

J A ♦ K E M P

PATENT ATTORNEYS • TRADE MARK ATTORNEYS

AN APPLICANT'S GUIDE TO THE UNITARY PATENT AND UNIFIED PATENT COURT

LONDON • PARIS • OXFORD • CAMBRIDGE • MUNICH



1st April 2022

OVERVIEW

If you are holding or applying for patents granted by the European Patent Office (EPO), you should ensure that you are well-informed about a major change to European patent law which is expected to come into being late in 2022 or in early 2023. The anticipated introduction of the Unified Patent¹ is expected to present opportunities and challenges regarding costs, territorial scope of protection, litigation speed and legal certainty across a part of Europe.

Protection in any of the 38 countries that are members of the European Patent Convention (EPC) and the 6 validation and extension countries will still be obtainable through filing a single patent application at the European Patent Office.

A Unitary Patent will be a single patent covering all participating countries. It will be possible to obtain a Unitary Patent based on any European Patent granted by the EPO after the Unified Patent Court Agreement (UPCA) comes into force. It will still be possible to secure patent protection by the traditional validation route for those countries not participating in the Unitary Patent or, for participating countries, as an alternative to the Unitary Patent.

A second big change for which preparations are being made is the establishment of a new patent court, the Unified Patent Court (UPC). Litigation involving a Unitary Patent will be subject to the sole jurisdiction of the UPC. The UPC will also have non-exclusive jurisdiction for all national validations of European Patents for the participating countries, including European Patents granted before the UPCA comes into force, unless the rights holder(s) proactively "opt out" of the UPC.

The introduction of the Unitary Patent and the Unified Patent Court will affect all holders of existing European Patents. It will also affect applicants for European Patents that have not yet been granted. All European Patent holders and applicants will need to consider how to take advantage of the opportunities and protect themselves against the threats arising from these changes.

This guide is intended for applicants, proprietors, portfolio managers and their attorneys. A separate guide concentrating on the Unified Patent Court is available for litigators.



"The introduction of the Unitary Patent and the Unified Patent Court will affect all holders of existing European Patents."

¹ The official name is a European Patent with Unitary Effect, or EPUE

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TIMETABLE FOR DECISIONS BETWEEN NOW AND WHEN THE UPCA COMES INTO FORCE

Now to German deposit of UPCA ratification (Earliest July 2022)

Holders of European Patents validated in any of the UPC participating countries need to consider whether they wish to opt out any of their European Patents from the jurisdiction of the Unified Patent Court.

Applicants for European Patent applications may wish to consider employing tactics to delay grant until after the Unified Patent Court Agreement (UPCA) has come into force, so as to be able to validate the resulting European Patent as a Unitary Patent.

German deposit of UPCA ratification (Earliest July 2022) to when the UPCA comes into force

The period between German deposit of UPCA ratification and the coming into force of the UPCA is referred to as the “sunrise period” and lasts three months.

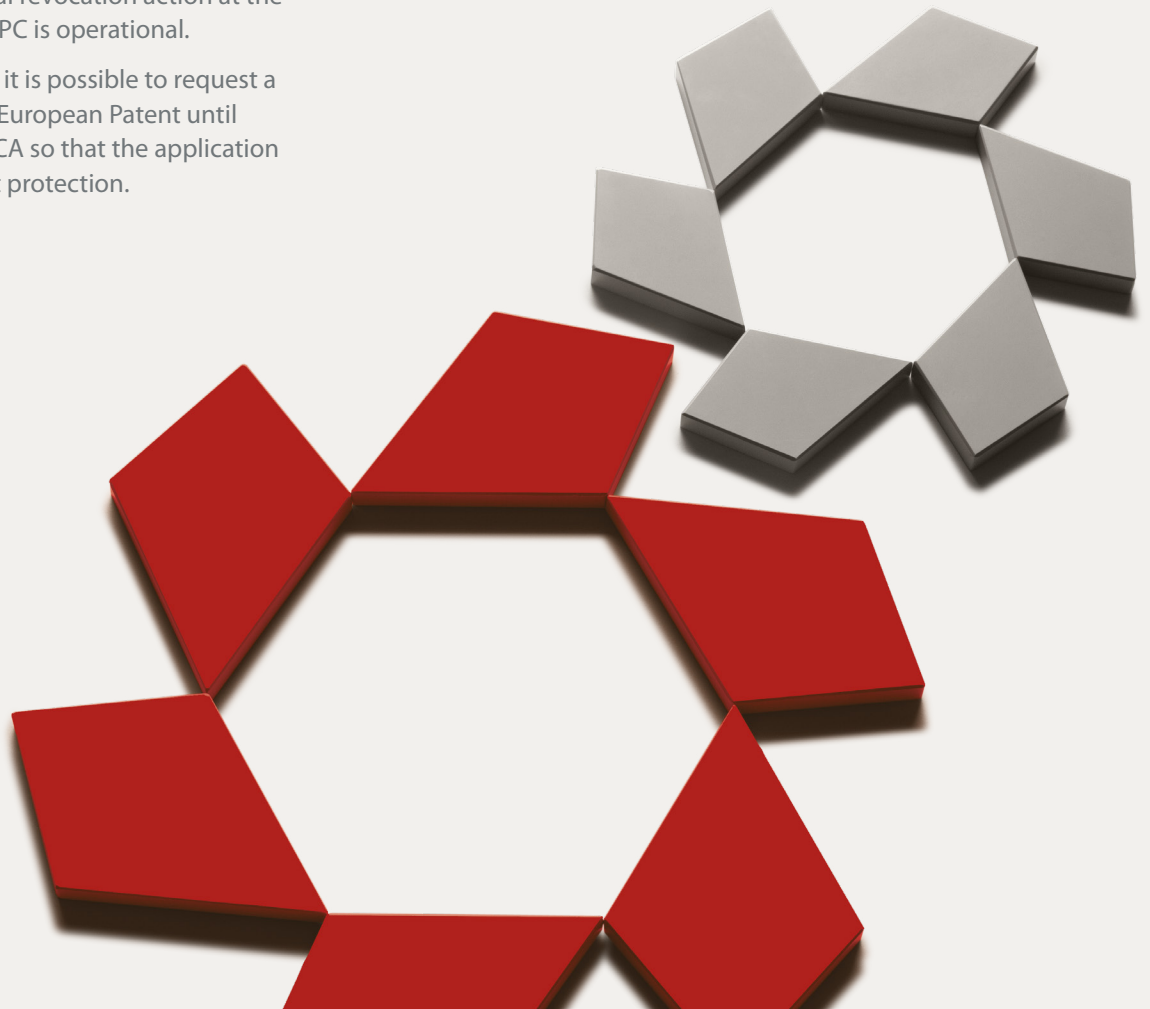
During the sunrise period European Patents may be opted out of the jurisdiction of the UPC. If an opt out is made in this period it is guaranteed that a third party cannot start a central revocation action at the UPC on the first day the UPC is operational.

