

# European Unitary Patent Package: Introduction to the New System including Strategic Considerations

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## Introduction

The creation of the unitary patent and the Unified Patent Court (“UPC”) heralds the beginning of a new era in patent law in Europe. The *Agreement on a Unified Patent Court* (“UPCA”) entered into force on 1 June 2023 when the new UPC finally began operations. The opening of the UPC also coincides with the introduction of a new “unitary patent”. From now on, innovative companies will no longer have to apply for, maintain and, in the event of a dispute, enforce patents in court individually for all European Union (“EU”) Member States in order to protect their technical inventions. The new system provides a uniform court procedure with direct effect of the decisions for all participating EU Member States.

The implementation of the reform is a particular example of successful European cooperation. The introduction of the unitary patent creates a new set of instruments from which innovative industry and especially small and medium-sized enterprises will benefit as they can save considerable effort and costs. All entities dealing with European patents, be they patent owners, licensees or technology research companies now need to take action. They need to weigh up the advantages and disadvantages of filing a request for unitary effect in respect of pending and future patent applications. In addition, the possibility of “opting-out” of the automatic jurisdiction of the UPC, especially for already granted European patents, needs to be considered in order to arrive at the most strategically sensible decisions. Also costs, enforcement and defence against alleged patent infringement are considerable aspects, to name just a few. In addition, existing patent-related contracts and standard licensing-related forms need to be reviewed to calculate the opportunities and risks of the new unitary patent system.

## Progress through standardisation? From the previous legal system to the new

### Previous system

As far back as the early 20<sup>th</sup> century, efforts had been made by some European countries to develop a common patent system. As early as 1975, the *Community Patent Convention* was signed by the EU Member States with this in mind, but it was never ratified in sufficient numbers.<sup>2</sup> After several more unsuccessful attempts,<sup>3</sup> the EU Commission submitted a *Proposal for a Council Regulation on the Community Patent* on 1 August 2000, which also included provisions for a corresponding court system.<sup>4</sup> This draft was revised several times in 2003 and 2004, and a separate *Proposal for the Establishment of a Community Patent Court* was presented.<sup>5</sup> However, both met with little approval. It

was not until December 2012 that two regulations<sup>6</sup> on the implementation of the *Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection*<sup>7</sup> adopted in March 2011 brought renewed movement to the decades-long discussion. Twenty-five of the current 27 EU Member States participate in the *Enhanced Cooperation*; Spain and Croatia have so far declined to participate.<sup>8</sup> The UPCA, on which it is based, is conceived as an international treaty, i.e., the EU is not formally involved. However, only Member States of the EU may accede to the Agreement.<sup>9</sup>

The term “European patent”, which is used to refer to patents granted under the *European Patent Convention* (“EPC”) is to be distinguished from a “unitary patent”; it does not offer a uniform patent for the participating states. The EPC as an international treaty is therefore not part of EU law. The European patent according to the EPC is a so-called “bundle” of individual national patents which can be applied for at the European Patent Office (“EPO”) for all participating countries simultaneously, but after examination and grant of the patent this bundle “splits” into individual national patents and from this point on is handled by the national Patent Offices.<sup>10</sup> Rights may then only be enforced in the respective jurisdiction before the respective national courts. In questions of infringement and invalidity, therefore, the decision of the respective national court, and thus national law, has always been decisive.

The European patent system has hitherto been based on a strong territoriality principle. However, increasing cross-border competition as well as the often very inconsistent decisions of the national courts (regarding the same European patent) led to a renewed push to finally modernise and unify the existing patent system. The hope is that this new unitary patent system will fulfil these aims.

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New system

The new system introduces two major changes.

## ***Introduction of a UPC***

The UPCA ushered into existence a new European court known as the UPC. The UPC has exclusive jurisdiction both to prosecute infringements and to examine the validity not only of a new unitary patent, but all future European patents as well as supplementary protection certificates (“SPCs”) based thereon. The UPCA thus now makes it possible to enforce a European patent simultaneously in litigation proceedings for the currently 17 participating EU Member States.

## ***Introduction of a unitary patent***

EU Regulations No. 1257/2012 (European Patent Regulation) and No. 1260/2012 (Language Regulation) establishing the unitary patent system entered into force on 20 January 2013, but have only applied since the date on which the UPCA entered into force, namely on 1 June 2023. Under the new system, once a European patent has been granted by the EPO, it can at the request of the patent proprietor be declared a patent with unitary effect for the (at that time) participating contracting Member States.<sup>11</sup> This means that the entire territory of the participating European states is covered by only one patent, without the need for individual national validations. Furthermore, renewal fees are only payable for this one patent, and decisions by the now exclusively responsible new UPC on both infringement and invalidity of the unitary patent cover all contracting Member States.

## **The Structure of the UPC**

The UPC is a supranational, common court of the EU contracting states and thus part of their respective legal systems. Its judgments are binding in all Member States that have ratified the UPCA. It comprises a complete *court system* consisting of a court of first instance, a court of appeal located in Luxembourg and a (court) registry. In addition, a centre for mediation and arbitration based in Ljubljana and Lisbon and a training centre in Budapest have been established.

