The Unitary Patent System – an Explanation and Update

A presentation by

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What is the Unitary Patent System?

- The Unitary Patent System comprises the Unitary Patent and the Unified Patent Court (UPC).
- A Unitary Patent is a European patent with unitary effect
  - A Unitary Patent will be effective across all participating Member States (as though they were a single country).
- The Unified Patent Court (UPC) is a supranational court that will cover all participating Member States in a single action
  - Sole jurisdiction over Unitary Patents.
  - Sole jurisdiction over all European patents subject to opt-out during transitional period.

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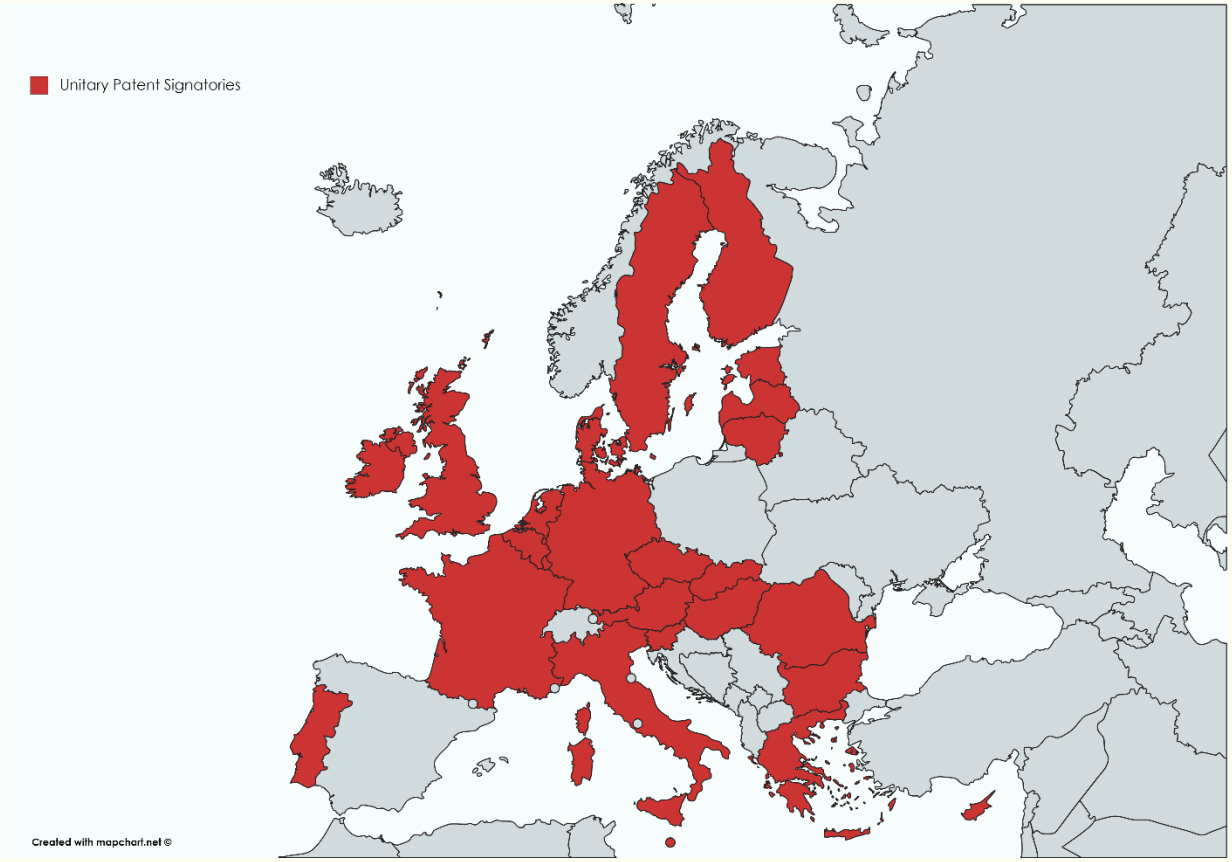
Unitary Patent Coverage



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Key Features of the Unitary Patent System

- Likely to come into effect in late 2017.
- A single patent will cover 25 participating Member States for approximately the same cost as it currently costs to obtain and maintain protection in 4 countries.
- A single judgment will cover all participating Member States.
- First instance court proceedings should be concluded in around 1 year.
- Opt-out from UPC possible for “classic” European patents during transitional period – national courts will maintain jurisdiction.
- UK will ratify despite plans for Brexit.

