

The Progress to Date with the Unitary European Patent and the Unified Patent Court for Europe

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Following political agreement in the European Council in June 2012, the EU enacted legislation to establish the European patent with unitary effect in December 2012 and most EU member states signed an international treaty in February 2013, outside the framework of the EU, to establish a Unified Patent Court with jurisdiction not only over the new European patent with unitary effect but also, subject to transitional provisions, traditional European patents designating one or more EU member states. The new system is likely to come into effect in 2015. The shape of the new system is coming into focus and this article reviews the progress to date in implementing it, what remains to be done, and what industry should be doing in preparation for it.

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In the November 2012 issue of JIPR an article written shortly after the European Council reached political agreement, in June 2012, as to what was then presented as the final step on the long road to creating within the EU, the European patent with unitary effect, outlined what remained to be done before the new system could come into effect and what hurdles had to be overcome.¹ As observed there, an integral part of establishing the European patent with unitary effect will be the establishment of a Unified Patent Court in which this new type of patent (and, subject to transitional provisions, traditional European patents designating one or more EU member states) would be enforced and could be challenged. The article also outlined how the complex jurisdictional arrangements for the Unified Patent Court, with its split between its central, local and regional divisions, each with their various differing range of competences, might work in practice.²

Since June 2012 there has been a flurry of legislative and administrative activity in preparation for the new regime to come into force, which is likely to be some time in 2015. This has meant that the shape of the new system is coming into focus, and areas of potential controversy and uncertainty are starting to be identified. Although much still remains

to be done before the new system does come into force, businesses should be starting now to turn their minds to the effects that these changes will have on their patenting and enforcement strategies for Europe.

What has Happened since June 2012 and what Remains to be done?

The first major development after the political agreement in June 2012 was the adoption in December 2012 of two Regulations that will, once they start to apply, provide the legal basis in EU law for the European patent with unitary effect – a unitary legal title ensuring uniform protection across most EU Member States for a patent application prosecuted via the EPO, which will be available alongside traditional ‘bundle’ patents designating certain EPO member states only, as at present.³ The two Regulations will however only start to apply from 1 January 2014 or the date of entry into force of the Agreement on the Unified Patent Court, whichever is later, thereby making the entry into force of the Agreement on the Unified Patent Court.

In the meantime the European Patent Office has been considering the changes that it needs to make to its rules to accommodate the new European patent with unitary effect, which a patentee will be able to request at the end of the examination process as an alternative to a traditional European ‘bundle’ patent.

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However, it will also have wider responsibilities for the new European patent with unitary effect, beyond administering patentees' requests for unitary effect, in that it will also be responsible for collecting, administering and remitting renewal fees for such patents and for keeping a register of them to include legal-status information such as licences, transfers, limitation, revocation or lapse – tasks which are carried out by national patent offices for traditional European 'bundle' patents.

The second major development was the signing of the Agreement on a Unified Patent Court by most EU Member States on 19 February 2013 (ref. 4). This agreement included some further amendments over earlier drafts rendering the already complex jurisdictional arrangements even more complex.⁵ This is not an EU measure, but is instead an intergovernmental agreement, albeit as between most EU Member States, in the nature of an international treaty. It will not enter into force until the later of 1 January 2014, and 4 months after two other dates, one of which is ratification by the requisite number and identity of EU Member States. The other is the amendment of the new version of the Brussels I Regulation on Jurisdiction and the Recognition and Enforcement of Judgments.⁶ Although a proposal for such an amending Regulation was published in July 2013 (ref. 7), and can be expected to have a rapid legislative passage, the reference to the new version of the Brussels I Regulation, most of which is not expected to apply till 10 January 2015, would seem to suggest that the Agreement on a Unified Patent Court, even if rapidly ratified, could not come into effect before 2015.

In fact the practicalities of establishing the Unified Patent Court mean that ratification by the requisite number and identity of EU Member States (thirteen of which three must be France, Germany and the UK, being the three with the highest number of traditional 'bundle' patents had effect in the year before signature) will be delayed until these practicalities are concluded. When one bears in mind the practicalities inherent in the establishment of an entirely new court system,⁸ including the preparation of Rules of Procedure,⁹ the establishment of a judiciary, forming various divisions of the Court¹⁰ and providing physical infrastructure for these and developing financial and IT systems for the new court, 2015 starts to seem a very challenging timescale.

