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Patents in Europe

2013/2014

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Published by **iam**[®]

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Unitary patent and Unified Patent Court: the proposed framework

The adoption of two key regulations late last year has paved the way for the long-awaited unitary patent and Unified Patent Court

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On December 11 2012 the European Parliament adopted, at first reading, the EU Council's compromise patent package made up of two draft regulations establishing a unitary patent for Europe and an agreement on a unified patent court (UPC).

The first regulation (1257/2012) concerns the unitary patent, while the second (1260/2012) sets out the translation arrangements for such protection. The regulations were adopted under the European Union's legislative procedure of enhanced cooperation. That procedure allows nine or more member states to move forward in a particular area as a last resort if no agreement can be reached by the European Union as a whole within a reasonable timeframe. Other member states can opt to join at any stage, before or after enhanced cooperation has been launched. Here, with the notable exception of Italy and Spain, 25 EU member states have opted to create unitary patent protection for their territories, using the enhanced cooperation procedure.

The UPC Agreement is an international agreement open only to EU member states (which are a sub-group to the 38 member states to the European Patent Convention (EPC)). The agreement aims to address the problems involved with litigation of European bundle patents on a national basis by establishing a specialised patent court with

exclusive jurisdiction for litigation relating to European patents and European patents with unitary effect (unitary patents). The agreement was opened for signature from February 19 2013 and all EU member states, except Poland and Spain, have signed so far. The agreement will need to be ratified by at least 13 contracting states – including France, Germany and the United Kingdom – to enter into force.

This chapter outlines the framework of the future unitary patent and UPC.

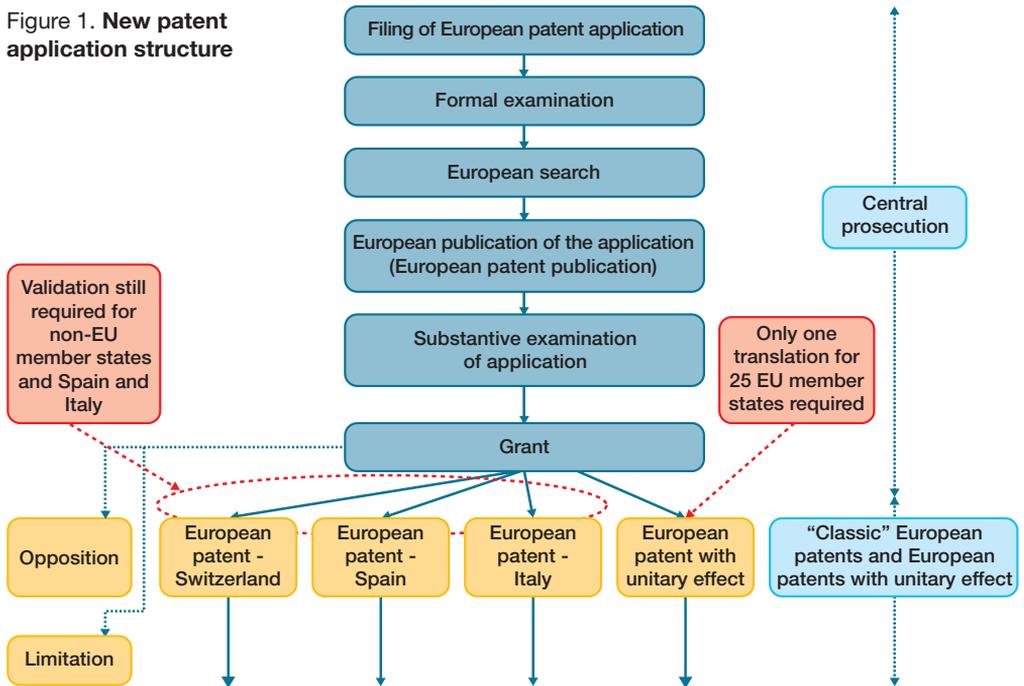
European patent with unitary effect

Following the implementation of Regulation 1257/2012, applicants seeking patent protection in Europe will have another option beside national patents and traditional European patents.

Essentially, a unitary patent will be a normal European patent granted by the European Patent Office (EPO) under the provisions of the EPC. However, the patent will be given a unitary effect for the territory of the 25 participating states on request of the patent holder after the patent has been granted. As the request for unitary effect is possible only post-grant, the unitary patent will benefit from using the well-established EPC system. Moreover, the fact that the unitary effect can be requested only after the patent has been granted means that the EPO's daily work (ie, searching, examining and granting) should not be affected by the introduction of this new type of patent.