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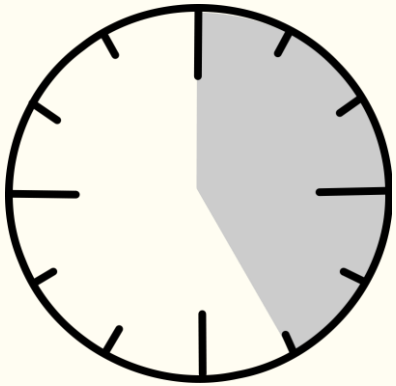
Timings



- Likely to come into effect in late 2017
  - Latest estimate December 2017.
  - Opt-out period to begin in early September 2017 ("sunrise period").
- 13 states including Germany, France and the UK must ratify and deposit the relevant instrument of ratification, with the system starting four months after the last required deposit.
- Complete: Austria, Belgium, Bulgaria, Denmark, Finland, France, Italy, Luxembourg, Malta, The Netherlands, Portugal and Sweden.
- "Big three": France has ratified; Germany and UK left to ratify.
- Unitary Patent System will come into effect when the last of Germany and the UK completes ratification.

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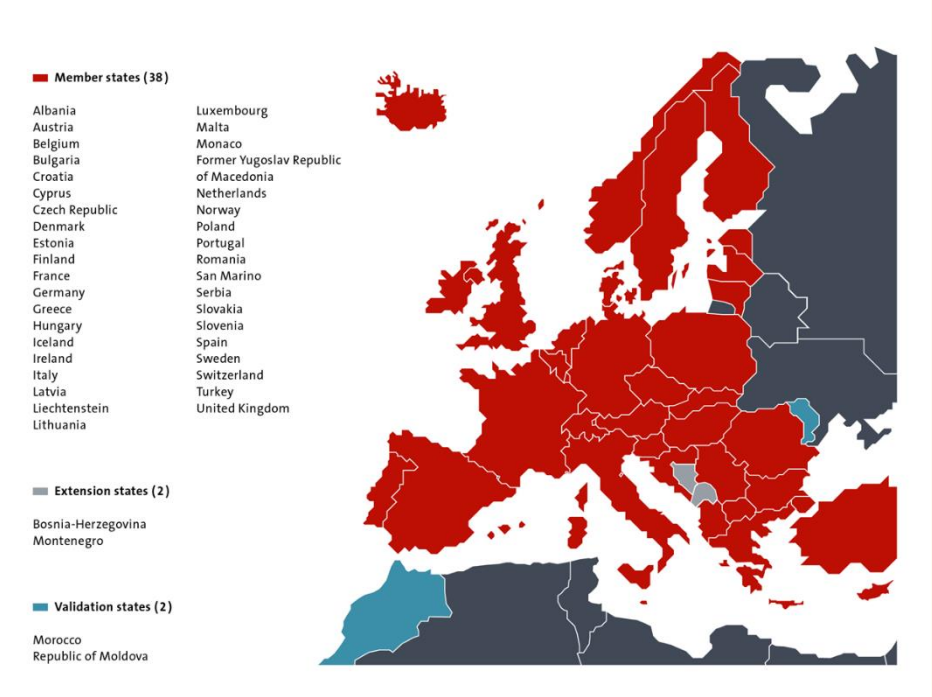
Current System

- At present “classic” European patents are granted for individual member states that are party to the European Patent Convention (EPC):



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Differences to Current EPO Proceedings?

- No changes to filing or application stages of European patent application – same as today

- Changes occur ONLY at grant stage - <u>OPTIONS</u>:

  Within one month from grant, choose from:

  - a "classic" European patent with effect in individual states only – as per current system
  - a Unitary patent with effect in all UPC Contracting Member States (up to 25 EU states – not Spain or Croatia)
  - a combination:
    - Unitary patent as above
    - Classic European patent for any one or more of Spain, Croatia and non-EU states (NO, CH, TR)

- No changes to EPO opposition, which may be filed against any European patent (Unitary or "classic") within 9 months from grant.

