In the first of a two-part series, Susie Middlemiss, Adam Baldwin and Laura Balfour of Slaughter and May examine the new regime for protecting intellectual property across Europe.

Sweeping reforms are being made to the patent system in Europe that will dramatically affect the filing and enforcement of patents. A new and long-awaited form of pan-European intellectual property right is being introduced: the unitary patent, together with a unified litigation system to complement this right.

This new regime offers both patent owners and those concerned about potential infringement new opportunities and risks. The unitary patent will be applied for centrally, take effect in most EU countries, and an injunction (which will apply across all those countries) can be sought in one court. Correspondingly, the patent will be vulnerable as a whole to a challenge to validity brought in only one jurisdiction.

This article, the first in a two-part series on the new patent regime in Europe, sets out the key elements of the proposed new patent protection and gives an overview of the litigation system that will apply to the unitary patent and existing European patents. The second article will explain the litigation system in more detail.

BACKGROUND

For nearly 40 years, discussions have been taking place surrounding the introduction of a Community patent right (as it was then termed) and, more recently, a litigation system for the centralised enforcement of patents in Europe. Various attempts were made to create an EU patent and an enforcement system encompassing both existing European patents and the new unitary patent right. These attempts, however, ultimately stalled, largely over translation issues.

Proposals (including trilingual English, German and French language arrangements) were then progressed by a group of EU member states, including the UK, through a procedure called enhanced co-operation. The enhanced co-operation procedure allows those EU countries that wish to continue to work more closely together to do so, while respecting the single institutional framework of the EU. It is a measure of last resort enabling the member states concerned to move forward at different speeds and/or towards different goals.

The use of this procedure was challenged by Spain and Italy as unlawful and the issue was referred to the European Court of Justice (ECJ) for a ruling on its legality (see box “Territorial coverage”).

Finally, in December 2012, after much disagreement and compromise, the European Parliament approved the unitary patent package consisting of the following three measures:

THE UNITARY PATENT
A NEW PATENT AND COURT SYSTEM FOR EUROPE
**Terrestrial coverage**

The Unified Patent Court (UPC) Agreement has been signed by:

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<th>Austria*</th>
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* ratified.

All of the above countries are participating in the unitary patent, with the addition of Poland but with the exception of Italy (see below). The unitary effect of the unitary patent will initially be limited to countries ratifying the UPC Agreement.

**Spain**

Spain and Italy brought cases in the European Court of Justice (ECJ) against the Council of the EU challenging the use of the enhanced co-operation procedure (see “Background” in the main text). The ECJ dismissed the challenges in April 2013.

In March 2013, Spain launched further legal challenges to two Regulations that form part of the unitary patent package (1257/2012/EU and 1260/2012/EU) (the Regulations). These latest challenges are still current and have the potential to cause further delay and uncertainty, with a decision from the ECJ not expected for at least another 18 months to two years. These challenges are (again) based on the use of the enhanced co-operation procedure and the use of a discriminatory language scheme. There are other attacks, including a challenge to the use of the European Patent Office as a body to carry out certain administrative tasks in relation to the unitary patent.

**Spain is not taking part in either the unitary patent or the UPC.**

Applicants seeking protection in Spain and Italy will need to apply for national patents or apply for a European patent designating those countries.

**Italy**

Unitary patents will not cover Italy because it is not a participating member state. However, Italy has signed the UPC Agreement with the intention that, on ratification, the UPC may have jurisdiction for national (that is, Italian) designations of a European patent.

**Poland**

Although Poland signed the Regulations, it decided to refrain from joining the unitary patent package and has not signed the UPC Agreement. The unitary patent has effect only in countries where the UPC has exclusive jurisdiction in respect of unitary patents, so a unitary patent would not have effect in Poland.

**Croatia**

Croatia joined the EU in July 2013. If it wishes to join the unitary patent system, it will be required to accede to, and ratify, the UPC Agreement.

- An international agreement to establish the Unified Patent Court (UPC) (the UPC Agreement).
- A regulation setting up enhanced co-operation for the unitary patent (1257/2012/EU).
- A regulation covering the language regime for the unitary patent and proposing the trilingual solution (1260/2012/EU) (together, the Regulations).


