



PROPOSALS FOR CREATING UNITARY PATENT PROTECTION IN THE EUROPEAN UNION

The idea of a “Community Patent”, a single patent that can be enforced throughout the European Union (EU), is hardly new. The original Community Patent Convention was drafted a generation ago but never came into force. There has been much progress over the last four to five years since the EU decided to use its “Enhanced Cooperation” procedure. This allowed all the EU states except Italy, Poland and Spain to go ahead, although Italy will now participate. Croatia which joined the EU on 1 July 2013 is also outside the agreement at least for the moment (but they may join). All of the legislative obstacles now appear to have been overcome and draft rules of procedure have been approved in principle. Although the proposals may be imperfect it seems that unitary patent protection will become available for those who wish to use it. The system may now be in place as soon as late 2016 or early 2017.

We provide below an introduction to this topic. Please do not hesitate to contact us if you would like further information.

Overview

Proposals for unitary patent protection in the European Union (EU) have a history of over 40 years. Many attempts have been held up by the difficulty of providing firstly a suitable litigation system and secondly workable translation arrangements. However there has been much progress towards unitary patent protection over the last two to three years. Agreements were reached on the constitution and operation of a Unified Patent Court and on translation arrangements in 2011. In 2012 the location of the court was resolved; the Central Division will be based in Paris but with some matters being heard in London or Munich. EU Regulations relating to the creation of unitary patent protection and translation arrangements for such protection have now been approved by the European Parliament and the final versions have been published. The Agreement setting up the Unified Patent Court was signed by all EU member states, except Spain and Poland, in February 2013. It now needs to be ratified as discussed in more detail below.

The proposals will have a wide territorial effect. They will give applicants for cases designating all the participating EU states¹ the option to obtain, in effect, a single unitary patent that can be enforced by a single infringement action across all the participating member states of the EU. It may also be revoked for all these states in a single action. Currently Croatia, Poland and Spain are not participating. Until recently Italy was not participating fully, but it will do so.

‘Non-unitary’ European patents, i.e. the type of patents that are presently granted by the European Patent Office (EPO), will continue to be available. The Unified Patent Court will also have non-exclusive competence over non-unitary European patents and that will, after a transitional period of at least 7 years, become exclusive competence.

The possibility of obtaining national patents through individual national patent offices in Europe will remain available. Where the International (PCT) route is used, however, protection in some states will be available only via the EPO².

In principle unitary patent protection is to be welcomed and it could provide the most important development in patents in Europe since the opening of the EPO. However, there are some significant areas of concern and uncertainty particularly in the proposals for the Court. For example there are concerns about the tactical use of ‘forum shopping’ and the possibility of referral of cases to the Court of Justice of the European Union (CJEU).

Under the proposals, European Patents with Unitary Effect may be obtained using the existing procedure for European patent applications in the EPO. The application and opposition procedure before the EPO will be unaltered, but within one month of grant the patentee will have the option of requesting unitary effect throughout the participating states of the EU (this arrangement is intended to avoid the need for the EU to accede to the European Patent Convention.) The new procedure will be applicable to EPO applications that are pending when it comes into force, as well as to ones filed afterwards. It is therefore likely to be applicable to some applications being prosecuted in the EPO now.

¹ If all EU states which have currently signed the Court Agreement also ratify the Agreement, Unitary Protection will be available only for applications having a filing date of 1 March 2007 or later when Malta joined the EPC (the last participating EU state to join the EPC). Malta ratified the Agreement on 9 December 2014. If Croatia signs and ratifies the Court Agreement, this date will move forward to 1 January 2008.

² A list of European states in which it is not possible to national phase International (PCT) applications in the national patent offices is annexed to this briefing. Where the PCT is used patent protection in these states may only be obtained via the EPO.

A draft set of rules, which relate to unitary patent protection and which are applicable to the EPO, have been published³ and were approved in principle at the 11th meeting of the select committee⁴ held in Munich in late 2014.

A single renewal fee will be payable each year to the EPO once grant occurs. The level at which the renewal fee is set will of course be a key feature of the unitary patent. If the fees are set too high, the system is unlikely to be attractive to applicants. While relatively low fees should encourage applicants to seek unitary protection, they may not be acceptable to the member states.

