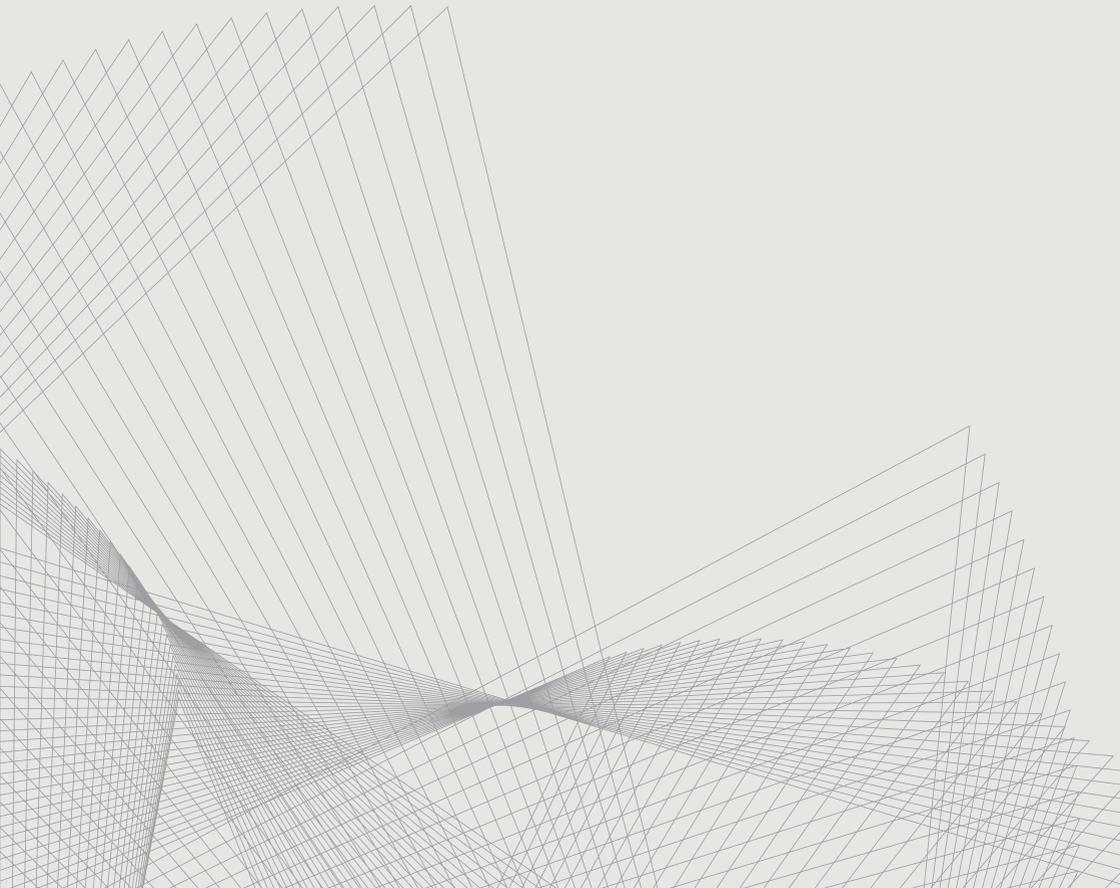


# Your Guide to the Unitary Patent and Unified Patent Court



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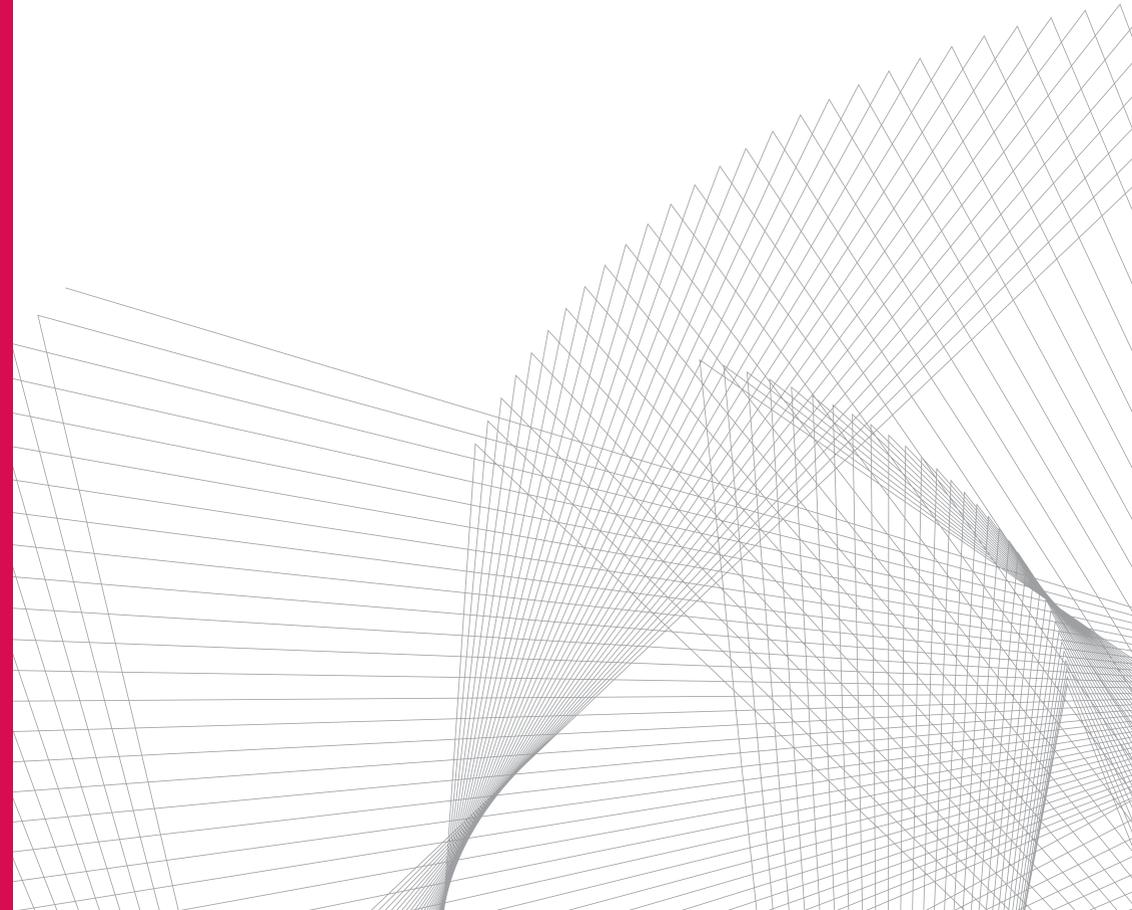
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# Section 1

# Introduction



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## Executive Summary

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- + European patents are changing and users of the European Patent System need to decide how to use the new system to their commercial advantage, both in order to realize potential cost savings and to address the risks and opportunities offered by the new Unified Patent Court.
- + The new system will result in significant savings in European patent validation costs and renewal fees, especially for proprietors who choose to validate in more than a handful of countries.
- + The new system includes a new, powerful, but untested, court. Proprietors need to decide if they want to use this court or would prefer to opt their patents out of its jurisdiction.
- + The new system is expected to enter into force early 2017, with opt-outs from the new court available from mid-2016.
- + Proprietors need to start reviewing their portfolio of patents. They may wish to take steps to delay grant of their pending applications to take advantage of the validation cost savings available under the new system and/or to opt out their patent portfolio from the jurisdiction of the new untested court.

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## European Patents are Changing

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You may have heard about the Unitary Patent or the Unified Patent Court. These two, closely related, developments will change significantly the European Patent System. This Guide is intended to give you an understanding of the principles behind these changes and their practical consequences. As always, your usual contact at Abel & Imray will be able to provide you with more information and provide advice tailored to specific cases.