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Grant Procedure

URKUNDE

CERTIFICATE

CERTIFICAT

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- Grant process is the **<u>same as now</u>**:
  1) Rule 71(3) Communication (notice of grant) issued.
  2) Claims translations and fees payable within 4 months.
  3) Patent granted.

- Within 1 month of grant must elect Unitary Patent
  - No fee for electing Unitary Patent
  - Single complete translation of patent into language of any other Member State during (maximum) 12 year transitional period.

- Full translation of <u>English</u> language patent required into any EU language.

- No validation fees.

- Single renewal fee.

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Renewal Fees

- The amount of renewal fees agreed on a "True TOP4" basis
  - Fees will be the equivalent of renewing a European patent in Germany, France, the UK and The Netherlands.
- <u>Important</u>: there is no flexibility later in the life of the patents to trim renewal fee costs by abandoning some designations – all or nothing.
- For patentees that routinely designate all EU states (not many!), the True TOP4 renewal fees may make Unitary Patents attractive.

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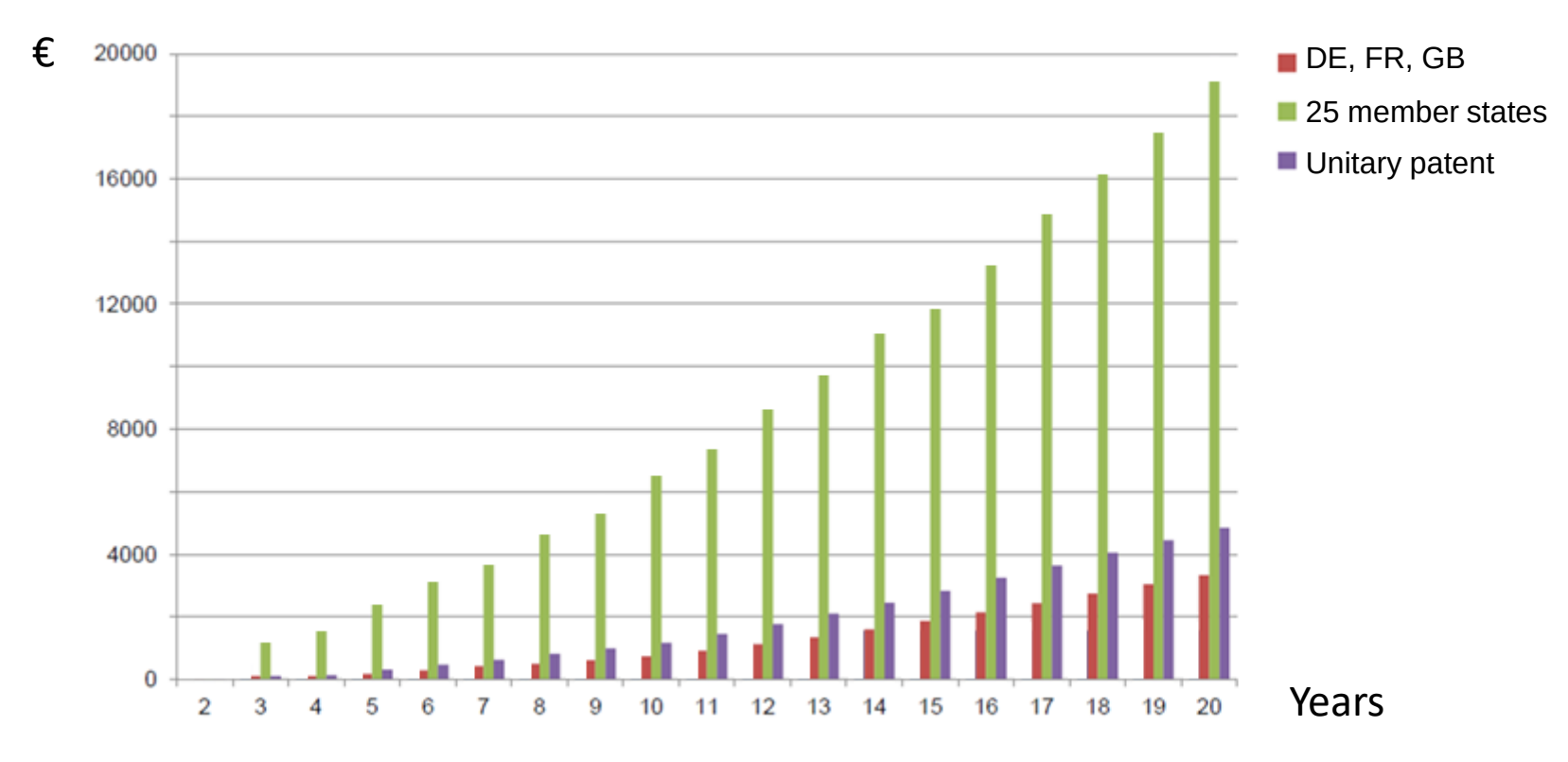
Renewal Fees Comparison



