



The Unitary Patent Package – where are we now?

Back in December 2012 it was announced, in an historic agreement, that the European Parliament had adopted two regulations relating to the creation of the unitary patent. A third element of the unitary patent package, the agreement on the unified patent court, was signed in February 2013 and the EPO expected the first unitary patent to roll off the production line in Spring 2014. It's now nearly the beginning of 2015 and we've not met the original, highly ambitious implementation date but there has been significant progress in delivering the new system. So, here by way of a round-up, Keltie LLP's Mark Richardson and Emily Weal writing for the IPcopy blog present a Q&A style recap of what the unitary patent package is and where we are.

Q: So, before we begin, remind me about the options we currently have for patent protection in Europe...

There are currently two main options for gaining patent protection throughout Europe. A patent applicant may apply for a number of separate national patents. The procedure for obtaining patents via this route may not be exactly the same in different countries and there is a need to translate the patent document into different languages. Alternatively, a patent applicant may file a European patent application via the European Patent Convention (the EPC). The EPC is a regional patent system in which a single patent application can be filed and be processed through to grant in a single language (one of English, French or German). Once a granted European (EP) patent has been achieved the patent is then validated to create a bundle of national patents again. Translations of part or all of the granted EP patent may also need to be filed during validation depending on the countries the patent owner is interested in. Currently there are 38 countries within the EPC system.

In both cases, enforcement of a bundle of national rights takes place under national law such that enforcement of a granted EP patent in multiple territories, or enforcement of a bundle of national patents, requires multiple court cases to be initiated in different countries.

Q: In a nutshell then what's changing?

In December 2012, the European Parliament approved the formation of 'A European Patent with Unitary Effect' (often referred to as a unitary patent or an EU patent), and a Unified Patent Court (UPC) to oversee its enforcement.

The Unitary Patent is associated with two EU regulations (one to create the unitary patent and one to cover translation/language issues). Separately there is also an Agreement on the Unified Patent Court (the "Agreement").

An Applicant will be able to file a European patent application under the EPC in the usual way, and up to grant the process will remain the same. After grant, an applicant will be able to choose between two options: either validation of the patent in separate countries in the current manner, or a new unitary patent (possibly with some validations in countries not covered by the unitary patent if required).

The unitary patent is a single patent that will have effect in up to 24 European countries (see below for the complexities on this). After grant, a single renewal fee will be payable to cover all twenty-four countries, and the unitary patent will be revoked, maintained, assigned or amended centrally, with effect in all twenty-four countries. Once initial transitional provisions have ended, whichever option the Applicant selects, litigation will be in the unified patent court.

Q: So can I get a Unitary Patent right now?

Not yet. Before the system can go live, the Agreement needs to be ratified by at least 13 participating countries (i.e. the legislation needs to be enacted into their national law, and signed documents deposited at a central depository). That process is underway now.

Q: Does that mean I can get one patent to cover the EPC area?

The legislation that creates the unitary patent and the UPC is created by a subset of countries of the European Union (EU). Only the 28 EU countries can choose to participate, and some have chosen to opt out. Spain has opted out altogether (and indeed has launched a legal challenge against the whole system). Croatia was not yet an EU country when the legislation was enacted and so is not currently participating, though it may join in the future. Poland was initially in, but has since decided to opt out for economic reasons. Italy was initially out, but has since decided to opt into the UPC. It has not yet opted into the unitary patent, though it may choose to do so in the future*.

So, that leaves the following 24 countries intending to opt into the Unitary patent system: Austria, Belgium, Bulgaria, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany,

Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Romania, Slovakia, Slovenia, Sweden and the UK.

It gets more complicated again when we factor in that a unitary patent can only cover the countries that have ratified the Agreement on the date of grant of the patent, but that the system can go live with only 13 countries having ratified. And in fact, Italy could ratify the agreement without being a part of the unitary patent, so it is possible that the first unitary patents will cover only twelve countries. As new countries ratify, the new countries will be added to the list for future unitary patents, but they will **not** be added to the existing unitary patents retrospectively. This means that in the early stages, we will need to keep a close eye on exactly which countries will be covered by a unitary patent.

[* I hope you're keeping up here. There will be a test later!]

The Unitary Patent

Q: Will this change the current application process at the EPO?