Two alternative proposals on the level of renewal fees were submitted for consultation by the EPO in early March 2015 and were discussed by the select committee in meetings held at that time. These are based respectively on the equivalent of the renewal fees payable to the four or five countries in which European patents are most commonly validated⁵. In late June the committee endorsed the so-called “True Top 4” proposal tabled by the EPO and the majority of the member states have now voted in favour of this proposal⁶. This means that the renewal fees for a European Patent with Unitary Effect will exactly match the level of renewal fees payable in the top 4 EU states during the whole life of the patent. Applicants interested in only 3 states are likely find that a unitary patent is more expensive than a “classical” (non-unitary) European patent. Details concerning how the share of renewal fees will be repartitioned between the participating EU member states have also not yet emerged. However, given the committee’s stated aim to take decisions on the financial and budgetary aspects of the implementation of the unitary patent by early or mid 2016, further details concerning these issues can be expected in the coming months.

Unitary patent protection will be provided by two EU regulations and one International treaty between participating EU member states entitled “Agreement on a Unified Patent Court” (the Court Agreement). The two EU regulations deal respectively with the creation of unitary patent protection itself, and with translation arrangements. The regulations will not require any primary domestic legislation by member states. The International treaty sets up the Unified Patent Court. Before it can come into force, the Court Agreement will need to be ratified by at least thirteen EU states including the three EU states that had the highest number of European patents in force in 2012, namely the United Kingdom, France and Germany.

The two regulations entered into force on 20 January 2013; however they will not apply until entry into force of the Court Agreement. The date on which the Court

³[http://documents.epo.org/projects/babylon/eponet.nsf/0/410C4BE15F77CE58C1257DB10039DB08/\\$File/draft_rules_unitary_patent_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/410C4BE15F77CE58C1257DB10039DB08/$File/draft_rules_unitary_patent_en.pdf)

⁴ the select committee of the European Patent Organisation’s Administrative Council, which is supervising the EPO’s activities regarding the implementation of the unitary patent

⁵ For further details see our news article [here](#)

⁶ For further details see our news article [here](#)

Agreement enters into force will be the first day of the fourth month after the fulfilment of the latest of the following two requirements:

1. The deposit of the thirteenth instrument of ratification, including Germany, the United Kingdom and France (the three Contracting Member States in which the highest number of European patents had effect in 2012).
2. The date of entry into force of the amendments to Regulation (EU) No 1215/2012 (Brussels I Regulation) concerning its relationship with the Agreement..

Eight states have ratified the Agreement so far, namely Austria, Belgium, Denmark, France, Luxembourg, Malta, Portugal and Sweden. The UK's Intellectual Property Bill, which was given Royal Assent on 14 May 2014, enables the UK to bring the UPC into effect by ratifying the Agreement. The UK is unlikely to complete all of the steps for ratification until spring 2016 or even later.

In practice, there is much preparatory work still to do before the unitary patent system is ready. This is being co-ordinated by the Unitary Patent Court preparatory committee. For example, the Unitary Patent Court's electronic case management system may take a considerable time to develop and test. Commencement may well therefore be delayed.

The success of the new system will of course depend on many details that remain to be agreed. For example, the mechanism of repartitioning of revenue obtained from renewal fees, as well as the details of the Unified Court's procedure will have a major effect. An 18th draft for the rules of procedure of the Unified Patent Court was adopted at the 12th meeting of the preparatory committee on 19 October 2015⁷. These Rules will be subject to further adaptations now that the committee has decided on the court fees⁸. However, the adopted Rules will underpin the Unified Patent Court's framework and functioning (note these are separate from the rules applicable to the EPO mentioned above).

For those applicants seeking more than a few European states it seems that translation costs should not now be a major factor. Potentially, European Patents with Unitary Effect will be a good option for those seeking patent protection across as much of Europe as possible in an affordable way. Those who wish for protection in only a few states are likely to find unitary patent protection more expensive than the current system.