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The Unified Patent Court

Jurisdiction

- The UPC will have exclusive jurisdiction over:
  - Unitary Patents.
  - Classic EP patents (only after transitional period of 7 years).
- For 7 years after entry into force of UPC, can still initiate proceedings for infringement/revocation before national court.
- European Patents filed/granted prior to entry into force and "classic" European patents during transitional period – can opt out for lifetime of patent by notifying the Registry of the UPC in Luxembourg.
- Can opt back in later.

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UPC Transitional Provisions

Art. 83(1)

- "action for infringement or for revocation of a European patent…may still be brought before national courts"
  - During the 7 year transitional period, the UPC will have non-exclusive jurisdiction over actions for infringement or revocation.

Art. 83(3)

- "Unless an action has already been brought before the Court, a proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period…shall have the possibility to opt-out from the exclusive competence of the Court…The opt-out shall take effect upon its entry into the register."
  - Important: Patentees can opt-out their existing patents.

Art. 83(4)

- "Unless an action has already been brought before a national court, proprietors of or applicants for European patents…shall be entitled to withdraw…opt-out at any moment"
  - Possible to opt-back in.

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Opting Out

- "Classic" European Patents can be opted out of the UPC once during the 7 year transitional period – infringement/revocation actions country by country before national courts – as currently.

- Opt-out at any time during transitional period - lasts for life of patent.

- Timing is critical
  - Opt-out only before action before the UPC
    - Revocation action can be launched in UPC by third party before opt-out from UPC – no escape from jurisdiction of UPC.

- May opt-back in before any national court action has taken place.

- No opt-out or opt-in fees.

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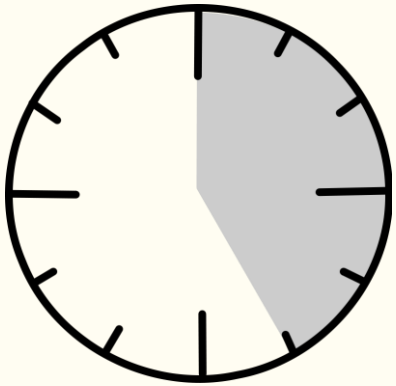
Opt-Out Timing



- Patentees may prevent central attack against the validity of a “classic” European patent by opting-out before any attack is launched before the UPC.

- Preliminary register will open before UPC, in “sunrise period” (likely early September 2017).

- Recommend portfolio review.