During the sunrise period it is possible to request a delay in the issuance of a European Patent until entry into force of the UPCA so that the application can lead to Unitary Patent protection.

After UPCA comes into force (Earliest October 2022)

Applicants for European Patents will have the new alternative option of selecting a Unitary Patent covering 17 UPC participating countries on grant instead of validating nationally in those participating countries. The existing non-unitary national validations of a European Patent will continue to be available both for non-participating countries and for participating countries where a Unitary Patent is not selected. Unitary Patent protection will simply be an alternative option in those countries which are participating. If national validation in a UPC participating country is chosen, then a decision will need to be made as to whether to opt out of the jurisdiction of the UPC.

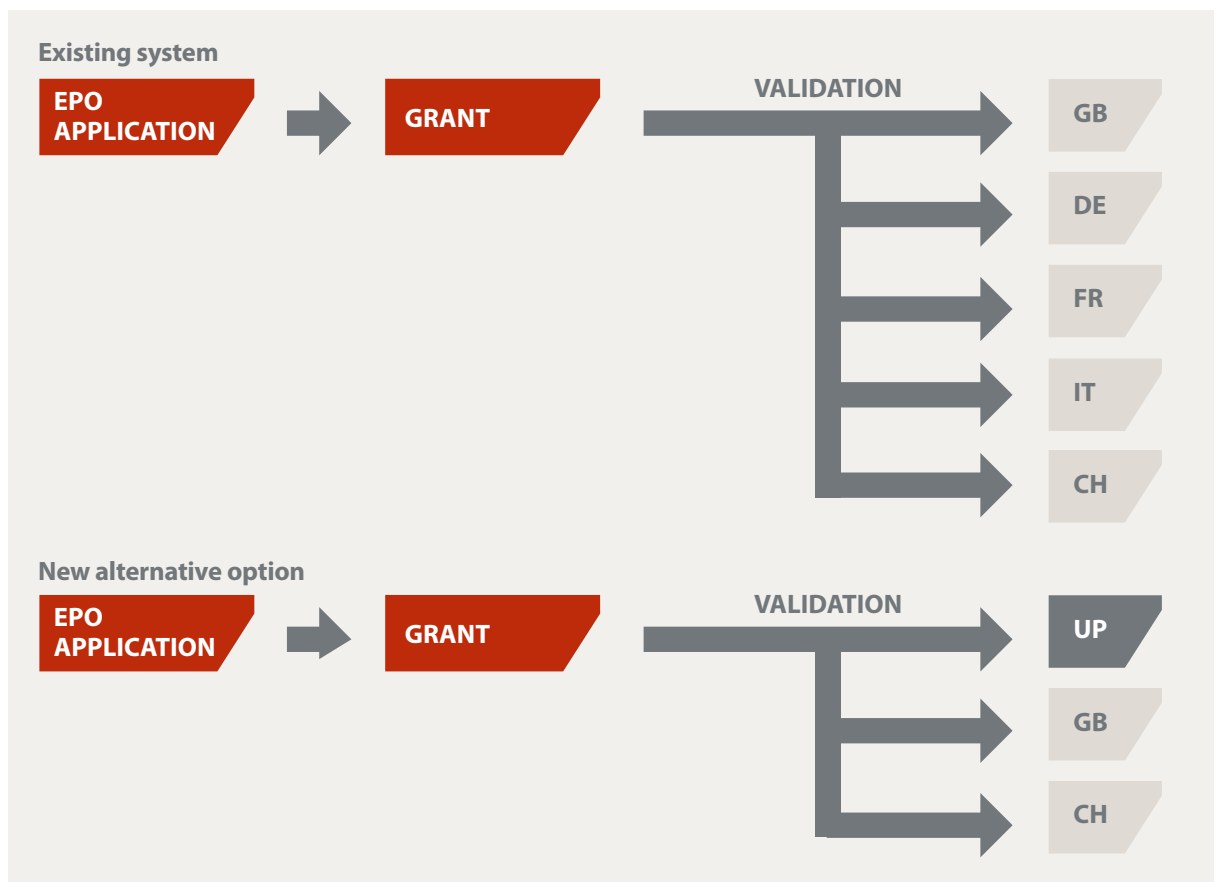
After the UPCA comes into force, patentees will have the option of enforcing their European Patents validated in UPC participating countries through the UPC or through national courts. Third parties will be able to seek revocation of non-opted out European Patents in UPC participating states centrally at the UPC. Litigation of Unitary Patents will commence at the UPC.



