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The European unitary patent and the UPC

CONTENT

- The European patent
- The reasons for a unitary patent and how it is obtained
- The UPC and the Opt Out
- What will change / What will not change?
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- How to address the changes, challenges and opportunities?



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What is a European patent?

A patent granted by the EPO under the European Patent Convention (EPC)

The EPC is an international treaty

- 27 EU member states; 11 non-EU member states: United Kingdom, Turkey, Norway, Switzerland/Liechtenstein, Iceland, Monaco, San Marino, Albania, Serbia and Macedonia; 2 extension states, 4 validation states

A European patent (EP)

- is split after grant into a bundle of national patents
- subject to the national rules of the EPC (member) states
- no single jurisdiction for disputes
- multiple litigations in different countries on same patent issue



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The classic European “bundle” patent

Current system

- filing a European patent application (or regional stage from PCT)
- examination by the EPO
- grant of the European patent by the EPO
- Validation in one or more countries (up to 44 states)
 - Filing a translation of the full specification or of the claims in each country
 - Payment of validation fee in each country
- yearly payment of renewal fee in each country where patent is in force
- litigation before national court in each country



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The classic European “bundle” patent

Centralized grant at EPO



a bundle of nationally validated patents

- EPO member states
- Validation/extension states



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Why should there be a unitary patent?

European Commission

- patents: vital element of Internal Market
- growth through innovation
- international competitiveness of European business
- increase efficiency, reduce cost and enhance legal certainty
- cost-effective option for “broader” patent protection and dispute settlement across Europe

Two pillars

- creation of European Union patent (“Unitary patent”)
- setting up of unified jurisdiction for patent disputes (Unified Patent Court)



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The two pillars

The unitary patent (UP)

- European patent with “unitary effect” in participating EU member states

The Unified Patent Court (UPC)

- “single” court for handling infringement and validity of “classic” European patents and unitary patents



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Territorial scope of UP/UPC (member states)

Austria	France	Malta
Belgium	Germany	The Netherlands
Bulgaria	Italy	Portugal
Denmark	Latvia	Slovenia
Estonia	Lithuania	Sweden
Finland	Luxembourg	

- UPC states (ratified), unitary protection
- UPC states (not ratified), no unitary protection (yet)
- other EPC member states (non-UPC / non-EU)
- validation/extension states (non-UPC / non-EU)



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The Unitary Patent

(a European patent with unitary effect)

- a “validation option” after grant of a European patent
- alternative to national validation in UPC states
- one single registration for the 17 UPC states
- cannot be transferred per country
- one single yearly renewal fee
- one single translation of the patent specification
- UPC has exclusive jurisdiction, no opt-out of UPC jurisdiction possible
- no effect in non-UPC states and non-EU countries



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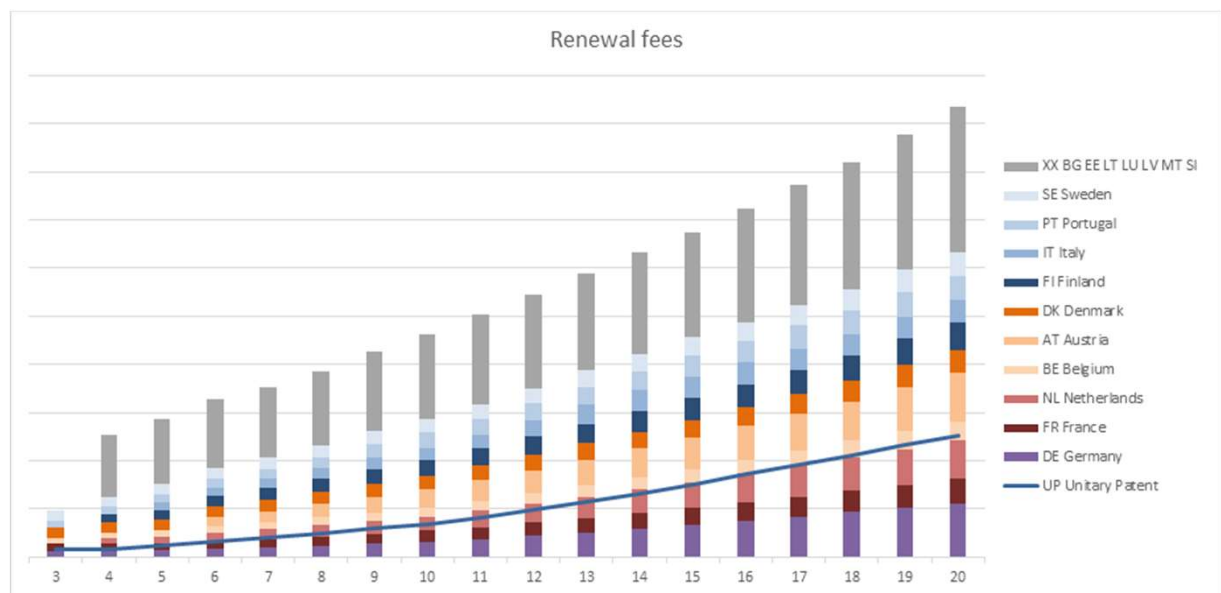
The Unitary Patent

