



# A preview of the new European unified patent system.

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May 2015

## Introduction

In 2012, representatives of the EU member states achieved a breakthrough agreement: The European unitary patent will soon provide for patent protection for inventions in 25 countries across Europe.

Meanwhile, the agreement to install a **European patent court** is currently also being ratified by EU member states. In this article approaching one year since my country Denmark held a national referendum on this issue, I will attempt to review how far Europe has come in the implementation of the European patent package and review some of the content that this package will be offering.

## Implementation

The European patent package contains two related but independent agreements:

- the Unitary Patent (UP), and
- the Unified Patent Court (UPC).

The Agreement on the Unified Patent Court was signed by 25 EU Member States on 19 February 2013. It will need to be ratified by at least 13 states, including France, Germany and the United Kingdom to enter into force. The unitary patent – or as it is officially called the *European Patent with Unitary Effect* – also needs to be ratified by at least 13 states, including France, Germany and the United Kingdom to enter into force. The unitary patent may be requested from the date of the entry into force of the Agreement on a Unified Patent Court.

All the states of the European Union but Italy and Spain signed the agreements. The agreement is made using the provisions in the Treaty of the European

Union (TEU) concerning enhanced cooperation. Italy has later signed the agreement on the Unified Patent Court, but not the unitary patent. Spain complained to the European Court of Justice that the agreements were not in compliance with the TEU, but both complains (there were two) have been dismissed.

The status of the political ratification processes in the individual countries so far is that the patent package is ratified in Austria, Belgium, Denmark, France, Malta and Sweden, as per 1 May 2015. It may be noticed that Denmark ratified after a 62.5 % majority was in favour of the European patent package in the national referendum held in May 2014.

Initially, it was agreed that the UPC agreement should enter into force at the earliest in 2014, but not surprisingly the ratifications take time, so at the moment it is expected that this new European patent system will become a reality in 2016 or 2017. However, meanwhile the preparations are going on. This includes drafting the Rules of Procedure of the Unified Patent Court, which is currently in its 17<sup>th</sup> draft and expected to be finalized later this year.

## The Unitary Patent (UP)

### *Main features*

The European Patent with Unitary Effect – or Unitary Patent (UP) – will in essence be a normal European patent application filed with the European Patent Office (EPO) and searched and examined by the EPO and then approved for grant.

At this stage patent proprietors will be able to request that their European patents have “unitary effect” across 25 EU Member States, rather than having a bundle of national patents, as is the case for ordinary European patents. The EPO will be in charge for that Unitary Patent and the granting proceedings will follow the rules of the European Patent Convention (EPC) as applicable to the ordinary European patents. According to Article 18 of the UP Regulation, unitary patent protection may be requested for any European patent granted on or after the date of application of the Regulation. The request for unitary effect must be filed at the EPO no later than one month after the grant of the European patent. The three month term for national validation of the ordinary European patents will still apply.

The UP is linked to the EPC by Article 1(2) of the UP Regulation, where the UP Regulation constitutes a “special agreement” within the meaning of Article 142 EPC. This article of the EPC provides that:

*Any group of Contracting States, which has provided by a special agreement that a European patent granted for those States has a unitary character throughout their territories, may provide that a European patent may only be granted jointly in respect of all those States.*

The UP Regulation is therefore equivalent to special agreements under Article 142 EPC, which gives the unitary effect to a European patent. Accordingly, the granting proceedings according to the EPC will be the same for an ordinary European patent and a Unitary Patent.

***Territorial effects of the Unitary Patent***

The territorial effects of a Unitary Patent and an ordinary European patent are different. The grant of a European patent may be requested for one or more individual Contracting States of the EPC, whereas the Unitary Patent will emerge from one request for the territories of the States belonging to the Enhanced Cooperation, i.e. the states that have ratified the EU Patent Package at the time of this one request. The Unitary Patent can only be limited, transferred, revoked, or lapse as a whole. It can, however, be licensed in respect of the whole or part of the territory of all of the participating Member States.

Opposition proceedings are available for third person according to the EPC. This will also be the case in the future and the opposition proceedings will be the similar to what we already know today at the EPO.