PROCEDURE TO OBTAIN A UNITARY PATENT

A Unitary Patent can only be obtained by filing an application at the European Patent Office (EPO) as normal. The usual EPO filing, examination and opposition procedure will apply.

It will not be necessary to indicate that unitary protection is required on filing. If unitary protection is required this may be requested within one month of grant. By the same one-month deadline it will initially also be necessary to file one translation of the complete patent. Where the patent is in English the patentee may choose any other EU language for the translation. This translation could be a translation prepared for use in a non-participating country (e.g. a Spanish translation). Where the patent is not in English the translation must be into English. The translation will be for information purposes only (but it should not be a machine translation).



The translation requirement is actually a transitional arrangement which will lapse 12 years from commencement. It may lapse earlier if it is considered that high quality machine translations are available for all EU official languages.

Unitary Patent protection may be requested for any patent application (including those pending at commencement of the UPCA) which designates all of the EU countries which ratify the UPCA and which has the same claims for all countries. As almost all EPO applications designate all EPC countries (and have a single set of claims) this means that Unitary Patent protection will be an option at least in principle for almost all pending applications. However in order to be eligible for a Unitary Patent, applications will require a filing date of 1 March 2007 or later, this being the date when the last participating country, Malta, joined the EPC.

VALIDATION COSTS AND RENEWAL FEES

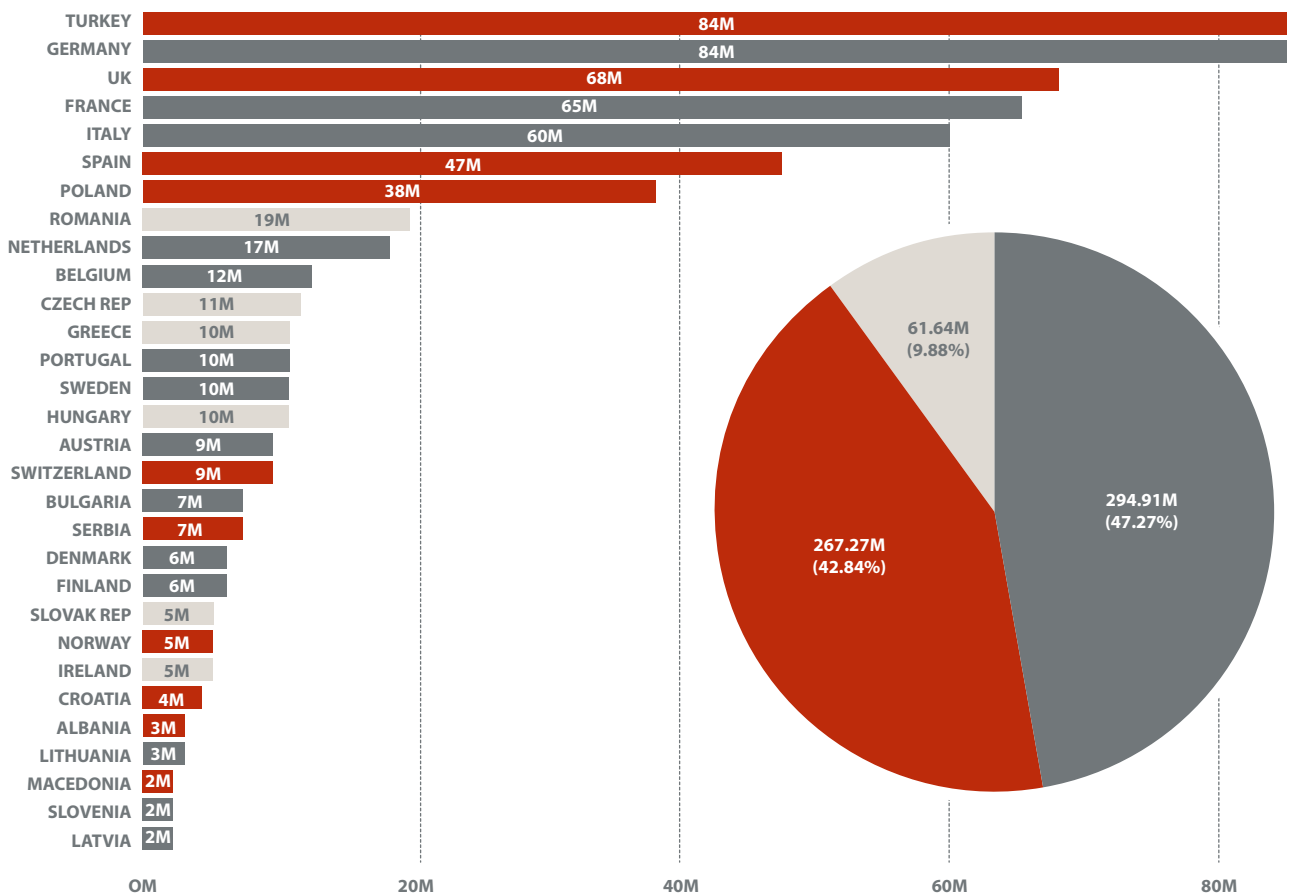
Validation Costs

The Unitary Patent is intended to reduce the cost of obtaining patent protection in the EU. Because of the national validation requirements to file a full translation and the fairly high level of renewal fees, significant savings (at least 40%, depending on the length of the specification) are available using the Unitary Patent for extensive validation programs. For the most restricted validation programs the Unitary Patent route will be more expensive than continuing to validate nationally (two to three times more expensive than validating in Germany, France and the UK, for example).

Currently the UPC will begin with 17 countries (those that have ratified) and a further 7 countries have signed the UPC, but not yet ratified. Of the 6 biggest countries by population in which a European Patent can be made effective, only Germany, France and Italy will participate.

Population by country and signatory type

SIGNATORY TYPE: ■ NON-UPC ■ UPC RATIFIED ■ UPC SIGNATORIES



Renewal Fees