The new judiciary

The Court’s panels are multinational with a completely new judiciary to be appointed by the Administrative Committee. Since the UPC has to deal with both infringement and validity of a patent or SPC, the UPC comprises both legally and technically qualified Judges – which is not the case at German patent infringement courts, for example. So far, a total of 85 Judges (34 legally qualified Judges and 51 technically qualified Judges) have been appointed by the UPC.<sup>12</sup> All appointed Judges belong to a so-called “pool of Judges”, from which the panels of Judges are filled in addition to the local legally qualified Judges already assigned to the Local and Regional Divisions.

The Court of First Instance

The UPC Court of First Instance comprises three different types of divisions – Central Division, Local Divisions and Regional Divisions – at different locations.

## ***The Central Division***

The Central Division has its seat in Paris and a division in Munich. Its panels are staffed multi-nationally with two legally qualified Judges from different contracting Member States and one technically qualified Judge from the pool of Judges. This makes it very difficult to predict the composition of the respective panels. Cases heard by the Central Division are assigned according to the main classes of the International Patent Classification (“IPC”) Classification Code (see UPCA, Annex II). The Paris division is responsible for sections B, D, E, G, H and thus, among others, for e-tech cases, while the Munich division is responsible for section F (mechanical engineering, lighting, heating, weapons, blasting). The originally planned London division was supposed to be responsible in particular for the field of life science and thus also for pharmaceutical products (sections A and C). However, after the United Kingdom withdrew its ratification of the UPCA on 20 July 2020, the presidium of the UPC decided that actions pending before the Central Division related to patents in IPC section A shall be assigned to the seat in Paris while actions related to patents in IPC section C shall be assigned to the section in Munich.<sup>13</sup>

## ***The Local and Regional Divisions***

The Local and Regional Divisions are generally composed of three legally qualified Judges. A technically qualified Judge *may* be called in at the request of one of the parties and *must* be called in if the division is also deciding on an annulment action. Although in principle also staffed on a multinational basis, the Local Divisions are nevertheless intended to enable and guarantee a local connection. Therefore, at least one, and possibly<sup>14</sup> also a second Judge from the country of the seat of the litigant(s) is assigned to them. The remaining Judges are drawn from the pool of Judges.

Each contracting Member State may apply for from one to a maximum of four<sup>15</sup> Local Divisions or, together with one or more other Contracting Member States, for a Regional Division. The establishment of the divisions as well as the respective number of legally qualified local Judges was decided by the Administrative Committee of the UPC as follows:<sup>16</sup>

Local divisions: Austria: Vienna (1); Belgium: Brussels (1); Denmark: Copenhagen (1); Finland: Helsinki (1); France: Paris (2); Germany: Düsseldorf (2), Hamburg (2), Mannheim (2), Munich (2); Italy: Milan (2); Portugal: Lisbon (1); Slovenia: Ljubljana (1); Netherlands: The Hague (2).

Regional Division for the Nordic-Baltic region (Sweden, Estonia, Latvia, Lithuania): Stockholm (2)

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The panels of the future Local Divisions of the most active patent litigation countries to date, namely France, Italy, the Netherlands and especially Germany, will each be staffed with two experienced local Judges. It is hoped that this will have a positive influence on the popularity and good reputation of these Local Divisions from whom litigants expect high-quality decisions.

## **Languages**

The language of proceedings before the Central Division is usually the language in which the European patent was granted, although special translation requirements may have to be taken into account (Arts. 49(6), 51(3) UPCA).

Regulations governing the language of proceedings before Local and Regional Divisions are quite extensive. It will be either an official language of the country in which the division has its seat, or, in the case of Regional Divisions, the official language agreed upon by the countries concerned, or one of the official languages of the EPO, or the language in which the European patent was granted (cf. Art. 49 UPCA). If several languages have been designated as possible procedural languages for a division, the plaintiff may, as a rule, choose which one is to be used for the respective proceedings (Rule 14(2)(a) UPCA). However, there are several exceptions to this latter rule, one of them being to protect locally operating small businesses on the defendant's side (Rule 14(2)(b) and (c) UPCA).

The respective admissible procedural languages are to be published in a list.

## **Jurisdiction**

The UPC has exclusive jurisdiction not only for future unitary patents but also for all "classic" European bundle patents, European patent applications and SPCs based thereon. Its jurisdiction does not extend to national IP rights. Art. 32 UPCA conclusively lists the types of actions and proceedings that are admissible before the UPC.<sup>17</sup>

The *local* jurisdiction of the Divisions of the Court of First Instance essentially depends on the type of action: infringement actions, summary proceedings, actions for damages or compensation or in connection with rights of prior use are to be brought before the respective Local/Regional Division depending on the place of the offence, i.e., the place of the actual or threatened infringement, or at the defendant's place of residence or place of business. If the defendant's place of residence is outside the contracting Member States, the Central Division is also available as an alternative to the place of infringement. In this respect, the plaintiff is to a certain extent able to engage in "forum shopping". If no Local or Regional Division is maintained in the country of the offence or seat, the above-mentioned actions must always be filed with the Central Division.

