

The European Unitary Patent System

How a Unitary Patent and a Unified Patent Court will change your EU patent strategy and what you can do now to prepare¹

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Summary

The Unitary Patent system, including the Unified Patent Court, is not yet operational. The target date of early 2015 has recently been acknowledged as being overly ambitious; the end of 2015 is now said to be the earliest that can be achieved². Despite the delay, patent proprietors and applicants should be thinking now about their strategy for meeting the challenge created by this new intellectual property right.

Introduction

The introduction of the Unitary Patent and the Unified Patent Court is the biggest change in the European patent landscape since the European Patent Convention entered into force in October 1977.

The new Unitary Patent is a new intellectual property right³. It is intended that it will sweep away the disadvantages of the present European Patent system; a proprietor of a Unitary Patent will only have to pay one renewal fee and translate the text into, at most, one additional language (other than the language of the European Patent Office procedure) for the invention to be granted in the 24 participating EU Member States⁴. The Unitary Patent will, in all respects, be a European patent for purposes of filing and prosecution, but within 30 days after grant by the European Patent Office, the patentee will have the option to designate it as having unitary effect. In such a case the Unitary Patent will provide uniform patent protection and equal legal effect in all the participating Member States.

A Unitary Patent will be enforced through the Unified Patent Court. This court is a real novelty; it is the first Court of First Instance to have jurisdiction over 25 sovereign nation states. It is an international court set up by treaty⁵ for the enforcement of both traditional European Patents and Unitary Patents. For traditional European patents, the court can decide in a single decision for all those countries where the European Patent is actually registered⁶, unless the patent has been "opted out" of the system by the patentee. For the

¹ This paper is up to date as of March 2014

² Statement following the fifth meeting of the Unified Patent Court Preparatory Committee dated 18 March 2014.

³ The Unitary Patent or "European Patent with unitary effect" was created by Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012. This Regulation has to be read together with Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements.

⁴ Italy, Spain and Croatia are not participating in the enhanced cooperation on the Unitary Patent protection to date but it is widely thought that Croatia will join. Poland, although it stated that it would participate in the Unitary Patent has not signed the Agreement and therefore the Unitary Patent will not have effect in Poland (see footnote 19)

⁵ Agreement on a Unified Patent Court, Brussels, 19 February 2013

⁶ Spain, Poland and Croatia have, to date, not signed the Agreement on the Unified Patent Court, but it is widely thought that Croatia will do so. Note that Italy has signed the Agreement, but is not participating in the cooperation on the Unitary Patent.

Unitary Patent, it means that the court has exclusive jurisdiction for all 25 participating Member States.

This is to be compared to the current position where patents in Europe are national rights for all practical purposes. Although, through the European Patent Office, there is one system to apply for a patent for the whole of Europe, after grant European Patents need to be registered at national level, which involves recurring fees per country and enforcement has to be done on a country-by-country basis.

What progress has been made?

The Unitary Patent becomes a reality on the date of entry into force of the Agreement on the Unified Patent Court⁷ (the "Agreement"). This will be on the first day of the fourth month after the thirteenth Member State has deposited its instrument of ratification to the Agreement, the thirteen to include the UK, France and Germany⁸. Progress on ratification has been made in a number of countries (see Annex A), but the date is still uncertain. Although it was thought that the beginning of 2015 might be achievable as a start date, the more realistic target of 2015 has now been proposed. Even that may slip as, for one thing, the tender for the IT system has only recently been issued.

In the meantime, both at the European Patent Office⁹ and in the Preparatory Committee for the Unified Patent Court¹⁰, the necessary procedural rules are being drafted. In relation to the latter, the drafts have been many and the negotiations lengthy; the Rules governing the procedure of the Unified Patent Court are now in their 16th draft form. It is intended that there will be a public hearing in June or September 2014 and thereafter the Rules will be finalised.

One of the main drivers for the European Commission in relation to the Unitary Patent system has been the issue of fees and closing the "competitiveness gap" on the USA and China when it comes to the procedural costs associated with the European patent system. According to figures published by the Commission¹¹, the procedural costs for a European Patent validated in 27 countries¹² is 36,000 euros. The majority of these costs go on translation fees. This is to be compared to the procedural costs in the USA estimated at 2,000 euros and in China estimated at 600 euros. Thereafter, in Europe, there are the multiple renewal fees to be paid and, if litigation is started, the costs of proceedings in potentially more than one jurisdiction.