Renewal fees for Unitary Patents will be payable to the EPO on an annual basis. The renewal fee will be due at the end of the calendar month containing the anniversary of the filing date. It may be paid up to six months late with a surcharge. If the renewal fee is not paid in that period, then re-establishment will be possible but this will require a demonstration that the deadline was missed in spite of all due care having been taken.

The official renewal fees will be based on the "True Top 4" i.e. matching the level of official renewal fees of the 4 participating countries (at the time the level of fees were agreed) in which the most patents are validated, i.e. the UK, France, Germany and Netherlands. Since the cost of the renewal fee was decided, the United Kingdom (GB) has withdrawn its ratification of the UPC. The level of official renewal fees means that for patents where, under the existing arrangements, four or more of the participating countries would be of interest for validation at grant, then unitary protection is at least an option to consider. However, once unitary protection has been selected, the patentee is committed to this level of renewal fees. The level of renewal fee expenditure cannot be reduced later in the life of the

patent by reducing the number of countries, as it can be for national validations of a European Patent. Thus perhaps for cases where the number of countries of interest is only just over this threshold, then unitary protection may not be the best option.

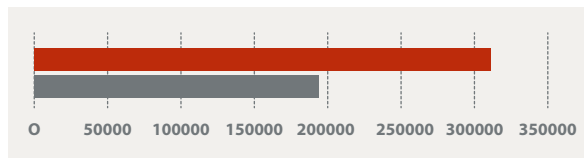
Assuming that renewal fees are paid until expiry, for a full validation program, using the Unitary Patent will save about 35% on official renewal fees. The saving reduces as the European Patent is made effective in fewer countries. Total official renewal fees payable throughout the lifetime of a European Patent increase by 30% if using the Unitary Patent, compared to validating in 6 commonly selected countries and increase by 60% when validating only in Germany, France and the UK. Thus for modest validation programs, the national validation route looks attractive from a cost point of view and has increased flexibility in terms of having the option of litigating in the UPC or in national courts and being able to trim the countries in which renewal fees are paid over time.

Of course a range of other factors will need to be considered when deciding whether or not to select unitary protection for any particular case.

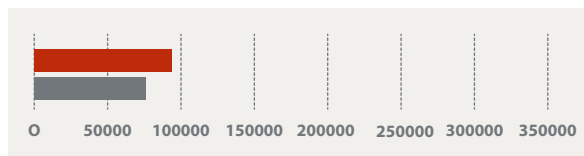
Lifetime Cost of Validation and Renewal Fees for Different Validation Programs

Unitary Patent provides saving compared to national validations where extensive protection is required:

All States (Unitary Patent = 37% saving compared to old system)



CH DE DK ES FR GB IE IT NL SE TR (Unitary Patent = 23% saving compared to old system)



National validations provide saving compared to Unitary Patent where only core protection is required:

CH DE ES FR GB IT (national validations = 10% less expensive than new system)



DE FR GB (national validations = 40% less expensive than new system)