The application process will remain unchanged.

Q: How will I get a unitary patent?

If you would like a unitary patent, you must request it within **one month of grant** of the European patent. If you would like to validate the patent in any European countries (this could be instead of, or in addition to the unitary patent), this must be done within **three months of grant** of the European patent

Q: What about claim limitations and designation withdrawal?

It is a fundamental requirement that the unitary patent is of unitary character. This means that the claims must be identical for all the unitary patent countries that will apply to your patent. It also means that all those unitary patent countries must be designated in the patent application. This could be a problem for older patent applications, as some countries joined the EPC relatively recently (for example, Malta joined in 2007), and so may not be designated on some pending European applications. When Malta ratifies the Agreement and becomes a unitary patent country, applications filed before Malta could be designated in a European application cannot become unitary patents.

Q: How much will it cost?

The costs of the process up to grant will remain unchanged.

After grant, a single renewal fee will be payable in respect of all 24 countries. The level of that renewal fee is currently unknown. It is likely to represent a significant saving when compared to the cost of renewal in all 24 countries, but it is likely to be more expensive than the cost of a renewal fee in just a few countries.

Q: Should I choose a Unitary patent or a European patent?

Once the unitary patent system goes live, there will be a choice to make when it comes to protection in the countries that are participating in the unitary patent. It will be possible to validate in the same manner as you do now and select only the countries you are interested in (e.g. UK, France, Germany, the Netherlands). Alternatively it will be possible to select a unitary patent and, in addition to those countries that you would normally obtain protection in, you would get protection throughout the unitary patent area.

As noted above, there will be a single unitary patent renewal fee compared to the multiple renewal fees that are currently due. It is therefore worth bearing in mind that this will in turn mean that it will not be possible to “prune” the size of your patent portfolio as it matures.

Currently if you start with 6 validations of your granted EP patent you’ll be paying six renewal fees each year. If however circumstances change it is possible to “downsize” the portfolio by dropping one or more of the validations. With a unitary patent however this option to reduce the size of the portfolio for financial reasons will not be available and the choice will be a binary one – you’ll either continue paying renewal fees on your unitary patent or you’ll drop it!

Making the right choice when an EP patent grants will therefore be important. Further thoughts on this topic can be found in the “What to do now” section below.

Q: What about translations?

It is envisaged that after a transitional period (this is a different transitional period by the way to the one mentioned above!) that high quality machine translations will be available meaning that no translations will be required within the unitary patent system.

However, anyone that’s used Google Translate will tell you that we’re not quite at the level of Captain Kirk’s Universal Translator or Ford Prefect’s Babel fish yet. In the meantime therefore there will be a need to translate a granted EP patent within the unitary patent system into one other language.

For EP patents that have been prosecuted in English then any official EU language can be chosen when translating the granted EP patent (even the language of an EU state that is not participating in the unitary patent, e.g. Spain). For EP patents that have been prosecuted in either French or German then the granted patent will need to be translated into English.

The Court

Q: What is the court structure?

The Unified Patent Court (UPC) will be a single court within the member states that have ratified the UPC Agreement. There will be a Court of First Instance, an Appeal Court and a Registry.

Q: Where will the court be?

The Court of First Instance will be made up of a central division (split between its seat in Paris and sections in Munich and London) and a number of local divisions and regional divisions.

Countries may either choose to set up their own local divisions or can partner with other countries to form a regional division.

The Court of Appeal will be in Luxembourg.

Q: What cases will the different parts of the central division handle?

The cases within the central division will be allocated in dependence on their patent classification. So, Munich will get mechanical engineering, heating, lighting, weapons and blasting. London gets life sciences, chemistry and metallurgy and Paris gets everything else.

Q: What countries will be covered?

Only countries that a part of the European Union may accede to the UPC Agreement. So currently the option of joining the UPC is only available to 28 countries.

Out of the 28 EU countries, 25 have currently chosen to take part:

Austria, Belgium, Bulgaria, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Romania, Slovakia, Slovenia, Sweden and the UK.

Three countries are outside of the UPC Agreement:

Croatia, Poland and Spain.

For the unitary patent system to begin however we don't need all the signatories to ratify the agreement. Initially 13 of the available member states are required, including France, the UK and Germany.

Q: What general competence does the UPC have?

