

On 19 February 2013, twenty-five Member States of the European Union (“the EU”) signed an agreement creating the Unified Patent Court (“UPC”) (hereinafter “the UPC Agreement”). The UPC Agreement complements European Regulation No 1257/2012, which establishes unitary patent protection by the European patent, and European Regulation No 1260/2012, which regulates the translation arrangements for this type of European patents. In 2014, European Regulation No 542/2014 was added to regulate the international competence of the new Unified Patent Court.

These four documents form a complex set of rules that will be briefly explained here. Other posts deal with some specific issues in more detail.

Any company that may face infringement proceedings, whether or not as a patent owner, should evaluate its position and assess the impact of the reform.

| BRIEF OVERVIEW OF THE CURRENT SITUATION

Currently, the applicant for patent protection for an invention in the EU can choose between applying for one or more national patents (i.e. on a country-by-country basis; usually without prior patentability examination), or for a European patent (where the European Patent Office, hereinafter “EPO”, carries out a prior patentability examination). Once granted, the European patent has the same effect as a national patent in the countries where it applies. These two routes can also be combined in certain cases.

A long-standing drawback of the European patent is the cost of translations required by different countries to make the patent effective there. The same goes for the cumulative cost of annual fees for maintaining protection per country.

For both national and European patents, it has also been criticised that the patent owner who wants to maintain his monopoly and fight infringements in several European countries has to conduct separate court proceedings for each territory.

The reform essentially aims to remedy these drawbacks.

| THE EUROPEAN PATENT WITH UNITARY EFFECT

After multiple negotiation attempts, long debates and developments, which we will not go into, twenty-five EU Member States (i.e. not all of them) agreed to use the so-called enhanced cooperation procedure¹. Therefore, in accordance with the EU’s founding treaties, the regulations created as a result are also limited to the participating EU Member States.

The result was a package consisting of three European regulations and an international agreement called the “UPC Agreement” for short.

UPC AGREEMENT: THE “UNITARY PATENT PACKAGE” & “THE UNIFIED PATENT COURT”

GENERAL OVERVIEW



The entire system is due to come into force on 1 June 2023. However, it will initially apply only in 17 EU Member States².

Regulation 1257/2012 introduces the possibility for the holder of a granted European patent³ to attach a “unitary effect” to it. A declaration to this effect must be made within one month of the grant of the patent⁴. For convenience, the European patent with unitary effect is often referred to as a “unitary patent”.

The unitary effect refers to the fact that, on the one hand, the European patent has a unitary character, which means it can only be limited, transferred, revoked or expire for all the countries concerned at the same time. On the other hand, it also leads to uniform protection under the same monopoly, with the same exceptions, in all these countries.

Moreover, the unitary patent will be subject to lower annual fees than the sum of the annual fees payable in all the States concerned (currently 17) for a “classical” European patent. It would therefore be cheaper. However, this advantage raises questions in practice, given the Brexit (UK’s exit), the low economic importance of some countries belonging to the UPC area (to which a classical European patent is not necessarily extended), the territorial impact of the unitary effect (all-or-nothing nature) and the average effective duration of patents (term of maintenance).

The unitary effect will only apply in those Member States that have ratified the UPC agreement itself – a treaty. This does not necessarily include all Member States that agreed to the enhanced cooperation procedure at the time.

Regulation 1260/2012 provides for a less strict, and therefore less costly, regime on translations for the European patent with unitary effect⁵.

National patents will continue to exist and can still be applied for.

Classical European patents (too) will continue to exist since unitary effect is merely an *option* for the patent owner.

However, under the UPC Agreement, the effects of classical European patents will not be the same in the future, both in terms of potential nullity, and infringement.

First, the uniform protection for European patents with unitary effect under the UPC Agreement⁶ will also apply to classical European patents. Furthermore, the geographical scope of invalidation will be the same for both types of European patents. The protection extends to all countries covered by the UPC Agreement. Therefore, contrary to what has often been announced, the system does not simply add a third type of patent to classical European patents and national patents. In time, it will also significantly change the regime for classical European patents, i.e. without unitary effect.

Moreover, the EU has not harmonised national patent laws (which are however very similar between them) to bring them into line with the rules of the “legislative package” on the unitary patent.

The result culminates in a complex system, be it from a territorial, legislative or temporal point of view.



| THE UPC AGREEMENT

The UPC Agreement includes several aspects that can be summarised in two respects⁷.

First, the UPC Agreement establishes a “Unified Patent Court” (“UPC”), which will have exclusive jurisdiction to settle most disputes, not only on European patents with unitary effect, but also on classical European patents (as we know them today and which will remain obtainable in the future). All European patents will thus fall under the jurisdiction of the UPC.

However, an action for infringement or invalidity concerning (exclusively) classical European patents⁸, during a transitional period of at least seven years, can be brought not only before the UPC, but also before a national court. During the same period of at least seven years, the patent owner can withdraw a classical European patent from the jurisdiction of the UPC⁹ by filing a request to that effect (so-called “opt-out” mechanism, provided for by Article 83 of the UPC Agreement). Thus, this patent will be subject only to the national courts and national law of the Member State in question. Apart from this opt-out, which must be requested and will be limited to the term of the European patents for which the opt-out is requested, all European patents will be subject to the UPC regime. We will discuss the reasons for using or not using the opt-out in a separate newsletter.

The UPC consists of a court of first instance and a court of appeal. The court includes a central division in Paris (with a division in Munich and probably one in Milan), as well as local divisions (one to four per country) and a regional division. Each division will have one or more chambers, where judges of different nationalities will reside; “technically” specialised judges are also envisaged. The court of appeal in Luxembourg will include chambers composed of three legally trained judges and two technically trained judges.