■ WITHOUT UNITARY PATENT
■ USING UNITARY PATENT

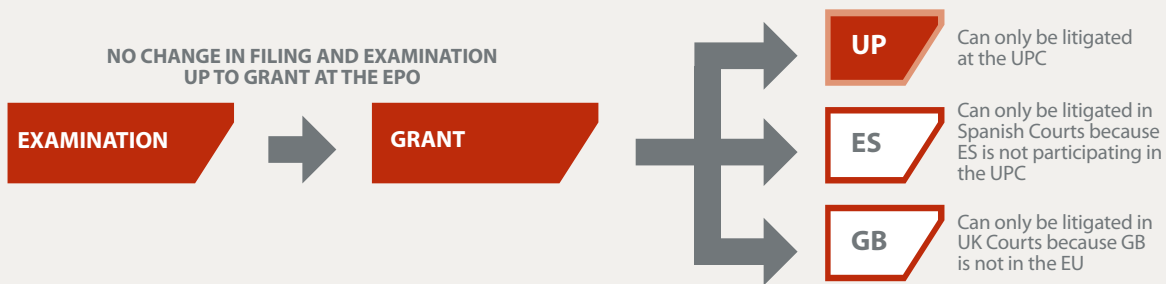
DECISIONS ON GRANT FOR APPLICATIONS AT THE EPO

For any European Patent that grants after the Unified Patent Court Agreement (UPCA) comes into force (including applications which are currently pending), applicants will be able to decide whether or not the European Patent should become a Unitary Patent for those countries participating in the UPC or whether to proceed with conventional national validations of the European Patent in all or some of those countries. The choice will have cost implications and implications for which court(s) will have jurisdiction. For countries not participating in the UPC, validation will proceed as before. Filing, examination up to grant and post-grant opposition are not affected.

As shown in the examples below, in the future there are two main options for obtaining patents using the centralised examination and grant procedure at the EPO.

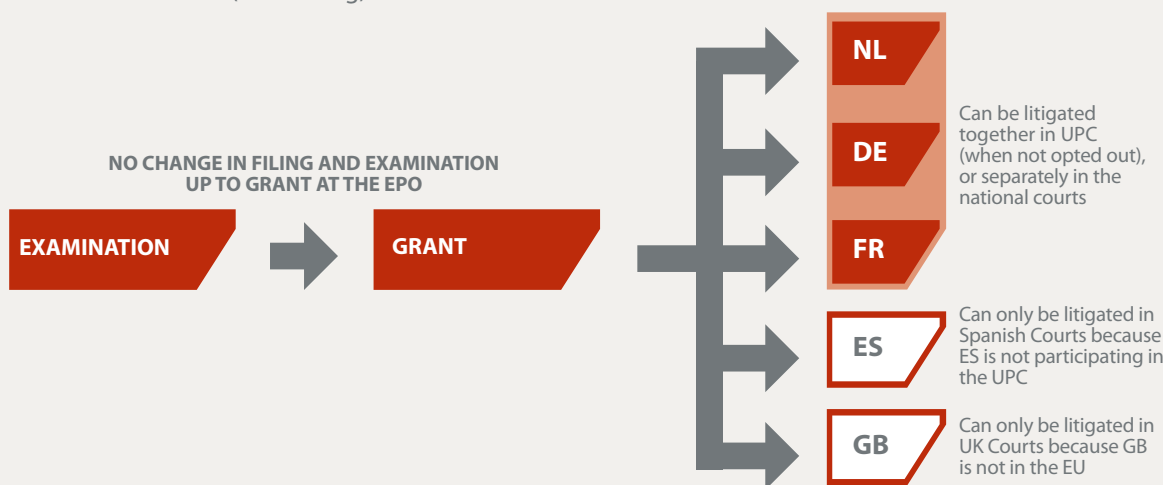
Option 1

Selects a Unitary Patent (UP) and optionally individual national validations of a European Patent for territories not covered by the UP. This option benefits from the cost and enforcement advantages of the UP, at the expense of some flexibility and risk of an all-or-nothing central revocation action at the UPC. This option will be available for the foreseeable future.



Option 2

Selects individual national validations of a European Patent thereby retaining flexibility (e.g. for renewal fee payments) whilst allowing the optional use of the UPC for those countries taking part when not opted out. Jurisdiction for Spain and the United Kingdom and other non-participating countries remains solely with their national courts (no shading).



The UPC will have exclusive jurisdiction for Unitary Patents; it will not be possible to enforce or revoke a Unitary Patent in a national court, though post-grant opposition at the European Patent Office will apply to the Unitary Patent as well as nationally validated European Patents.

The main attractions for choosing a Unitary Patent are wide geographical coverage at reasonable cost and increased simplicity. There is also some increased flexibility when bringing an enforcement action under circumstances where the patent claims multiple steps that the infringer performs in multiple participating countries or for a distributed computer system spread over several participating countries. For some applicants, the threat of a central revocation action at any time in the lifetime of the patent, and the loss of flexibility compared to validations of a European Patent, will outweigh those advantages. For other applicants, the broad geographical coverage will not be of interest.