In table 1, a flow chart for the filing and grant of an ordinary European patent and the Unitary Patent is drawn up for comparison between the two types of European patent protection:

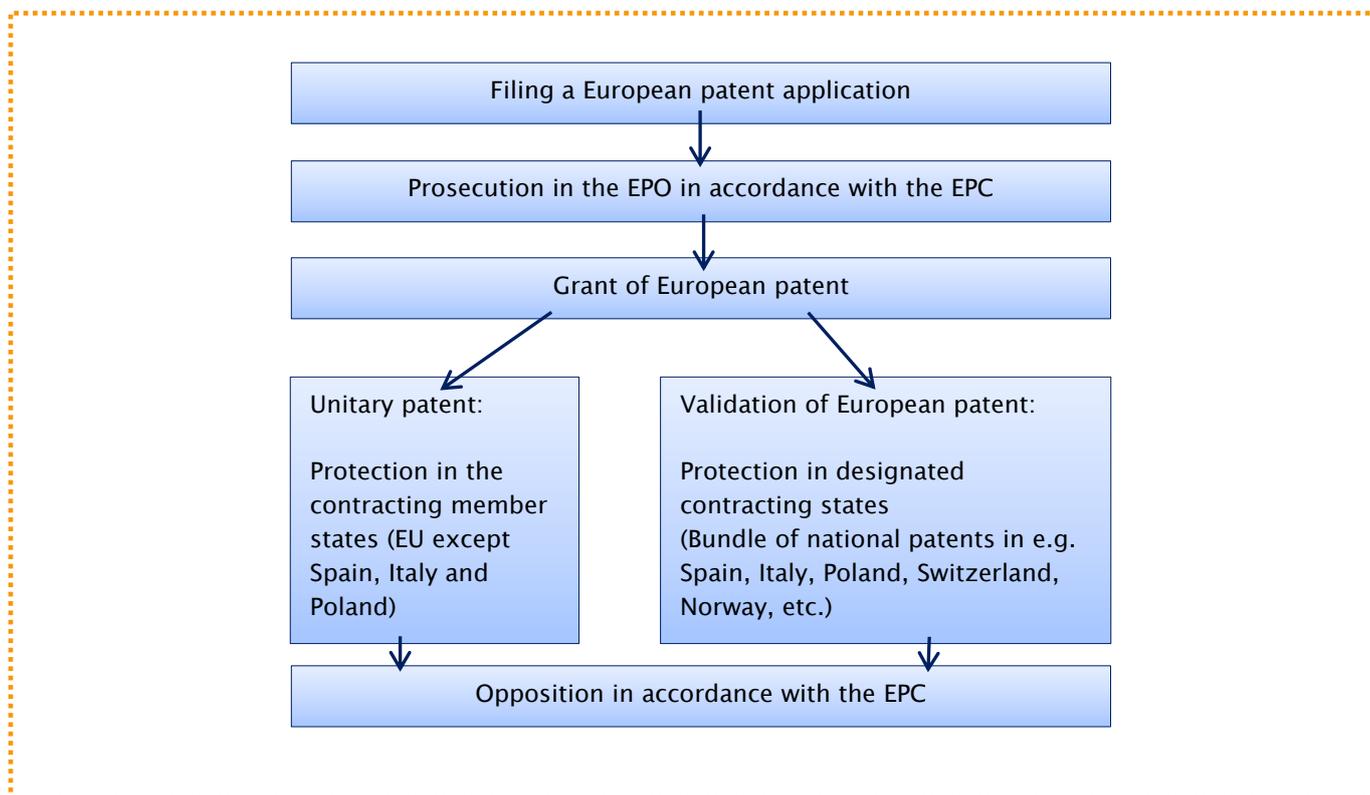


Table 1: Comparison between an ordinary European patent and the Unitary Patent.

### ***Validation and maintenance of the Unitary Patent***

As mentioned above, the request for unitary effect must be filed at the EPO no later than one month after the grant of the European patent. There will be a registration fee due and according to Article 5 of the UP regulations until high quality machine translation is available, a translation of full text into English is required if the European patent is granted in French or German and if it is granted in English, a translation of full text is required into any other official language of the Union.

