

Unitary Patent Protection in Europe on its way and then ... Brexit

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👤 By Michael Dey Ph.D., Frank Feller Ph.D., Weickmann & Weickmann PartmbB and John McDonald Ph.D., J.D., Kilpatrick Townsend & Stockton LLP

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IP-Professionals and governmental institutions have been striving for a uniform patent system throughout Europe for decades. The goal was clear - to obtain patent protection in Europe with a single patent filing and to have consistent jurisdiction in all member states.

A first step was establishment of the European Patent Convention (EPC) in 1973. The contracting states of the EPC agreed on common and centralized examination and grant proceedings before the European Patent Office (EPO). After grant by the EPO, however, a European Patent splits into individual independent national patents. Jurisdiction over these patents, including infringement or nullity actions is within the competence of national institutions.

The contracting states of the EPC and the member states of the European Union (EU) are not identical, thereby preventing EU institutions such as the European Court of Justice from having immediate competent jurisdiction.

Further efforts resulted in Regulations (EU) No. 1257/2012 and No. 1260/2012 concerning implementation of a unitary patent protection and in an agreement on a Unified Patent Court (UPC).

After execution of the regulations and the agreement concerning Unitary Patent protection and the UPC in Dec. 2012 and Feb. 2013, respectively, the new unified system comes into effect after ratification by the member states. In fact, the new system was expected to enter in force by the end of 2016.

However on June 23rd, 2016 the British people voted to leave the EU, the so-called Brexit vote. What does this mean for applicants seeking patent protection in Europe?

1. Brexit vote - what happens next?

Immediate exit of the United Kingdom (UK) from the EU is not an automatic result of the Brexit vote. The UK first must notify the European Council (EC) of its intention to withdraw from the EU (Art. 50 of the EU Treaty). Then, within 2 years, the terms of UK exit have to be negotiated. The scenario is regulated only so far. However all details and procedural aspects are subject to uncertainty and discussion.

2. When will it happen?

After the Brexit vote, then Prime Minister David Cameron did not notify the EC of an intended Brexit but resigned from his office. New Prime Minister Theresa May has now presented her cabinet, including both Brexit supporters and opposers. She has not announced any time frame regarding further actions with respect to a Brexit but rather created a new Brexit-Ministry.

3. What was supposed to happen?

A precondition for the new unitary patent system to come into effect is ratification by at least 13 of the 25 participating EU member states including France, Germany and the UK. France, Germany and the UK are the three states in which the highest numbers of

European Patents were in force in 2012. By June 2016, 10 member states including France had ratified the agreement. UK and Germany were expected to ratify soon but have not yet ratified. The expected start of the new system is on hold depending on political decisions.

4. Outline of the Unitary Patent

The Unitary Patent is an EP patent with unitary effect for all participating EU member states. Application and examination proceedings until grant for the Unitary Patent are the same as for the current EP Patent and are handled centrally at the EPO. After grant, applicants have the choice between the conventional EP patent and the new Unitary Patent for the participating states. In order to obtain a Unitary Patent, a request for unitary effect has to be filed within one month after grant. The Unitary Patent will have effect in all participating EU member states. For EPC states not being an EU member state, such as Switzerland or Turkey, or being an EU member state but not a participating state, such as Spain, the conventional EPC system, i.e. individual validation in each country remains applicable.

The Unitary Patent is administered by the EPO and is maintained or abandoned in its entirety for all participating states. Thus annual payment of one annuity is required to maintain the Unitary Patent for all participating states thereby reducing administrative efforts and service fees. Since the "True Top 4" fee structure was adopted the annual renewal fee for a Unitary Patent corresponds to the sum of the renewal fees currently to be paid for Germany, France, UK and the Netherlands.

A further goal is to reduce translation costs and legal counsel fees. During a transitional period of 12 years only one translation of the specification has to be filed, thereafter machine translations into the languages of all participating states shall be provided.

5. Outline of the Unified Patent Court

The first instance of the UPC is composed of Local Divisions, Regional Divisions and a Central Division. The central Division is located in Paris, with branches in London and Munich. The second instance is the Court of Appeal located in Luxembourg.