**UNITARY PATENT**

The unitary patent will be applied for centrally at the European Patent Office (EPO) and will take effect across up to 25 countries in Europe as a single unitary right (see box “Terrestrial coverage”). It could be introduced as early as 2015 (see “Timetable” below).

In contrast, the current European patent is far from being a truly European right (see feature article “European patent litigation: the Gordian knot”, www.practicallaw.com/0-505-1292). While there is a centralised application procedure through the EPO, on grant it becomes a bundle of national patents. Establishing broad geographical protection under a European patent is currently cumbersome and expensive because of the burden of translating the patent into multiple languages. Infringement proceedings must be brought in one or more of the national jurisdictions, with the result that the enforcement process is fragmented.

The new unitary patent has less onerous translation requirements on grant which should result in an easier and cheaper process (although, as yet, costs remain unclear), and the new unified litigation system introduces centralised enforcement.

However, the various compromises reflected in the system have resulted in concerns about how effectively the system will operate in practice and how expensive it will be to use.

**UNIFIED PATENT COURT**

The UPC system is being introduced and is intended to provide for centralised enforcement of unitary patents, allowing a claimant to bring proceedings in one jurisdiction seeking truly pan-European relief; for example, an injunction that will apply in multiple jurisdictions. Similarly,
potential defendants will be able to apply centrally for revocation with pan-European effect.

Currently, although a European patent can be centrally attacked in opposition proceedings at the EPO for a limited nine-month period post grant, after this, each national patent can only be enforced or attacked through national proceedings for infringement and invalidity/revocation.

To deal with an infringer operating in multiple jurisdictions at present, a claimant enforcing a European patent must litigate in multiple jurisdictions or in a select few, in the hope that success in one or more of those jurisdictions will be sufficient to persuade the defendant to desist.

Similarly, a defendant currently has to face multiple actions in national courts or perhaps a focused one in an unfriendly jurisdiction. Following the nine-month opposition period, to remove the patent (now a bundle of national patents), the potential defendant must launch a challenge in multiple courts or select a favourable one where it can obtain a useful precedent that might facilitate settlement.

In contrast, a claimant enforcing a unitary patent is likely to have a choice of jurisdictions in which to sue, each offering a multi-country injunction, subject to the risk of a central attack on validity.

Significantly, the UPC system will apply not only to unitary patents but also to existing and future European patents (subject to an ability for the owner of a particular patent to opt out of the system for a period of some years). As a consequence, European patents will become vulnerable to central revocation in the UPC and enforceable centrally through infringement proceedings under the UPC system.

There will be a transitional period during which infringement or revocation proceedings in respect of a traditional European patent may still be brought before national courts. There will also be a mechanism for owners or applicants of such European patents actively to opt out of the exclusive jurisdiction of the UPC system during that period (see boxes “Overview of the unitary patent and Unified Patent Court” and “Securing and enforcing patents in Europe”).

**Overview of the unitary patent and Unified Patent Court**

- The unitary patent is a single patent with unitary effect in up to 25 EU member states, but not Spain and Italy (see box “Territorial coverage”).
- One central attack can lead to loss of the patent in all jurisdictions.
- Application and prosecution takes place in the European Patent Office (EPO).
- The owner of a patent can elect for unitary effect within one month after grant.
- The unitary patent is indivisible in territorial coverage and can only be limited, transferred, revoked or lapse as a whole.
- A patentee will be able to sue for infringement in one jurisdiction (and may well have several to choose from) and obtain an injunction for all countries covered by the patent and the Unified Patent Court (UPC).
- The unitary patent can be licensed in respect of the whole or part of the territories of the participating member states.
- It is due to come into effect in early 2015 but this timetable may slip.
- Its territorial scope will initially be limited to countries that have ratified the UPC Agreement.
- Applications must be made in English, French or German.
- One translation must be made into English or one other EU language.
- Opposition at the EPO is available within nine months of grant.
- Other validity challenges are only available through the UPC.
- For a transitional period (likely to be seven to 14 years), owners of existing and new European patents can opt out of the UPC and enforcement and revocation will be via the national courts.