Actions for a declaration of non-infringement<sup>18</sup> as well as isolated nullity actions must always be filed with the Central Division. What is new and noteworthy is that the isolated nullity action, unlike the nullity action before the German Federal Patent Court, can be filed independently of an opposition before the EPO. Also, the UPC is not obliged to suspend this nullity action until the conclusion of the opposition proceedings ("overtaking nullity action").

If an infringement action is already pending before a Local or Regional Division, invalidity can only be asserted by way of a counterclaim. The UPCA permits (and requires) the raising of objections against the patent-in-suit in the context of an invalidity counterclaim in ongoing infringement proceedings; mere objections to the body of law are irrelevant. The Division before which the infringement action is pending is competent. If this is not the Central Division, but a Local or Regional Division, this Division, after hearing the parties, has three options for further proceedings.<sup>19</sup> It can (1) deal with the invalidity counterclaim itself with the mandatory assistance of a technically qualified Judge or (2) hand it over to the Central Division (with or without suspension of the infringement dispute) ("bifurcation") or (3) refer the entire legal dispute to the Central Division.

## **Procedure and duration of proceedings**

Proceedings before the UPC are essentially conducted according to the *Rules of Procedure of the United Patent Court* ("Rules of Procedure"). To ensure fast and efficient processing, the first instance proceedings are tightly structured and stick to a rigid time frame. Proceedings are divided into three parts (written proceedings, interlocutory proceedings, oral proceedings) to be completed within one year in the "basic case" (infringement/non-infringement proceedings without counterclaims). As far as possible, pleadings are to be submitted electronically.

For example, in infringement actions, the parties usually exchange two written pleadings each, in the following sequence:

- (i) the plaintiff/claimant files a *Statement of Claim*;
- (i) the defendant may then file a *Statement of Defence* (which may include a counterclaim for revocation of the patent-in-suit);
- (ii) the plaintiff/claimant may then file a *Reply to the Statement of Defence* (which will include its defence to the counterclaim, if any); and
- (iii) the defendant may lodge a *Rejoinder to the Reply to the Statement of Defence*.

This written procedure usually takes five to nine months.

The very short deadlines, which can only be extended in exceptional cases, will be a challenge for the parties and their representatives.<sup>20</sup> If a request for revocation has been

filed, the panel will decide on the further handling of the case (“bifurcation”) at the end of the written procedure. Both the written proceedings and the interim proceedings, which usually take three months, are conducted by the reporting Judge. In the interim proceedings, the reporting Judge prepares the oral proceedings, clarifies any existing ambiguities with the parties, if necessary in the context of an interim conference, and schedules the oral proceedings with at least two months’ notice. In the final stage, the presiding Judge takes over the management of the proceedings and, after the public oral hearing has (ideally) been completed within one day, the written judgment issues within six weeks.

### ***Interim measures***

The UPC may also issue interim injunctions to prevent an imminent infringement or stop an existing infringement, Art. 62 UPCA. The order is issued after conducting a two-step (written and oral) summary procedure.<sup>21</sup> In justified cases, interim measures may also be issued *ex parte*. Unfortunately, neither the UPCA nor the *Rules of Procedure* make any specific statements on the duration of proceedings. Especially in the initial period of the new court, it seems likely that the national courts, which are already well tried and tested in this respect, will act comparatively faster in preliminary injunction proceedings. In any case, it seems questionable whether the UPC will immediately be able to keep up with the extremely fast processing by German patent infringement divisions, which, at least in simple cases, in the constellation of originator/generator but also on the basis of pharmaceutical patents, generally issue an *ex-parte* injunction within a few days.

Potential addressees of an urgent application can file a protective brief in the language of the patent. As already known from the German procedure, the protective brief will be kept in the court’s custody for six months and can be extended upon request.

Interim measures are to be revoked at the request of the defendant if the applicant does not initiate proceedings on the merits before the UPC within 31 calendar days or 20 working days.

### **The Court of Appeal**

The Court of Appeal is the sole appellate court; a further appeal on point of law is not possible. Only on questions of interpretation of applicable EU law can the Court of Justice of the European Union be called upon as a “further instance” in preliminary ruling proceedings. Appeals may be lodged against disputed final decisions (comparable to an appeal under German law) but also against procedural decisions (also comparable to an appeal under German law).

An appeal against a final decision may be lodged by any party who has been unsuccessful in whole or in part within two months of notification of the decision and must be

substantiated within four months. It has no suspensive effect, and the procedure is in principle comparable to the first instance procedure. The appeal must be filed within three months; the *Rules of Procedure* do not provide for any further deadlines.

The panels of the Court of Appeal are multinational with three legally qualified Judges from different contracting Member States and two technically qualified Judges from the pool of Judges. The language of the proceedings of the appellate instance is usually that of the first instance or, by agreement between the parties, the language of the grant of the patent; further exceptions are possible (Art. 50 UPCA).

