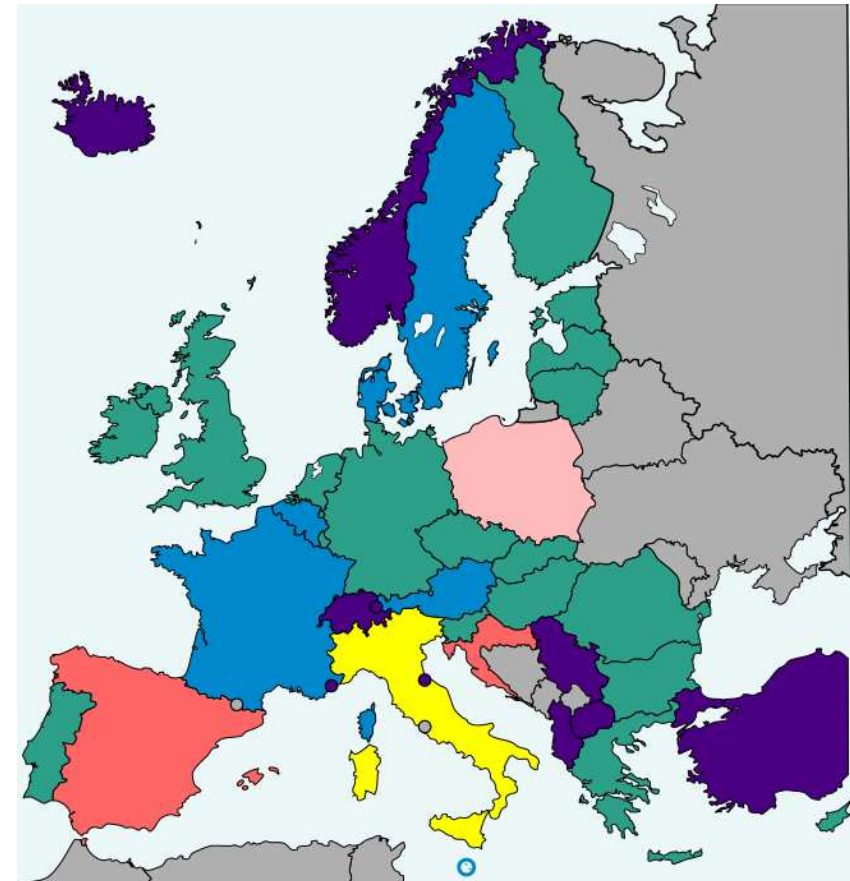
Yellow – court only (IT)

Purple - non-EU - no possible involvement