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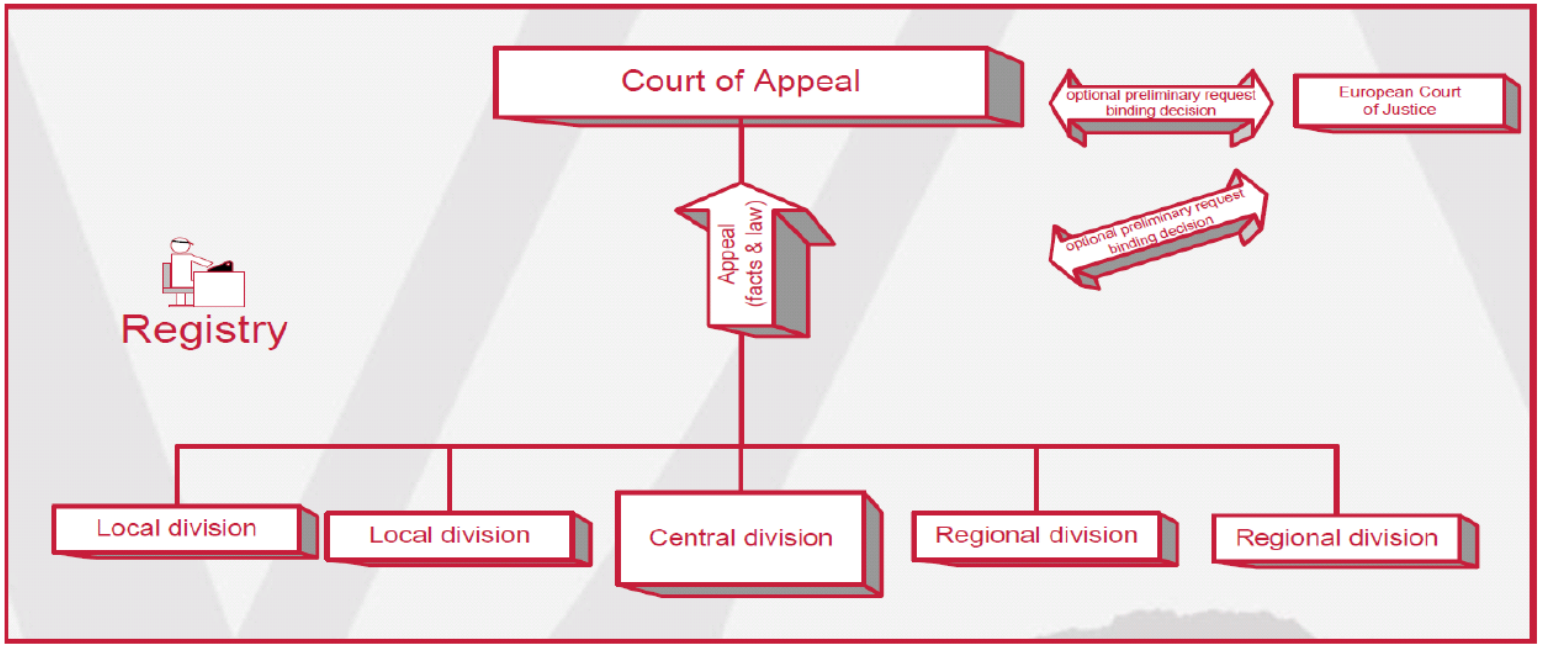
Licensing Considerations

- Important questions:
  - Who decides whether to opt-out of the UPC system?
  - Who is entitled to initiate legal actions?
- Exclusive licensees may enforce “classic” patent without the patentee's consent, unless the licence provides otherwise.
- Non-exclusive licenses would require express clause.
- A clause is necessary for patentees outside the European Union to specify the applicable law, otherwise German law will be deemed to apply by default (by virtue of Article 7 of the Unitary Patent Regulation)
  - Applicable to existing as well as future licences.

UPC Structure



national
language

language
of the
EPO patent

national
language

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Central Division

chemistry,
pharmaceuticals,
biotechnology, metallurgy,
human necessities,
including medical devices

electronics,
software, textiles,
physics, etc.

mechanical
engineering, lighting,
heating, weapons,
blasting

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Local Divisions - Languages

- **London** English
- **Düsseldorf, Munich, Mannheim and Hamburg** German and English (English limited rule)
- **Paris** French and English (English limited rule)
- **The Hague** Dutch and English
- **Milan** Italian and English
- **Brussels** Dutch, French, German and English
- **Helsinki** Finnish, Swedish and English
- **Copenhagen** Danish and English
- **Dublin** English
- **Vienna** German

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Which Division of the UPC?

Central Division	• Declaration of non-infringement • Revocation actions
Local/Regional Division *where infringement occurred* *or* *defendant domiciled*	• Infringement actions and preliminary injunctions • Counterclaims for revocation with discretion to either - Proceed with revocation action, - Refer revocation to central division and suspend or proceed with infringement case, or - Refer entire case to central division (with agreement of the parties)

Parties can agree to bring an action before the division of their choice

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UPC Court Fees

- Fixed fees where the value of the action is less than €500,000.
- Value based fees when the value of the action is above €500,000.
- Reduction of 60% in the regular Court fees (both fixed and value based fees) for small and micro-enterprises*.
- Costs recoverable by winning party in action.

