Update on the Unitary Patent Court and the European Patent with Unitary Effect

Trevor Cook†
WilmerHale, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, USA

Received 14 May 2015

Several recent developments as to the new patent system that will be put into place in Europe in the next couple of years make it timely to update earlier articles in this series on this subject and to provide a progress report on it. On 5 May 2015 the Court of Justice of the European Union rejected the legal challenges to one aspect of the new system, the European patent with unitary effect, mounted by Spain, and earlier in 2015 proposals as to the fee structure for this new type of European patent were issued by the European Patent Office. Preparations continue with establishing the other aspect of the new system, the Unified Patent Court, in which litigation on the European patent with unitary effect and also, subject to transitional provisions, classical European patents, will take place. A significant recent development as to the Unified Patent Court has been the publication for consultation, by the Preparatory Committee, on 8 May 2015, of a proposal for its fee structure.

The Story so Far

As recounted in two earlier articles in the November 2012 and November 2013 issues of JIPR, a new patent system for the EU is now in the process of being put into place. Although, officially it is still suggested that this new system could be up and running as soon as the end of 2015, this now seems hardly credible, and it seems more likely that its start date will be 2016 or 2017. Progress is being made with its two parallel aspects, which are inextricably linked, as one of these, the European patent with unitary effect (using the official name for what is also termed the “Unitary Patent”), can only come into effect once the other, the Unified Patent Court, does so, which will happen four months after the agreement establishing it receives 13 ratifications, including those of France, Germany and the UK as the three EU countries in which most European patents were validated in the year preceding its signature in 2013. On 5 May 2015 the Court of Justice rejected the legal challenge mounted by Spain to the European patent with unitary effect, and earlier in 2015 proposals as to the fee structure for this new type of European patent were issued by the European Patent Office. Preparations continue with establishing the other aspect of the new system, the Unified Patent Court, in which litigation on the European patent with unitary effect and also, subject to transitional provisions, classical European patents, will take place. A significant recent development as to the Unified Patent Court has been the publication for consultation by the Preparatory Committee on 8 May 2015 of a proposal for its fee structure.

The European Patent with Unitary Effect

Few were surprised when, on 5 May 2015, the Court of Justice, following the advice of its Advocate General on 18 November 2014, rejected the challenges mounted by Spain to the legality, under the EU Treaties, to the two Regulations that provide the legal basis for the European patent with unitary effect. Spain (along with Italy) had stayed outside the “enhanced cooperation” mechanism provided for under the EU Treaties and under which these had been established and it was the legality of the Regulations made under this procedure which on this occasion it unsuccessfully challenged. The reasoning of the Court in coming to this conclusion, which is in some areas somewhat thin, is unlikely, except in one respect, to have any effect on the structure of or the operation of the new system other than to make it clear that the EU Treaties provide no impediment to it; that one respect concerns the degree to which those countries which participated in the “enhanced cooperation” mechanism have any obligation under the “principle of sincere cooperation” then to pursue it; the Advocate General considered that they did, but the Court does not. This is of especial relevance to Poland, which having participated in “enhanced cooperation” then chose not to sign the UPC

†Email: trevor.cook@wilmerhale.com
Agreement. Absent this, then not only will the UPC not cover Poland, but the European patent with unitary effect cannot extend to it either, and the Advocate General’s opinion had put into question Poland’s freedom of action as to this. But the Court, at [106], simply and permissively notes “that the EU Legislature has left it to the Member States for the purposes of ensuring the application of the provisions of the contested regulation, to adopt several measures within the legal framework established by the EPC and to establish the Unified Patent Court.”

In the EU, the new European patent with unitary effect, which is not registered as such until shortly after grant, will compete with “classical” European patents validated in one or more EU Member States and also with national patents. As most applicants, and especially those in the tech sector, validate their European patents in three or fewer countries, or may seek only a single national, often German, patent, the fees for the new European patent must be competitive if it is to offer an attractive option for applicants. Setting the level of renewal fees for the European patent with unitary effect presents something of a dilemma to the EPO Administrative Council, consisting as it does of representatives from the national patent offices of all EPO Member States, including those of all EU Member States. These national patent offices of those countries in which classical European patents are validated currently benefit from the associated validation, and more importantly renewal, fees, whereas for the European patent with unitary effect they will receive, in total, half the renewal fees received by the EPO, to be split between them in a manner to be agreed, and with the EPO keeping the balance.