⁷ <http://www.unified-patent-court.org/images/documents/UPC-Rules-of-Procedure.pdf>

⁸ <https://www.unified-patent-court.org/news/upc-court-fees-and-recoverable-costs>

Territoriality of Unitary Effect⁹

The proposals for a European Patent with Unitary Effect are proceeding under the EU's so-called "Enhanced Cooperation" procedure by means of which a group of member states can proceed without others. A total of twenty-five member states of the EU are now participating; it is possible however that some may drop out by not ratifying the Agreement on a Unified Patent Court.¹⁰

When a patentee chooses unitary patent protection, it will apply in all of the participating states. Thus, for example, a single injunction will be obtainable through the Unified Patent Court for all of these states. Once unitary patent protection has been effected for a particular European patent, then non-unitary European patents in these states will no longer have any effect. Corresponding non-unitary European patents may though remain effective in other EPC (European Patent Convention) states where the unitary effect does not apply.

Croatia, Poland and Spain are currently not participating. Non-unitary European patents will still be obtainable for these (and some other) states through the EPO.

Croatia acceded to the EU in July 2013 after the Court Agreement was signed. It is at present unclear if Croatia will sign (and ratify) the Court Agreement.

Although Italy had signed the Court Agreement, until recently it was not participating fully in unitary patent protection. Italy's position changed on 30 September 2015 however, when it became the 26th member of the enhanced cooperation on unitary patent protection¹¹.

Poland appears to have concerns about the effect of the system on its economy and so wishes to wait and see how it works before signing and ratifying the Agreement. Spain mounted an unsuccessful legal challenge to the validity of the unitary patent system as discussed in more detail below.

There are also a substantial number of non-EU states, such as Switzerland, that have acceded to the EPC and it will still be possible to obtain non-unitary European patents there. Thus, once the regulations are in force, a single European patent application can be used to obtain both a European Patent with Unitary Effect and also non-unitary European patents in other states where the unitary effect does not apply.

⁹ EU Regulation No 1257/2012 relating to the creation of Unitary Patent Protection can be found at:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:361:0001:0008:EN:PDF>

¹⁰ Unitary patent protection will only become available when the Unified Court Agreement comes into force. This requires that the Court Agreement be ratified by at least 13 states including UK, France and Germany. Seven states have ratified the Agreement so far, namely Austria, Belgium, Denmark, France, Luxembourg, Malta and Sweden.

¹¹ For further information on Italy's intentions to participate fully in the system see our news article [here - change to http://www.jakemp.com/news/152/106/Italy-Joins-the-European-Union-s-EU-s-Unitary-Patent](http://www.jakemp.com/news/152/106/Italy-Joins-the-European-Union-s-EU-s-Unitary-Patent)

Unitary protection will only be available for applications which designate all of the participating EU states (and have a single set of claims for these states). This means there is effectively an earliest possible filing date for applications which may be used to obtain Unitary patent protection; i.e. the date on which the last of the participating states joined the EPC. At the moment this date is 1 March 2007 when Malta joined the EPC. This date will move forward to 1 January 2008 if Croatia signs and ratifies the Unified Court Agreement.

A list of EU member states where unitary patent protection will apply is annexed to this briefing.

Legal Challenges to Unitary Patent Protection

The proposals for a European Patent with Unitary Effect are proceeding under the EU's so-called "Enhanced Cooperation" procedure by means of which a group of member states can proceed without others.

The Enhanced Cooperation procedure was invoked because Spain and Italy could not agree to the translation arrangements being proposed. It became clear in 2010 that agreement between all EU member states could not be reached, and initially twelve member states then informed the Commission that they wished to invoke the enhanced cooperation procedure. Thirteen of the remaining states subsequently joined the original twelve leaving only Italy and Spain outside the agreement. In March 2011 a Council decision was issued authorising enhanced cooperation, allowing the proposals to develop into their current form. Although the procedure arose from the inability to agree over translations, the decision applies in general to the area of the creation of unitary patent protection. Thus, Italy and Spain were initially excluded from all of these EU proceedings, although Italy is now participating, as discussed above. Spain may join in later if it wishes.