The European patent with unitary effect and the Agreement on a Unified Patent Court are interlinked not only in that the arrangements for granting the European patent with unitary effect can only commence once the Agreement enters into force (whereupon they do so automatically); the two aspects are also interlinked in that the territorial extent within the EU of the new court will also determine the territorial scope of the European patent with unitary effect, which can only apply to those countries that have ratified the Agreement when European patent with unitary effect in issue is granted.

Croatia, Denmark, Italy, Spain and Poland

As a result of this approach to determining its territorial scope, linking it to those countries in respect of which the Unified Patent Court applies, the new European patent with unitary effect will not, unlike other unitary intellectual property measures in the EU, cover the entirety of the EU at the outset, and it may not do so for some time to come. Thus it seems unlikely that all EU Member States that have so far indicated their willingness to participate in the Unified Patent Court by signing the Agreement will have ratified it before it comes into effect – indeed it appears that under its constitution Denmark must first submit the proposal to a national referendum. The result will be that the territorial scope of the new European patent with unitary effect will, for some time, depend on when it is granted.

Moreover, as matters currently stand, not all EU Member States are able, or intend, to participate in the new regime, or if they do propose participating in it, some intend doing so only to a limited extent. From this perspective one can identify Croatia, Italy, Poland and Spain, each with a special and subtly different status under the new regime. Thus Croatia only became an EU Member State in 2013 and so could not participate in the 'enhanced cooperation' procedure which provided the legal basis for the two Regulations establishing the European patent with unitary effect. Neither Italy nor Spain chose to participate in the 'enhanced cooperation' procedure under which the two Regulations were made as they objected to the language regime that is now found in the Regulation on applicable translation arrangements, and indeed they both unsuccessfully challenged before the Court of Justice of the EU the use of the 'enhanced cooperation' procedure to provide a legal basis in these circumstances.¹¹ They

have however since taken different approaches. Spain is now challenging the legality of the two Regulations before the Court of Justice of the EU,¹² and has not signed the Agreement. Thus the new European patent with unitary effect will not apply to Spain, and traditional 'bundle' patents designating Spain will continue to be litigated only in the Spanish courts. Italy however has signed the Agreement, with the result that, if it is ratified by Italy, traditional 'bundle patents' designating Italy can be litigated in the Unified Patent Court. However, because it did not participate in the 'enhanced cooperation', the European patent with unitary effect cannot apply to Italy, and the only protection available by means of patents prosecuted via the EPO will be by means of traditional 'bundle' patents designating Italy.

Poland is in a different position to these other countries in that it did participate in the 'enhanced cooperation' procedure, but subsequently chose not to sign the Agreement, having come to the conclusion, after commissioning an economic review of the new regime which concluded that the discounted benefits for Poland of not participating in the new regime far outweighed those of doing so.¹³ Because it did participate in enhanced cooperation Poland now lacks the option employed by Italy (and still open to Spain) of signing the Agreement but not becoming member subject to the new European patent with unitary effect. Indeed it was the economic effect on Polish industry of becoming member subject to the new European patent with unitary effect, when so few traditional 'bundle' patents are currently validated in Poland that led to the adverse conclusion in the economic review as to the effect of participating in the new regime. Poland is not alone in having relatively few traditional 'bundle' patents validated in its jurisdiction; this is the case for most EU Member States with the exception of France, Germany and the UK,¹⁴ although this does not seem to have led to other EU Member States in the same position as Poland to decide against participating in the new regime.

What Preparations should Patentees be making?

One issue to which patentees should be giving thought is whether they are likely to want to avail themselves of the possibility of opting, at the end of the EPO examination procedure, for a European patent with unitary effect. At the forefront of their thinking will be the renewal fees associated with that choice, which are not as yet known, but which are

likely to be equivalent to those for five or so nationally validated traditional 'bundle' patents. In some industries such as pharmaceuticals and biotechnology, which tend to validate in many EU jurisdictions, the European patent with unitary effect may be attractive from a cost point of view but in some others, such as the ICT sector, companies which are often content to validate in one or two jurisdictions only, it is not. A European patent with unitary effect lacks the flexibility of a traditional European bundle patent validated in multiple jurisdictions and for which the number of jurisdictions in respect of which the renewal fees are paid can be cut back over time. Moreover, the European patent with unitary effect will be subject from the outset to the exclusive jurisdiction of the Unitary Patent Court, unlike traditional European bundle patents, as to which there are transitional provisions of which patentees can avail themselves. The natural scepticism associated with any new court, allied to the 'all eggs in one basket' nature of the European patent with unitary effect, is likely also to militate against its use, at least at the outset. There is however nothing to stop patentees, with an especially important case, from seeking by means of divisional applications with slightly differently worded claims, protection by both a European patent with unitary effect and traditional European bundle patent validated in a few major countries. It is perhaps significant that the European Patent Office has recently announced that as from 1 April 2014 it will repeal the 24-month time limit for the filing of divisional applications that was introduced a few years ago, enabling the filing of divisional applications as long as the earlier (parent) application is still pending.¹⁵