It remains to be seen how this provision is to be understood, because in order to save costs, it could be expected that for instance if a proprietor will validate his newly granted European patent in Italy, Spain and/or Poland, he will have to translate to Italian, Spanish and/or Polish anyway, and these languages are official languages of the Union, although these states are not signatory states to the unitary patent.

For the maintenance of the Unitary patent renewal fees are due each year.

### ***Costs for the Unitary Patent***

The objective for providing a Unitary patent in Europe is because the users want one, easier and cheaper patent system in Europe as well as one, easier and cheaper patent court system in Europe compared to the current fragmented national systems.

Since the unitary patent will emerge from an ordinary European patent application, the costs for applying for a unitary patent are the same as we know today. The costs for prosecuting the European patent application will therefore also be unaffected. Accordingly, the costs differences only appear after the grant of the European patent.

The most eminent cost reduction compared to the current European patent is the lack of translation requirements. However, there will be costs for maintaining the Unitary Patent as mentioned earlier.

The level of these fees though is not yet determined, but there are some proposals out. The intention is to arrive at a level low enough to be attractive to users and high enough to ensure a balanced budget of the European Patent Organisation, i.e. the EPO.

Currently a proposal is out, setting out the following structure for the unitary patent renewal fees:

- Years 3 to 5: the level of the EPO's internal renewal fees (IRF)
- Years 6 to 9: a transitional level between the IRF level and the year 10 level
- From year 10, a level equivalent to the total sum of the national renewal fees payable in the states in which European patents are most frequently validated (TOP level).

Within this structure, two proposals are being suggested:

The first proposal is to take the *TOP 4 level*, i.e. the sum for the four most frequently validated countries from year 10 whilst maintaining the level of EPO internal renewal fees for years 3 to 5, with a steady progression until year 10.

The second proposal is to take the *TOP 5 level*, i.e. the sum for the five most frequently validated countries from year 10 whilst keeping the level of EPO internal renewal fees for years 3 to 5, with a steady progression until year 10. In addition a reduction for certain categories of patentees, namely SMEs, natural persons, non-profit organisations, universities and public research organisations would be foreseen.

So in comparison with the ordinary European patent being a bundle of national patents, it would look like we can expect a cost level for maintaining the Unitary patent equal to the current costs for four to five member states.

### **The Unified Patent Court**

In contrast with the current situation of having to litigate on a country-by-country basis, the UPC will have the authority to grant EU-wide injunctions, damages and other relief. In addition, freedom to operate across the European Union will be obtainable by a single set of invalidity or non-infringement proceedings. The UPC will have exclusive jurisdiction to decide over infringement and revocation of Unitary Patents, ordinary European patents, and SPCs granted under Regulation (EC) 469/200934 (certificate for medicinal products) or Regulation (EC) 1610/9635 (certificate for plant protection products). The UPC will also have jurisdiction over disputes concerning the registration of the Unitary Patent and certain other disputes. Accordingly, Unitary Patents always fall under the exclusive jurisdiction of the UPC, whereas a particular system will apply to ordinary European patents (the "Opt-Out System" see below).