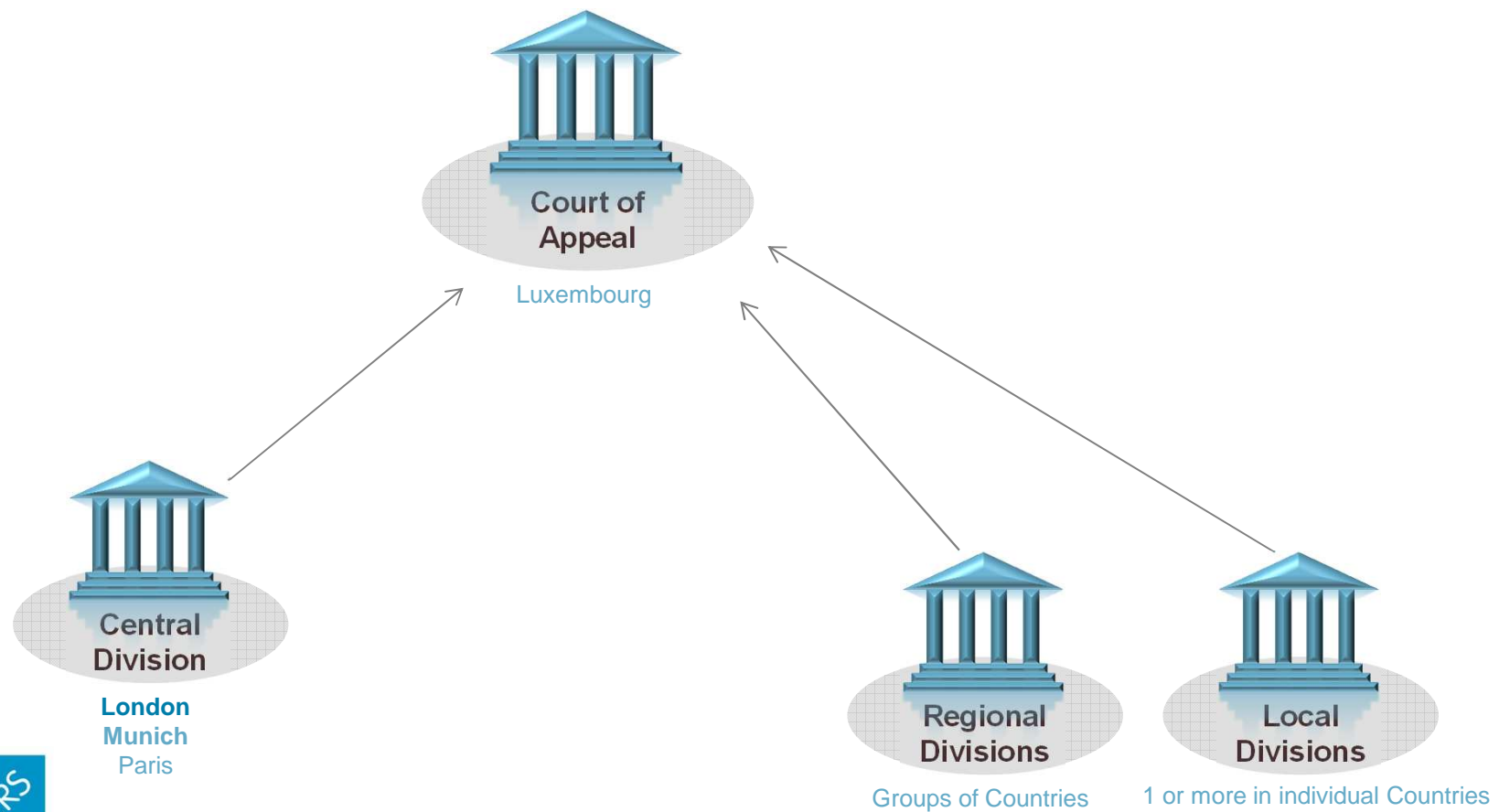
Dark pink – neither court nor patent (ES, HR)