The new structure is outlined in Figure 1 below. The unitary patent will come into effect only after the central prosecution phase at the EPO and will be optional for patent holders.

Figure 1. New patent application structure



Translation regime

The ultimate goal of the unitary patent is that after grant of the European patent, no translation will be required. This would significantly reduce the prosecution costs of patent protection for 25 EU countries. An EPO programme called Patent Translate will offer free online access, for information purposes, to automated translations of any European patent application and patent. Only in case of a dispute and at the request of either a court or an alleged infringer will the patent holder have to provide a full, human-generated translation in the relevant language. However, as provided by Regulation 1260/2012, this will become reality only after a transitional period of up to 12 years.

The following transitional measures have been put in place:

- Where the language of proceedings at the EPO was French or German, the patent holder will have to provide a translation of the patent into English; and
- Where the language of proceedings at the EPO was English, the patent holder will have

to provide a translation of the patent into any official language of the European Union.

The unitary patent features a compensation scheme for some applicants. The costs of prosecution incurred by small and medium-sized enterprises (SMEs), natural persons, non-profit organisations, universities and public research organisations whose residence or principal place of business is in an EU member state will be reimbursed (up to a ceiling), provided that the applications have been filed in another of the three official languages of the European Union (English, French or German).

Entry into force

While the regulations came into force on January 20 2013, they will be applicable only from January 1 2014 or, since they are part of the patent package, from the date of entry into force of the UPC Agreement, whichever is the later. Accordingly, a unitary patent may be requested from January 1 2014 or from the date of entry into force of the UPC Agreement.

UPC

Currently, with the EPC bundle patents, only national courts of the EPC contracting states are competent to decide on the infringement and validity of European patents. This creates a number of difficulties for patent holders trying to enforce a European patent or when a third party seeks the revocation of a European patent in several countries.

First, multiple litigation incurs high costs in the form of attorneys' fees and court fees. Second, the involvement of multiple national courts applying different claim construction bears the risk of divergent decisions, which thus results in a lack of legal certainty. Forum shopping is also inevitable, as parties seek to take advantage of differences in:

- national courts' interpretation of harmonised European patent law;
- procedural laws;
- length of proceedings; and
- levels of damages awarded.

The UPC Agreement addresses the above problems by creating a specialised patent court with exclusive jurisdiction for litigation relating to traditional European patents and unitary patents.

UPC structure

The UPC comprises a Court of First Instance and a Court of Appeal.

An illustrative chart of the basic court structure and the composition of the panels is outlined in Figure 2 below.

The Court of First Instance is made up of:

- a central division; and
- decentralised local divisions (for each contracting state) or regional divisions (for two or more contracting states, if they prefer to establish a common division).

The seat of the central division will be in Paris, with sections in London and Munich. The London section will hear cases related to patent classifications A and C (chemistry, including pharmaceutical and human necessities). The Munich section will deal with cases related to patent classification F (mechanical engineering).

A local division may be set up in a

contracting state upon its request; the contracting state hosting a local division shall designate its seat. There may be up to three additional local divisions in one contracting state for every 100 patent cases per year in that contracting state.

The number of infringement cases in Europe in 2009 is illustrated below. The German courts alone hear over 1,400 cases a year. Accordingly, Germany may request up to four local divisions.

A regional division may be set up for two or more contracting states upon their request; they shall designate the seat of the division concerned. The regional division may hear cases in multiple locations. For example, the Scandinavian contracting states (Sweden, Finland and Denmark) may request a regional division.

The seat of the Court of Appeal will be in Luxemburg. Although it is clear that the Court of First Instance and the Court of Appeal may refer questions to the European Court of Justice (ECJ), it is unclear whether this includes questions on patent infringement or solely questions on the interpretation of EU law. This issue itself may be subject to an opinion of the ECJ.

Panel composition

The panels of the local/regional divisions are multinational and made up of three legally qualified judges. In addition, for any panel of local/regional divisions a technically qualified judge may be allocated from a pool of judges, either on request of one of the parties or on the panel's own initiative, where it deems this appropriate.