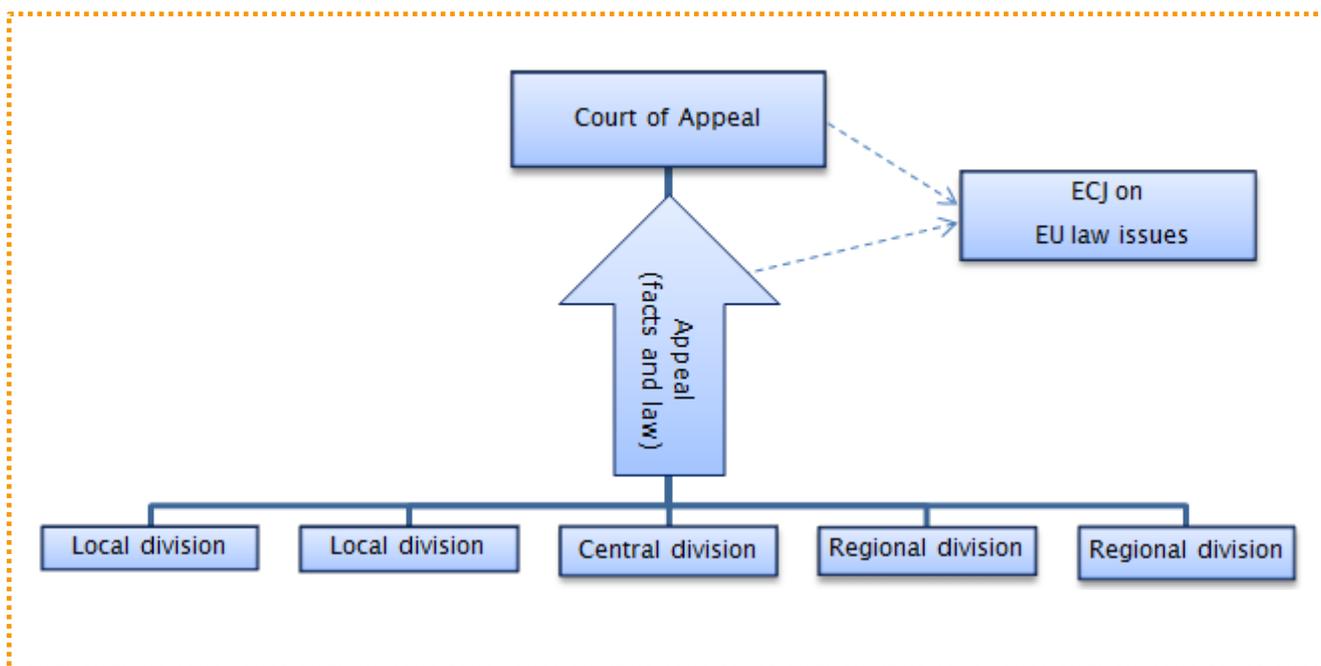


Figure 1: The structure of the Unified Patent Court

### **Structure of the Court**

In figure 1 above the court structure of the UPC is outlined.

Local Divisions will be set up in the member states. The number of Local Divisions to be established will depend on the number of patent cases that have been commenced in each member state during the time before the Agreement comes into effect. Generally, only one Local Division will be set up in a Contracting Member State, but States with more than 100 cases per calendar year may set up an additional Local Division for every additional hundred cases, up to a total of no more than four Local Divisions per state. Regional Divisions may be established on request by two or more States if they have only a low number of patent cases. The local and regional divisions may also choose which languages they will hear the cases in.

The current position – as far as information is available – local and regional divisions will be set up in the following countries (with competent language(s) in brackets):

Local divisions:

Italy (Italian), England and Wales (English), The Netherlands (Dutch and English), France (French), German x 4 (German and English), Belgium (Dutch, French, German and English), Finland (Finnish, Swedish and English), Denmark (Danish and English).

There may be formed Regional Divisions in Romania, Bulgaria, Cyprus and Greece (all official languages plus French and English) and in Sweden, Estonia, Latvia and Lithuania (English only), and also in Czech Republic and Slovakia (official languages plus English).

A few countries have indicated no participation in either a local or regional division. These are Malta and Luxembourg (language of grant), who as a result donates their jurisdiction to the Central Division.

Some countries are still undecided. These are Poland (has not yet signed Agreement), Portugal, Austria, Ireland (likely local division – English) and Scotland (possible local division – English), Slovenia, and Hungary.

The Central Division will be seated in Paris but will reside in three locations: Paris, London and Munich. Each of the three Central Division locations will deal with different technical subject matter, distributed according to the International Patent Classification (IPC) of the World Intellectual Property Organization (WIPO). London will deal with chemistry, human necessities and metallurgy (IPC classes A and C), Munich will deal with mechanical engineering (IPC class F) and Paris will handle all other technical areas (i.e. textiles, transporting, physics and electricity – IPC classes B, D, E, G and H).

Local and Regional Divisions of the Court of the first Instance will mainly decide on infringement related issues, whereas the Central Division has competency over validity-related issues.

