

The European Patent with Unitary Effect

State of affairs on 17 December 2012

Summary

- Although not yet definite, it is **possible** that the first European Patents with Unitary Effect may be granted some time between April 2014 and 2015. The exact date depends on whether all reservations as to conformity with European Union Law can be overcome and on the date on which the Agreement establishing the Unified Patent Court is signed and ratified by a sufficient number of participating states.
- **Grant procedures** will not change. A European Patent with Unitary Effect will be created by registration of a European Patent in the register of European Patents with Unitary Effect. European Patents already filed can become European Patents with Unitary Effect if their date of grant is after the date mentioned above. A corresponding request and exactly one complete translation of the patent specification will have to be filed with the European Patent Office. Annuities will be payable to the European Patent Office.
- For **non-participating states**, court procedures after grant will not change. Nullity actions and litigation procedures for classic European Patents will continue to be brought before the competent national courts.
- For the **participating states**, the newly created Unitary Patent Court will be competent for classical European Patents as well as for European Patents with Unitary Effect. For a transition period of seven years, owners of classic European Patents can opt out of the new court system, so that national courts will continue to have competence.
- The **Unitary Patent Court** will have a Central Division in Paris with sections in Munich and London and a number of Local or Regional Divisions. The Central Division will have exclusive competence for nullity actions without pending litigation procedures. For litigation procedures, in principle the Local or Regional Divisions at the site of infringement are competent. The strict separation principle, hitherto observed e.g. in Germany, will not be upheld.
- The Unitary Patent Court will decide the fate of European Patents with Unitary Effect. However, after above-mentioned transition period, the Unitary Patent Court will also have exclusive competence for classic European Patents, handing down judgments valid for all participating states (but not for the non-participating states). In effect, this means that classic European Patents can be declared invalid for these states by a central court.

1. Legal foundations and possible time horizon

European Patents with Unitary Effect ("Unitary patents") can be granted as soon as the corresponding European Regulation regarding Unitary Patent Protection (herein "Patent Regulation", **PR**) comes **into force** and becomes **effective**.

The latest draft version of the Patent Regulation is published as part of the "Position of the European Parliament adopted at first reading on 11 December 2012 with a view to the adoption of Regulation (EU) No .../2012 of the European Parliament and of the Council implementing enhanced cooperation in the area of the creation of unitary patent protection" (adopted by the European Parliament on 11 December 2012, see <http://bit.ly/U4UcUj>).

Even when the Patent Regulation (and the corresponding translation arrangement¹) have come into force, it becomes effective only for those states in which the corresponding Agreement on the Unified Patent Court (herein "Court **Agreement**", **CA**) comes into force, as specified in Art. 18 of the Patent Regulation. This requires a ratification of the Court Agreement by at least 13 states including **Germany**, the **United Kingdom** and **France** (Art. 59 (1) CA).

The latest draft version of the Court Agreement is the "Draft Agreement on a Unitary Patent Court and draft of Regulations – consolidated version" (Council of the European Union, document 16222/12, 14 November 2012, <http://bit.ly/TOC90h>).

Unitary Patent Protection can (optionally) be requested for European Patents which are granted after the date on which the Patent Regulation comes into force. Even according to optimistic estimates of the European Commission, which expects ratification to be completed by November 2013, this should be the case in **April 2014** at the earliest. The (somewhat ambitious) schedule according to the Commission is:

- Adoption of the Patent Regulation by the Council of the European Union on 10 December 2012 (this has already taken place)
- Adoption of the Patent Regulation by the European Parliament on 11 December 2012 (this also has taken place)
- Signing of the Court Agreement on a diplomatic conference on 18 February 2013
- Ratification of the Court Agreement beginning with 18 February 2013
- Effective Ratification of the Court Agreement in November 2013
- Entry into force of the Court Agreement and thus effectiveness of the Patent Regulation in April 2014

The Legal Community considers this schedule, especially as regards ratification, extremely challenging to meet. For example, the Court Agreement must be available in three equally relevant language versions (German, English, French). However, this requires bi- or multilateral coordination, for example between Germany and Austria, where general elections will take place in 2013. The available time might therefore be hardly sufficient.

¹ published under the same URL <http://bit.ly/U4UcUj>

It is also still somewhat questionable whether the Patent Regulation in its current form conforms to European Union Law. Here, the question of legality of the **Enhanced Cooperation to create the Regulation** is debated. The corresponding complaints by Spain and Italy seem to be unlikely to succeed, however. On 11 December 2012, the Advocate General at the European Court of Justice, Mr Bot, gave his opinion in legal matters C-274/11 “Spain/Council” and C-295/11 “Italy/Council” (see <http://bit.ly/R0Rajl>). In his opinion, the enhanced cooperation conforms to European Union Law. The final decision is expected for spring 2013.