In June 2011 Italy and Spain made an application to the Court of Justice of the European Union (CJEU) to have the decision of March 2011 annulled. On 16 April 2013 the Court issued a Judgement dismissing the cases brought by Italy and Spain. However, before that in March 2013 Spain brought two further challenges before the Court of Justice against the use of the EPO "*whose acts are not subject to judicial review*" and against the use primarily of English, French and German (C-146/13 and C-147/13).

On 18 November 2014, the Advocate General¹² of the CJEU, Yves Bot, issued his Opinion in connection with both cases. He proposed that the CJEU should dismiss Spain's actions. Subsequently, in decisions issued in early May 2015, the CJEU rejected both actions, removing all current legal challenges to full implementation of the unitary patent system¹³. It is thought that Italy's recent re-positioning on

¹² The Advocate General's Opinion is not binding on the CJEU. It is the role of the Advocates General to propose to the Court, in complete independence, a legal solution to the cases for which they are responsible.

¹³ For further details see our news article [here](#)

participation may have been influenced by the CJEU's validation of the legality of the agreements in dismissing the Spanish challenges⁹.

Regulation Relating to Translation Arrangements¹⁴

The proposal builds on the existing EPO procedure in which applications can be filed in any language and prosecuted in English, French or German. Before grant the claims only are translated into the other two of those three languages. For non-unitary European patents the designated states of the EPC may require further translations into their own languages after grant, typically within three months. Although the number of states that now require such translation has decreased following the London Agreement, this can still be a very substantial expense for applicants.

The eventual aim for the European Patent with Unitary Effect is that no further translations will be required beyond those required by the EPO before grant. Transitional provisions will apply until high quality machine translations are available.

The transitional provisions provide that a request for unitary effect (to be filed at the EPO within one month of grant) is to be submitted together with a full translation of the patent specification into English, where the EPO prosecution was in French or German, or into any other official language of an EU member state, where the EPO prosecution was in English. These translations shall be published by the EPO although they shall be for information purposes only.

There will be a compensation scheme to reduce translation costs for SMEs and others whose domicile is an EU member state where the language of patent filings is other than English, French or German. This was again discussed at the 13th meeting of the select committee in mid March 2015, although details have not yet been revealed.

These transitional provisions shall lapse 12 years from commencement. They may be terminated earlier if it is decided by an independent expert committee that high quality machine translations are available for all official languages of the EU.

Regarding enforcement of unitary patents before the Unified Patent Court, other and different translation requirements are proposed. In the case of an alleged infringement, the patentee shall provide, at the choice of the alleged infringer, a full translation of the patent into the language of the participating member state in which the alleged infringement took place or in which the alleged infringer is domiciled. In the course of legal proceedings the patentee shall also provide a full translation of the patent into the language of the proceedings of the court.

¹⁴ EU Regulation No 1260/2012 relating to translation arrangements for Unitary Patent Protection can be found at:
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:361:0089:0092:EN:PDF>

Infringement Provisions in the Regulation Creating Unitary Patent Protection

Much controversy arose through the initial incorporation in the draft regulation of articles defining infringing acts. These articles were eventually removed from the final regulation. The significance of this is that it was thought, at least by those advocating it, that removing the articles would reduce the jurisdiction of the CJEU (Court of Justice of the European Union). Many commentators argue that it would be preferable for the CJEU to not have jurisdiction over patent infringement and validity issues as it is not a specialist IP court and referrals to it would cause delay. However, it may be the case that even in the absence of these articles the CJEU will still have jurisdiction as both the regulations and the Court Agreement must comply with EU Law and the CJEU is the ultimate arbiter of EU law. Article 38 of the Unified Patent Court Agreement indicates that the Court has the general power to refer questions to the CJEU¹⁵.

Article 5 of the regulation is the enabling provision in relation to infringement. This article does not itself define infringing acts. Instead it refers to the law of the EU member state whose national law is applicable to the patent when considered as an object of property (now defined in article 7 of the regulation). In general terms, the applicable law will be that of the state where the patentee is domiciled. The intention appears to be that this national law will then be in conformity with articles 25-27 of the Court Agreement. The article also states that the protection shall be provided throughout the territories of the participating member states and that the rights provided shall be uniform in all those states.