In the first instance, i.e. the local, regional or central divisions, the court may use a technically qualified judge in addition to legal judges. In the second instance, i.e. the Court of Appeal, which will be situated in Luxembourg, two out of five judges are technically qualified judges. The composition of the panels is shown in table 2 below:

1 <sup>st</sup> instance:	Local/Regional Divisions	Central Division
Article 8 UPC:	<p><b>3 Legally qualified judges:</b> Two national/regional judges + one judge from the Pool Or if the division has less than 50 cases per year: One national/regional judge + two judges from the Pool</p> <p><b>1 technical judge</b> if counter-claim for revocation or upon request of one of the parties or the panel</p>	<p><b>3 Judges:</b> Two legally qualified judges One technically qualified judge</p>
2 <sup>nd</sup> instance	<b>Court of Appeal (Luxembourg)</b>	
Article 9 UPC:	<b>3 Legally qualified judges + 2 technically qualified judges</b>	

Table 2: Composition of the courts in the UPC

**Opt-out for ordinary European patents**

Ordinary European patents as well as national patents will co-exist with unitary patents when the new European patent system commences. Consequently, patent proprietors do not necessarily have to put their European patents under the jurisdiction of the UPC by requesting the unitary effect for their

European patents. An alternative option is provided for in Article 83 UPC, where a patent proprietor can opt-out of the UPC. The opt-out completely extinguishes the jurisdiction of UPC. The opt-out is effective for the life of the European patent unless withdrawn and covers all designations (and SPCs).

For patent proprietors it may be worthwhile considering to strategically divide their patent portfolios in two main groups: one group that is subject to the UPC, and a second group that is subject to the national systems. Although it could be a substantive addition of costs, it could be considered for that sole purpose to branch off European divisional applications from parent European patent applications.

For ordinary European patents this opt-out approach can be taken. Article 83 UPC provides for a transitional period of seven years, which can be extended by a further seven years by the Administrative Committee. During this time any actions as to ordinary European patents may still be brought before national courts. This means that the competence of the UPC is not exclusive during that transitional period, but the UPC will co-exists alongside the competence of national courts in European patent matters.

This means that during the transitional period, actions based on ordinary European Patents can be filed either with the UPC or national courts. Patent proprietors must *pro-actively opt-out* from the UPC by means of a notification to the Register (i.e. at the EPO) cf. Article 83(3) UPC, if they want to ensure that revocation actions cannot be filed with the UPC. This is because the opt-out option is not possible once an action has already been brought before the UPC. Withdrawal of an opt-out is possible under Article 83(4) UPC. However, an opt-out cannot be withdrawn if an action has already been brought before a national court (maybe even before UPC opens for business).

This has lead commentators to speculate on the possibility of filing strategic revocation actions by third parties as the system goes live, with the intention of blocking a patent proprietor or patent applicant from the opt-out system. On the other hand, a patent applicant could choose the opportunity to file an opt-out notification if revocation proceedings filed by third parties at the UPC are not wanted. The applicant may still withdraw its opt-out notification later.

### ***Appeal***

An appeal against a decision of a Court of first Instance may be brought before the Court of Appeal in Luxembourg by any party that has been unsuccessful, in whole or in part, in its submissions. An appeal can be based on both points of law and matters of fact.

### ***Infringement actions***

Unless the parties agree on the venue, the action can be filed at one of two locations:

1. Where the actual or threatened infringement has occurred or may occur.
2. Where the defendant or, in the case of multiple defendants, where one of the defendants has its residence, or principal place of business, or in the absence of residence or principal place of business, its place of business.

Accordingly, a Local Division has jurisdiction if the infringement occurs in the contracting state hosting that Division (location 1) or if the residence or principle place of business of the defendant is located there (location 2). A Regional Division will have jurisdiction if the alleged infringement takes place in at least one of its contracting states.