Another issue to which patentees should be turning their minds is whether or not to avail themselves of the opt-out options which are available for traditional European bundle patents and are provided under the transitional provisions of Article 83(3) of the Agreement on a Unified Patent Court. There is for this purpose no distinction as between pre-existing bundle patents and those granted once the Agreement comes into effect, but a decision as to the former needs to be made before it does so, as not doing so could limit the patentee's freedom of choice as to whether to proceed in a national court or in the Unified Patent Court. This is because Article 83(1) allows actions to be started in either the Unified Patent Court or in the national court system for a

transitional period of seven years from the entry into force of the Agreement.¹⁶ However, if a revocation action is started in the Unified Patent Court all other litigation under that patent must also take place in that court, whereas if it is started in a national court all other litigation under all validated designations of that patent must also take place in national courts. But if no action is pending in the Unified Patent Court, Article 83(3) allows a patentee 'to opt out from the exclusive jurisdiction of the [Unified Patent] Court' before the end of the transitional period.

Although the Agreement does not envisage this, the draft Rules of Procedure provide for opt-outs to be registered, a certain period before the Agreement comes into force, so that there will not be a rush on the entry into force of the Agreement to register opt-outs, competing with a rush of applications to the central division for centralised revocations of all those validated designations of bundle patent that are under the jurisdiction of the Court when the Agreement comes into force. Article 83(4) allows those patentees which have opted out to opt back in, which on the face of matters would seem to make it inevitable that any well advised patentee should opt out. However, here again the draft Rules of Procedure would, if adopted, affect the position as these envisage a fee for each patent the subject of an opt out and a fee for each patent the subject of an opt-in. Depending on the level of such fees the decision faced by those with large patent portfolios as to whether or not to opt out may be far from a foregone conclusion, and may require consideration on a case by case basis.

Those making such decisions should also bear in mind that it is not entirely clear that the Article 83(3) opt-out is indeed what it appears to be. It could be interpreted as an opt-out from 'exclusive jurisdiction' in the sense that it still leaves the Unified Patent Court with a jurisdiction to be shared with the system of national courts, as long as a patent the subject of an action started in one system stays in that system. Such an interpretation would not, despite Article 83(1), deprive Article 83(3) of purpose, as in the event that the transitional period was not extended, with the result that Article 83(1) ceased to apply, the opt-out under Article 83(3) would continue so to do. Such an interpretation would also be consistent with opting-out before the expiry of the transitional period, and would render otiose any mechanism for registering an opt-out before the entry into force of the Agreement. Again however, the draft Rules of Procedure would, if

adopted, purport to exclude such an interpretation, even though, as Rules made under the Agreement, they cannot amend the Agreement itself. So the first subject of litigation can be predicted under the Agreement on a Unified Patent Court – the very scope of the transitional provisions of the Agreement itself.

References

- 1 Cook Trevor, Has an Agreement been reached on an EU Patent and a Unified Patent Court for Europe, and if so, what is it? *Journal of Intellectual Property Rights*, 17 (6) (2012) 568-572.
- 2 This Agreement on the Unified Patent Court establishes a single court, the Unified Patent Court. However, although a 'single court', it has a central division (itself split by subject matter into three chambers, based in France, Germany and the UK) and local divisions, or multi-country regional divisions. The new court will have mandatory jurisdiction over new European patents with unitary effect and, subject to transitional provisions, traditional European 'bundle' patents designating individual EU member states. The new court has no jurisdiction over national patents or national utility models. The jurisdiction of the local and regional divisions of the new court differs from that of its central division, which for example will have exclusive jurisdiction over declarations of non-infringement and revocation actions other than as counterclaims to infringement actions. Local and regional divisions will have jurisdiction over infringement actions (and if they so choose, counterclaims for revocation) where the actual or threatened infringement takes place in or where the defendant or one of the defendants has its residence or principal place of business in such country or countries. As a result once an infringement action is commenced the degree to which the central division remains, or becomes, involved will generally be in the power of the local or regional division in which the infringement action is proceeding. Local or regional divisions will, unless the parties agree otherwise, use a local language whereas the central division will use English, French or German, depending on the language in which the patent was granted.
- 3 Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, (OJ L 361 31.12.2012 p. 1) and Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (OJ L 361 31.12.2012 p. 89). Two instruments are required because they each have different legal bases within the EU Treaties, given the somewhat special treatment afforded language arrangements in the EU Treaties.
- 4 Although the Agreement on a Unified Patent Court is not an EU instrument it is conveniently published in the *Official Journal of the EU*, 20 June 2013.
- 5 As compared with the version discussed in the Article cited in endnote #1 above, the final version of the Agreement on the Unified Patent Court also gives patentee the option to bring an infringement action before the central division if the defendant is domiciled outside the EU, and of bringing an