**TIMETABLE**

To date, the UPC Agreement has been signed by 25 countries (the contracting states). Poland and Spain did not sign. The UPC Agreement will enter into force four months after the ratification of the UPC Agreement by 13 contracting states, provided that the UK, France and Germany are among them (which potentially gives these countries control over the timing of the entry into force of the UPC Agreement).

The target date for the unitary patent system to come into effect is currently early 2015, but this looks optimistic given the ratification process that needs to take place, together with agreement on, and implementation of, all the various procedural arrangements. The Regulations provide that the unitary patent will enter into force from 1 January 2014, or from the entry into force of the UPC Agreement, whichever is the later date. Therefore, until the UPC Agreement has entered into force it will not be possible to obtain a unitary patent.

In the UK, new legislation in the form of the Intellectual Property Bill is currently going through the legislative process to give effect to the UPC Agreement ([www.practicallaw. com/1-532-4126](http://www.practicallaw.com/1-532-4126)). Amendments to the Brussels I Regulation (recast) ([2012/2012/EU](http://www.practicallaw.com/1-532-4126)) are also required in order to give effect to the UPC Agreement.

As a result of the link between the entry into force of the Regulations and the UPC Agreement, a unitary patent will only be of
unitary effect in those contracting states in which the UPC has exclusive jurisdiction with regard to unitary patents. In other words, the territorial scope will be limited at first to those countries that have ratified the UPC Agreement.

Many details of the system remain unsettled. Numerous important decisions concerning the implementation of the system will need to be made over the coming months if the first unitary patents are to be available for registration from 2015. These include: finalising the rules of procedure for the UPC, the necessary facilities and the budget; designating committees; appointing judges and the president; and recruiting staff.

Preparatory work on these issues is underway at national and EU level with the establishment of taskforces and committees. At EU level, a preparatory committee and an EPO select committee have been formed. In the UK, the Intellectual Property Office has set up a taskforce to address implementation issues at a national level.

**APPLICATION PROCESS**

Applications will be made to the EPO in Munich in the same way as for other European patents. A unitary patent will, in fact, technically be a European patent with “unitary effect”, with substantive examination being undertaken centrally in the EPO. A patent owner has a one-month period following grant to request unitary effect across the contracting states for that granted patent. It is only at this stage that it becomes a single legal right or unitary patent.

This contrasts with the existing European patent (for which the owner designates those countries in which it wants the patent to apply), which on grant becomes a collection of national patents, each of which must be enforced on a national basis.

If the owner decides not to elect for unitary effect within one month following the grant of the unitary patent, the patent remains a European patent and will require validation in each of the designated European Patent Convention states. If the owner elects for unitary effect, the patent will take effect retroactively from grant, as a unitary patent, in the contracting states that have ratified the UPC Agreement, without any further validation requirement being required.

**Translations**

Applications for unitary patents may be submitted in one of only three languages: English, French or German (the official languages). A translation system using high-quality machine translators is to be established, removing the need for the applicant to provide additional translations into any other languages. Until these machines are available, one further translation is required to be submitted with the applicant’s request for unitary effect. If the official language selected is English, translation is required into one of the other 22 EU languages. If the official language selected is French or German, translation into English will be required. If infringement proceedings are started in the UPC, an additional translation may be required into the language where the alleged
infringement occurred, or where the alleged infringer is domiciled.

Co-existence
The unitary patent will co-exist with national patents and with European patents that do not have unitary effect. The route to grant, the nature of the right and options for enforcement vary depending on the patent (see box “Forms of patent protection in Europe”).

OPPOSITION AND INVALIDATION
Opposition proceedings can be brought in the EPO, once again using the same procedure as for European patents. Opposition proceedings must therefore be started within nine months from the grant of the unitary patent (not nine months from the election for unitary effect). Following the expiry of this period, any further attack to the validity of the unitary patent must be made through revocation proceedings in the UPC (which can be launched at any time after grant). If any invalidation proceedings are successful, the unitary patent will cease to have effect (or be capable of amendment) for all contracting states.