The UPC will have competence over traditional EP patents, unitary patents and supplementary protection certificates (SPCs) issued for products covered by such patents and patent applications. Decisions of the court will have effect in all the states that have ratified the agreement. The UPC will also have some competence over decisions of the European Patent Office related to administering the unitary patent regulations.

Q: What competence do the different divisions have?

Actions relating to infringement, provisions and protective measures and injunctions, damages or compensation derived from provisional protection and prior use can be brought before the local/regional division where the infringement occurred or where the defendant is based. Counter-claims for revocation can be heard in the local/regional division as well (though see discussion about bifurcated proceedings below).

Revocation or non-infringement actions need to be brought before the central division (unless an infringement action has already started in one of the local/regional divisions). Actions relating to EPO decisions will always be before the central division.

For infringement actions, if the alleged infringement covers multiple territories then the plaintiff can choose between the different divisions when starting the action. If the defendant is not based in the unitary patent territories then an infringement action can either be brought in the local/regional division where the alleged infringement has occurred or in the central division.

If a contracting member state of the UPC does not have either any local divisions or be part of a regional division, then in such cases, actions can be brought before the central division.

Q: What about bifurcated proceedings?

Where an infringement action before a local or regional division is met with a counter-claim for revocation, three different outcomes may result:

- The local/regional division may hear both the infringement and revocation actions together;
- The local/regional division may decide to hear the infringement action but send the revocation action to the central division;
- With the agreement of all the parties, the local/regional division may send both the infringement and revocation actions to the central division to be heard together.

Option 2 above would therefore create bifurcated proceedings and this has caused much hand-wringing amongst some interested parties concerned that some local/regional divisions may choose to bifurcate regularly and reach a decision on infringement before the central division has had a chance to decide on revocation.

The latest draft (17th) of the Rules of Procedure of the Unified Patent Court has provisions that seek to minimise the bifurcation concerns by giving the central division the chance to speed up its revocation action.

Q: What language will be used?

The language of proceedings will be the official language (or one of the official languages) of the country hosting the local/regional division. However, a local/regional division may also designate one of the EPO's official languages (French, German or English) as well as or instead of their own official language. The central division will use the language the patent granted and it may also be possible to use this language in some circumstances in local/regional divisions.

Q: What about transitional provisions?

There will be a transitional period after the UPC Agreement comes into force. This will initially be for seven years but may be extended to 14 years.

During the transitional period actions in respect of traditionally validated EP patents may still be brought before national courts. Additionally, it will be possible during this period for the patent proprietor to register an opt-out in respect of a granted EP patent or pending EP patent application to take that patent or application out of the exclusive competence of the UPC.

An opt-out can only be registered if an action has not already been brought before the UPC. The opt-out can also be withdrawn at any time. An opt-out registered in respect of a patent application will continue to apply to the European patent that grants from that application. Opt-outs will remain in force for the life of the patent (unless the proprietor withdraws it).

Proprietors will be able to register opt-outs at a UPC Registry and the opt-out will become effective once it has been entered onto the Register.

Unitary patents cannot be opted out.

Q: What will it cost?

The costs of the UPC have not been defined yet. It is expected that there will be a public consultation on the fee levels at some point in 2015. Court fees will comprise a fixed fee and above a predetermined level a value based fee.

It should be noted that there will (probably) be fees for opting a European patent out from the exclusive competence of the UPC and for withdrawing an opt-out.

Q: Who can represent clients?

Litigants in person will not be possible in the UPC so clients will require representation either by lawyers authorised to practice before a court of a contracting member state or by European Patent Attorneys who have appropriate additional qualifications enabling them to represent at the UPC.

What progress has there been?

Q: When will the unitary patent system come into effect?

The current official start date is late 2015. At a recent [conference](#), Neil Feinson of the UKIPO stated that he thought that this date was achievable though there may be a period of a few months between the various agreements coming into effect and the Unified Patent Court actually opening its doors for business. So, sometime during 2016 seems to be the best guess at present!

Q: Who has completed their ratification processes?

For the unitary patent system to come into effect we require thirteen states to complete their ratification of the Unified Patent Court (UPC) Agreement and to deposit their instruments of ratification in Brussels. Currently, six states have fully ratified – Austria, France, Belgium, Sweden, Denmark and Malta.