(how to obtain one)

- request unitary effect at the EPO
- within 1 month from grant of the European patent
- file a single translation of the complete specification
 - description, claims and drawings
 - in EN if patent is in DE or FR / in any EU language if patent is in EN
 - has no legal effect and is for information only
- no fees for request
- any opt-out is automatically removed from registry



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The Unified Patent Court (UPC)

(structure of the Court)

Courts of First Instance

- 3 central divisions (Paris / Munich / ~~London~~ Milan??)
 - London: IPC class (A) human necessities (pharmaceuticals) and (C) chemistry
 - Munich: IPC class (C) chemistry and (F) mechanical engineering
 - Paris: All other IPC classes, incl. (A) human necessities (pharmaceuticals), (G) physics, (H) electricity
- 13 local divisions
 - Vienna, Brussels, Copenhagen, Helsinki, Paris, Düsseldorf, Hamburg, Mannheim, Munich, Milan, Lisbon, Ljubljana, The Hague
- 1 regional division (Nordic-Baltic, Stockholm)

Court of Appeal

- Luxembourg

Rules determine which court to use



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The Unified Patent Court (UPC)

(understanding the working)

Applicable law

- European Patent Convention (EPC)
- UPC Agreement (UPCA)
- Rules of procedure of the UPC

Where to start a case?

- infringement action
 - Local / Regional Division in UPC state where infringement occurs (or defendant has residence / p.o.b)
 - Central Division if defendant is from outside UPC territory
- invalidity action or non-infringement declaration
 - Central Division, branch based on technology

but

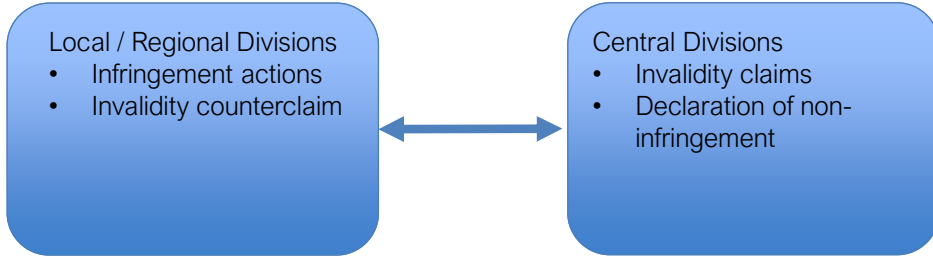
- LD may transfer case to CD when a invalidity counterclaim is brought in infringement action



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The Unified Patent Court (UPC)

(understanding the working)

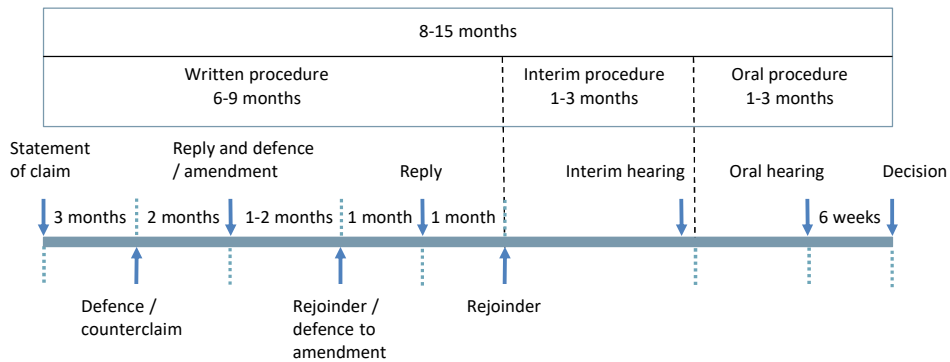


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The Unified Patent Court (UPC)