- infringement action in the central division if a revocation action is already pending there. It also gives the defendant, where an infringement action is pending in a regional division but the alleged infringement is taking place in three or more regional divisions the option requesting a transfer of the case to the central division.
- 6 Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, (OJ L 351 20.12.2012 p. 1). This replaces, with effect from 10 January 2015, Council Regulation (EU) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ L 12, 16.1.2001, p. 1).
 - 7 Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (COM (2013) 554 final, 2013/0268 (COD) 26.7.2013).
 - 8 This process is in the hands of a Preparatory Committee, <http://www.unified-patent-court.org/> which has published an outline of the tasks that it will be undertaking, <http://www.unified-patent-court.org/images/documents/roadmap.pdf>.
 - 9 Consultation ended on 1 October 2013 on the current (15th) draft of the Rules of Procedure (31 May 2013), <http://www.unified-patent-court.org/images/documents/draft-rules-of-procedure.pdf> and it is expected that these will be finalised by the middle of 2014.
 - 10 Current indications are that three regional divisions will be established – one for the Nordic and Baltic countries, one for the Czech Republic and Slovakia, and one for many of the countries of South Eastern Europe, with other countries forming local divisions, with some countries currently with a lot of patent litigation, having more local divisions, with Germany entitled to the maximum of four.
 - 11 Case C-274/11 *Kingdom of Spain v Council of the European Union* and Case C-295/11 *Italian Republic v Council of the European Union* (Court of Justice of the EU 16 April 2013)
 - 12 Pending Cases, C-146/13 *Kingdom of Spain v Council of the European Union and the European Parliament* and C-147/13 *Kingdom of Spain v Council of the European Union*
 - 13 Deloitte Polska, Analysis of the potential impact from the introduction of Unitary Patent Protection in Poland (in Polish), October 2012, http://www.mg.gov.pl/files/upload/16510/Analiza%20potencjalnych%20skutkow%20jednolitego%20patentu%20europejskiego_final.pdf, summarised in Xenos Dimitris, The European Unified Patent Court: Assessment and Implications of the Federalisation of the Patent System in Europe, *SCRIPTed*, 10 (2) (2013) 246-277.
 - 14 Good data is hard to come by, as it appears that EU Member States do not adopt a consistent approach to how they treat nationally validated European patents in the data they submit to WIPO that form the basis of the statistics set out in Table P2: Patents granted by patent office and origin, and patents in force, 2011, in the 2012 World Intellectual Property Indicators (WIPO 2012) pp. 176-78. Assuming however that national patents form a relatively small proportion of patents in force as opposed to nationally validated European patents and taking these statistics at face value it appears that the total number of nationally validated European patents in force in each of France, Germany and the UK is in the order of five times the number in the EU Member State with the next largest number of validated patents, and at least ten times the number of validated patents in most EU Member States.
 - 15 The new regime will apply to divisional applications filed on or after 1 April 2014 and will enable the filing of divisional applications as long as the earlier (parent) application is pending, subject to payment of an additional fee as part of the filing fee for divisional applications of second or subsequent generations. The fee will grow progressively with each subsequent generation of divisional applications up to a certain level, becoming then a flat fee, <http://www.epo.org/news-issues/news/2013/20131018.html>
 - 16 Article 63(5) of the Agreement allows the Administrative Committee of the Unified Patent Court to extend the seven year transitional period by a further seven years, but it is hard to envisage why, irrespective of the views of patentees, they should wish to do so.