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## When are European Patents Changing?

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The changes are expected to take place in the second quarter of 2017. Applicants will need to decide during 2016 if they wish to use the new regime. Those who wish to opt out of the jurisdiction of the new court will be able to do so during a sunrise period beginning in the second half of 2016. Conversely those who wish to take advantage of the cost savings associated with the new validation and renewal fee regime should consider taking steps to defer grant of their patents so that they can do so. The time to consider how these changes will affect your business is now.

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## What is a European Unitary Patent?

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A “Unitary Patent” or, more correctly, a “European Patent with Unitary Effect” will be a new type of European patent. Like other European patents, which were first granted in 1980, it is filed and prosecuted at the European Patent Office (EPO), under the provisions of the European Patent Convention (EPC). Unitary effect arises on grant, should the Applicant choose it, and impacts on the renewal fee arrangements, the validation requirements and the courts available for litigation under the patent.

## The Unitary Patent is an initiative of the European Union

To understand fully the European Unitary Patent requires an appreciation of how European Patents interact with the European Union (EU). The European Patent Office and the European Patent Convention are examples of pan-European co-operation which takes place outside of the framework of the EU. Rather, the EPC is a multilateral treaty between 38 nations, some of which also happen to be members of the EU and some of which (for example, Norway, Turkey and Switzerland) are not, and never have been, EU members.