(understanding the working)

Timeline for infringement proceedings



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The judges



<https://www.unified-patent-court.org/en/news/oath-taking-judges-unified-patent-court>



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First Preliminary Injunction Hearing

6 September 2023, Munich

- *10x Genomics v. NanoString*
- *International panel of judges (2x DE, NL, FR)*
- Decision expected 19 September



<http://www.fosspatents.com/2023/09/first-ever-upc-preliminary-injunction.html>



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The Opt-Out

(from the Unified Patent Court)

Ensures that actions on “classic” European patents may still be brought before national courts

Notify the Registry of the UPC

- within a transitional period of 7 years (extendable to up to a further 7 years) after 1 June 2023
- that proprietor or holder of a European patent or patent application
- is opting out of the UPC's jurisdiction
- for the entire lifetime of the patent
- unless an action has already been brought before the UPC
- on behalf of (all) true owner(s)
 - checked only when legal proceedings are started

After “transitional period” actions on European patents in UPC states can only be brought before UPC



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The Opt-In

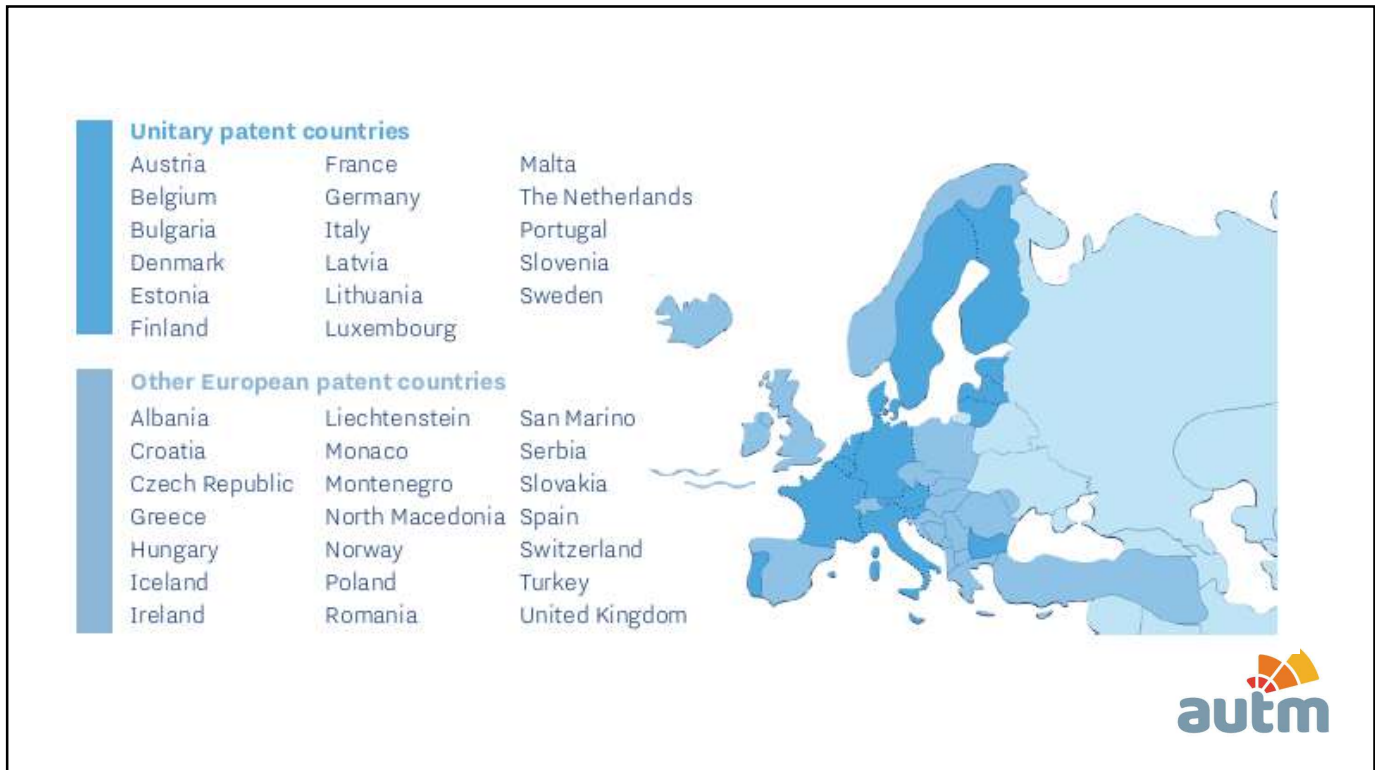
(with the Unified Patent Court)

