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## Strategies for the European Unitary Patent

Joanna Thurston  
UK and European Patent Attorney and  
Partner at Withers & Rogers LLP

and

Bruce Girvan  
Innovation Director at Ceres Power Ltd

Strategies for the European Unitary Patent

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## Who you have here...


Joanna - Practicing patent attorney

- Senior attorney in the Withers & Rogers Chemical team
- 15 years experience representing clients before the European Patent Office (EPO)

Bruce - Tech SME IP and Innovation director

- Dangerous levels of IP knowledge
- Licensing globally via highly capable customers

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## Our vision for this talk

- Hopefully you will leave this session understanding:
  
- How the Unitary Patent system can be used
- Its applicability to different business models
- The benefits, and the risks




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## Patent Options - Current state of play in Europe

- National filings, seeking protection with each national office of interest
  - This can be direct filings at the end of the priority year, or for most countries (notable exceptions are France, Italy, Ireland, Belgium, the Netherlands and Greece) via the PCT system
  - Often used where only a small number of countries are of interest
  - Or where central revocation must be avoided
- European Patent Convention filings, operated by the EPO
  - Single patent office handling filing and prosecution
  - Grants as a bundle of national rights
  - Nearly half the EPC member states are not part of the EU




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## The aspiration

- A new patent right – The Unitary Patent (UP)
  - A European Union (EU) initiative
  - Not covering non-EU countries
  - Initially at least, the UK will be involved
  
- A new Patent Court - The Unified Patent Court (UPC)
  - The UPC is for litigating UPs
  - The UPC is also for litigating traditional European patents
  - Although, initially at least, for European patents it will be possible to opt out




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## A single right covering the EU

Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden and the UK



Single patent right covering the EU's single market:

- ½ billion people
- US\$18 trillion GDP
- 20% of Gross World Product (GWP)
- Largest market in the world




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## Unitary coverage



Can licence country-by-country  
**Cannot** assign country-by-country

Litigation is in a single court



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## The Unified Patent Court

**Central Division**

Paris (Chair) – electronics and software  
London – human necessities  
Munich – mechanical

**Local and Regional Divisions**

Any participating Contracting Member State can create up to four Local Divisions  
London, Düsseldorf, Munich, Mannheim, Hamburg, Paris, The Hague, Brussels, Milan, Helsinki, Copenhagen, Dublin, Vienna, Ljubljana  
Two or more participating countries can group together to create a Regional Division  
“Nordic-Baltic” Division (Sweden, Lithuania, Estonia & Latvia), Hungary & Croatia, Czech & Slovak Republics and Romani, Bulgaria, Greece & Cyprus

**Court of Appeal**

Luxembourg



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### What does it all mean?

- Central revocation and non-infringement
- Patent can be litigated in any court (central, local or regional), and provides injunctive relief across all member states
- Benefits not just pro-patentee
- Any patent in the UPC (EP or Unitary) can be centrally attacked
- A single point of failure for a patent
  - Currently revocation must be performed via national courts, or EPO opposition
- Revocation can be as a counter claim or a stand-alone action
- Centrally issued declarations of non-infringement




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### Do I have to be involved? Am I in or out?

- No requirement to be part of the UPC..... at the moment
- Default is any granted patent is “in” unless you opt out
- Ultimately any patent granted by the EPO (Unitary or EP) will be under the exclusive jurisdiction of the UPC
- For at least 7 years (and possibly up to 14 years) can opt an EP patent out of the UPC
- Any EP patent filed prior to the end of the transitional period can opt-out for the life of the patent
  - providing there has been no action at the Unified Patent Court
- Can withdraw an opt-out




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### The importance of ownership

- If you plan to opt-out – ownership is key
- The proprietor is the only person who can opt-out
- In the case of co-ownership, all proprietors must opt-out, so early agreement must be reached
- If register not up to date, will need to prove that you are the proprietor, therefore recordal of transfers becomes increasingly important
- Errors render opt-out ineffective – so requests will be scrutinised as a litigation tactic
- Can be done through your European attorney
- Exclusive licensees do not have the right to request opt-out, so need to consider clauses in license agreement



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### What is Europe anyway?


- Not a simple picture

	UP	EU	Eurozone	EEA	EFTA
Coverage (Countries)	27	28	19	EU +Norway, Iceland, Lichtenstein	EEA +Switzerland
Population (Million)	498	510	340		
GDP (\$tn)	18	21	13		
% Global GDP	26	30	18		



2013

UP makes sense for a business...doesn't it...



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## The Board - UP makes sense for a business.....doesn't it!?

- Actually, it may not...and at present the initial answer is “no”.
- Typical Board considerations focus on
  - Forecast license income derived from IPR in question
  - Cost impact of making or not making the UP decision
  - Commercial risk impact of making or not making the UP decision
  - Revocation impact - Position in the EU market

A UP is at risk of central revocation.  
Licensing UP IP in EU may result in license reductions due to uncertainty and/or result in greater warranty risks.  
Central revocation is more concerning if the EU is your main market; it is not so concerning if the EU is not a main market.