Thus the national patent offices of those EU Member States participating in the territories which will be covered by the European patent with unitary effect can be expected to be reluctant to set its renewal fees at too low a level, and the proposed fee structure put to them in March 2015 by the President of the EPO bears this in mind. This proposes, in the unlikely effect of grant in the second year the fees being set at the level of the EPO’s internal renewal fee for applications, which however does not, for applications, kick in till the third year. Thereafter from years 3 to 5 the fees would be set at level of the EPO’s internal renewal fee, from years 6 to 9 at a transitional level between the EPO’s internal renewal fee and the year 10 level and from year 10, a level equivalent to the total sum of the national renewal fees payable in the EU Member States in which European patents are most frequently validated, and as to which two alternatives are offered. In one alternative the fees after ten years would be equal to the combined current renewal fees in the top four such jurisdictions, and in the other the fees would be equal to the combined current renewal fees in the top five such jurisdictions, albeit with a 25% reduction for small and medium-sized enterprises, non-profit organizations and universities until the tenth year. Not surprisingly, this proposal has been criticized by user organizations, who would prefer that it be set by reference to the combined current renewal fees in the top three such jurisdictions, and who predict that unless this is done uptake of the European patent with unitary effect will be poor.

The Unified Patent Court

As an entirely new multinational court the Unified Patent Court is taking time to establish as there is administrative, physical and IT infrastructure to be put into place, judges and other staff to be appointed and in some cases trained, and rules of procedure and fees to be established. As compared to all of this the progress of its strictly legal aspects seems relatively straightforward. Thus the amendments to the Brussels I Regulation, governing the relationship as between the Unified Patent Court and the national courts of EU Member States is now in place. The last consultation on its Rules of Procedure, now in their 17th draft, took place on 3 November 2014, and a new, and presumably almost final, draft of these can be expected in the not too distant future, but attention has now shifted to the fees for the new system and the costs recovery regime that it establishes. This has to take account of the fact that the Unified Patent Court will be funded for an initial seven year period by the EU Member States that have ratified the Agreement, but by then it is “expected to have become self-financing” which requires that it set a high level of court fees. In the light of this the Preparatory Committee for the Unified Patent Court, which estimates the costs of running the Court at €37 million in its eighth year, issued on 8 May 2015 a Consultation Document on the Rules on Court fees and recoverable costs.

The Unified Patent Court Agreement requires that the Court fees consist of a fixed fee, combined with a value-based fee above a pre-defined ceiling. The Consultation Document proposes a fixed fee for starting an infringement action and most other types of
proceeding is €11,000, with an additional value based fee of €2,500 kicking in above an assessed case value of €500,000 which rises to €220,000 where the assessed value is over €30 million. The Committee bases the €500,000 threshold on experience in Germany where nearly one quarter of cases has a value of up to €250,000. Such a substantial fee for high value cases, (the value being assessed by the Court) will also be familiar to those with experience of patent litigation in Germany. For revocation actions there is a fixed fee of €20,000, irrespective of the number of designations that it covers and whether it is as classical European patent or a European patent with unitary effect. The fee is the same for revocation counters claims, although where the value in issue is under €1 million the fee for the latter is reduced in accordance with the infringement scale until at a value of €500,000 or less it is €11,000. On this basis, the Court fees for a small infringement action on one patent with counter claim for revocation will be €22,000. The Committee does however envisage that some litigants may not be able to pay such fees and proposes that the Rules either provide for waiving the value based fee for small and medium-sized enterprises, non-profit organizations, universities and the like, or adopt a more flexible and discretionary approach towards the payment of any fees by any type of company or organisation that cannot pay such fee. There are also a number of smaller fees associated with various types of application. The most important of these in the short term is one of 80 Euro per patent for opting classical European patents out of the exclusive jurisdiction of the Unified Patent Court and which the Committee says does no more than cover the direct costs of that process.14

The Consultation Document also sets out a scale of ceilings for recoverable costs, as the Unified Patent Court Agreement, consistent with the enforcement Directive, mandates a degree of costs-shifting.15 Again, as in Germany, these are keyed to the assessed value of the case, so it is proposed that this start at up to €50,000 where the value is €250,000 and rise to a maximum ceiling of up to €3 million where the value of the case is more than €50 million.