The UPC has exclusive competence for Unitary Patents as well as for the territory of validated participating states for conventional EPC patents, in particular for infringement and nullity actions. During a transitional period it is possible to opt-out conventional EPC patents so that national courts remain competent.

Decisions of the UPC on infringement and also on nullity have immediate effect in the entire territory of all participating states thereby avoiding different situations in various states of the EU. However for those states of the EPC which are not participating states, such as non-EU states, the EP patent is handled in the same way as to date, i.e. the respective national courts have exclusive competence.

Decisions and orders of the UPC, such as damages or injunctions granted, are directly enforceable in any contracting member state, whereby the enforcement proceedings are governed by the law of the respective member state.

6. UPC with UK?

The UPC Preparatory Committee is, despite the Brexit vote, continuing its work dedicated to the technical implementation of the UPC and the Unitary Patent. There are even voices advocating an early UK ratification to bring the Unitary Patent system into operation while the UK is still an EU member. Scenarios are discussed that the UK, once member of the UPC might remain in the Unitary Patent system even if the UK later might leave the EU. However, given the Brexit vote and the overall political situation requiring a vast number of issues to be solved, it seems at least questionable that issues concerning the UPC will be given top priority by UK political authorities and thus an early ratification will take place. Further considering political discussions in the other EU member states after the Brexit vote there does not seem to be a majority in favor of allowing the UK to retain EU benefits while at the same time withdrawing from EU obligations.

7. UPC without UK?

The agreement on a UPC requires ratification by France, Germany and the UK, being the three countries having the highest number of EP patents in force in 2012. Simply substituting The Netherlands (having the 4th highest number of EP patents in force in 2012) for the UK is not provided for in the executed agreement, so the complete process would have to be started again. Further, if the UK is not part of the UPC system, London cannot be the location for the Central Division for pharmaceuticals, as currently planned. Finally, a Unitary Patent and a UPC system without the UK loses many of the benefits hoped for. Thus implementation of the UPC in its present form but without the UK seems not to be feasible but rather major amendments appear to be necessary.

8. Past and Future? - the current EPC system

With the current EPC system centralized examination and grant proceedings are available which allow for patent protection in 42 countries, i.e. 38 contracting states, 2 extension states and 2 validation states.

After grant, validation in the respective countries is required resulting in a bundle of national patents for which the respective

national institutions, in particular the national patent offices and the national courts have exclusive competence. Validation measures range from merely paying annuities to filing a validation request including official fees and translation of the complete specification of the granted patent into the official language of the respective country.

9. Take advantage of the EPC system

Taking advantage of the current EPC system requires an active patent portfolio management. The EPC system allows to selectively validate countries, e.g. countries of particular commercial interest or countries in which the patentee's facilities or competitors' facilities are located or countries which do not require filed translations, such as France, the UK and Germany, to keep validation costs low. Annuities are due in each country separately resulting in some administrative effort. However this system also allows for a great flexibility in patent management. Depending on the importance of protected inventions, a ranking or classification can be made and correspondingly the number of validation states and the maintenance time in each country can be determined individually, allowing for portfolio management in a cost effective manner.

Court actions for infringement and nullity suits respectively are handled by national courts requiring separate actions and may result in different outcomes. However to the advantage of the patentee, court action against a potential infringer can be initiated at one court only to initially keep costs low before a first ruling is obtained. Further the patentee is not at risk of losing the patent in all states by only one decision as could occur in the UPC.

10. Recommendations

Make advantageous use of the current EPC system but at the same time closely watch new developments to be prepared for the future. Decisions made now in using the current EPC system are also of use in deciding between the EPC and the Unitary Patent in the future.

Choose US patent counsel with close working relationships with European patent counsel familiar with the nuances of European practice and the potential impact of the UPC.

Review your EP patent portfolio and evaluate the future risk: benefit ratio of a Unitary Patent filing vs a conventional EPO filing in terms of: 1) the countries in which protection is required (your markets and operations, locations of competitors); 2) costs, annuity fees, translation fees on validation; 3) probability of infringement, litigation and frequency of opposition filings; and, 4) vulnerability to an all or none invalidation decision by the UPC vs a country by country invalidation approach.

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