### **Strategic considerations for existing European patents**

For disputes arising from already granted European patents (and SPCs based thereon), the UPC has, since the entry into force of the UPCA, automatically and after a transitional period, also exclusive jurisdiction. This creates new opportunities, but also risks, for presumed patent infringers wanting to contest a European patent as well as for patent owners who have to defend their patent before the courts.

#### **Effect on legal action**

Within a transitional phase<sup>22</sup> of seven (maximum 14) years *after* the entry into force of the UPCA, the national courts or authorities will continue to have jurisdiction in parallel with the UPC for infringement and nullity proceedings based on a European patent or SPC. In other words, during this transitional phase the plaintiff can choose which court – national or UPC – they wish to file their action in. However, this parallel jurisdiction only exists as long as no action is pending before one of the courts. So if, for example, an invalidity action has already been filed before the UPC, the patent proprietor may no longer file an action before the national courts. After the end of the transitional phase, the UPC will then completely replace the national courts in all of the above-mentioned disputes i.e. it will solely be responsible for decisions on unitary patents as well as European patents (without unitary effect).

For an alleged infringer who wants to bring down a European patent, filing an invalidity action with the UPC can have the strategic advantage of destroying the body of law of all national parts of a European bundle patent in all contracting Member States at a single blow in just one proceeding. Before the UPC came into force, this result would have required numerous individual nullity actions in all the countries where the patent had been validated. But as against this, a patent proprietor finding themselves a target of several infringing competitors from different contracting Member States will also be able to benefit from filing an infringement action with the Unified Patent Court based on the bundled patent and thus obtain a decision that is immediately applicable in all countries.

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For both scenarios, it is also true that obtaining a uniform decision by the UPC on a bundled European patent is not only more efficient than having to file separate lawsuits in each country, it can also be significantly less expensive.<sup>23</sup>

Conversely, the following also applies: if the validity of the patent is confirmed, the infringer loses the opportunity to obtain favourable decisions on validity, at least in individual countries. The same applies to the patent proprietor: if they lose the infringement case before the UPC, they will have succeeded in obtaining a decision that is detrimental to them *and* covers several countries at once.

The decision for or against the jurisdiction of the UPC therefore needs very careful consideration.

Strategic considerations for patent holders and licensees

## **Possible “opt-out” of automatic jurisdiction**

The current parallel jurisdiction of the UPC and the national courts still raises many questions.<sup>24</sup> It will probably take years until these questions are clarified by corresponding judicial decisions and until reliable forecasts can be made about the outcome of proceedings. These uncertainties can only be avoided by an owner or applicant of an IP right if they avail of the possibility provided in Art. 83(3) UPCA to permanently exclude the automatic jurisdiction of the UPC for European patents (so-called “opt-out”). An opt-out can only be made in respect of all states in which the European patent was granted;<sup>25</sup> a country selection is not permitted. Another prerequisite is that no action has yet been brought before the UPC with regard to the IP right in question. The opt-out itself is formally free of charge and can be withdrawn at any time (“opt-in”), but only as long as no action is pending before a national court.

## **Responsibility UPC pros and cons**

Now the crucial discussion about whether to go for an opt-out or not (possibly involving co-owners and licensees) should take place and a decision reached. A blanket approach for or against the jurisdiction of the UPC should therefore be avoided. Rather, it must be decided, taking into account the specific situation and patent strategy, whether the respective advantages or disadvantages resulting from the jurisdiction of the UPC in relation to the jurisdiction of national courts outweigh the disadvantages. The most important points worth considering are summarised below.

### *Enforceability of the patent*

Within the UPC system, it is now possible to destroy the patent in only one procedure with effect for all contracting Member States. The more uncertain the legal status of a patent appears, the more prudent it would appear to declare an opt-out in order to minimise the risk of a blanket nullification. In general, in the case of patents that are of particular economic importance, an opt-out would appear to be the prudent choice

in order to avoid the risk of forfeiting protection completely in a single nullity proceeding before the UPC, which will in any case probably be faster than national proceedings. The advantage of the uniform, and possibly also less expensive, enforcement of rights before the UPC must therefore be weighed against the disadvantage that it is also easier (and usually less expensive) for defendants or respondents to destroy the patent or SPC in one single attack.

### *Duration of proceedings*

The UPCA envisages tight timelines for proceedings before the UPC, which from the patent owner’s point of view should, at least at first glance, speak in favour of the UPC (i.e. against an opt-out). According to the *Rules of Procedure*, proceedings before the UPC are to be structured in such a way that they can be concluded within one year.<sup>26</sup> Whether this ambitious timetable can be met remains to be seen. Delays are conceivable, especially for cases involving nullity actions, or because of granting of time limit extensions, longer notice periods for a court hearing, taking of evidence or delayed adjudication. Because of these potential delays, an opt-out would appear to be worth considering, at any rate in the event of possible recourse to German courts because of the very short duration of proceedings, as is well known. For example, in Germany a provisionally enforceable ruling in preliminary injunction proceedings can be obtained *ex parte* within a few days.