The vast majority of patents are not litigated at all, but of those that are, many are litigated in just one jurisdiction and in big-ticket international patent disputes, it is usual for the patents to be litigated in 3 to 6 countries. Despite this, the Commission was very concerned about multiple litigation costs and the possibility of contradictory decisions¹³.

⁷ Article 18.2 of Regulation 1257/2012

⁸ Article 89 of the Agreement

⁹ The European Patent Office's draft Rules relating to Unitary Patent Protection, Document SC/22/13 dated 22 November 2013

¹⁰ 16th Draft Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court dated 31 January 2014

¹¹ To be found with the FAQs on the Unitary Patent system on the Europa website at http://ec.europa.eu/internal_market/indprop/patent/faqs/index_en.htm

¹² The study was done before Croatia joined the EU

¹³ Perhaps the best known, are the *Epilady v Remington* cases in the 1990s. Courts in Austria, France and the UK held that the patent was not infringed whereas the courts in Belgium, Germany, Italy and the Netherlands held that infringement took place ("Economic Incongruities in the European Patent System", Malwina Mejer and Bruno van Pottelsberghe de la Potterie, ECARES Université Liber de Bruxelles)

The level of fees remains one of the big unknown, although there had been some suggestions that they would be published by now. Proprietors and applicants for European and national patents cannot make proper, informed decisions on their strategy until such time as the fees for applications and renewals¹⁴ are published.

The Commission has stated¹⁵ that:

"After the transitional period (in which certain additional translations will be required)¹⁶, the cost to obtain a European Patent with unitary effect will be around 5,000 euros. This covers the procedural fees of the European Patent Office as well as the cost of the translation of the claims to the two other procedural languages of the European Patent Office.

During the transitional period of maximum 12 years, the cost will be slightly higher, about 6,500 euros. This includes the cost of the additional translation required during the transitional period: in order to facilitate the access to patent information until high-quality machine translations become available, European patents with unitary effect that were granted in French or German will need to be translated to English and the ones granted in English will need to be translated to another official language of the EU."

The different patents available under the new system and their effect

Before exploring various strategies that might be adopted by patentees and adverse parties once the new system comes into force, the different types of patents available in Europe need explaining together with the effect these patents will have.

There are three options for applying for patents once the Unitary Patent system is in place. In relation to applications proceeding through the European Patent Office, there is a choice of routes to take on grant:

- (1) The application grants in the traditional fashion as a European patent validated in the patentee's countries of choice; or
- (2) The patentee of a granted European patent¹⁷ decides to opt in to the Unitary Patent system within one month of the mention of grant in the European Patent Bulletin¹⁸. The so-called "European patent with unitary effect" (i.e. the Unitary Patent) will be

¹⁴ Renewal fees will be "similar to the level of the national renewal fees for an average European Patent taking effect in the participating Member States at the time the level of the renewal fees is first set" (Article 12(2)(c) of Regulation 1257/1202)

¹⁵ As referred to in FAQ under the heading "How much will it cost to obtain a 'unitary patent' and how much does a similar protection cost today?" (see footnote 11 above).

¹⁶ Article 6 of Regulation 1260/2012. After the transitional period of 12 years, no translation is required (Article 3).

¹⁷ The European patent has to be granted with the same set of claims in respect of all participating Member States, Article 3.1 of Regulation 1257/2012

¹⁸ Article 9.1(g) of Regulation 1257/2012. In the European Patent Office's draft rules and explanatory notes, Document SC/22/13, if the patent proprietor misses this one month deadline, "he may obtain re-establishment of rights" if the request is made within two months of the expiry of the one month period and the European patent has been granted with the same set of claims (see Rules 5.2, 6.1 and 7.2 and the explanatory notes).

granted covering the 25 participating Member States¹⁹. In addition, there is the option for the patentee to apply for a traditional European Patent in the remaining 13 European Patent Convention countries (including the three EU countries which are not currently participating in the Unitary Patent cooperation i.e. Poland, Italy and Spain)²⁰.

Thirdly, the applicant could eschew the European/Unitary system altogether and apply for a series of national patents through the national patent offices.

The Unitary Patent will have "a unitary character" i.e. it may only be limited, transferred or revoked, or lapse, in respect of all the participating Member States²¹. The exception to this is that a Unitary Patent may be licensed in respect of the whole or part of the territories of the participating Member States.