Another New Variable

Thus, on the face of matters it would seem that, albeit less quickly than originally envisaged, but inexorably all the same, the new European patent system is proceeding towards entering into force in 2016 or 2017. However, unless this happens in 2016 progress towards the entry into force of new European patent system could yet be further delayed by yet another variable that has now been thrown into the legislative mix by the outcome of the UK General Election on 7 May 2015; the almost certain prospect of a referendum in the UK on its continued membership of the EU, probably to be held in the course of 2017 after a period of renegotiation in 2016. Although, opinion polls currently show support for continued UK membership the possibility of an adverse vote cannot be excluded. If the new European patent system is not up and running by the end of 2016, which date is as we head into the Summer of 2015 is itself starting to seem optimistic, it might be thought politically inexpedient for the UK to bring it into force by ratifying it shortly before the referendum takes place (assuming there to be sufficient other ratifications, including that of Germany in place by then, as France has already done so). Were the referendum to require the UK to leave the EU then until it does so, the details of which would take some considerable time to negotiate, and absent its amendment, the Unified Patent Court Agreement cannot enter into force until such time as the UK, as one of the three EU Member States with the largest number of classical European patent validations in 2012, leaves the EU, where upon the Netherlands would take its place as one of such three EU Member States.16

In the event however that the new European patent system came into force before the UK referendum then if this requires that the UK leave the EU the Unified Patent Court would continue but the UK could no longer after such departure participate in it17 and special arrangements would have to be made for those European patents with unitary effect that had already been granted,18 as after such departure therewould no longer be any legal basis for their effect to extend to the UK.

The road over the last half century to a truly European patent system has been fraught with obstacles, but just as most of these obstacles seem to have been overcome and the end is in sight, yet another suddenly appears.

References

1 Cook Trevor, Has an agreement been reached on a Unitary Patent and a Unified Patent Court for Europe, and if so, what is it? Journal of Intellectual Property Rights, 17 (6) 2012, pp 568-572 (discussing, inter alia, the jurisdictional arrangements envisaged for the new Unified Patent Court) and Cook Trevor, The progress to date with the Unitary
European Patent and the Unified Patent Court for Europe, Journal of Intellectual Property Rights, 18 (6) 2013, pp 584-588 (discussing, inter alia, the transitional and ‘opt-out’ provisions in respect of classical European patents from the new Unified Patent Court, and the differing positions of those EU Member States which, for different reasons, were not participating at all, or were not participating fully, in the new system).

2. Article 89 of the Unified Patent Court Agreement now has the effect of keying its entry into force to first day of the fourth month after the deposit of the 13th instrument of ratification or accession, including the three EU Member States in which the highest number of European patents had effect in 2012, namely Germany, France and the UK. All EU Member States have signed the Agreement with the exception of Croatia, Poland and Spain. As on 1 May 2015, Austria, Belgium, Denmark, France, Malta and Sweden had notified their ratifications of the Agreement. For the current position see http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2013001.


4. Challenges to Council Decision of 10 March 2011 authorising enhanced co-operation in the area of the creation of unitary patent protection had previously been rejected in Cases C-274/11 Kingdom of Spain v Council of the European Union and C-295/11 Italian Republic v Council of the European Union (Court of Justice 16 April 2013).

5. Advocate General Bot at para 179-180 of his Opinion of 18 November 2014 in Case C-146/13, observing that “... by refraining from ratifying the Agreement on a UPC, the participating Member States would infringe the principle of sincere cooperation in that they would be jeopardising the attainment of the Union’s harmonisation and uniform protection objectives.”

6. By Article 18(2) of Regulation (EU) No. 1257/2012 the European patent with unitary effect can extend only to those countries which have ratified the Unified Patent Court Agreement at the date of registration of a patent as a European patent with unitary effect.


8. Proposals from the President of the European Patent Office for the level of renewal fees for European patents with unitary effect (SC/4/15, 6 March 2015).

9. The TOP 5 proposals would require patentees to start paying renewal fees in the second year of the patent. The renewal fees would start at €350 ($371) and increase each year until the 20th year when it would be €5,500.

10. See for examples submissions by the AIPLA and IPO.


13. See Articles36(3) and 70 of the Unified Patent Court Agreement.

14. See the discussion of the opt-out provisions in Cook Trevor, The progress to date with the Unitary European Patent and the Unified Patent Court for Europe, Journal of Intellectual Property Rights, 18 (6) 2013, pp 584-588. There is as yet no indication as to when the “sunrise period” preceding the entry into force of the new system and provided for under the draft Rules of Procedure to enable opt-outs to be filed in advance of such entry into force is likely to start or its duration.


16. Although Article 7(2) of the Unified Patent Court Agreement specifies that one section of the Central Division be located in London and absent amendment that would continue to be the case even where the UK to leave the EU.

17. This is a consequence of Opinion 1/09 of 8 March 2011 of the Court of Justice holding that a Commission proposal for a patent court that would have jurisdiction also as to non-EU designations of classical European patents to be inconsistent with the EU Treaties.

18. As well as for other unitary intellectual property rights, namely Community trade marks, Community designs and Community plant variety rights.