### *Costs of proceedings*

The jurisdiction of the UPC may have a significant impact on the costs of proceedings. If a dispute arises in three or more contracting Member States, it can be assumed that at least the court costs of the UPC will be lower than the total court costs that would be incurred in separate proceedings in the individual jurisdictions.<sup>27</sup> How the legal and patent attorney fees incurred in the proceedings will fare seems difficult to predict at this point in time. Ultimately, however, a cost saving can be expected here as well.

### *Legal loopholes*

Also to be taken into account is the fact that the UPC system contains some regulatory gaps that extend to the transitional phase, which may create uncertainties. For example, it is still unclear how the applicability of substantive patent law to already existing European patents will be handled by the national courts during the (at least) seven-year transitional phase. The UPCA also lacks regulations on the suspension or interruption of limitation periods. Until the existing gaps are filled by judicial decisions and legal certainty is created, an opt-out seems to be the safer route.

Concerns for patentees of existing European patents

## **Opt-out – when and how?**

Once the decision to opt out has been made, this is done by means of a corresponding notification from the IP right

holder or an authorised representative to the UPC's office (not the EPO), provided that no action has yet been brought before the UPC. The application to opt out can only be made via the Case Management System of the Court.<sup>28</sup> Particular care should be taken with regard to proof of ownership, as entries in registers may be outdated and thus, references to them are unlikely to be sufficient. IP owners are therefore recommended to update their register status and to eliminate possible ambiguities in the legal succession.

The opt-out must meet the following criteria:<sup>29</sup>

- The opt-out can only be made in respect of all Member States for which the European patent has been granted or which have been designated in the application;
- an opt-out is only possible as long as no action has been brought before the UPC with respect to this application, patent or SPC; and
- the opt-out request can only be made through the Court's case management system, which implements all procedural requirements.
- If there are proportional property rights of third parties to the respective property right, declarations of consent to the opt-out must be obtained from these co-owners.

### ***Revision of patent-related contracts***

If licenses have been granted to the IP rights, the corresponding contracts may need to be revised in light of the changed legal situation and the new possibilities opened up. Particular attention should be paid to the provisions on the allocation of responsibility and costs with regard to the registration and administration of IP rights ("Prosecution and Maintenance Clauses"), and also to those on the enforcement of rights ("Enforcement Clause"), legal defence against attacks and choice of law clauses.

In particular, clear contractual provisions are required with respect to the relationship with the licensee as to whether the latter may initiate a lawsuit at all with regard to patent infringement claims and, if so, before which court. Otherwise, conflicts may arise, especially in the case of exclusive license agreements, since (at any rate according to German case law) the exclusive licensee has the right to file infringement suits and thus, in the case of filing a suit with the UPC, an opt-out is excluded. Even where an opt-out has already been validly declared and no action is pending, the licensee can deprive the patentee of the possibility to revoke the opt-out ("opt-in") by filing a national infringement action.

According to Art. 83(3) UPCA, the decision on the opt-out is the sole responsibility of the "proprietor or applicant of a European patent" and thus not also of the exclusive licensee. However, at least in the case of several owners or applicants of property rights, all co-owners or applicants must jointly

decide on the "whether" of an opt-out, so that incorporating contractual provisions on the decision-making process are also recommended here as a precautionary measure, on the one hand to prevent conflicts, and on the other hand also to avoid being exposed to an action before the UPC shortly before the registration of the opt-out declaration to be submitted as agreed, which would preclude an opt-out for good.

### **Strategic considerations for new patent applications**

Unitary patent or national validations?

Any European patent granted on or after the date of entry into force of the UPCA may be registered as a unitary patent at the request of the patent proprietor entered in the Register for the territory of the contracting Member States. The request shall be filed within one month from the date of publication of the mention of grant in the European Official Journal in the language of the granting procedure. It is a prerequisite that the European patent with the same claims has been granted for all 25<sup>30</sup> EU Member States participating in the *Enhanced Cooperation*, i.e., for none of these countries the designation is withdrawn – for whatever reason.<sup>31</sup> If one is missing, unitary patent protection is excluded, even if the UPCA is not even in force in that country on the date of registration. Furthermore, for a transitional period of at least six (up to a maximum of 12) years, a complete translation of the European patent specification must be attached to the application.<sup>32</sup>

To make unitary patent protection accessible and thus attractive as early as possible, the EPO launched two transitional measures, which were already available ahead of the entry into force of the Unitary Patent system, from 1 January to 31 May 2023. These are the early request for unitary effect<sup>33</sup> and the request for deferral of the decision on the grant of the European patent.<sup>34</sup> Both measures are provided for European patent applications which have reached the final phase of the grant procedure and for which a decision to grant has been issued under Rule 71(3) EPC. The second measure in particular enables the applicant to apply for a unitary patent by delaying the grant procedure, even though their European patent would under normal circumstances have been granted before the UPCA entered into force and would thus have been inaccessible to the new type of protection (unitary patent).