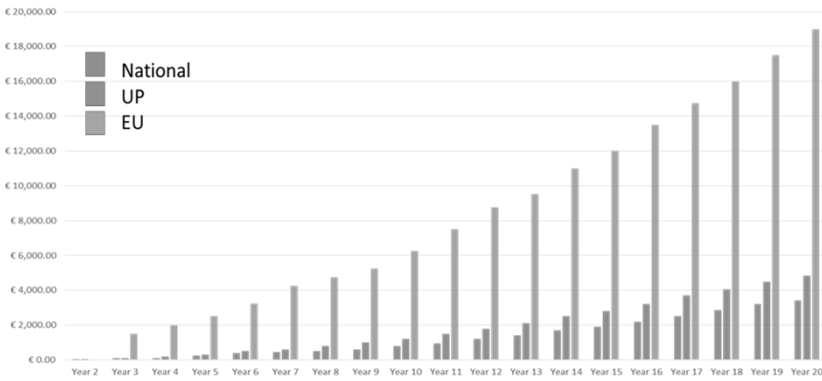
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## The Unitary Patent: Renewal Fee Comparison

National (FR, DE, UK) v UP v EP validation for all EU



Year	National	UP	EU
Year 2	~1,000	~500	~200
Year 3	~1,500	~700	~300
Year 4	~2,000	~1,000	~400
Year 5	~2,500	~1,300	~500
Year 6	~3,000	~1,600	~600
Year 7	~3,500	~1,900	~700
Year 8	~4,000	~2,200	~800
Year 9	~4,500	~2,500	~900
Year 10	~5,000	~2,800	~1,000
Year 11	~5,500	~3,100	~1,100
Year 12	~6,000	~3,400	~1,200
Year 13	~6,500	~3,700	~1,300
Year 14	~7,000	~4,000	~1,400
Year 15	~7,500	~4,300	~1,500
Year 16	~8,000	~4,600	~1,600
Year 17	~8,500	~4,900	~1,700
Year 18	~9,000	~5,200	~1,800
Year 19	~9,500	~5,500	~1,900
Year 20	~10,000	~5,800	~2,000



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### A reminder of the options

- Trade secret
- File in the EU country by country (e.g. DE, FR, GB)
- File PCT then countries of choice
- File PCT – EP then national validation in countries of choice
- File EP then national validation in countries of choice
- File PCT – EP – UP



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### The Board - UP makes sense for a business...doesn't it?

- Actually, it may not...and at present the initial answer is “no”
- Typical Board considerations focus on Cost, Risk, Position in the EU market – Inside-in or Outside-in
- If the EU is your main market UP is a weakness – central revocation
- If the EU is not your main market UP is an opportunity – low cost of coverage
- If you need coverage in many EU countries...
  - Will you fight country by country?
  - Or license as a block and fight to defend it?
- If you need coverage in a few EU countries...
  - EP national validation...
  - Break point between \$UP v \$national validations





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### Best options for licensing models?

- Spinning out
- “Quick” IP spin outs are unlikely to require a UP decision due to timing
- For University licensor UP makes cost sense and provides the veneer of EU coverage
- For licensee UP is a risk
  - Your hand is stuck – UP is not easy to describe in simple terms to investors
  - Investors may not recognise \$coverage value v revocation risk
  - Sub-licensee concerns – license fee reduction and warranty insurance
  - IP renewal costs are not factored in to spin-out forecasting



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### Best options for start ups?

- Speed to market is key
- Keeping your options open as long as possible is standard practice
- The business plan should be maturing by the time the UP v non-UP decision is being made....
- So...the initial focus on saving costs will/should not be so strong for IP that will be underlying your licensing income
- If the EU is your main market – go for separate countries
- If EU is not your main market – go UP

Irony - Asian companies may well see UP as a great opportunity. EU companies may not!



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## The risks to implementation? - Brexit

- There will be no change to the European Patent Convention, the EPC has no connection to the EU
- The UK has signed up, the question is whether it will remain after Brexit
- If UK is not part of UPC, then will have to validate EP patent as a UK-EP or file a UK national patent to get protection in the UK. This is identical to the current situation
- To litigate in the UK, will need to bring action before the UK courts. Identical to the current situation



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## The risks to implementation? - Germany

- There has been a legal challenge to the validity of the Unitary Patent law in Germany
- Will delay ratification, but is unlikely to prevent it
- A decision is hoped for in the next few months
- It will push introduction of the UP and UPC back to mid-2018 at the earliest
- However, if you receive a notice of allowance for an application now, it may be possible to delay grant until the UP comes into force

## The risks to implementation? - Other

- Adoption of the UP by users may be delayed because of confusion over the benefits relative to existing systems
- There is certainly reticence regarding the reliability of the UPC
- Could there be unintended consequences?
- For instance, applicants in the South East Asian nations are very positive about the UP
- Could extensive use of the UP, damage trade in a Europe where historically most patent activity was centred around Germany, France, the Netherlands and the UK?

## Summary

- The Unitary Patent is real
- It's an additional option
  - .... although more choice can sometimes cause confusion
- The potential benefits are huge
  - .... for the right business model
- There is no “one size fits all” solution
- It's untested
  - .... but it will revolutionise IP strategy in Europe



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- Questions?

A large, stylized, handwritten-style graphic that says "Thank YOU!". The word "Thank" is written in a cursive script, and "YOU!" is written in a bold, blocky font with a large exclamation point.

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