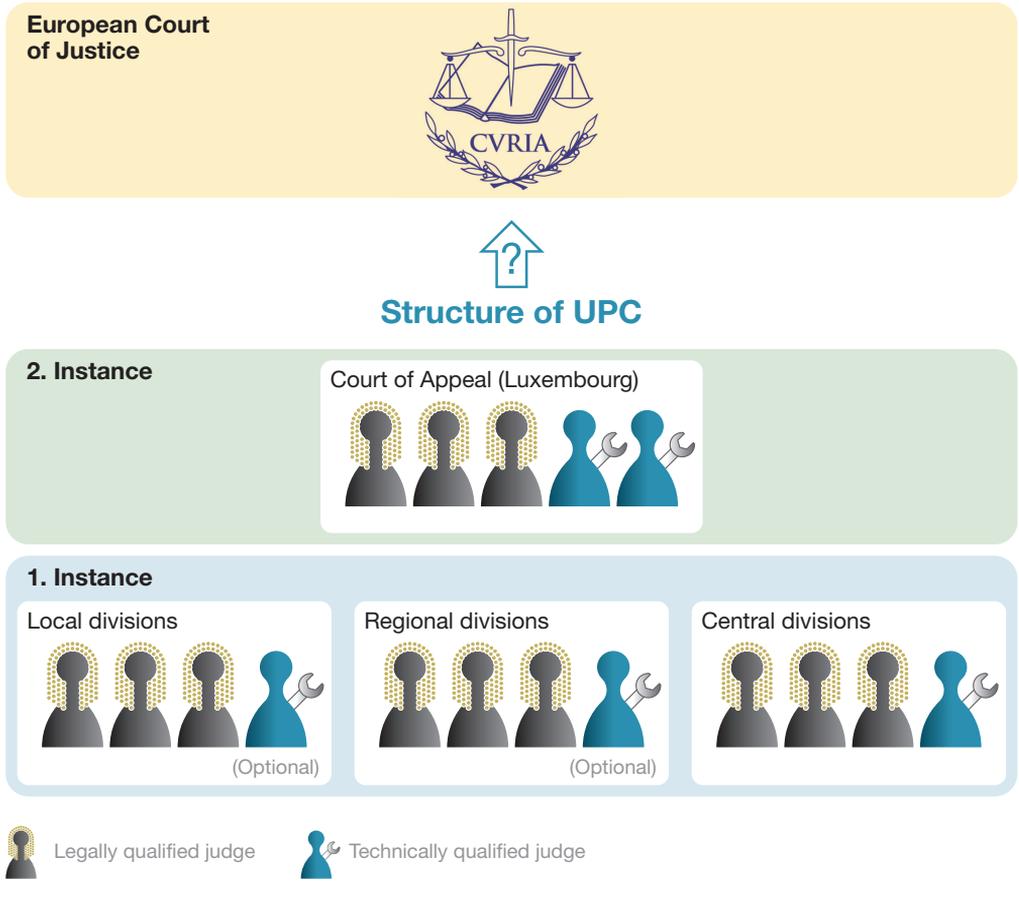
Any panel of the central division will comprise:

- two legally qualified judges who are nationals of different contracting member states; and
- one technically qualified judge with qualifications and experience in the field of technology concerned.

Competence of UPC

The UPC will have jurisdiction over both traditional European patents and unitary patents. The underlying principle for the competence of the UPC is that the central division will have jurisdiction to hear independent actions for nullity, whereas

Figure 2. New court structure



patent infringement actions will be heard before local/regional divisions of the contracting state where the infringement occurred or where the defendant is domiciled.

The local/regional divisions will be competent to hear:

- infringement actions;
- actions for damages or compensation for provisional protection conferred by a published patent application;
- actions for provisional and protective measures and injunctions; and
- actions relating to prior use rights.

The central division will be competent to hear:

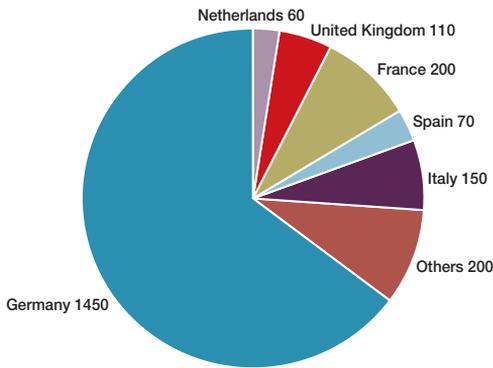
- actions for declarations of non-

infringement (although the central division will suspend the case if an infringement action related to the same patent between the same parties is initiated before a local or regional division);

- actions for revocation of patents (including counterclaims for revocation referred by a local/regional division);
- actions for the grant or revocation of compulsory licences;
- actions on compensation for licences; and
- actions against defendants domiciled outside the territory of the contracting states.