POSSIBLE REASONS WHY YOU MIGHT WANT A UNITARY PATENT

A cost-effective solution to filing as widely as possible across Europe

A Unitary Patent provides more affordable protection for those looking to protect their invention across as much of Europe as possible. The Unitary Patent will cover at least 17 EU countries and ultimately 24 countries when all have ratified. The cost of validating the European Patent as a Unitary Patent will be significantly lower than validating the European Patent in a large number of countries in the traditional way, because only a single translation will be required. Additionally, the renewal fees for a Unitary Patent will be equivalent to the total cost of renewal fees in the UK, Germany, France and the Netherlands. The need to pay only a single renewal fee also reduces the administrative burden (compared with paying renewal fees to each of the national offices).

Increased flexibility and reduced complexity in cross border enforcement

Stopping some types of cross border activity can be complex using nationally validated European Patents and is often only possible in the court of one of the countries involved. Examples of such activity include processes where a first step of a process claim is conducted in a first country, and a second step is performed in a second country, and systems where different components of a system claim are sited in different countries. The single jurisdiction of a Unitary Patent means that such cross-border activities within multiple participating member countries will be regarded as a single infringing act and a patentee will often have a choice of which Local/Regional Division of the UPC to bring an infringement action in.

The UPC has exclusive jurisdiction over Unitary Patents

For nationally validated European Patents, there is a risk that the possibility of bringing an action for infringement at the UPC will be excluded due to national proceedings having been commenced in a national court. No such risk exists for a Unitary Patent because only the UPC has jurisdiction.



POSSIBLE REASONS YOU MIGHT WANT NATIONAL VALIDATIONS OF A EUROPEAN PATENT

Flexibility is paramount

The national validations of a European Patent offer you the opportunity to allow the patent to lapse in certain countries while remaining in force in other countries. The Unitary Patent is an “all or nothing” patent for which you will have to pay a renewal fee (equivalent to the rate for 4 countries) for every year in which you want the patent to remain in force.

A Unitary Patent may be more expensive than a modest national validation programme

If validation in one or two countries provides sufficient coverage, the Unitary Patent is likely to be more expensive in terms of renewal fees and validation costs; validating a European Patent nationally in certain countries, such as the UK, France and Germany, does not require any translations beyond the claims translations needed for grant (which are also needed for a Unitary Patent). The Unitary Patent requires one full translation into a second European language.

Nationally Validated Patents can be litigated nationally or at the UPC

You may wish to avoid the jurisdiction of the UPC, for example to avoid the threat of central revocation by the UPC. This can only be done by securing national validations of a European Patent and opting out of the jurisdiction of the UPC. Even for such national validations of a European Patent, litigation at the UPC is a possibility at the discretion of the patentee, by withdrawing an opt out (so long as no national proceedings have commenced). It is not possible for a Unitary Patent to be opted out of the jurisdiction of the UPC.

Flexibility with regard to licensing and royalties may be important

Having different patents in different European countries may offer some advantages when it comes to licensing to different parties in different countries. If a Unitary Patent is licenced to different parties in different countries, it would be prudent to include in any license agreement a clause relating to which parties can bring an enforcement action and thereby risk a counterclaim for invalidity (which would be effective for all countries) in a UPC infringement action. Agreement on such a clause may be difficult to reach.



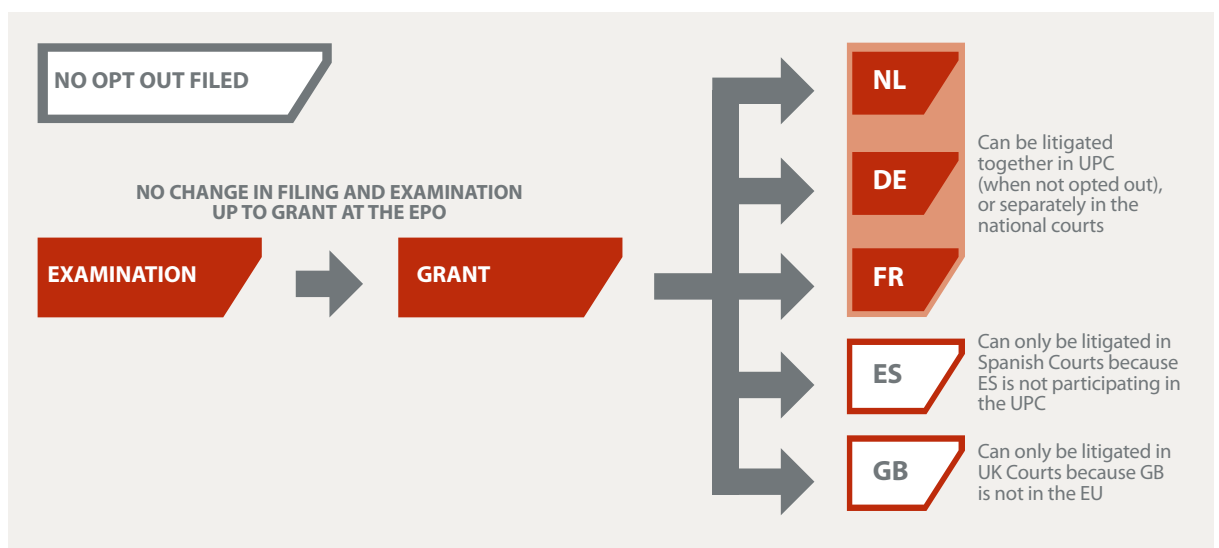
“The national validations of a European Patent offer you the opportunity to allow the patent to lapse in certain countries while remaining in force in other countries.”