The Unified Patent Court is key to the unitary nature of the Unitary Patent²². Therefore, all Unitary Patents will be subject to the exclusive jurisdiction of the Unified Patent Court²³ and will stand or fall as a whole: an injunction granted by a single court will stop infringements in all participating Member States granting protection over a consumer base of approximately 0.4bn and growing; but, by the same token, the Unitary Patent will remain vulnerable throughout its life to being revoked in an action before a single court²⁴. It effectively puts all the patent "eggs in one basket".

In addition, all traditional European Patents and supplementary protection certificates ("SPCs")²⁵ will be subject to the exclusive jurisdiction of the Unified Patent Court²⁶. This means that central attacks on the validity of European Patents be possible in the same way as for Unitary Patents.

It was recognised that transitional provisions²⁷ were needed for existing European Patents and applications as the Agreement changes the ground rules considerably. The Agreement therefore provides an opt out to a proprietor of European Patents granted or applied for or the holder of an SPC issued for a product protected by an SPC.

Transitional provisions

The transitional provisions provide that the Unitary Patent Court will have non-exclusive jurisdiction over all European Patents in participating Member States existing during the transitional period. The transitional period is 7 years and can be extended by up to another 7 years²⁸.

¹⁹ Or such of them as have at that stage ratified the Agreement. The Unitary Patent is something of a shifting, or rather growing, object: when a Unitary Patent is granted, it will only have unitary effect in those Member States that are, at that moment, participating in the Unified Patent Court (Article 18(2) of Regulation 1257/1202). That number, may on the first day that the system goes live, be 13 (the minimum number needed to ratify the Agreement) or it may be more. Therefore the earliest Unitary Patents granted under the system might have a smaller geographical footprint than a later granted Unitary Patent.

²⁰ And any other participating Member States which have at that date have signed but not ratified the Agreement

²¹ Article 3(2) of Regulation 1257/2012

²² See for example Recital 9 of Regulation 1257/2012

²³ Article 32 of the Agreement

²⁴ Articles 32(1)(d), 33(4) and 34 of the Agreement

²⁵ This paper does not deal with any of the detailed provisions on SPCs

²⁶ Article 32 of the Agreement

²⁷ Article 83 of the Agreement

²⁸ Articles 83(1) and 83(5) of the Agreement

By opting out, it is intended that a patentee can avoid the jurisdiction of the Unitary Patent Court over its European patent²⁹ and therefore have the certainty that only the national courts will have jurisdiction. If a patentee does not opt its European Patent out of the system during the transitional period, an action can be started before either a national court or a court of the Unitary Patent Court. Once such an action has been started, however, it fixes the European Patent in one or the other system; if an action is started before a court of the Unitary Patent Court, no opt out is then available and vice versa.

A question mark has been raised over the drafting of the transitional provisions and whether they provide for the complete ousting of the jurisdiction of the Unified Patents Court. This arises through the use of the word "exclusive" in Article 83(3) which states:

"a proprietor ... shall have the possibility to opt out from the exclusive competence of the Court".

Therefore, the argument goes, if, as stated, the opt out is only an opt out from the exclusive jurisdiction of the Unified Patent Court, both it and the national court still have parallel competence since Article 83(1)³⁰ allows a litigant to choose whether to bring an action before a national court or the Unified Patent Court in relation infringement and revocation actions. A second point can be made in that Article 83(1) does not refer to the other actions where the Unified Patent Court is stated to have exclusive jurisdiction³¹, only to infringement and revocation actions³². Consequently, the effect of the opt out does not clearly block the jurisdiction of the Unified Patent Court.

The Committee drafting the Rules of Procedure³³ has sought to allay such fears. They have stated that the provisions of Article 83 are clear and provide for a complete ousting of the jurisdiction of the Unified Patent Court in an Interpretative Note published on 29 January 2014³⁴ and in a note to Rule 5 of the latest draft Rules of Procedure of the Unified Patent Court. This note does not have any force of law (and the note on Rule 5 will be removed from the final version of the Rules) but the view of such an eminent Committee is extremely valuable.

Opting out

Whether to opt out or not is a key issue to be decided by patentees in relation to their European Patents existing at the date that the Agreement comes into force.

The first question is how much is it going to cost? Unfortunately, as with other fees, the opt out fee is not yet known but it is thought that it could be approximately €100 per European Patent.