*as defined by European Commission n° 2003/361 of 6 May 2003

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UPC Fixed Court Fees

Actions	Fixed fee
Infringement	€11,000
Counterclaim for infringement	€11,000
Action for declaration of non-infringement	€11,000
Revocation action	€20,000
Counterclaim for revocation	Same as infringement action, subject to a fee limit of €20,000
Application for provisional measures	€11,000
Application to determine damages	€3,000

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UPC Recoverable Costs

Value of proceedings	Ceiling for recoverable costs
Up to and including €250,000	Up to €38,000
Up to and including €500.000	Up to €56,000
Up to and including €1,000,000	Up to €112,000
Up to and including €2,000,000	Up to €200,000
Up to and including €4,000,000	Up to €400,000
Up to and including €8,000,000	Up to €600,000
Up to and including €16,000,000	Up to €800,000
Up to and including €30,000,000	Up to €1,200,000
Up to and including €50,000,000	Up to €1,500,000
More than €50,000,000	Up to €2,000,000

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UPC Proceedings

- With the aim of making the UPC an attractive forum for litigation, it is believed that the UPC will operate with:
  1. Limited documentary discovery.
  2. Very limited oral testimony at trial.
  3. Short hearings.
  4. Full first instance proceedings concluded in approximately 1 year.
- Mediation/arbitration will be actively encouraged by the Court as a means of resolving disputes.

Forum Shopping?

- Untested court system – Uncertainties.
- Differences between different first instance divisions could influence a user's choice of division where action is taken
  - Variations in speed of getting matters to trial.
  - Variations in interpretation of rules and attitudes to procedures.
  - Willingness to grant interim remedies.
  - More or less pro-patentee attitude.
- Language considerations may also be a factor.

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UPC Users

- Very likely that different types of patent owners will operate differently under the Unitary Patent System – some will avoid uncertainty whilst others will embrace change.
- Asserting a strong patent on a pan-European basis in order to obtain a pan-European injunction may be preferable to relief in a smaller selection of counties.
- Possibility of increase in litigation by non-practising entities (NPEs) (otherwise referred to as “patent trolls”)
  - Possibility of wide-ranging injunction via a new and untested court system likely of interest to these entities.
  - Electronics industry as likely to be affected as any other sector.
  - NPEs may well be early adopters of the new Court system.

UPC – Risk vs Reward

- The benefits of the Unitary Patent versus the potential risks resulting from the use of the system, particularly in the transitional period, will require careful consideration by both new applicants and existing patentees.
- Evolution of the Unitary Patent System should help inform future decisions.
- Any patent under the exclusive jurisdiction of the UPC will stand or fall as a whole
  - Injunction granted by a single court to stop infringements in all participating Member States (400 million+ people).
  - Patents will remain vulnerable throughout their life to being revoked in an action before a single court.

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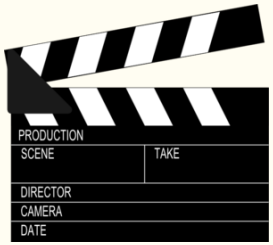
The Time is Now

- The entry into force of the Unitary Patent System is the BIGGEST CHANGE to the European Patent System for 40 YEARS.
- Whilst timings are not definite, it seems certain that the Unitary Patent System will shortly come into effect.
- For better or worse, it brings options.
- What actions should sensibly be taken in the near term to prepare for the new system?

Actions to Consider



- Build a suitable portfolio now
  - Consider divisional applications.
  - Consider national applications.
- Review existing portfolio.
- Review licence agreements.
- Prepare to opt-out.
- <u>REMEMBER</u>: New system brings options.

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The Brexit Effect?

- The UK (a mandatory ratification country) announced its intention to proceed with ratification on 28 November 2016, in spite of the vote to leave the EU.
- The Preparatory Committee announced on 16 January 2017 that the UPC should come into being in December 2017 (with the UK as a Member State).
- The vote to leave the EU has created some uncertainty as to the status of the UK's long-term participation in the Unitary Patent System, and its legality once the UK leaves the EU.

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