### ***Significance of the choice of law***

The unitary patent shall be governed by the law of the country in which the patent applicant, or in the case of several applicants the first-named applicant, is domiciled or has its seat. If neither the first nor the additional applicants are domiciled in the territory of the countries participating in the UPC system (e.g., Australia, United States, China, Korea or Japan) nor have their place of business in the UPC territory, German law shall apply.

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The order of the applicants is therefore of importance for the question of the applicable law and its significance should not be underestimated.

The applicable law established on the filing date will determine how certain matters are to be regulated, e.g. how the unitary patent can be transferred to other owners, what effect licenses have and what rights and obligations the co-owners have. It is final, i.e. it cannot be changed even if the applicant transfers the unitary patent or later moves its place of business. Careful consideration should therefore be given to these various aspects and, if necessary, should be regulated in a co-ownership agreement.

One example of this is the different national regulations on co-ownership. Unless otherwise contractually agreed, under German law<sup>35</sup> where there are several owners it is possible for a co-owner to assign their share of the rights in the patent to a third party.<sup>36</sup> The same rules apply in France, unless there is an agreement to the contrary, whereby the other co-owners have a right of pre-emption for a period of three months from notification of the assignment. In Italy, on the other hand, the consent of each co-owner is required for an effective assignment.<sup>37</sup> There are also disparities as to whether and under what conditions co-owners may grant sublicenses on the respective patent right.

## ***Unitary patent pros and cons***

In addition to the advantages and disadvantages attaching to the UPC, most of which have already been discussed above, the cost advantages weight heavily in favour of the unitary patent.

Initially, no additional costs are incurred with a view to the subsequent unitary patent until the grant of a European patent. Moreover, the request for unitary effect itself is free of charge. Except in an initial transition period, no post-grant translations will be required for the unitary patent. No additional validation costs are incurred, and even these are likely to be considerably lower compared to the validation of a classical European bundle patent in the present 17 contracting Member States.

However, the main cost advantage compared to the classical European patent is noticeable in the unitary renewal fees to be paid centrally to the EPO. The annual fee for the maintenance of a unitary patent is approximately equal to the sum of the annual fees for the four contracting Member States with the highest number of applications.<sup>38</sup> Starting at EU€35 in the second year, the annual fees for the unitary patent amount to a total of only EU€4,685 in the first 10 years, which corresponds to the average life of a European patent.

Prerequisites for patent applicants when deciding on a unitary patent

## ***Request for unitary effect***

The decision on whether to request unitary effect for a pending application or a future new application must in any case be made early, since the request must be filed no later than one month after publication of the mention of the grant of the European patent in the European Patent Bulletin; an extension of the time limit is not possible.<sup>39</sup> The EPO provides appropriate application forms for the request.<sup>40</sup>

## ***Contractual design***

Because of the tight deadline for requesting unitary effect, it is recommended that where there are several co-owners or co-owners and licensees, the parties should agree at an early stage on whether or under which conditions a unitary effect is to be requested and embody their wishes in a contract. Where not the owner/co-owners but rather a licensee is to have the possibility to decide on the “whether” of a unitary patent, this must be clearly formulated in the license agreement.

Where there are several applicants (domiciled or having their registered Patent Office) in different countries, the order in which the applicants are named must be agreed upon in advance because this will determine which law will apply to the unitary patent in the future.

## ***Double protection***

If there are more advantages for a unitary patent strategic consideration should be given to providing national double protection in the most important markets, if there is still time. This could cushion the consequences of a “central destruction” of the unitary patent. This is because when the UPCA came into force, some contracting Member States, including Germany, France and Portugal, changed their previous law on double patenting. It was previously not possible to hold a national patent effective in the same country in addition to a nationally validated European patent. Now, this prohibition of national double protection only exists for European patents for which an opt-out has been declared.<sup>41</sup>

## **Strategic considerations for the alleged infringer/respondent**

Pre-use/defensive publications

The right of prior use is one of the few provisions in the UPC system that will continue to be examined only at national level. A prior user right is the right of a third party to continue the use of an invention where that use began before a patent application was filed for the same invention. Patent infringers under attack who invoke a right of prior use are thus in a significantly worse position than patent

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plaintiffs, even if the claim is successful. This is because prior use is not extended to the other Member States and the right of prior use can thus only be asserted for those countries in which prior use has been proven. Whereas in the case of patent infringement, infringement in one member country is sufficient to acquire a court decision that is valid in all countries. Someone who has acquired a right of prior use is forever limited only to the country in which they exercised such prior use. Whether and how prior use rights also extend to further developments of the individual use remains to be seen.

It necessarily follows from this worse position that prior use – with all the other disadvantages such as the difficulty of providing proof – is not a good defence position and thus own applications or at least defensive publications are the better choice.<sup>42</sup>

## Protective letters

Protective letters, as used in German legal proceedings, served as a template for the proceedings before the UPC. A protective letter is typically filed by a party who is concerned that they might be accused of infringement, and who wants to avoid the risk of a preliminary injunction being granted without having an opportunity to argue their case. Since, due to the greater territoriality of the UPC, an injunction issued by it usually hits the opposing party even harder than a national one, protective letters are even more advisable.