²⁹ Note there is no possibility of an opt out for Unitary Patents

³⁰ "During a transitional period ... an action for infringement or revocation ... may still be brought before a national court ..."

³¹ These are set out in Article 32 and include actions for declarations of non-infringement

³² And declarations of invalidity of SPCs

³³ Kevin Mooney, Klaus Grabinski, Willem Hoyng, Winfred Tilmann, Pierre Véron, Alice Pezard and Christopher Floyd

³⁴ <http://www.unified-patent-court.org/news/71-interpretative-note-consequences-of-the-application-of-article-83-upca>

The procedure for lodging an application to opt out is governed by Rule 5 of the Rules of Procedure. The application has to be made by all the proprietors (or applicants) for all Contracting Member States for which the European Patent is designated³⁵.

The timing of the effect of the opt out has caused very significant concern. If a patentee wishes to retain the ability to take the national route and avoid any pre-emptive central invalidity attack being made by a competitor, he would be advised to opt out as soon as he is able. However, the Agreement states that the opt out only takes effect upon its entry into the Register³⁶.

The Rules go as far as they can to mitigate the position by stating that the opt out shall be entered in the Register as soon as practicable³⁷. A sunrise period is also going to be allowed³⁸, although there are scant details at present. The opt out during the sunrise period will be made at the European Patent Office after a date to be announced and before the coming into effect of the Agreement.

The opt out provisions apply to European Patents, published applications and expired European Patents. An opt out will cover all national designations of a particular patent owned by the proprietor(s). It does not, however, apply to divisionals; divisional patents are separate patents to the parent patent and therefore a separate opt out has to be filed in relation to each one.

A question mark was raised as to whether the opt out applied to a particular patent only for the transitional period or whether the opt out was for the life-time of the patent. The better view³⁹ is that it is for the life time of the patent i.e. once the patent has been opted out, it remains opted out and subject always to the jurisdiction of the national courts (that is unless and until it is opted back in). The opt out, therefore, lasts for the life-time of the European Patent and beyond, as it includes the time that the patent has expired, lapsed or been withdrawn.

Opting in

At any time, unless an action has been brought before a national court, the proprietor(s) or applicant(s) of a European Patent who made use of the opt out, can withdraw it⁴⁰. Again, the withdrawal of the opt out is only effective once it has been entered on the Register⁴¹. Only one opt out is allowed; once a European Patent has been opted back in, no further opt out can be made⁴². However, this still allows proprietors some flexibility. They can opt out to begin with to avoid a central invalidity attack with the option, at a later date, to opt back in if they wish to bring a central infringement attack.

If an action is started in a national court over a European Patent, there is no possibility of opting back in thereafter whatever the outcome of the litigation; whether the action is finished with no possibility of any appeal, settled or withdrawn, the effect is the same. The

³⁵ Rules 5.1(b) and (c)

³⁶ Article 83(3) of the Agreement

³⁷ Rule 5.6

³⁸ Rule 5.13

³⁹ See the Drafting Committee's Note (ii) to Rule 5 which states that the ouster of the Unified Patent Court's jurisdiction (subject to any opt in) is for the life of the relevant patent (or application) including the time after the patent has expired, has lapsed or has been withdrawn.

⁴⁰ Article 83(4)

⁴¹ Rule 5.9

⁴² Rule 5.11

Drafting Committee noted that the right to opt out is "used and exhausted" after the first opt out.

The European Patent Office and the Drafting Committee have both stated that there will be no opt-in fee⁴³, it is assumed because the administrative cost would be too high.

As noted, an application for a European Patent can be opted out. If it proceeds to grant with unitary effect, the opt out shall be deemed to be withdrawn⁴⁴. However, since the request for a patent to have unitary effect requires a positive step⁴⁵, this is unlikely to catch anyone out.

The Unified Patent Court

The Unified Patent Court will consist of a Court of First Instance, a Court of Appeal and a centralised Registry with a section in every division of the Court of First Instance⁴⁶. The Court of First Instance of the Unified Patent Court will have a "Central Division" with seats in Munich, London and Paris, each handling their own predetermined fields of technology; Munich – mechanical engineering; London – life sciences; and Paris - electronics.