Article 25 of the Court Agreement provides that where the subject matter of the patent is a product, the patentee will have the right to prevent third parties making, offering, placing on the market or using the product, or importing or storing the product for those purposes. Where the patent relates to a process, infringement is defined as using the process, or offering the process for use where the third party knows or should have known that use of the process is prohibited. Acts performed in relation to the direct product of a process can also be an infringement.

Article 26 of the Court Agreement provides that indirect infringement occurs in relation to means relating to an essential element of the invention when the third party knows or should have known that the means were suitable for, and intended for, putting the invention into effect.

Exemptions from infringement are defined in Article 27 of the Court Agreement. These include acts done privately and for non-commercial purposes, experimental acts relating to the subject matter of the invention, certain tests and trials for medicinal products and others.

¹⁵ A version of the Agreement on a Unified Patent Court, dated 11 January 2013 can be found at <http://register.consilium.europa.eu/pdf/en/12/st16/st16351.en12.pdf>

Unified Patent Court Agreement⁸

The Unified Patent Court will have exclusive jurisdiction for disputes relating to European Patents with Unitary Effect. It will also have jurisdiction in participating states for non-unitary European patents, i.e. the type of patents that are presently granted by the EPO. The court will also have jurisdiction for supplementary protection certificates.

The Unified Patent Court will comprise a Court of First Instance, and an Appeal Court. The Court of First Instance shall comprise a central division and local (or regional) divisions in individual member states (or for more than one member state). Cases before these divisions will generally be heard before a panel of three judges. Local/regional divisions may consider both infringement and validity issues or they may refer validity issues to the central division as discussed below.

It seems likely that there will be a local division in at least each of the UK, Germany, France, the Netherlands and probably Belgium and Italy. There is also expected to be a regional division in Scandinavia and one or two regional divisions in South Eastern Europe. For any states without a local or regional division jurisdiction will pass to the central division.

The central division will be split between the United Kingdom, France and Germany. The headquarters of the central division will be in Paris. London will deal with patents in the IPC (International Patent Classification) classifications A and C (chemistry, pharmaceuticals, biotechnology and also human necessities, including medical devices) and Munich will deal with IPC classification F (mechanical engineering). Other matters, i.e. classifications B, D, E, G and H including electronics, software and physics, will be heard in Paris. As discussed below it is expected that the central division will be concerned primarily with matters of validity rather than infringement.

The Court of Appeal will be in Luxembourg and cases there will generally be heard before a panel of five judges.

Actions for infringement shall in general be brought before the local (or regional) division where the infringement has occurred, or where the defendant has his residence or place of business. In practice where there has been alleged infringement in more than one EU state, a patentee claimant is likely to have a choice of local (or regional) divisions where he can proceed. In some circumstances, actions may be brought before the central division.

Where a party begins an action by seeking revocation or a declaration of non-infringement, this shall be brought before the central division.

If a counterclaim for revocation is brought in an infringement action before the local (or regional) division, the court shall have discretion to hear both the infringement and revocation together (as is the case in many EU states) or to refer the revocation counterclaim to the central division and suspend or proceed with the infringement proceedings (as currently happens in Germany). With the agreement of the parties

the whole case (both infringement and validity) can be referred to the central division.

Thus, the possibility for “bifurcation” arises; a local (or regional) division of the court hears infringement and the central division hears revocation. Potentially these divisions could hear these issues in different languages. There are concerns about such a bifurcated approach as it can give an undue advantage to patentee claimants who might be able to obtain an injunction, achieving their commercial aims, even though their patent might later be held to be invalid. It can also give rise to tactical advantages obtained through the choice of forum (forum shopping).

Draft rules concerning representation before the court were published on 13 June 2014¹⁶ and subsequently underwent a consultation process. At the 10th meeting of the preparatory committee held on 3 September 2015 agreement was reached on the substantive text of the Rules of the Patent Litigation Certificate.

European Patent Attorneys may represent clients before the Unified Patent Court if they have completed the Certificate in Intellectual Property Law course at Queen Mary College London or if they become eligible via a grandfathering provision. This will mean that when the system comes into effect the vast majority of European Patent Attorneys who are also qualified in the UK as Chartered Patent Attorneys will be entitled to represent clients before the Unified Patent Court.