DECISIONS FOR GRANTED EUROPEAN PATENTS

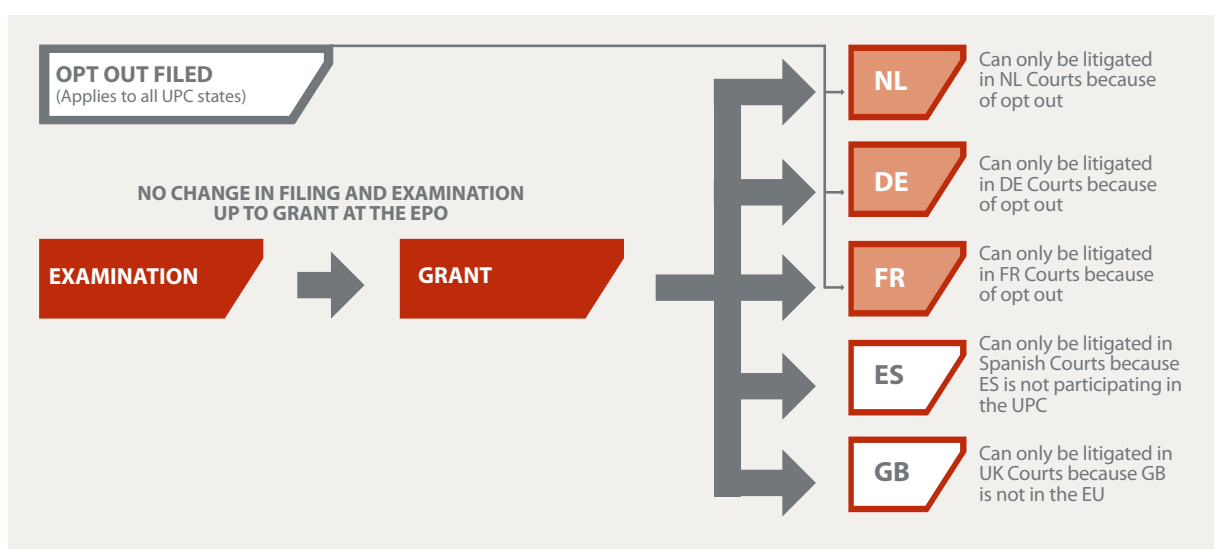
For granted European Patents in force when the Unified Patent Court Agreement (UPCA) comes into force, it is necessary to decide whether or not to “opt out” of the jurisdiction of the UPC. An opt out will last the entire lifetime of the patent, but it will only be possible to opt out of the UPC during an initial 7 year transition period.

The UPC will automatically share jurisdiction with national courts over national validations of European Patents (even those granted before the UPC becomes operational) unless you actively “opt out”. It will be possible to register opt outs before the UPCA comes into force, during the so-called “sunrise period”.

As shown in the example below, if no such “opt out” is filed, the UPC will share jurisdiction with the national courts in the countries in which the UPCA takes effect. However, this does not apply to all EPC countries. For example Spain (ES) is not participating in the UPC and the United Kingdom (GB), for example, is one of a number of EPC countries which are not member countries of the EU. As a result, jurisdiction for Spain and the United Kingdom and other non-participating countries remains solely with their national courts (no shading).



If an opt out is filed, jurisdiction for all of the validated countries remains solely with the national courts (see below).



Filing an opt out does not preclude withdrawing the opt out (effectively opting back in to the jurisdiction of the UPC), for example to start a European-wide action for infringement. However, if an action has started at the UPC (for example a central revocation action), it is not possible to file a belated opt out to transfer the action into a national court. Further, once an infringement action has commenced at a national court, it is not possible to bring an action at the UPC for the same infringement, irrespective of whether the case is opted out or not.

Generally speaking, filing an opt out appears to give patentees most flexibility whilst minimising risk. If an opt out is filed, there is always the possibility of opting back into the jurisdiction of the UPC before the patent is enforced in Europe (assuming there has been no national litigation). However, in the meantime, for an opted out patent, there is no threat of a central revocation action being initiated at the UPC.

A disadvantage to opting out is the procedural burden, and likely cost, of filing the opt out, particularly for patentees with a large number of European patents. It will be necessary to identify the patentee entitled to file the opt out, and arrange for the opt out to be filed. A competitor may be able to prevent a patent from being opted back in by starting national proceedings, thereby preventing an action from being brought at the UPC.

There are, of course, very good reasons for using the UPC in preference to national courts. Patentees who are confident that they will want to use the UPC to the fullest extent possible may therefore decide that the administrative burden of filing opt outs on their patent estate is not merited. Similarly, if the circumstances are such that the patent is unlikely to be ever litigated, there may be little point in filing an opt out.