Where an infringement action is pending before the local/regional division and a

Figure 3. Infringement cases in Europe



>90% of all cases in six countries (2009)

counterclaim for revocation of the patent at issue is made, the local/regional division will be able to choose from three options. First, it may proceed with both the infringement action and counterclaim for revocation (and, if appropriate, request the appointment of a technically qualified judge with qualifications and experience in the field of technology concerned). Second, it may refer the counterclaim for revocation to the central division and then either suspend or proceed with the infringement case (similarly to the German ‘bifurcation system’). Third, it may refer the entire case to the central division, upon the parties’ agreement.

Commencement

The UPC Agreement will enter into force on whichever of the following dates is the latest:

- January 1 2014;
- the first day of the fourth month following the deposit of the 13th instrument of ratification or accession (France, Germany and the United Kingdom must be among these 13 states); or
- the first day of the fourth month following the entry into force of the amendments to Regulation 1215/2012 (on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters).

Regulation 1215/2012 was amended on December 20 2012, but not with regard to

the unitary patent. Consequently, a further amendment proposal will have to go through the whole EU legislative process, which may significantly delay the entry into force of the patent package.

Opt out, opt in

During a transitional period of seven years, a proprietor of, or applicant for, a traditional European patent may opt out from the exclusive competence of the UPC for actions for infringement or revocation. Unless an action has already been brought before a national court, the proprietors of, or applicants for, traditional European patents that opted out may withdraw their opt-out at any moment (an option called ‘opt-in’).

Remaining issues and risks

Will it be cheaper?

As regards costs, unitary protection in 25 European countries by one patent may prove to be more cost effective than is currently the case. However, as neither the maintenance fees nor the ceiling to the proposed compensation scheme for human translations has been announced, the cost of a unitary patent may prove prohibitive for SMEs, which may seek patent protection for only a few countries, such as France, Germany and the United Kingdom. As the UPC court fees are equally unknown, it would be purely speculative to say that the UPC will be beneficial for SMEs costwise.

Don’t miss opt-out

A foreseeable risk for users is to miss the opt-out. Unless the patent holder or applicant notifies the UPC registry of the opt-out, the UPC will have exclusive jurisdiction over traditional European patents issued or pending after the entry into force of the UPC Agreement. This means that in future, a patent holder may find itself before the UPC Central Division for a declaration of non-infringement, even though it never requested a unitary effect for its traditional European patent designating only, say, Germany and France. Applicants should therefore monitor the entry into force of the UPC in order not to miss the opt-out.

Unitary enforcement and revocation

A further consideration for applicants is

that invalidation of a unitary patent will be as centrally managed as its enforcement. Thus, the perceived risk of putting all of one's eggs in one basket is not limited to the examination phase; it also applies later on in the patent's life. Large filers of patents, such as pharmaceutical companies, dislike taking such risk and are thus likely to opt out of the untested unitary patent and UPC system in the beginning. However, this may in turn lengthen the time it will take until a sufficient number of cases has been reached to allow for an evaluation of the UPC system.

Ratification risk and duration

The last hurdle facing the agreement is the national ratification process, which has been the downfall of many a treaty (eg, the Community Patent Conventions of 1975 and 1989, due to constitutional problems in some member states). This is because national ratification processes are often misused for political interests (eg, in public votes in May and June 2005, France and Denmark voted against the adoption of the proposed EU Constitution Treaty). The risk is particularly high in the United Kingdom, where an anti-EU mood prevails that may seduce politicians into requesting a public vote against the ratification of the UPC Agreement. If the United Kingdom rejects the agreement, the whole package will collapse. Even if the agreement is ultimately ratified, it will still take a few years before the whole unitary patent and UPC system is up and running. This is because the current momentum enjoyed by the agreement will inevitably slow down once the proposal falls into the hands of individual countries' parliaments and consultations with stakeholders take place – especially when national taxpayers ask who will fund the new system.

Final remarks

The European Parliament's vote on December 11 2012 on the EU Council's compromise proposals demonstrates the great political momentum that is now behind the patent package. While predictions at this stage are still premature, it looks increasingly likely that the package will be implemented in accordance with the suggested timetable. When this happens, the landscape of patent protection and

enforcement in the European Union will change radically, and European IP risk assessment will become an even more important and complex consideration than it is today. **iam**

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