Light pink – patent only (PL)

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The UPC – Court structure



Local divisions - expectations



London

Düsseldorf

Paris

Mannheim

Milan

Munich

The Hague

Hamburg

Brussels

Helsinki

Copenhagen



Regional divisions - expectations



Sweden & Baltic countries

Romania / Bulgaria / Greece / Cyprus

Czech Republic / Slovakia / Hungary

Slovenia??



Central Division



(A) Human necessities

(C) Chemistry, metallurgy



President's office

(B) Performing operations,
transporting

(D) Textiles, paper

(E) Fixed constructions

(G) Physics

(H) Electricity



(F) Mechanical engineering,
lighting, heating, weapons,
blasting



UPC - jurisdiction

- Matters of infringement heard in either the LD or RD which covers:
 - the country where the infringement occurs (or likely to occur) or
 - the country where the defendant is based
- CD used instead when defendant has no place of business in the EU or infringement occurs in a country without a LD or RD
- Applicable law is that of the country determined in accordance with specific criteria e.g. patentee's residence, principal place of business or place of business
- When patentee has no place of business in the EU: German law



UPC

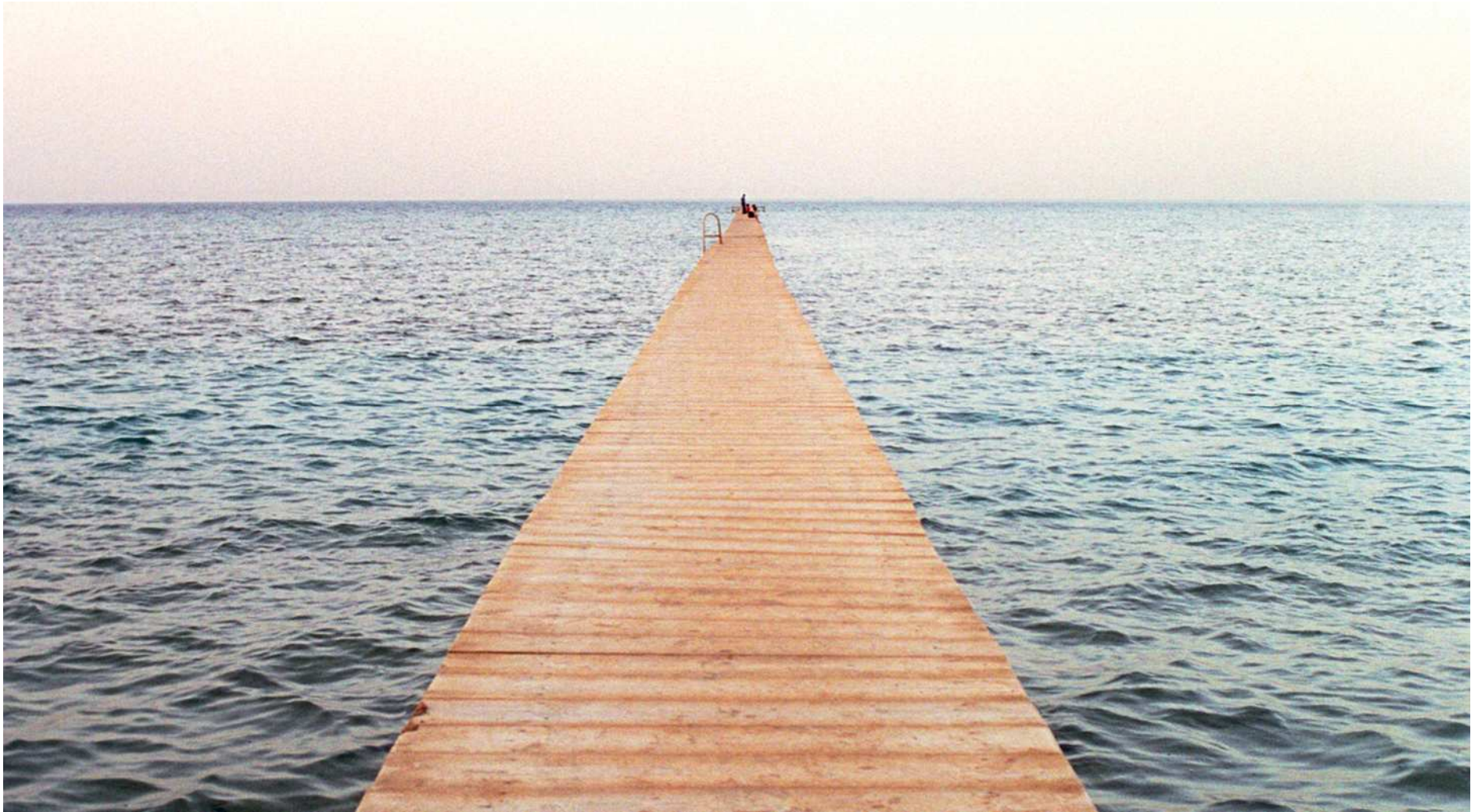
- Validity cases which are not counter-claims heard at CD
- Each court has a mix of judges – local and from elsewhere in Europe



UPC - language

- Language of proceeding depends primarily on which Division hears the case
- LD and RD hold proceedings in their local language or an alternative language specified by the LD/RD
- Proceedings at the CD held in the language in which the patent was prosecuted at the EPO
- Patentees may start a case in the language in which the patent was prosecuted and then request that proceedings continue in that language





Transitional provisions of the UPC

UPC – transitional provisions

- The Unitary Patent Court (UPC) will eventually have exclusive jurisdiction over **all** European patents, whether validated traditionally (i.e. nationally) or with unitary effect (i.e. the unitary patent)
 - Only national patents to be heard in national courts
- 7 year transitional period in which patentees will be free to opt out of the UPC's jurisdiction and use the national courts instead
 - provided an action not already before UPC.
 - Applicable only to patents validated traditionally (i.e. nationally).
- Transitional period may be extended by further 7 years.



UPC – transitional provisions - 2

- If you do nothing in the 7 year period, patent will be in the UPC
 - *But during transitional period, national proceedings remain possible even if you have not opted out.*
- Patentees will additionally be free to opt in/out more than once during transitional period.
- Can opt in/opt out for each patent. Cannot change the opt in/out status once an action has started.
 - File a “blocking” revocation action to fix a patent’s status?
- Patentees will be able to opt out for the entire life of the patent.
 - As long as they notify the registry before the end of the transitional period.



Transitional provisions - reasons

Why does the UPC have jurisdiction over all EPs?