The Court of First Instance will also have "Local Divisions" in countries that volunteer to host one⁴⁷. There may also be "Regional Divisions" in which one or more countries bundle their jurisdictions into one such division⁴⁸. At present, it appears that the following Local Divisions will be set up and will function in the following languages⁴⁹:

- London – English
- Düsseldorf, Munich, Mannheim appear to be certain and a fourth may be in Hamburg – German and possibly English⁵⁰
- Paris – French
- The Hague – Dutch and English
- Brussels – Dutch, French, German and English
- Milan – Italian

Estonia, Latvia, Lithuania and Sweden signed an agreement on 4 March 2014 on the creation of a Nordic-Baltic Division, the first Regional Division to be announced. It will have its seat in Stockholm, but when justified, oral hearings will be held in other parts of the region. Only English will be used. Other Regional Divisions are presently being discussed.

The Unified Patent Court has exclusive jurisdiction in respect of⁵¹:

⁴³ Commentary by the European Patent Office on Rule 5 of the Draft Rules relating to Unitary Patent Protection and also Commentary by the Committee on the 15th draft of the Rules of the UPC in relation to Rule 5.

⁴⁴ Rule 5.10

⁴⁵ Rule 5.1 of the draft Rules of the European Patent Office, SC/22/13

⁴⁶ Articles 6 – 14 of the Agreement set out the institutional provisions, Articles 6 – 9 relate to the courts, Article 10 to the Registry and Articles 11 – 14 relate to the various committees

⁴⁷ Article 7(4) of the Agreement states additional divisions shall be set up for every one hundred patent cases per calendar year that have commenced in that Contracting Member State during the last three successive years, up to a maximum of four.

⁴⁸ Article 7(5) of the Agreement

⁴⁹ The language of proceedings is set out in Articles 49 and 50 of the Agreement, but allows for a considerable amount of flexibility. The language used in a particular court might be one reason influencing the decision to use that court.

⁵⁰ Although the judges are reported to be split as to whether to use English as well as German; Ulrich Blumenröder "German local Divisions – Status of Implementation and Expectations", EPLAW Conference, November 2013

⁵¹ Article 32(1) of the Agreement

- Actual or threatened infringement;
- Declarations of non-infringement;
- Provisional and protective measures and injunctions;
- Revocation and declarations of invalidity;
- Damages and compensation for use prior to grant;
- Use prior to grant and rights based on prior use;
- Compensation for FRAND licences and Article 8 "licenses of right"⁵²; and
- European Patent Office administrative decisions.

The national courts remain competent in relation to all other claims⁵³. This will, of course, include actions over national patents, but the national courts will also retain exclusive competence to deal with European Patents granted in Member States which have not ratified the Agreement as well as opted out European Patents (see above). The national courts of Member States which have ratified the Agreement will also retain non-exclusive jurisdiction in relation to non-opted out European Patents. Finally, in relation to Unitary Patents, since the list in Article 32 is exhaustive, the national court's jurisdiction will include, for example, entitlement proceedings relating to Unitary Patents and, possibly, declarations of non-essentiality.

Litigation – bifurcation

The Agreement allows for forum shopping. Infringement cases must be filed and heard before the Local and Regional Divisions where the actual or threatened infringement has occurred or where the defendant (or one of the defendants) has its residence, or principle place of business or, if none, place of business⁵⁴. Actions against multiple defendants will only be allowed where the defendants have a commercial relationship and where the action relates to the same infringement. Nevertheless, this will often give a plaintiff broad scope for choosing which court to use and which defendants to join. Where defendants are outside the territory of the Contracting Member States, the action must be brought where the infringement or threatened infringement occurred or in the Central Division.

Counterclaims for invalidity must be brought in the division where the infringement action is pending⁵⁵. The Local or Regional Division then has the discretion to do one of four things:

1. Keep both sides of the case;
2. Refer the counterclaim to the Central Division and proceed with the infringement action;
3. Refer the counterclaim to the Central Division and suspend the infringement action;
or
4. If the parties agree, refer the whole case to the Central Division.

Similar rules apply in relation to revocation actions. Although stand-alone revocation actions must be filed before the Central Division⁵⁶, if revocation has been commenced in the Central Division, a subsequent infringement action between the same parties on the same

⁵² Article 8(1) of Regulation 1257/2012 provides that the proprietor of a Unitary Patent may file a statement with the European Patent Office to the effect that the proprietor is prepared to allow any person to use the invention as a licensee in return for appropriate consideration. The advantage of doing so is that renewal fees will be reduced (Article 11(3)).