Progress is being made in a number of other countries. Ratification may be delayed in a number of territories however until the various fees associated with the system are known.

Out of the thirteen states that are needed to bring the unitary patent system into effect it is a requirement that France, Germany and the UK ratify. France of course has already done so, but what of the other “big two”?

Q: Where has the UK got to?

The UK has passed the Intellectual Property Act 2014 and is working on secondary legislation that will enable us to ratify the UPC Agreement. The original plan was to ratify the Agreement before the 2015 General Election but this now looks a little unlikely and the target for getting the required secondary legislation in place is before the end of 2015. Even once the UK has ratified the UPC Agreement we will need to deposit that instrument of ratification in Brussels.

Q: Where has Germany got to?

German progress on ratification has been held up by their elections this year. Additionally, a recent article online highlighted that the process may take longer than previously thought and is expected to extend through 2015. The lack of information on the court fees, renewal fees etc. may also delay German ratification further.

Q: So when will we know about the Renewal fees?

Summer 2015, maybe. The publication of the renewal fee amounts has always seemed to be just around the corner. However, each time we think we are getting close the date seems to get put back. The latest news we heard (during last summer) was by the middle of 2015. The same conference that provided this news also gave the following assessment of the actual fee level “higher than you had hoped but lower than you’d feared.”

Q: Where have we got to on the court fees?

The Rules of Procedure contain a list of fees that will apply to the new Court but no actual fee amounts. A public consultation is expected shortly on the issue of Court fees.

Q: What local/regional divisions are to be set up?

A Nordic regional division of the UPC is to be set up covering Sweden, Lithuania, Latvia and Estonia. Presumably we can therefore expect Lithuania, Latvia and Estonia to ratify the UPC Agreement in due course.

The UK is looking for a [location](#) for its Court offices. The UK will have part of the central division and is expected to have at least one local division. Germany will have four local divisions (in Mannheim, Düsseldorf, Hamburg and Munich – see [here](#)).

The full current position on where local and regional divisions are expected is noted below (along with the language that each division is intending to support in brackets). Countries that have either expressed no opinion on the issue or who are not expected to have/participate in a local/regional division are noted in “The Others” section.

Local divisions (with languages in brackets)

UK (English)*; France (French and English); Germany (German and English); Holland (Dutch and English); Italy (Italian); Belgium (Dutch, French, German and English), Finland (Finnish, Swedish and English), Denmark (Danish and English), Ireland (English)

*[There are calls for a local division to be set up in Edinburgh as well]

Regional Divisions (with languages in brackets):

- Nordic regional division Sweden, Lithuania, Latvia and Estonia (English)
- Romania, Bulgaria, Cyprus and Greece (local, official. Languages, French, English)
- Czech Republic and Slovakia (local, official, languages, English)

“The Others”

IPcopy understands that neither Malta nor Luxembourg are currently contemplating setting up a local division or joining one of the proposed regional divisions. For these two territories therefore jurisdiction will pass back to the central division (Paris, London or Munich depending on the subject matter in question) and the language of proceedings will be the language of grant of the patent.

A number of countries have expressed no decision one way or another. These countries include: Portugal, Austria, Slovenia and Hungary.

Q: What risks are there that the process could get derailed?

Failure to secure thirteen ratifying states (including France, Germany and the UK) would prevent the system from going live. Additionally, we could secure ratification from 20 states but until the UK and Germany complete their processes the system will remain dormant. It is important therefore that all states continue to work through their necessary national procedures. It seems likely that information

on the Court fees will be crucial in allowing a number of states, possibly including Germany, to formally complete their national ratification procedures.

The other fly in the ointment, at least for now, is the legal challenge from Spain against the whole system. The Advocate General's opinion was delivered in mid-November 2014 and recommended that the two Spanish challenges against the unitary patent system should be dismissed. It would, to put it mildly, be a surprise if the CJEU did not follow the AG's opinion. However, until the CJEU decision is known (this is expected early this year) there will be the potential threat that the unitary patent system (the two unitary patent regulations and the Unified Patent Court agreement) may need some tweaking or in the worst case scenario may need to be sent back to the drawing board!

What to do now?

Q: So, now I know more about the unitary patent package, what should I be doing now to be ready when the system launches?