Ensures that actions on “classic” European patents may again be brought before the UPC

- single opportunity to opt-out
- when opted-out, national courts have jurisdiction
- a single opportunity to opt-in
- opt-out / opt-in not possible when locked out/in by legal proceedings
 - if third party starts proceedings before national court, opt-in cannot be filed
 - if patentee starts proceedings before UPC, opt-out is not possible, even if proceedings are terminated



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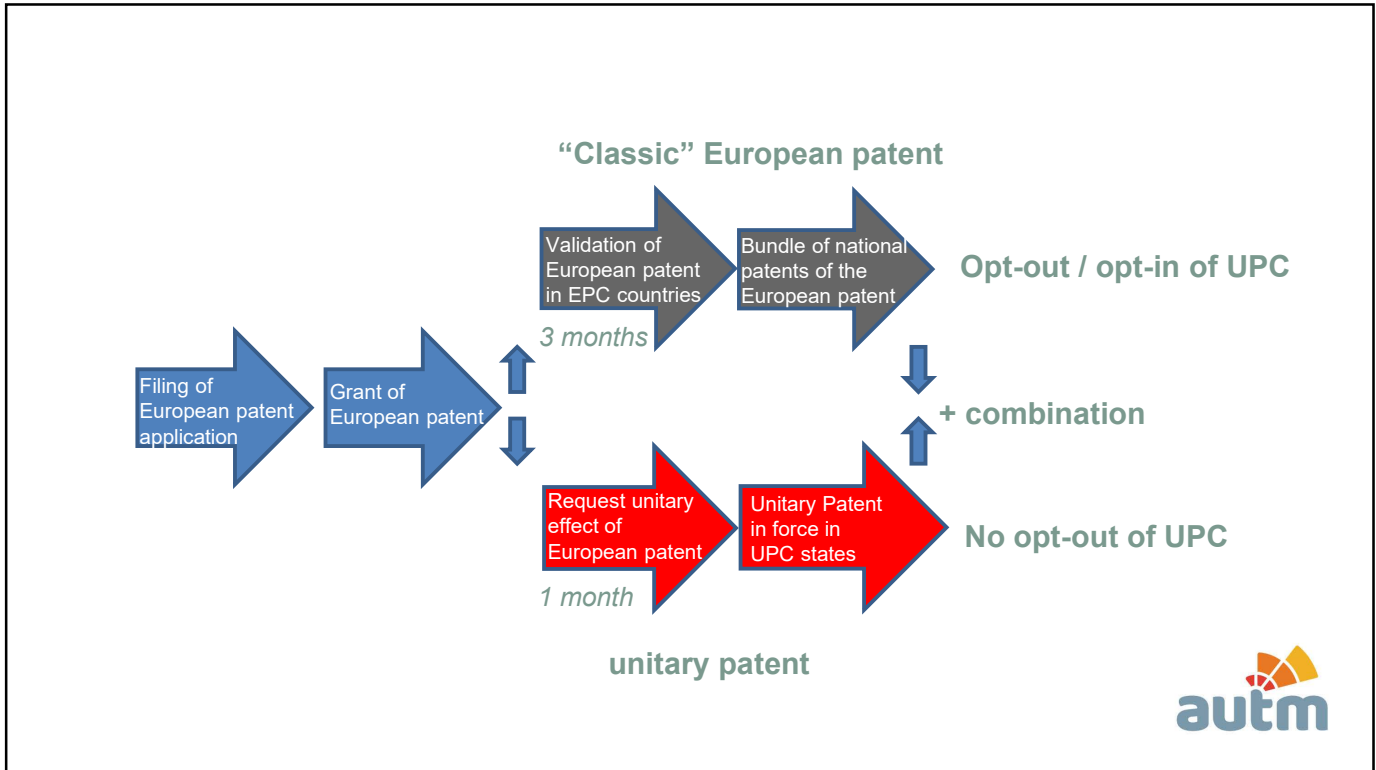
The “classic” European Patent