J A Kemp has also boosted its capabilities for handling litigation work before the Unified Patent Court with the appointment of experienced Intellectual Property litigator and barrister, Alan Bryson, to head its newly expanded Litigation Group.

The preparatory committee has agreed the rules on official fees for the Unified Patent Court and a scale of ceilings for costs recoverable by a winning party [16] . Although initial proposals included a suggested fee of 80 EUR to opt-out of the exclusive jurisdiction of the Unified Patent Court, the preparatory committee has abandoned the proposal for an opt-out fee.

Opting out of the Unified Patent Court

As already mentioned, the Unified Patent Court will also have competence for “classical” non-unitary European patents. Initially this competence will be non-exclusive but it will eventually become exclusive competence. Transitional provisions are provided allowing holders of non-unitary European patents to opt out of the Unified Patent Court. For a period of 7 years (which may be extended by a further 7 years), proceedings for infringement or revocation of a non-unitary European patent may be initiated in the existing national courts. Holders of non-unitary European patents or patent applications granted or applied for prior to the expiry of this transitional period shall also have the possibility to file a revocable opt-out from the exclusive competence of the Unified Patent Court by application to the court registry by one month before expiry of the transitional period.

¹⁶ <https://www.unified-patent-court.org/news/upc-court-fees-and-recoverable-costs>

The opt-out is potentially very important. It will remove a European patent from the jurisdiction of the Unified Patent Court, thus protecting the patent from a revocation action that could result in revocation of the patent in all states. Further, it is possible to opt-back in again. A patentee can opt-out to protect a valuable European patent from revocation and then opt back in to pursue an infringement action provided there are no revocation or infringement proceedings in one or more countries covered by the Unitary Patent. The wording of the opt-out provision is somewhat unclear, but most commentators are of the view that once an opt-out has been filed the opt-out is effective for the life of the patent and not just the 7 (or possibly 14) year transitional period.

At first sight, there seems little downside to opting out of the jurisdiction of the Unified Patent Court especially for patents of high commercial importance. It will be of particular interest to many current proprietors of European patents, who wish to avoid the jurisdiction of the Unified Patent Court, that the preparatory committee has abandoned the proposal for an opt-out fee. It was previously proposed that a fee of 80 EUR would be payable to opt-out each classical (non-unitary) European patent, but that is no longer the case¹⁷. This means that proprietors will be able to file an online statement to opt a patent out of the jurisdiction of the Unified Patent Court, with no official fee being payable.

In terms of timing, it is clear that an opt-out can be filed up to one month before expiry of the 7- (possibly 14-) year transitional term from commencement of the unitary patent system. However, there is no reason to delay filing an opt-out, especially since it will not be effective if an action has already begun in a national court.

It is not yet clear how early an opt-out can be filed. We expect that it will be possible to file an opt-out as soon as the Unified Patent Court begins operating. However if an opt-out is filed on the first possible day, it will not be effective until it has been entered into the register. Given that a very large number of patentees are likely to wish to file opt-outs as soon as possible, there may well be substantial delays in recording these.

On 1 October 2015, representatives of member states party to the Agreement on the Unified Patent Court signed a protocol allowing for the provisional application of certain aspects of the Court Agreement. The protocol enables the early application of certain provisions necessary for the operation of the UPC, such as the setting up of IT infrastructure and the recruitment of judges. The protocol may also allow for a so-called “sunrise provision”, under which the filing and registration of opt-outs may be made prior to the UPC Agreement coming into effect¹⁸.

It is also worth bearing in mind that (at the appropriate time) an opt-out could be filed for a pending European patent application. The possibility of filing a request for an opt-out does not apply solely to granted European patents.

¹⁷ <https://www.unified-patent-court.org/news/upc-court-fees-and-recoverable-costs>

¹⁸ <http://www.unified-patent-court.org/news/96-protocol-to-the-upc-agreement>

It is our understanding that European Patent Attorneys will be able to file opt-outs on behalf of applicants or patentees.

Ultimately, once the transitional period has passed, the only way to avoid the jurisdiction of the Unified Patent Court will be to file patent applications through national patent offices rather than the EPO.

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