- Seems like a good idea to have central enforcement of European patents granted centrally
- The authorities did not want an expensive court system which was only used for Unitary patents
- Hence a political decision taken that existing patents should be subject to the jurisdiction of the new court



Transitional provisions

BUT

- Applicants for EPs “signed up” to a system with:
 - Central grant and opposition, and
 - National litigation for enforcement
- Many companies like the national litigation system
 - E.g. German patent holders



Transitional provisions – the solution

- A transitional arrangement
- Existing EPs would be subject to the new court, but
- Upon payment of an opt out fee
- Possibility of patentee opting out during a seven year period



Preliminary advice

- Opt out all existing EPO granted patents on day 1
 - You validated separately at great cost – you should have the benefit of all eggs not being in the same basket
 - Expensive for 3rd parties to attack validity
 - Opt back in if you wish to enforce centrally
 - New court system is yet untested
- Consider filing blocking revocation actions at the UPC on day 1
 - Competitor patent is then stuck in the new system





Questions arising

Scenario 1 – problem with transitional provisions

Possibility of national & UPC actions

- Company A owns an EP (with several designations)
- Company A does not opt out
- Company B (an SME only interested in the UK) brings a UK revocation action in IPEC (a UK patent court for smaller cases)
- Can company A counter-sue in the UPC for infringement?
- If so, can company B counterclaim for revocation in the UPC (under UPC rules, if a defendant runs an invalidity defence it is compelled to counterclaim for revocation)?



Scenario 1 continued

- In the scenario, does the effect of the litigation with B affect company A's right to sue company C in the UPC?
- Does it make a difference if company C is related to company B (e.g. part of a group)?
- If A can sue C, can C counter-sue for revocation nationally if it wants as well as and/or instead of counterclaiming in the UPC?



Scenario 2

- Company A owns an EP (with several designations)
- Company A does not opt out
- Company A sues company B for infringement in the UK
- Can company A sue company C in the UPC either:
 - During the pendency of the UK action against A; or
 - After the UK action is completed?
- Can Company B counter-sue for revocation in the UPC?



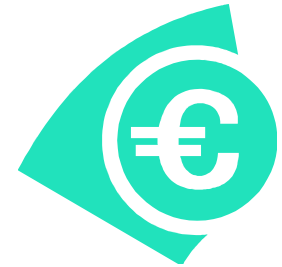
Who will decide?

- These are EU law issues under the Brussels Regulation – so the CJEU will probably decide on the answers in these scenarios
- How do we avoid this mess?
- The Preparatory Committee should issue a clarifying note
- Contracting States should sign a supplementary memorandum with effect under the Vienna Convention



Uncertainties

- Will it really be cheaper for small businesses?
- Renewal fees and court fees still not known
 - Expensive enforcement?
 - Expensive renewal fees? Need to pay single fee for 25 states.
 - The average number of states in which a European patent is validated is only 6-7
 - Will small firms instead choose national patents and national courts?
- Bifurcated validity/infringement still a possibility
 - Quick decision on infringement – validity heard later
 - UPC agreement allows court to decide to bifurcate
 - Good for patentee as with current German system, possibly unfair for infringer.



Commercial transactions - licensees

Opt-out clauses:

- **No** ability for licensee to opt-out
- For **existing** licences - consider the provisions of the agreement
- For **future** licences of European Patents:
 - exclusive licensee may want control
 - whether will opt-out and when? agree opt-out as default position?
 - who will pay the opt out fees?
 - control right to opt-back in?



Licensees - 2

Unitary patent or traditional EP?

- Who decides what happens to the patent on grant?
- **Existing licences** - check who controls filing strategy
- **Future licences**
 - If exclusive licensee, may want say in the filing strategy
 - If multiple licensee scenario, perhaps better for licensor to have control
 - Discuss whether to file Unitary Patents or a traditional EPs for future licences



Commercial transactions – Co-applicants

Co-applicants – all should lodge an application to opt-out.

- Important to know which laws govern a patent as item of property. Governing law determines fundamental issues:
 - inventorship, entitlement, assignment, licensing and respective rights of co-owners.
- Default rights vary in each country:
 - E.g. Is compensation payable by a co-owner working the invention to the other co-owner?
 - No (UK); No (German); No (US); Yes (France. The co-owner working the invention must compensate the other co-owner. If the co-owners can't agree the compensation, it will be set by the court)



Co-applicants - 2

- Law governing a co-owned Unitary Patent as an item of property – Article 7 of Regulation of EU 1257/2012.
 - (a) the law of the participating member state (“PMS”) in which the joint applicant **listed first** on the European Patent Register (“EPR”) has its residence or principal place of business.
 - (b) If (a) does not apply, the law of the PMS where the **second joint** applicant listed on the EPR has its residence or principal place of business.
 - (c) If (a) and (b) do not apply to any of the applicants, the law of the PMS where the **first** joint applicant has its **place of business**.
 - (d) If (a) – (c) do not apply, the law of the PMS where the **second** joint applicant has a **place of business**.
 - (e) If (a) – (d) do not apply, the laws of **Germany**.



What does this mean?