This is particularly true because protective letters are codified and not just Judge-made law as was the case, for example, in Germany before the introduction of section 945a of the *German Code of Civil Procedure* in 2016. The legal position of the party threatened by an interim injunction is thus improved. It should also be noted that the fees for the deposit of protective writs are also extraordinarily low.

## Conclusion

The time has come for patent owners, licensees and business entities that regularly deal with patents to consider the risks and possibilities of the new system. For current or planned patent applications, the pros and cons of requesting a patent with unitary effect must be considered at an early stage and sensible strategies devised. In the case of licensees and/or co-owners, the parties' wishes and intentions should be set out in a contract.

Owners of European patents should consider the possibility of opting out and, if necessary, coordinate their wishes and intentions with co-owners and licensees in a timely manner. With the assistance of experienced legal counsel, all existing patent-related contracts and standard forms concerning matters of licensing should be reviewed to ensure that they take into account the opportunities and risks that come with the introduction of UPC and the unitary patent.

- 1 Dr Marco Stief has almost 25 years of experience in patent infringement cases. In addition, he advises companies on contractual matters in the field of technology transfer. He started his professional career at Clifford Chance and Freshfields before joining the legal department of Fresenius SE as Director Legal after about eight years. Since 2017, he has headed the legal department of the Maiwald law firm. The author would like to thank Sandra Spensberger for her assistance with this article.
- 2 Cf. Aloys Hüttermann, *Unitary Patent and Unified Patent Court* (Heymanns, 2nd ed 2023) chapter 1, marginal no. 2.
- 3 A second draft CPC with a new language regime was presented in 1989, OJ L 401, 30.12.1989, 1–27.
- 4 COM/2000/0412 final. Proposal for a Council Regulation on the Community Patent, OJ C 337E, 28.11.2000 278-290. The intention was for the EU to accede to the EPC. The draft *Agreement on the Establishment of a European Patent Litigation* presented by the European Patent Office in 2003 promised more success however, in 2006, the EU Commission denied its Member States the authority to sign this Agreement.
- 5 Cf. Council document 15086/03 of 21 November 2003 on the proposal for the establishment of a Community Patent Court at the Court of Justice as well as proposal for a Council Decision conferring jurisdiction on the Court of Justice in disputes relating to the Community patent, COM(2003)827 final, and proposal for a Council Decision establishing the Community Patent Court and concerning appeals before the Court of First Instance, COM(2003)828 final.
- 6 Regulation (EU) No. 1257/2012 of the European Parliament and of the Council of 17 December 2012 on the implementation of Enhanced Cooperation in the area of the creation of Unitary Patent Protection, OJ L 361 of 31 December 2012, 1-8 (European Patent Regulation); Regulation (EU) No. 1260/2012 of the Council of 17 December 2012 on the implementation of Enhanced Cooperation in the area of the Creation of Unitary Patent Protection as regards the translation arrangements to be applied, OJ L 361 of 31 December 2012, 89–92 (Language Regulation).
- 7 Council Decision 2011/167/EU of 10 March 2011 authorising Enhanced Cooperation in the area of the Creation of Unitary Patent Protection, OJ L 76 of 22 March 2011, 53.
- 8 However, you can decide to participate at any time. The United Kingdom is no longer a contracting Member State after its withdrawal from the EU on 31 January 2020.
- 9 Cf. Art. 2 UPCA.
- 10 With a few deviations regulated in the EPC, e.g. regarding the term of protection (Art. 63 EPC) and grounds for invalidity (Art. 138 EPC).
- 11 Belgium, Bulgaria, Denmark, Estonia, Finland, France, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Malta, Austria, Portugal, Slovenia, Sweden (United Kingdom ratification withdrawn after Brexit). For the current status, see 'Agreement on a Unified Patent Court (UPC)', *European Council* (Web Page, 1 June 2023) <<https://www.consilium.europa.eu/de/documents-publications/treaties-agreements/agreement/?id=2013001>>.
- 12 For the complete list, see 'Unified Patent Court judicial appointments and Presidium elections' (Web Page, 19 October 2022) <<https://www.unified-patent-court.org/en/news/unified-patent-court-judicial-appointments-and-presidium-elections>> .
- 13 Cf. <<https://www.unified-patent-court.org/en/news/decision-provisional-distribution-actions-related-patents-ipc-sections-and-pending-central>> [30 May 2023].
- 14 Depending on the average number of patent cases per calendar year initiated in the seat country in three consecutive years, two local Judges (> 50 cases) or one local Judge (< 50 cases) are appointed.
- 15 Depending on the number of patent proceedings initiated in the respective country per year: one additional Local Division per 100 proceedings, Art. 7(4) UPCA.
- 16 Decision of 8 July 2022, document AC/13/08072022\_D.
- 17 Note: Actions for vindication and actions based on a licence agreement, e.g., for payment of a licence fee, are not included and must still be brought before the national courts.
- 18 However, this is suspended if an infringement action is brought before a Local/Regional Division within three months of receipt of the negative declaratory action, Art. 33(6) UPCA.
- 19 Art. 33 par. 3 UPCA.