The first option for the location may allow for forum shopping. A proprietor can file a lawsuit within any contracting state in which an infringement has been identified by the alleged infringer. These are the locations where the allegedly infringing product has been produced, offered or placed on the market. In the case of that the alleged infringing product is offered for sale, the infringing act might not only be in the state where the offer has been made, but also in another state where the offer may be received by potential customers. This would typically apply to a product published on a webpage that can be read by an internet user in a contracting state. As a result, in a majority of patent infringement cases, a multiplum of Divisions of the UPC will have jurisdiction to hear the case.

### ***Revocation actions***

According to Articles 32(1)(d) and 33(4) UPC, revocation actions can be brought before the Central Division. Such an action is directed against the patent proprietor challenging the validity of his patent. Depending on the technical content of the patent, such actions will be allocated to the seat in Paris or the branches in London and Munich of the Central Division.

### ***Actions for non-infringement***

Declaratory actions for non-infringement will be filed with the Central Division. However, if an action for infringement between the same parties relating to the same patent has been brought before a Local or a Regional Division, a non-infringement action may only be brought before the same Local or Regional Division.

### ***Bifurcated proceedings***

Where a patentee has brought infringement proceedings in a Local or Regional Division under Article 33(1), the alleged infringer will typically make a counterclaim for revocation of the patent concerned. The Local or Regional Division may then choose a course of actions to proceed in a *unified manner* or to *bifurcate* by referring the counterclaim for decision to the Central Division and then either suspend or proceed with the infringement proceedings.

If a revocation action is already pending when an infringement action is filed, the local or regional division may continue with the infringement proceedings, stay the infringement proceedings or – if the parties agree – refer the infringement action for decision to the Central Division.

### ***Opposition proceeding and revocation actions***

In several European jurisdictions, opposition proceedings at the EPO and national revocation actions cannot coexist. Accordingly, the admissibility of a national revocation action requires that no opposition proceedings against the patent are pending.

The UPC does not give opposition proceedings priority over revocations actions. Articles 33(8) and (10) UPC seem to indicate that both proceedings could be pending in parallel. Article 33(8) UPC mentions that a claimant (opponent and potentially alleged infringer) proprietor can bring a revocation action before the UPC without having to file a notice of opposition with the EPO. Accordingly, the claimant can file a revocation action or do both unless of course the patent is opted out. However, according to Article 33(10) UPC, the claimant is required to inform the Court of any pending revocation, limitation or opposition proceedings before the European Patent Office. Further, the Article 33(10) UPC says that the Court may stay its proceedings when a rapid decision may be expected from the European Patent Office.

The UPC may not necessarily stay proceedings in cases relating to a unified patent that is also the subject of opposition proceedings or limitation proceedings (including subsequent appeal proceedings) before the EPO. Parallel EPO opposition proceedings and revocation proceedings at the UPC is not detailed further in the UPC or the Rules of Procedure. This opens the question of what is meant by “a rapid decision” and the standard for such a stay of proceedings is left to the UPC.

The UPC is only entitled to take decisions concerning validity within the boundaries determined by the EPO. A unitary patent that has been finally revoked by a decision from the EPO (for instance, after Appeal proceedings before the Board of Appeal at the EPO) cannot be overruled by the UPC. Similarly, if the EPO opposition proceedings have resulted in a unitary patent with an amended claim set, the UPC will not have competence to reinstating a broader scope of protection.

#### ***Preliminary Injunctions and Discovery***

Under the UPC the Court may grant preliminary injunctions to prevent any imminent and ongoing infringement. The Court has the discretion to balance the interests of the parties and take into account the potential harm to either of the parties resulting from the granting or the refusal of the injunction.

#### **Conclusion**

In the new European patent system there are still open questions on how the system will work. This article is only a brief look on the new patent system in Europe. It is foreseeable that the UPC will create case law.

While waiting for the necessary ratifications to be filed in Brussels, the preparations are well under way. From the preparations, it would be evident that the main requirements to the new court system will be legal certainty, decisions of highest quality, and cost effectiveness.

The UPC will be in competition with the national courts, and at least in the transitional period the patent proprietor can opt-out of UPC for classic EP-patents, this may hopefully encourage the UPC system to aim for these requirements. Time will tell.

If you have any questions you are very welcome to contact your patent attorney at HØIBERG A/S.



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