⁵³ Article 32(2) of the Agreement

⁵⁴ Article 33(1) of the Agreement

⁵⁵ Article 33(3) of the Agreement

⁵⁶ Article 33(4) of the Agreement

patent may be brought either before the Central Division or in any Local or Regional Division. The court of the Local or Regional Division then has the discretion to proceed as before (see the four points above).

Allowing for bifurcation⁵⁷ has been one of the most contentious issues surrounding the Agreement. Indeed, it was the subject of a letter dated 26 September 2013 published in the New York Times signed by Apple, Google, Intel, Samsung and others⁵⁸. They stated:

"Patent cases often involve the related issues of whether a particular patent is valid and, if so, whether it has been infringed. The UPC Agreement allows these questions to be decided by different courts in the same case, but gives little guidance as to when or how this should or should not be done. This could, in some cases, allow plaintiffs to obtain a quick infringement ruling, along with an injunction barring products from most of the European market, before any determination of whether the patent in question is actually valid. Given the drastic impact of such an injunction on the defendant, unprincipled plaintiffs would be able to extract substantial royalties (through settlements or verdicts) from European and other companies based on low-quality, and potentially invalid patents."

On the plus side, bifurcation avoids inconsistent and duplicative proceedings, but it can extend the time of proceedings, increase costs and, at least theoretically, allow coercion into settlement.

The rules go some way in trying to allay these fears. Where a decision is taken to bifurcate, Rules 37.4 and 118.3⁵⁹ state that the infringement proceedings shall be stayed where there is a "high likelihood" that the relevant claims of the patent(s) will be held to be invalid on any ground by the final decision in the revocation procedure. How "high likelihood" is to be judged and whether it will be judged differently in different courts remains to be seen.

However, there are no factors⁶⁰ set out in the Agreement or the draft Rules to guide the court when applying their discretion (as opposed to when bifurcation is mandated, as above). The Drafting Committee's view is that the rules should not be prescriptive and, in time, the Court of Appeal will operate to ensure a consistent approach is taken. Training of Judges (which has just started) will also assist and a feeling is growing that the Judges will be more aligned and any "couleur locale" may be less than originally thought. There is also a view, expressed by some commentators, that instances of bifurcation will be limited⁶¹ or even rare⁶².

Substantive law

The changes relate, effectively, to the nature of the Unitary Patent and include:

- Infringement of process patents: national patent laws require that an offer for a patented process can only be prohibited if the offer is made in the country of protection, or directed to residents in the country of protection, and offers to work

⁵⁷ A feature of patent proceedings in Germany, Hungary and Austria.

⁵⁸ <http://graphics8.nytimes.com/packages/pdf/business/26trolls-letter.pdf>

⁵⁹ Which also deals with pending oppositions before the European Patent Office

⁶⁰ For example, speed to resolution, technical complexity, whether amendment to the patent is required, how important are the "squeeze" arguments, whether bifurcation would mean different parts of the case would be heard in different languages etc.

⁶¹ Kevin Mooney, EPLAW Conference, November 2103

⁶² In German Local Divisions per Ulrich Blumenröder, EPLAW Conference, November 2013

the patented process in that same country of protection. Those cumulative conditions no longer exist for a Unitary Patent⁶³;

- Indirect infringement: the prohibition of an offer/supply of means relating to an essential element of the invention applies under national law in the country of protection. That is no longer the case for a Unitary Patent where the territorial protection extends to all Contracting Member States⁶⁴. Similarly, under national law, the exportation of these means to other EU jurisdictions is allowed even if there is a parallel European Patent in force in the country of importation. That again is no longer the case for a Unitary Patent;
- Experimental use: in certain countries, experimental use is more broadly defined than in Article 27(b) of the Agreement, which provides only for an exemption for *"acts done for experimental purposes relating to the subject matter of the invention"*.

These examples show how certain companies, including suppliers of chemical components or universities, may find themselves in a different legal position depending on whether they face a national / European patent, or a Unitary Patent.

It is important to note that some aspects of the Unitary Patent system are still governed by national law, namely: compulsory licences; the regime applicable to damages; and treating the patent as an object of property⁶⁵. In relation to the latter, Article 7 of Regulation 1257/2012 states that the Unitary Patent should be dealt with in its entirety, in all participating Member States, as a national patent of the participating Member State, determined at the date of filing of the application, where according to the European Patent Office Register:

- the applicant has his residence or principal place of business; or
- place of business.