(the European patent without unitary effect will continue)

- important for EPC member states that are non-EU or non-UPC
- normal national validation after grant
- will also continue to be available for UPC states
- cannot be validated in a UPC state if unitary patent takes effect
 - but double patenting possible: a DE-national patent under German legal jurisdiction may co-exist with a unitary patent or a EP-DE under UPC jurisdiction (i.e not opted-out)
- separate yearly renewal fees for each country
- translation requirements determined by London Agreement
- in UPC states, UPC has exclusive jurisdiction, unless opt-out is filed




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Overview

	Unitary patent	Validation per country
Term	One month after grant	Three months after grant
Procedure	One request for registration	Per country
Required translations	One translation	Depends on country choice
Maintenance costs	One annual fee (equal to 3 to 4 countries)	Annually per country
Infringement and validity proceedings	One centralized procedure before the Unified Patent Court (UPC)	Proceedings can be brought before the UPC. If a UPC opt-out is filed proceedings are heard before national courts
Sale or transfer	One single registration. Transfer not possible per country. Licenses possible per country	Registration per country



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Any difference to current practice?

(For now, it is all optional)

What will change

- newly granted European patents can become unitary patents
- “classic” European patents validated in a UPC state will fall under UPC jurisdiction
 - unless opted-out

What will not change

- examination and grant proceedings before the EPO
- newly granted European patents can still be validated nationally in all EPC states
- validated “classic” European patents cannot become unitary patents
- “classic” European patents validated in a UPC state will fall under national law when opted-out
- “classic” European patents validated in a non-UPC state will fall under national law



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The options for a “classic” European patent

(validated in a UPC state)

Opting in

- No action required
- Single court case for all 17 member states
- One decision on infringement, but also one decision on revocation

Opting out

- Action required
- Separate litigation in each state
- If the patent is revoked, it is only for that state



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Reasons to opt out a “classic” European patent

Risks of the UPC system for Patentees

- central revocation (lose protection in one fell swoop)
- uncertainty on the interpretation and application of law (no jurisprudence)
- timelines are extremely short
- unknown impact of UPC decision on non-UPC courts
- bifurcation of proceedings (i.e. infringement and validity decided separately) may lead to higher costs and different claim interpretation for infringement and validity
- exclusive licensees of European or unitary patents can start infringement proceedings before UPC (unless agreement provides otherwise)
 - Patentee may be dragged into invalidity proceedings if license agreement does not prevent licensee from bringing action

Benefits of the national courts system for Patentees

- complex parallel national proceedings are less attractive for third parties to start litigation
- patentee maintains control over the enforcement and litigation strategy
 - Patentee may choose to litigate the patent in a national court of its own choice, rather than being subject to UPC jurisdiction



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Reasons against opting out a “classic” European patent

Centralized proceedings

- UPC provides fast and efficient litigation proceedings for 80% (gnp) of EU
- avoid costs, complexity and duration of multi-jurisdictional litigation
- does not require team of lawyers in each relevant country
- avoid different decisions between different Courts
- improved legal certainty within EU market
- shape the system



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Strategic considerations UPC

Risk of central revocation

- Different impact of a central revocation
 - pharmaceutical product protected by a single patent
 - mobile phone technology covered by a multitude of patents.
- Therefore, different industries tend to adopt different strategies



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Strategic considerations UPC

Increased litigation costs

- litigating before the UPC is expected to be more expensive than a single national court case
 - Fees are value-based
- cost awards issued by the UPC are also expected to be higher than those of national courts
- uncertainty if counter-claim for invalidity is referred to Central Division (bifurcation)
- risk of a negative Court decision has a higher impact on SMEs, who do not regularly engage in multi-jurisdictional proceedings

Higher risk to SMEs than to large industries



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Strategic considerations UPC

A UPC scenario

- exclusive licensee files infringement claim before UPC-local division in Milan, Italy
- University licensor is not a party
- third party (alleged infringer) files invalidity counterclaim
- University licensor becomes a party
- Invalidity claim is heard separately by Central Division in Munich (lawyers costs)
- patent is revoked
- third party request cost award (who pays?)