This is a good question! Without definite information about the costs of the new system the level of preparation anyone can do is slightly limited. However, there are a few issues to consider and a few positive actions that can be undertaken now.

1. Consider your position in principle toward the unitary patent package

The first thing that anyone can do is to put the fee considerations to one side and consider in principle how you feel towards the new system. The unitary patent package will provide a single patent that may cover up to 24 of the European Union countries instead of the country by country coverage that the EPC provides.

A single patent may seem attractive as it would allow enforcement over a larger area and would require a lower annual maintenance fee than similar protection today. A single injunction awarded in respect of a unitary patent will be enforceable across every unitary patent country.

However, there are drawbacks to the unitary patent system.

It should not be forgotten that if you require protection in any non-EU EPC state or if you require protection in Spain, Italy, Poland or Croatia, then traditional nationally validated EP patents will still be required.

If your major markets are UK, France, Germany and Spain then how useful or cost-effective will a unitary patent truly be?

Additionally, the benefits of the unitary patent system that arise from its unitary nature (single court, single renewal fee) are also potentially its drawbacks since a patent owner's patent will be

vulnerable across Europe to a single attack. Furthermore, the single renewal fee will prevent “portfolio pruning”. It will no longer be possible to drop countries from your renewal programme over time; instead patent owners will be faced with a binary decision to either keep or drop their entire unitary patent.

For clients with the funds it may be possible to use divisional filings to effectively obtain two patents with very similar claim scope and then validate one patent as a unitary patent and validate the other as a series of “traditional EPs”. This would potentially allow owners to get the best of both worlds. The unitary patent would provide access to the Unified Patent Court and the “traditional EPs” could be opted out from the competence of the UPC to provide access, during the transitional period at least, to the existing national courts. And of course, there is still the national patent route that could be considered.

So, first things first, decide whether you want to buy into the unitary patent system in principle and how you might use the various options on offer and then fine tune how your portfolio is managed once the fees become clearer.

2. Assess portfolios against predicted Unitary patent renewal fee/Opt-out fee levels

Although we don't yet know the level of the unitary patent renewal fee it may be possible for a patent owner to consider what they regard a reasonable renewal fee to be. Once the fees (eventually) get published this may make it easier to prepare a patent portfolio, especially a large one, for the new regime.

Similarly, patent owners could assess now what they regard a fair opt-out fee to be. Traditional European patents that have been validated in specific states will fall within the competence of the new court and so, particularly for large portfolios, it would be worth assessing now which patents might be left within the new court system and which opted out depending on one or more opt-out fee level assumptions.

It should be noted that there will be a sunrise provision before the system goes live where existing European patents may be opted out from the competence of the Unified Patent Court. Although relevant to all sizes of patent portfolios, large portfolios may require an opt-out strategy to be developed.

3. Keep pending applications pending?

The start of the unitary patent system may only be just over a year away. Where a particular patent application is a unitary patent candidate consideration should be given to either trying to keep that application pending or to file a divisional patent application prior to grant, if grant looks likely to occur prior to the unitary patent system going live.

4. Review licence agreements – enforcement

Under Article 47 UPCA an exclusive licensee can enforce a patent without the owner's permission (unless the licence says otherwise). Non-exclusive licensees on the other hand cannot bring an action without the owner's permission (unless provided for in the licence agreement). Both patent owners and licensees should therefore review their licence agreements now to make sure they say what everyone wants.

5. Review licence agreements – opt out

Under Article 83 UPCA it is the "patent proprietor" not a licensee that gets to choose whether a European patent application or nationally validated European patent is opted out from the competence of the Unified Patent Court. Licensees with a strong opinion on the issue of opting out should therefore ensure that their licences reflect this.

6. Joint applicants

If you file patent applications in joint names then the manner in which a unitary patent will be treated as an item of property will actually be affected by who is named first on the application (Article 7(2) of the Unitary Patent Regulation). If for instance a German applicant appears first then German property law would apply (no permission required for a joint applicant to sell their share of the patent) whereas if a UK applicant is named first then the UK Patents Act will apply (permission required for a joint applicant to sell their share of the patent).

More articles on the unitary patent system can be found on IPcopy's dedicated **Unitary Patent Package** page (<http://ipcopy.wordpress.com/unitary-patent-package/>)

IPcopy
February 2015