OPTING OUT
For a transitional period of between seven and 14 years, the owner of a European patent can choose to enforce it centrally through the UPC or in the national courts by opting out of the UPC. The holders of existing European patents (who have not chosen to seek unitary effect) and applicants for new European patents will also have the ability to opt-out of the UPC for individual patents. On this basis, the risk of a central invalidity attack on a European patent in the UPC would be removed, although it will also mean that only national infringement actions can be brought during this period.

There has been some debate over the scope of the opt-out, and whether it covers actions filed for infringement and actions filed for declarations of non-infringement. However, the UPC's rules of procedure refer to the opt-out being a “complete ousting of the UPC” and the official website of the UPC refers to the UPC having no jurisdiction following opt-out for the particular European patent or application, and that these will be subject only to the jurisdiction of the relevant national courts.

Provided that proceedings have not been started before a national court, the patentee has the option to “opt back in” (or withdraw its opt-out) at a later stage and bring a centralised pan-European infringement action in the UPC (with the attendant risk
Spain will derail the unitary patent. It may yet be that the challenge by now been approved, further legal challenges and, despite the fact that the reforms have been long, heated and, above all, political, the debate on how to reform the system has been a single renewal fee (the level of which is currently unknown for unitary patents) must be paid for the patent with full territorial coverage. This contrasts with the current position for European patent protection, which allows patentees to choose to renew with reduced territorial coverage.

The new arrangements may also open an owner up to a greater risk of a validity challenge since this can come from potential infringers in any of the countries covered by the unitary patent than might have been the case where only a few jurisdictions were designated.

**ENFORCEMENT**

The unified litigation system has the potential to offer faster and more efficient enforcement of patents; both unitary patents and existing and future European patents. However, in contrast to the current system, it offers patentees the possibility of cross-border relief from infringement across all countries covered by the patent and to potentially higher damages based on any infringing acts in all those jurisdictions. Meanwhile, defendants can obtain pan-European revocation.

At this stage, however, many details of the system remain unsettled, making it difficult to predict how it will work in practice.

While the UPC brings the potential of pan-European enforcement, the UPC system itself comprises a group of central, local and regional courts. As a result, the rules governing where infringement and validity actions can be brought result in a number of different options for enforcement.

Those options are increased by the availability of the three different forms of patent: the classical European patent, the European patent with unitary effect and a European patent for the remaining states.

Fees have been projected to be lower, given the savings made on translation costs required for the validation of European patents. However, as yet, there has been no full study identifying the costs of the system, which is intended to be self-financing, giving rise to fears of high administrative charges.

Since a unitary patent automatically covers all countries participating in the system, the costs of obtaining protection are likely to be higher for a patentee that would typically have otherwise designated only a few jurisdictions under a European patent application. Similarly, the patentee will be obliged to renew on an “all or nothing” basis; a single renewal fee (the level of which is currently unknown for unitary patents) must be paid for the patent with full territorial coverage.

**IMPACT**

Much has been written about the failings of the current patent system in Europe. The high prosecution, translation and maintenance costs associated with European patents, combined with the necessity to bring enforcement actions in individual jurisdictions, have, it is argued, put companies in the EU at a competitive disadvantage, causing innovation and the development of, and investment in, new technologies in the EU to suffer.

The debate on how to reform the system has been long, heated and, above all, political, and, despite the fact that the reforms have now been approved, further legal challenges remain. It may yet be that the challenge by Spain will derail the unitary patent.

If, as anticipated, the reforms are implemented, the unitary patent will provide patent owners with the opportunity to obtain protection throughout the EU (with the current exceptions of Spain, Italy, Poland and Croatia). Patentees will benefit from less onerous translation requirements, efficiencies gained from a single application and streamlined management of the patent once granted.

Under the new regime, to obtain protection right across the EU, it will, as things stand, be necessary to apply for a European patent with unitary effect and a European patent for the remaining states.

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This article first appeared in the November 2013 issue of PLC Magazine.