Where two or more persons are entered in the European Patent Office Register as joint applicants, the first bullet point above will apply to the first recorded of the joint applicants. If this is not possible, the first bullet will apply to the next joint applicant and so on. If it does not apply to any of them, the second bullet point will be applied down the list. If neither bullet point applies (to sole or joint applicants), the Unitary Patent shall be treated, as an object of property, as a German national patent, (Germany being the seat of the European Patent Office).

These rules are entirely arbitrary. Since rights in property are not harmonised in Europe, patentees should pay attention to such details when filing their applications for Unitary Patents.

Other matters such as compensation for employees, which are not harmonised, remain untouched by Regulation 1257/2012 and the Agreement.

⁶³ Article 25 of the Agreement

⁶⁴ Article 26 of the Agreement

⁶⁵ Recitals 10, 13 and 14 of Regulation 1257/2012

Potential filing strategies

With all the options for obtaining and litigating patents in Europe, patentees are advised to develop a strategy for the management of their portfolio sooner rather than later.

Without the fees being available, the economic advantages of a Unitary Patent over national patents cannot be properly evaluated. Renewal fees, in particular, will be key to any strategy. It is inevitable that they will be more expensive than renewals fees for the big three: Germany, France and the UK. Nevertheless, the following points can be made:

- Although it would be simplest and most straight forward to have the same type of patents for all inventions, this is probably the most cost sensitive of all strategies and not necessarily the right strategy for a particular invention. However, this has to be compared to the relatively costly strategy of analysing each case in detail in order to decide whether a national, opted in/out European Patent or a Unitary Patent is best. To compromise between cost and optimal protection, a patentee might be advised to apply generally for the same type of patent, with a different type if appropriate.
- Unitary Patents and non-opted out European Patents can be invalidated in a single, central attack; therefore consider using this route for strong patents where there is no doubt as to their validity and where protection is required in across Europe, for example, pharmaceutical compounds. They can then be used offensively to obtain injunctions, including preliminary injunctions⁶⁶, in all 25 contracting Member States. This must be balanced, in particular, in relation to Unitary Patents, with the fact that they are less flexible (no opt out is possible) and, of course, the system itself is new and untested.
- Consider opting out European Patents which cover economically important products, but where the validity of the patents is not so certain. Even if the patent is invalidated in one or two jurisdictions, it may be possible to retain value in others.
- Consider a combination of parent and divisional patents in different categories. For example, having a parent patent with unitary effect (or an opted in European Patent) with a very narrow scope and a divisional or divisionals with wider scope but opted out⁶⁷. Such a strategy could be costly, but offer considerable safety to a patentee and possibly suitable for very important products (the "double-shoot" strategy). Note that as of 1st April 2014, the recently introduced restrictions on filing divisionals at the European Patent Office will no longer be applicable⁶⁸.
- National patents may be appropriate if a patent is only needed in a few jurisdictions in Europe, for example, where a patent is relevant to a product developed for a particular market. Conversely, they might also be appropriate where a product has been developed for the whole of the EU, but is too valuable a right to allow for the possibility of central attack.
- Consider also the cost and speed of obtaining patents. The European Patent Office can be notoriously slow and costly in comparison to some national patent offices where the procedures are far less burdensome, for example, in Belgium, France, Italy

⁶⁶ Article 32(1)(c) and Rule 211

⁶⁷ Double patenting is not allowed according to Guidelines G/IV.5.4 (referring to G1/05 and G1/06) if there are two European Patents from the same applicant designating the same state(s) and having claim relating to the same invention. However, there will be no objection if there is merely a partial overlap (see T877/06). Therefore, it is possible to have one patent on a preferred embodiment and another on a broadly-defined invention.

⁶⁸ <http://www.epo.org/news-issues/news/2013/20131018.html>

and Spain, no substantive examination is undertaken. Further, if only a handful of national rights are needed and the specification and claims are kept short, translation costs can be kept under control, keeping costs down. Some national offices, indeed, will allow specifications to be filed in English, for example, Sweden, Denmark and Finland. Consider also whether the flexibility of facing local invalidity challenges during prosecution is preferable and whether a national patent can be filed based on a PCT filing⁶⁹.

- As with today's strategies, consider also the possibility of filing for utility models.