A 'wait and see' approach by opting out is a good strategy (opt-out can be withdrawn)

The risk to be locked-out of the UPC still results in a situation that is not different from the current situation



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The Unitary Patent

(the long arm of the UPC)

- decision of UPC may have indirect cross-border consequences for the patent validated in non-UPC states (e.g. Poland, Spain) and even non-EU states (e.g. UK, Switzerland)
- where UPC has jurisdiction in relation to infringement damages over a defendant occurring within the UPC, it may also exercise jurisdiction in relation to damage arising outside the UPC or even outside the EU
 - can UPC decide on damages from infringement of an EP patent in the UK, under UK law?



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Strategic considerations UP

National validations or unitary patent

- what is the value of the patent?
- is it important that the patent is in force in 17 UPC states?
 - if only DE, GB, NL, national validation is cheaper
- is central enforcement (pan-European injunctions and damages) important?
- what is the strength of the patent?
- is there a real risk of central revocation?



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Factors to take into account

Considerations for UP:

- Efficiency of enforcement
- Risk of losing the patent; all at once or only per country
- Cost of maintenance vs. cost of litigation
- Flexibility in portfolio management (unitary patent cannot be “pruned”)

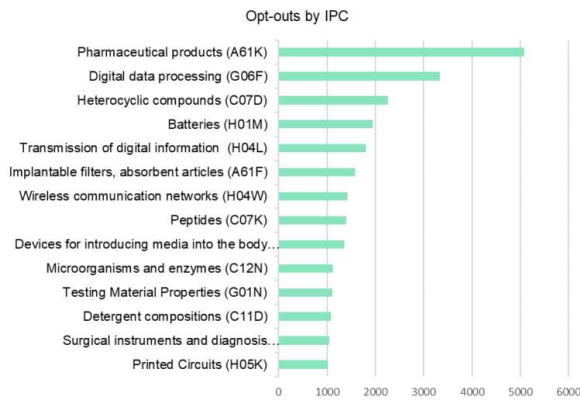


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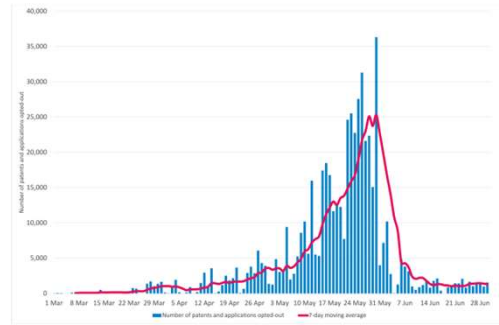
Some data

UPC opt outs filed: 535,152

(end of June 2023)



Source: JUVÉ-patent, based on 76,099 opt outs filed by 5 May 2023



EPO yearly applications: 190.000
 EPO yearly grants: 95.000
 1,500 grants per week



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Some data

UPC court cases (18 September 2023)

- 37 infringement cases (4 CLS)
- 6 revocation actions (4 CLS)

Unitary patents (6 September 2023)

- 7262 registered (relative to the 18.000 grants – not counting delayed grants in the 6 months period prior to start of UPC)
 - 77% mechanics/materials/electronics & physics/digital/space tech/energy
 - 19% health



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Conclusions and considerations

- Role of National Courts for European Patents is going to end (2030/2037)
 - National patents may gain importance
- Unitary patent is cost-effective way for pan-EU enforcement
 - but national validation in non-UPC states is still required
- UPC provides fast and well-defined legal procedure
 - but central revocation is a risk
- Exclusive licensee is entitled to bring (infringement) actions before UPC
 - unless licensing agreement provides otherwise
- During transitional period, UPC opt-out is possible
 - a 'wait and see' approach is a good strategy



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Thank you!

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