The language regime can be summarised as follows: the local division uses the language or languages of its country (or possibly in addition, if the State concerned has so provided, English, German or French as is the case for the Belgian local division in particular). The parties may also agree between them to use the language in which the patent was granted by the EPO; the central division always uses the language in which the patent was granted by the EPO; the court of appeal uses the same language as in first instance.

In three additional newsletters, we will briefly discuss the rules on the material competences and the internal and international competence of the UPC.

The procedural rules for the UPC are extensive and complex. The UPC Agreement itself contains several jurisdiction and procedural rules, which already largely indicate the advantages and disadvantages of the system. We address the practical aspects of these procedures, including expected costs and fees, in a separate newsletter.

It should already be noted that when a patent invalidity action is brought before a local or regional divisional in response to an infringement claim, there will be several options, including the split treatment of the two claims (so-called “*bifurcation*”).



Furthermore, for both classical European patents (excluding the “opt-out” during the transitional period)¹⁰ and European patents with unitary effect, decisions of the UPC will have effect throughout the territories of the States participating in the UPC Agreement.¹¹ In other words, any decision, whether it concerns e.g. patent invalidity or infringement, including enforcement measures such as penalty payments, will have effects in all UPC States.

The UPC Agreement also contains a number of important substantive law rules: for instance, the UPC Agreement essentially defines direct patent infringement, indirect patent infringement and exceptions (“limitations”) to the exclusive right of the patent owner.

This substantive law will apply to all patents covered by the UPC Agreement (both European patents with unitary effect and classical European patents for which no opt-out has been made). To that extent, national law will be set aside.¹²

| PATENT OWNER'S CHOICES

In the long term¹³, companies applying for or owning patents, will need to make a choice between:

- national patents under the law of the country in question,
- or, a European patent (“classical” for some countries, or with “unitary effect”), which is always for all UPC States, subject to the jurisdiction of the UPC and the substantive rules of the UPC Agreement.

While the second option may expose the patent to invalidation for the entire UPC territory, it obviously offers great advantages in terms of effective and flexible prosecution of infringers before a specialised court. However, the costs of such proceedings should be taken into account, including the risk of having to reimburse the winning party's defence costs.

The choice whether or not to opt for this unitary effect once the European patent has been granted, instead of classical validation in a number of countries or instead of regular national patents, is in many cases based on a financial trade-off of the total cost and the annual fees, which are lower here.

During the seven-year transitional period (which may be extended to 14 years under the UPC Agreement), the main question will initially be whether existing and pending European patents will require an “opt-out” declaration to remove them from the jurisdiction of the UPC. Without an “opt-out”, the possible invalidity of a European patent, which can be claimed before the UPC, will always apply to the entire territory of the UPC States (currently 17 countries). The patent owner should assess whether it wants to run this risk.

| THE POSITION OF THE COMPANY EXPOSED TO THE RISKS OF COUNTERFEITING

For all companies (regardless of whether or not they hold patents themselves or not), the ever-present risk of being sued for patent infringement will now be even more drastic if their counterparty prefers the European patent (with or without unitary effect), and thus the possibilities offered by the UPC Agreement, to a national patent.



Again, this raises questions about e.g. the scope of a judgment covering the whole UPC area, the (in principle) speedy procedures, and many other more uncertain aspects related to the UPC procedural rules (forum shopping by the patent holder, language, splitting of the dispute, litigation costs, etc. ...).

The risks are even greater when the company concerned intends to bring innovations to the market that by their nature are more exposed to infringement proceedings.

Structural and operational precautions can be taken for these risks.

In particular, the possibility of exploiting an innovation (“freedom to operate”) will gain importance and should, depending on the type of patents to be considered in a given technical field, take place earlier, for a wider territory and in as much detail as possible.

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1. Council Decision 2011/167/EU of 10 March 2011 (OJ L 22 March 2011, vol. 76, 53).
 2. Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia and Sweden.
 3. For all participating countries and with the same requirements.
 4. Articles 3(1) and 9(1)(g) of Regulation 1257/2012.
 5. After a transition period (maximum 12 years), no translation will be required, except in case of dispute and at the request of the alleged infringer or the court. During the transitional period, a full version will have to be prepared in English and, if English is already the language in which the document is issued, a full version in another language. This arrangement applies in participating countries.
 6. Subject to the opt-out set out below.
 7. To simplify this exposition, European patent applications and supplementary protection certificates (SPCs) are not covered in detail here.
 8. And SPCs for products protected by European patents. The transitional period does not cover European patents with unitary effect.
 9. By filing with the UPC registry. This choice belongs only to the patent holder and not to the company, defendant or potential defendant in infringement proceedings.
 10. Article 34 of the UPC Agreement.
 11. Articles 3(2), 5(1), 5(3) and 18(2) al.2 of Regulation 1257/2012.
 12. Thus, a company accused of infringement because of certain research activities will not be able to rely on a potentially broader exception in the applicable national law. This will be the case, for example, in Belgium, where the exception is currently broader than in other countries. More generally, it should therefore be noted that, even for classical European patents, UPC Member States will no longer have the freedom they have today to determine by themselves and for their respective territories the content of the statutory monopoly, and in particular the exceptions to it.
 13. We leave aside here the temporary opt-out described above for “classical” European patents during the transitional period.
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For any questions or assistance, please reach out to our Team

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This newsletter is not a legal advice or a legal opinion. You should seek advice from a legal counsel of your choice before acting upon any of the information in this newsletter.

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