QUESTIONS AND ANSWERS

Does the introduction of the UPC mean that it is now required to file separately in non-UPC Countries (e.g. the UK) as well as at the EPO?

No, an EPO filing still covers all the same countries as previously covered (including the UK which remains a full member of the European Patent Convention). The UPCA only affects the post-grant arrangements. Thus, only a single patent application need be filed at the European Patent Office by a European Patent Attorney (e.g. J A Kemp) in the same way as before. On grant there are two options for making the European Patent effective. The first option is to validate the European Patent on a country by country basis as is now done. The second option is to (a) validate the European Patent as a Unitary Patent and (b) separately validate the European Patent on a country by country basis for those countries which are not part of the UPC (currently Albania, Bosnia and Herzegovina, Cambodia, Croatia, Cyprus, Czech Republic, Greece, Hungary, Iceland, Ireland, Liechtenstein, North Macedonia, Moldova, Monaco, Montenegro, Morocco, Norway, Poland, Romania, San Marino, Serbia, Slovakia, Spain, Switzerland, Tunisia, Turkey and United Kingdom).

What is a Unitary Patent?

A Unitary Patent - also known as a European Patent with Unitary Effect (EPUE) - is a single intellectual property right covering at least 17, and possibly up to 24, of the 27 EU countries. Spain, Poland and Croatia are the 3 EU countries that have not yet signed up to the complete Unitary Patent package. Non EU countries will not participate in the UPC and application for protection in such countries and enforcement in such countries is unchanged.

What is different about a Unitary Patent?

The Unitary Patent is a single patent right covering up to 24 participating countries, whereas under the present system, a granted European Patent becomes a number of individual national validations. Under the new system, patentees will pay a single renewal fee for all participating countries rather than one fee for each national validation. Further, a single court decision, e.g. on infringement or validity, will apply across all participating countries, not just one country.

How will I apply for a Unitary Patent?

You will be able to apply for a Unitary Patent in the same way as you do now for a European Patent. The application procedure will be administered by the European Patent Office (EPO) in the same way as at present, except that after grant you will be able to elect for the European Patent to become a Unitary Patent. Post-grant opposition filed within 9 months of the grant date will apply to Unitary Patents, as well as national validations, and will remain the only route to revoke a European Patent in all countries in one action.

Will I need a Unitary Patent to be protected in Europe?

In respect of the participating countries, the Unitary Patent will be an alternative option to the national validations presently available after grant of a European Patent application. It is not mandatory for a European Patent application to become a Unitary Patent for those participating countries - after grant you will have the option of either a Unitary Patent or the national validations available at present. For EPC countries that are not participating, the normal national validation routes for European Patents will still be available. Individual national patents will also still be available via the national patent offices.

Will a Unitary Patent cost more or less than National Validations?

This depends on your situation, in particular the number of countries in which you require protection. For more than 6 countries the Unitary Patent is likely to save you money.

Savings could initially be made with a Unitary Patent at the grant stage, in particular on translating the patent after grant. A Unitary Patent requires only a single translation whereas national validations may require translations into a number of different local languages.

After grant, savings could be made with a Unitary Patent on the cost of renewal fees. A single renewal fee will be payable for a Unitary Patent which is set to match the renewal fees for DE, FR, GB and NL combined (renewing in 17 countries for the price of 4), whereas separate renewal fees are payable for each national validation. Since the cost of the renewal fee was decided, the United Kingdom (GB) has withdrawn its ratification of the UPC.

What if I only operate in a small number of European countries?

If you operate in a small number of countries, you might prefer to continue validating your granted European Patents individually in those countries. However, because the alternative option of a Unitary Patent is relatively cheap for the geographic coverage provided, wide-ranging protection might become a viable option.

How will I obtain protection in countries that aren't participating in the Unitary Patent System?

Any countries that aren't participating in the Unitary Patent system but are part of the European Patent Convention can be covered by validating the granted European Patent in those countries, as you do under the present system.

When will the Unitary Patent be available?

The Unitary Patent will be available once the Unified Patent Court Agreement (UPCA) has come into force. Germany is expected to deposit its instrument of ratification of the UPCA once it is clear when the UPC will be functional and this step could happen as early as the end of June 2022. The UPCA will come into force on the first day of the fourth month after German deposit of ratification. This could be as early as 1 October 2022. Unitary protection will be available for any applications granted after the UPCA comes into force which were filed after 1 March 2007.

Where will a Unitary Patent be litigated?

A Unitary Patent will be litigated exclusively in the Unified Patent Court (UPC). There is no option to opt out a Unitary Patent from the jurisdiction of the UPC.

Can I still file an EPO opposition against a Unitary Patent?

Yes, the EPO opposition procedure is unchanged. In fact, an EPO opposition will remain the only way to challenge a European Patent whether validated both as a Unitary Patent and nationally in a single action because a revocation action at the UPC will only challenge the Unitary Patent and not the national validations in countries not participating in the UPC. EPO oppositions are likely to be less expensive than UPC revocation actions and there is low risk of an adverse costs order for the losing party at an EPO opposition.



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