2. Consequences for prosecution and grant

Patent prosecution, grant and administration remains with the European Patent Office (EPO), and, as before, will be based on the European Patent Convention (EPC). The additional powers will be transferred to the EPO according to Art. 143 EPC.

A Unitary Patent initially differs from a “classic” European Patent granted **with identical claims** for all participating states in that it is registered in a corresponding register for Unitary Patents (Art. 3 No. 1 PR). This can be requested within one month after publication of the Notice of Grant of a European Patent. In case the European Patent is not in English, a translation of the complete specification into English, or, otherwise, into any other official language of a participating member state must be filed, at least for a transitional period of six years. This translation has no legally binding effect. After said six year period, this practice will be reviewed in the light of advances in machine translations.

Limitation, transfer and revocation of the Unitary Patent are possible only for **all participating states**. **Licenses** can, however, be granted for individual states (Art. 3 No. 2 PR). Revocation and limitation have *ex-tunc* effect on the Unitary Patent (Art. 3 No. 3 PR). The Unitary Patent is valid from the date of notification of grant in the European Patent Bulletin. The effect as a Unitary Patent replaces the corresponding effect as a national patent, see Art. 4 PR.

The Unitary patent is, as a whole and in all participating states, to be treated as an asset corresponding to a national patent, according to the laws of the participating states, in which according to the register the patentee has his place of residence or principal place of business or, if not applicable, a branch (Art. 7 No. 1 PR). If none of the applicants has a place of residence or principle office or branch within a participating member state, German Law is applicable (seat of the European Patent Organisation, Art. 7 No. 3 PR).

EPO expenses regarding the Unitary Patent shall be covered by **annuities**. The EPO will receive 50% of the annuities, the remainder will be distributed amongst the member states. Regarding annuities, see Art. 11 to 13 PR.

For states not affected by Unitary Patent Protection, i.e. the states not participating in the Enhanced Cooperation (Italy and Spain) and EPC contracting states which are not members of the European Union (for example Switzerland and Norway), and also for states which do not ratify the Court Agreement, matters remain unchanged. For these “non-participating states” the applicant only has the possibility of filing a classical European patent. There are no consequences regarding court procedures after grant for these states.

For the participating states, i.e. members of the European Union taking part in the Enhanced Cooperation and ratifying the Court Agreement, the applicant has the choice between a Unitary Patent and a classical European Patent. In both cases, there are consequences regarding court procedures after grant, albeit within different time frames. This will be further set out in the following.

3. Consequences for Court procedures after grant

As explained above, things remain the same for all non-participating states. For the participating states, the newly created Unitary Patent Court will have jurisdiction, in case of Unitary Patents immediately, in case of classic European Patents with a transitional period of seven years (Art. 3, 15 and 58 CA). The transitional period may be extended by a maximum of further seven years by the Administrative Committee (Art. 58 (5) CA).

For the transitional period of seven years, the applicant for a European bundle patent can **opt out** of the newly created Unitary Patent Court system, as long as no court action in connection with the patent (e.g. nullity action or litigation action) has been initiated. In these cases, jurisdiction remains with national courts (Art. 58 (2) and (3) CA). After this transitional period, the Unitary Patent Court has exclusive competence, with all consequences such as central cancellation and infringement. These patents can then be declared invalid for **all participating states** (Art. 16 CA). For Unitary Patents, this follows from the fact that limitation, transfer and revocation of the Unitary Patent are possible only for all participating states (Art. 3 No. 2 PR).

4. The Unitary Patent Court

The Unitary Patent Court system will comprise a Court of First Instance and a Court of Appeal (Art. 4(1) CA). The Court of First Instance comprises a Central Division as well as Local and Regional Divisions (Art. 5 (1) CA). The seat of the Central Division is Paris, sections will be established in Munich (for IPC section H, i.e. mechanical engineering, lighting, heating, defense technology and explosive technology) and London (IPC sections A and C, i.e. chemistry, metallurgy and daily needs), see Art. 5 (1a) and Annex II CA.

Local Divisions will be created and staffed depending on the number of cases in a participating member state (Art. 5 (2) and (3) CA). For Germany, the establishment of a maximum of four Local Chambers is possible. **Regional Chambers** will be established if requested by groups of participating states, and will have jurisdiction for this group of states (instead of Local Chambers for each individual state, Art. 5 (5) CA). It is understood that the establishment of such a Regional Chamber for Scandinavia (excluding Norway) is planned.

An important instrument of the Unitary Patent Court system is the so-called **Pool of Judges** which comprises all legally and technically qualified judges of the Court of First Instance. The Pool of Judges will comprise at least one technically qualified judge for every field of technology. The technically qualified judges are also available for the Court of Appeal (Art. 13 CA).