Adverse parties should also have their strategies ready. They should consider starting any central invalidity attack on a European Patent if it has not been opted out and also the filing of protective letters⁷⁰ if they fear an infringement action being launched against them. In addition, the Judges of the Unified Patent Court are untested and therefore their attitude to issues of obviousness will not be known for many years. Therefore, a party who wishes to invalidate a patent might not be put off if a patent has been opted out from issuing such proceedings in a jurisdiction where attitudes are better known. The advantage of starting such an action would be that it prevents the patentee from opting in and applying for an injunction enforceable in 25 Member States.

Review your licences

Licensing, development and co-ownership agreement will, in particular, affect the right to opt out because the Rules provide that only the patentee (and all of them if the patent is co-owned) can notify the decision to opt out⁷¹.

Existing licensing and development agreements will not have anticipated such an opt out, while many agreements give to exclusive licensees broad powers to decide about the maintenance and prosecution strategy of the licensed patents. To avoid unnecessary disputes, patentees must examine their existing agreements – in particular their exclusive licensing agreements - to determine whether the licensee may have been granted (at least implicitly) the right to impose on the patentee a decision on whether or not to opt out. Patentees who are currently negotiating a patent license agreement would do well to negotiate a stipulation about who has the right to make/impose a decision about opting out, otherwise there could be disputes between licensees with exclusive rights on certain fields of application, or with rights in certain specific jurisdictions, whose interests will clash with other licensees, or with the patentee.

The parties to any licence agreement should also be aware of the provisions relating to who can be a party to an action before the Unitary Patent Court. Many agreements make specific arrangements as to the conduct of litigation, but some do not. Article 47 of the Agreement states that:

- Unless the agreement provides otherwise, an exclusive licensee shall be entitled to bring actions in the same circumstances as the patentee, provided notice is given to the patentee;
- A non-exclusive licensee can bring an action if the agreement expressly provides for it and notice is given;

⁶⁹ 11 EPC countries do not allow a national patent to be filed based on a PCT and only allow protection to be obtained via the European Patent Office if a PCT application is used i.e. Belgium, Cyprus, France, Greece, Ireland, Italy, Latvia, Malta, Monaco, the Netherlands and Slovenia

⁷⁰ Rule 207

⁷¹ Rule 5.1(b) – all proprietors or applicants shall lodge the application to opt out

- The patentee may join the action commenced by a licensee, but validity can only be contested if the patentee participates i.e. the adverse party will have to bring a revocation action against the patentee.

It is advisable as well to verify arbitration clauses and to examine if they are appropriately drafted. If inaccurately drafted, they could imply that actions can or must be brought before the Patent Mediation and Arbitration Centre that was created by the Agreement⁷² instead of the intended arbitral body. It might be worth renegotiating the clauses that are not clear in these respects, rather than stepping into the new system and being unsure about the implications.

Finally, it is worth verifying whether the choice of law clause is not compromised when the Agreement comes into effect because the Agreement provides for a new set of rules and an, as yet, undetermined body of law, unknown and unforeseen by the parties when the choice of law was determined. In some cases, this may oblige the patentee to opt out his licensed European patent.

**Katharine Stephens
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3 April 2014**

⁷² Article 35 of the Agreement

Annex A

Progress on the ratification of the Agreement on a Unified Patent Court

- On 6 August 2013, Austria was the first country to ratify the Agreement on a Unified Patent Court;
- On 21 January 2014, Malta adopted the necessary legislation and the instrument of ratification is expected to be deposited shortly;
- On 24 February 2014, President François Hollande promulgated the law authorising France to ratify the Agreement. However, the instrument of ratification has not yet been deposited; since France is one of the "big three" countries which have to deposit their instrument of ratification before the Agreement can come into force, it is likely that it is hanging on so that it can control the commencement date;
- Belgium is expected to ratify by April 2014;
- Denmark will hold a referendum on 25 May 2014;
- Ireland will also hold a referendum, but no date has been announced;
- In Germany, the Federal Minister of Justice and Consumer Protection, Heiko Maas, has stated that he would submit a draft law on ratification of the Agreement after the summer of 2014;
- In the UK, the Government has stated that it expects to be ready to ratify the Agreement before the end of the current Parliament i.e. before May 2015. The Bill making the necessary changes to national law to ensure compliance with the Agreement can be made through secondary legislation will become law shortly.