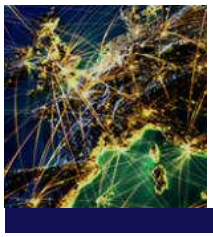
Waking up to the reality of the unitary patent era

09 July 2013



WEBEXCLUSIVES

Bird & Bird partner Wouter Pors tells Matt Packer why Europe's long-awaited new patent system will demand the sharpest strategic thinking from rights holders and law firms

Legal Management/ Litigation/ Regulatory & Compliance/ IP Management/ Patents

Following years of debate among Europe's power brokers over the unitary patent (or 'patent with unitary effect' as it is also referred to), it is now time to stop thinking of the initiative as a political football, and start considering what it will mean in practical terms. With implementation of the new system now firmly on the horizon, patent owners and the law firms they depend upon are facing a watershed that will transform every aspect of their rights-management strategies.

The changes will have a global dimension, too, affecting not just companies within Europe, but all those around the world who do business in the region. As well as creating a new layer of patent protection that will function alongside those already provided by national laws and the European Patent Office (EPO), the legislation will establish a brand-new court system – the Unified Patent Court (UPC) – to administrate disputes and test patent quality.

One lawyer who has been watching the unitary scheme closely on its way to ratification is Bird & Bird partner Wouter Pors – an experienced litigator and head of the firm's IP group in The Hague. As *NewLegal Review* discovered, Pors is already helping Bird & Bird and its client base to prepare for the changes. The starting point of our discussion: just why is it so important for law firms and patent owners – especially those with large portfolios – to adjust their processes for the new era?

Juggernaut of filing

'The main impact is that it will create a considerable number of additional strategic options for patent holders,' Pors said. 'At the most basic level, innovators will be able to apply for either a traditional EPO patent, or a patent with unitary effect – or they could file a divisional application that would enable them to have protection in both ways. An important consideration is the ability to *opt out* of the unitary effect. For the first seven years after the scheme comes into force, as soon as you have been granted a standard EPO patent, you will be able to file an opt-out from the UPC. That will prevent competitors from attacking you there over the patent's validity and allow you to go to the national courts for the patent's lifespan. Most people, I think, will opt out to begin with, then opt back in again as the system becomes more established and users grow more confident in it. But the opt-out will give them the choice of enforcing their patents either in national courts or the UPC.'

Divisional applications and opt-outs, however, could even work hand in hand. As Pors explained, 'the idea is that you will have two very similar, though not completely identical, patents: the parent and the divisional. You apply for unitary effect for one of them, and opt out for the other. The unitary patent is always within the jurisdiction of the UPC; the one you opted out is not. Of course, you cannot have two patents with exactly the same claims because that would be double patenting – but the differences can be quite minimal. "Divisional" refers to the application that you split off from the original application, and the original thereby becomes the parent. Then you prosecute both.'

If that sounds like a recipe for an immense administrative exercise, Pors is inclined to agree. 'One potential problem here is that tens of thousands of opt-out requests could create a backlog that may take months to process,' he warned. 'At present, the Preparatory Committee is developing a system for patent owners to pay for having their opt-outs logged in an EPO-managed register that would be transferred to the court when it goes live. That would be one way of working around the potential backlog.'

However, even if such a register is created, it is hard to avoid the suspicion that the first rush of paperwork around the new patent will put rights holders under enormous pressure to ensure that their requests are acted upon in good time – a pressure that will be instantly transferred to the law firms that assist them. In addition to that potential juggernaut of filing, law firms must also address the territorial makeup of the UPC itself, which will have a Central Division in France, Germany and the UK backed up by several regional and local outposts. Pors considers his firm lucky in the sense that it will not have to make sweeping changes to its geographical structure in order to contend with the UPC's spread – but stresses that once the Court becomes operational, lawyers from all participating countries will become 'competitors' in the field of high-quality service delivery, no matter where, or in what language, proceedings occur.

'If you're going to do this properly, you should be able to litigate in every city where there is a regional or local division of the UPC, to ensure that you can cover the territory where the infringement is being alleged,' he said. 'We aim to have specialised litigators in every area that could be covered. However, if a firm doesn't have that capability, it may need to outsource work to local

law firms in the relevant cities. For example, it could use local litigators and then fly in specialists from other offices. That would work perfectly if the language of the litigation is English, but it may well be Slovenian or Polish – so the language capability is certainly another factor to consider.'

Flexibility with Europe's full range of national legal systems will also count as a major plus, in order to surmount one aspect of the new patent that seems somewhat less than unitary. 'Infringement cases are supposed to go to the local and regional divisions,' Pors explained. 'But as a result of a political compromise that helped the legislation to pass, the framework of the local and regional courts will be based upon the legal systems that already exist in the countries where they are set up. For example, German courts bifurcate infringement and validity and favour short, half-day trials. London courts, meanwhile, test infringement and validity together, and favour extensive cross-examination – so trials last for several days. Local UPC divisions will be dominated by national judges, and as such will reflect the legal systems that those judges are familiar with.'