Each unit or panel of a Local Chamber will be staffed internationally with three legally qualified judges according to the following scheme. The staffing of the Regional Chambers will be effected corresponding to the Local Chambers with more than 50 cases (except footnote 4, Art. 6 (1) to (4) CA). At the request of either party or on the initiative of the Chamber, a technically qualified judge from the Pool of Judges can be added, Art. 6 (5) CA.

| number of cases | national judge(s) | non-national judge(s) ² |
|---------------------------|-------------------|------------------------------------|
| less than 50 ³ | 1 | 2 |
| 50 and more | 2 | 1 ⁴ |

Each panel (i.e. decision making unit) of the Central Division will be staffed with two legally qualified judges from different participating states, and one technically qualified judge from the Pool of Judges (Art. 6 (6) CA). In the first instance, a legally qualified judge is always chairman. The parties can agree that the case be decided by only one judge in the Local Divisions and in the Central Division (Art. 6 (7) and (8) CA). There is an exception, three legally qualified judges for cases concerning administrative decisions of the EPO according to Art. 15 (1) g) CA.

The **Court of Appeal** will be based in **Luxembourg**. Its panels will be staffed with three legally qualified judges from different participating states and two technically qualified judges from the Pool of Judges. The chairman will be a legally qualified judge (Art. 7 (1) CA). Again, there is an exception in cases against administrative decisions of the EPO, in which the panels will consist of three legally qualified judges, Art. 7(1) CA.

In order to qualify as judge, the judges must "provide a guarantee for highest professional standards and have proven experience in the field of patent disputes". Legally qualified judges must hold judicial office in a participating member state. Technically qualified judges will require a University degree as well as experience in the relevant field of technology and knowledge of the relevant Civil and Civil Procedural Law (Art. 10 CA). The appointment will be made by list proposal by the Advisory Committee (made up of judges and legal professionals, Art. 9c CA) and appointment by the Administrative Committee (one member per participating member state (Art. 9a UPC, Art. 11 CA).

The judges enjoy judicial independence and are not bound by any instructions. Full-time judges shall not pursue any other profession. However, they may continue to be judges in national courts of individual member states (Art. 12 CA).

The Unitary Patent Court is bound by European Union Law and has the authority and obligation to submit questions to the European Court of Justice (ECJ), just as a National Court, Art. 14a and 14b UPC. The ECJ is, however, not designed as final instance. The Unified Patent Court is **not**, according to the explicit wish of the states providing the Unitary Patent Protection, a court of the European Union (as for example the European Court of First Instance in connection with decisions against OHIM), for which the ECJ would be the final instance, but a

² from Pool of Judges

³ average of three consecutive years

⁴ longer term appointment possible

form of an “international court of national character” like for example the Benelux Court of Justice (see e.g. the document of the Council of the European Union “Creating a Unified Patent Litigation System - Reflections on the Benelux Court of Justice”, Document Nr. 13984/11, 9 September 2011, <http://bit.ly/SAgUBf>).

The competence of the Divisions is summarized in the appended table. For example, the Central Division has exclusive competence for nullity actions without pending litigation action. For litigation actions, the Local or Regional Divisions at the place of infringement also have jurisdiction. The strict separation principle, as previously to be found for example in Germany, is no longer valid.

The language of proceedings before the Local or Regional Division is generally the official language of the contracting member state hosting the relevant Division, or the official language(s) designated by contracting member states sharing a Regional Division. The contracting member states may, however, designate one or more of the official languages of the EPO as the language of proceedings of their local or regional division. The language of proceedings before the Central Division is the language of proceedings before the EPO. For further details and exceptions, see Art. 29 CA.

5. Uncertainties, criticism and recommendations

All in all, the possibility of obtaining a Unitary Patent for (a maximum of) 25 member states of the European Union, without the high costs involved in the previously necessary validation in a large number of member states (including instructing a national representative, official fees and translation costs) seems highly advantageous and desirable.

However, there are a number of uncertainties remaining. Competent circles have, in part, been very critical. Thus, the Max-Planck-Institute for Intellectual Property made the following points in its paper „The Unitary Patent Package: Twelve Reasons for Concern“ (17 October 2012, <http://bit.ly/VcUmVW>):

- an excessive fragmentation of patent protection through the parallel existence of National patents, European patents in non-participating states and European patents during the transitional period, European patent already subject to the Unitary Court System, as well as actual Unitary patents,
- fragmentation of jurisdiction due to the only rudimentary regulation of litigation issues, which leaves room for interpretations,
- an additional fragmentation of jurisdiction regarding questions of invalidity/nullity and infringement between the participating states, in which the Unitary Patent Court has jurisdiction, compared to the non-participating states, in which the respective National Courts have jurisdiction, as well as the Case Law of the Boards of Appeal of the EPO and possibly of the ECJ,
- Legal uncertainty, lack of balance and possible incompatibility with European Community Law.

Should the above discussed regulations come into effect as planned, the Unitary Patent Court System will also cover classic European Patents. In this case, some commentators are of the opinion that national patents will become increasingly important again. In certain fields of technology protection in all 25 potential participating states is not necessary, especially in view of the danger of a central invalidity declaration by the Unified Patent Court.