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- 20 Statement of defence: three months (including invalidity counterclaim), reply one month (plus one month for invalidity counterclaim, including auxiliary requests to the patent), duplicate (one month, two months for auxiliary requests to the patent).
- 21 See Rules 205 to 213 of the Constitution.
- 22 Not to be confused with the Sunrise Period, the preparatory phase *before* the UPCA takes effect.
- 23 When it is worthwhile in terms of costs to proceed before the UPC depends on the number of countries in which the European patent is validated and the respective national procedural costs. Cf. Unified Patent Court, *Administrative Committee: Table of Court Fees* (Web Page, 8 July 2022) <[https://www.unified-patent-court.org/sites/default/files/upc\\_documents/ac\\_05\\_08072022\\_table\\_of\\_court\\_fees\\_en\\_final\\_for\\_publication\\_clean.pdf](https://www.unified-patent-court.org/sites/default/files/upc_documents/ac_05_08072022_table_of_court_fees_en_final_for_publication_clean.pdf)>.
- 24 Such conflicts between UPC and national courts must then be resolved in application of Articles 71a to 71d and 29 et seq. of Regulation (EU) No. 1215/2012 of 12.12.2012, OJ EU L 351/01, 1 (Brussels Ia Regulation or EuGVVO).
- 25 Cf. Rule 5.1(b) *Rules of Procedure of the Unified Patent Court*.
- 26 Cf. preamble of the *Rules of Procedure of the Unified Patent Court*.
- 27 See also Unified Patent Court, *Administrative Committee: Table of Court Fees* (Web Page, 8 July 2022) <[https://www.unified-patent-court.org/sites/default/files/upc\\_documents/ac\\_05\\_08072022\\_table\\_of\\_court\\_fees\\_en\\_final\\_for\\_publication\\_clean.pdf](https://www.unified-patent-court.org/sites/default/files/upc_documents/ac_05_08072022_table_of_court_fees_en_final_for_publication_clean.pdf)>.
- 28 C.f. Unified Patent Court, 'Opt-Out' <<https://www.unified-patent-court.org/en/registry/opt-out>>.
- 29 See Rules 5 and 5A of the Rules of Procedure of the UPC.
- 30 All EU Member States except Spain and Croatia participate in the Enhanced Cooperation in the Field of the Creation of Unitary Patent Protection.
- 31 Cf. EPO Guide to the Unitary Patent, para. 44.
- 32 Cf. Art. 6 EuPatÜVO: If the language of the patent is English, a full translation of the description into any other official language of the EU is required. If the language of the patent is German or French, a full translation of the description into English must be filed.
- 33 Cf. for details OJ EPO 2022, A6.
- 34 See OJ EPO 2022, A4 and A5 for details.
- 35 The prevailing opinion is that a situation where there are several patent owners is generally regarded as being analogous to co-ownership by defined shares pursuant to sections 741 et seq. *German Civil Code*.
- 36 Christoph Ann, *Patentrecht* (C.H. Beck, 8th ed 2022) sec. 19, margin no. 83.
- 37 Cf. Michael Carter, 'Why the Unitary Patent is not uniform and how this will affect patent transactions' (Web Page, 31 August 2022) <[https://www.lexology.com/library/detail.aspx?g=1cfbf277-251b-45f4-9f75-2dace39129e0&utm\\_source=Lexology+Daily+Newsfeed&utm\\_medium=HTML+email+-+Body+-+General+section&utm\\_campaign=Lexology+subscriber+daily+feed&utm\\_content=Lexology+Daily+Newsfeed+2022-09-02&utm\\_term=>](https://www.lexology.com/library/detail.aspx?g=1cfbf277-251b-45f4-9f75-2dace39129e0&utm_source=Lexology+Daily+Newsfeed&utm_medium=HTML+email+-+Body+-+General+section&utm_campaign=Lexology+subscriber+daily+feed&utm_content=Lexology+Daily+Newsfeed+2022-09-02&utm_term=>)>.
- 38 These were originally Germany, France, the Netherlands and the United Kingdom. A recalculation after Brexit has not yet been carried out. An exemplary cost comparison can be illustrated e.g. with the Maiwald cost simulator, <<https://www.maiwald.eu/de/upc-update/>>.
- 39 See Article 9 (1) (g) Regulation (EU) No 1257/2012, Rule 6 (1) DOEPS, Article 97 (3) EPC.
- 40 Cf. 'Forms', *European Patent Office* <[https://www.epo.org/applying/forms\\_de.html](https://www.epo.org/applying/forms_de.html)>.
- 41 Cf. for Germany Art. II Sec. 8 (1) IntPatÜG n.F. and Sec. 18 IntPatÜG n.F.
- 42 Cf. Aloys Hüttermann, *Unitary Patent and Unified Patent Court* (Heymanns, 2nd ed 2023) chapter 6, marginal no. 644 f.