Faced with those details, many would wonder what has become of the standardisation that was promised as a central principle of the initiative. However, Pors thinks that procedure between the Court's branches will naturally harmonise as they carry out their work and cases are appealed. 'At this point, it is hoped that the UPC Court of Appeal will come up with best-practice recommendations as cases are processed there,' he said. 'It may take some time – but within five to seven years, we may see those recommendations leading to more unified approaches.'

Manoeuvring the pieces

Under one of the unitary patent's key legislative foundations – the UPC Agreement – the Court will follow four main types of substantive law:

i) Directives and regulations of the European Union – such as the EU Biotech Directive and the Brussels Regulation on Jurisdiction and the Enforcement of Judgements;

ii) International treaties – such as TRIPS, the European Patent Convention, the Hague Evidence Convention, the 1989 Community Patent Convention and the Paris Convention;

iii) Rules of procedure – stipulations on the Court's working routine, as established in the UPC Agreement itself; and

iv) National law – if the Court's question is not answered by any of the other pieces of legislation.

Taking that into account, along with those strategic considerations and the geographical quirks of the UPC, it is clear that patent owners have been presented with a large and elaborate chess game. With that in mind, it is perhaps understandable why the question that Bird & Bird clients have asked the firm most often lately is: do we actually need unitary patents on our technology? Pors advises a cautious approach from the outset.

'Under the new system,' he said, 'when a traditional EPO patent is granted, you will have one month to apply for unitary effect. The advantage here is that it enables you to launch an attack on another patent at the UPC. But that cuts both ways, as your patent could itself be invalidated in the UPC Central Division. The opt-out could protect you from that risk – but if you think that your patent is strong enough to be exposed to an attack, perhaps you could take the unitary route. Alternatively, you could file a divisional application for protection both ways. Our answer at this stage is that it would seem wise to opt out.'

Pors is just as balanced when it comes to assessing the overall benefits and pitfalls that could stem from the unitary system. 'The main advantage is that it will hopefully offer a more cost-effective means of protection,' he said. 'That is the aim of the system. The Preparatory Committee is still devising a fee structure that will work for patent owners, and at the same time cover all the costs of the Court. It remains to be seen whether that will bear itself out in practice. For companies that have positioned patent litigation as a core business, that promise of improved cost management is appealing – although the system also poses a potential downside in that, through it, those companies' patents could be invalidated.'

So, just how close are we to full implementation?

Reality check

'The 15th draft of the Rules of Procedure was published on Tuesday 25 June,' Pors said. 'Those rules are now subject to a public consultation, which will run until 1 October, but a hearing on the feedback probably won't happen until early 2014. I'd be inclined to say that the final version of the Rules will be ready in the course of 2014, so the Administrative Committee will be able to adopt it in early 2015 when the Court is due to go live. Up until that point, the Administrative Committee won't exist, so no formal decision on final adoption can be made before then.'

Pors has strict words for any stakeholders in the European patent system who may be tempted to think that this final legislative stretch will duly collapse and sit alongside previous near-misses that the initiative has endured over the years. 'People need to realise that the new system is going to be there,' he said. 'It's not going to be stalled or slowed down anymore – it will be active from early 2015. So take a good look at your patent portfolio: is it in the shape that it needs to be in? And with pending applications, it's very important to decide what your strategy should be. If pending patents are likely to be granted before the system goes live, you will miss the chance to apply for unitary effect. Would you perhaps need to slow down prosecution of key patents to ensure that they will be granted after the live date, keeping that opportunity open?'

Preparation and good advice, Pors stressed, are key. 'Since October, I have been spending at least 10 to 15 hours per week thinking about the new system and working with our steering group to monitor all changes and put new procedures in place,' he said. 'I'm confident that we have a good understanding of what is coming. When the system goes live, we will be ready.'

In the post-implementation phase, then, what kind of result will the multiplicity of new legal options produce? 'It's hard to predict,' Pors said, 'but I think that the amount of patent litigation will go up. Non-practising entities (NPEs) use the patent litigation system to attack, and they typically don't have their own products at risk, so they are likely to be prolific at the UPC.

'For traditional patentees, though,' he added, 'I hope that, wherever they are based, opportunities for litigation will improve. For example, they may be able to obtain rulings from the UPC that cover countries which currently have slow or cumbersome legal systems, meaning that they won't need to litigate in those specific areas. That will certainly be a cost-effective outcome.'

For more on the unitary patent, read our interview with CPA Global's Raimondo Coletti **here**