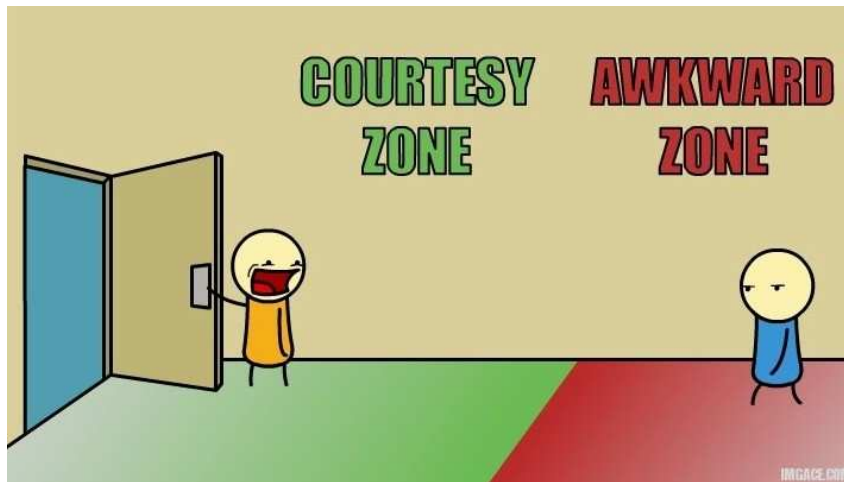
Co-applicants – 3

- **Example 1:** co-owner 1 is DE Registered Company and co-owner 2 is IT Registered Company.
 - Governing law in this case is DE law.
 - Unless restricted contractually, either co-owner can assign the UP without the consent of the other co-owner.
- **Example 2:** co-owner 1 is FR biotech company and co-owner 2 is a DE entity.
 - Governing law in this case is FR Law.
 - Unless agreed otherwise contractually, a co-owner wishing to assign the UP must give notice to the other co-owner. The other co-owner has a right to purchase the ownership rights. Price to be set by court if not agreed by the parties.



Co-applicants - 4

- **Example 3:** co-owner 1 is US entity and co-owner 2 is FR entity.
 - On plain reading of the Regulation – DE Law applies.
 - Unless restricted contractually, either co-owner can assign the UP without the consent of the other co-owner.



This seemingly inconsequential decision as to which applicant is listed first in the patent application could have a major impact on rights and powers of co-owners.

Co-applicants - 5

- Decide as co-owners whether to file Unitary Patents or a traditional European patent.
- Although applicants cannot decide which law will apply to the Unitary Patent (as in item of property), they can vary their rights and obligations as co-owners contractually.
 - Agree which co-owner will be listed first.
 - Agree whether a co-owner can assign without the mutual consent of the other or without offering the other co-owner the first right to purchase.
 - Agree who takes lead on prosecution and enforcement.
 - Agree any revenue share



Summary – commercial considerations

- Great care will need to be taken
 - Drafting licence agreements
 - Drafting research cooperation agreements
 - Even when listing applicants
- On entry into force (or before) review policies and existing agreements
- More choice for applicants but more complexity
 - Route to European patents decided on case-by-case basis





Status

What next?

- Preparatory Committee now saying “not before end 2015”
 - 17th (!) draft of the Rules of Procedure – 31 October 2014
- **Unitary patent system** – came into force 20 January 2013
 - But not yet applicable
- **Unitary court** – agreement signed 20 January 2013
 - UPC not yet in force

What still needs to be done?



What legal steps are left?

- Remaining major legal steps:
 - Adoption of Rules of Procedure – 2015?
 - One rule still to be agreed
 - Ratification of UPC by UK & DE + 8 other states – 2014/15?
 - Endorsement of legality by CJEU – early to mid-2015?



What practical steps are left?

- Appoint/train judges
- Set up the Court computer systems
- Who will pay?
- Start date? Earliest – early 2016. Likely to be 2017



The “Spanish Challenge”

- Delegation of renewal fees to the EPO is not constitutional under EU law (EPO is not part of the EU)
 - 2 actions at the CJEU
 - Court hearing 1 July 2014
 - Opinion 18 November 2014 – action should be dismissed
 - BUT – opinion need not be followed by the court
 - Could yet delay or block the Unitary Patent
- Previous challenges by IT and ES were already dismissed
 - Discrimination in favour of EN, FR, DE languages
 - Distortion of competition



Advice

- **Unitary patent** - as the decision does not need to be made until the patent is granted there is no need to change current filing approach
- For **co-applicants** – think about who you name first (for Euro-PCTs this goes back to filing stage)
- **Opt out initially** - you can always opt back in
- Consider reviewing **licensing agreements** and consider impact on future licensing agreements





Thank you



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