In contrast, the new regime which will give unitary effect to European Patents is an EU initiative, given legal basis by agreements between EU member states and EU regulations, and, as such, only available to EU member states. It is best viewed as an additional layer of rules overlaid onto existing European patents, but only in so far as they cover EU member states. Whilst it offers a number of advantages and potential cost savings, it undoubtedly also adds complexity to European patent procedure.

As a further wrinkle, the Unitary Patent project was advanced under the EU's "enhanced co-operation" procedure, which allows a core of EU member states to co-operate without participation of less willing EU member states. Currently, Spain and Croatia (the latter having joined the EU after the adoption of the Unitary Patent Agreement) have not participated in the Unitary Patent package, although they, of course, remain parties to the European Patent Convention. Should the governments of those countries decide, there exists a route for them to sign the agreements at a later date, although in the case of Spain this would require a change in political intention. Poland took part in the negotiations for the Unitary Patent, but a change of political approach in that country led to Poland not signing the relevant agreement and so, for the moment at least, it also lies outside the new regime.

Another complicating issue is that, although from the moment the agreements enter into force they will become law in all 25 participating states, the unitary effect of granted patents will only extend to those states which have ratified the Agreement at the time the patent was granted.

### European Patent Validation States

Moldova  
Morocco  
Tunisia (expected in future)

### European Patent Extension States

Bosnia & Herzegovina  
Montenegro

### NON EU Member States designated by a European Patent

Albania <sup>†</sup>	Norway <sup>†</sup>
FYR Macedonia <sup>†</sup>	San Marino
Iceland <sup>†</sup>	Serbia
Lichtenstein <sup>†</sup>	Switzerland <sup>†</sup>
Monaco <sup>†</sup>	Turkey

### EU Member States NOT participating in new Unitary Regime

Croatia<sup>†</sup>  
Poland  
Spain

### EU Member States participating in the Unitary Patent Regime and Unified Patent Court (subject to ratification of Agreements by those states)

Austria*	Germany <sup>†</sup>	Netherlands <sup>†</sup>
Belgium*	Greece	Portugal *
Bulgaria	Hungary <sup>†</sup>	Romania
Cyprus	Ireland <sup>†</sup>	Slovakia
Czech Republic	Italy	Slovenia <sup>†</sup>
Denmark <sup>†</sup>	Latvia <sup>†</sup>	Sweden <sup>**</sup>
Estonia	Lithuania <sup>†</sup>	United Kingdom <sup>†</sup>
Finland <sup>††</sup>	Luxembourg <sup>†</sup>	
France <sup>††</sup>	Malta <sup>†</sup>	

N.B. Table liable to change. The availability of countries depends on their status at the patent filing date and, as such, may be different from the statuses shown above.

\* = Country ratified as of April 2016 plus UK and Germany, who must ratify for Agreement to come into effect

† = Party to the London Agreement with reduced or eliminated translation requirements

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## Historical Background

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The European Union has long tried to bring forward a unified “Community Patent” which would be a single article of property across the whole of the EU (rather than a bundle of jointly-granted national patents), both for reasons of cost efficiency for patentees and as a step towards the political aim of creating a single European market. The first attempt at creating a unified patent was the Community Patent Convention (CPC) which was signed in 1975, but never ratified. A more recent attempt at getting an EU-wide patent was started under the relatively new “enhanced co-operation” procedure, which allowed legislative progress despite a lack of complete unanimity between EU member states. It was this attempt which gave rise to the current Unitary Patent and Unified Patent Court regimes.

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## Why are these changes needed?

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Studies comparing the costs of obtaining and maintaining a European patent with that of obtaining and maintaining a US patent found that the costs of covering a population of 300 million via a US patent was significantly cheaper than covering the same number of people in Europe; the higher costs being largely attributable to post-grant translation costs and the payment of multiple renewal fees.

The multiplicity of patent courts in Europe is also seen as a problem, with the possibility of conflicting decisions arising in different countries, the cost burden of parallel litigation in multiple countries and the opportunities for forum-shopping all seen as weaknesses in Europe.

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**“The Unitary Patent and Unified Patent Court are attempts to mitigate the perceived problems of the European patent system. It is fair to say that political realities mean that whilst they are undoubtedly improvements, they do not go as far as many in industry had hoped for.”**

## An imperfect solution

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The Unitary Patent and Unified Patent Court are attempts to mitigate the perceived problems of the European patent system. It is fair to say that political realities mean that whilst they are undoubtedly improvements, they do not go as far as many in industry had hoped for.

Translation requirements have been reduced, but, for the moment, not completely eliminated, as explained in more detail elsewhere. It should also be noted that the reductions in translations brought about by the London Agreement remain in place.

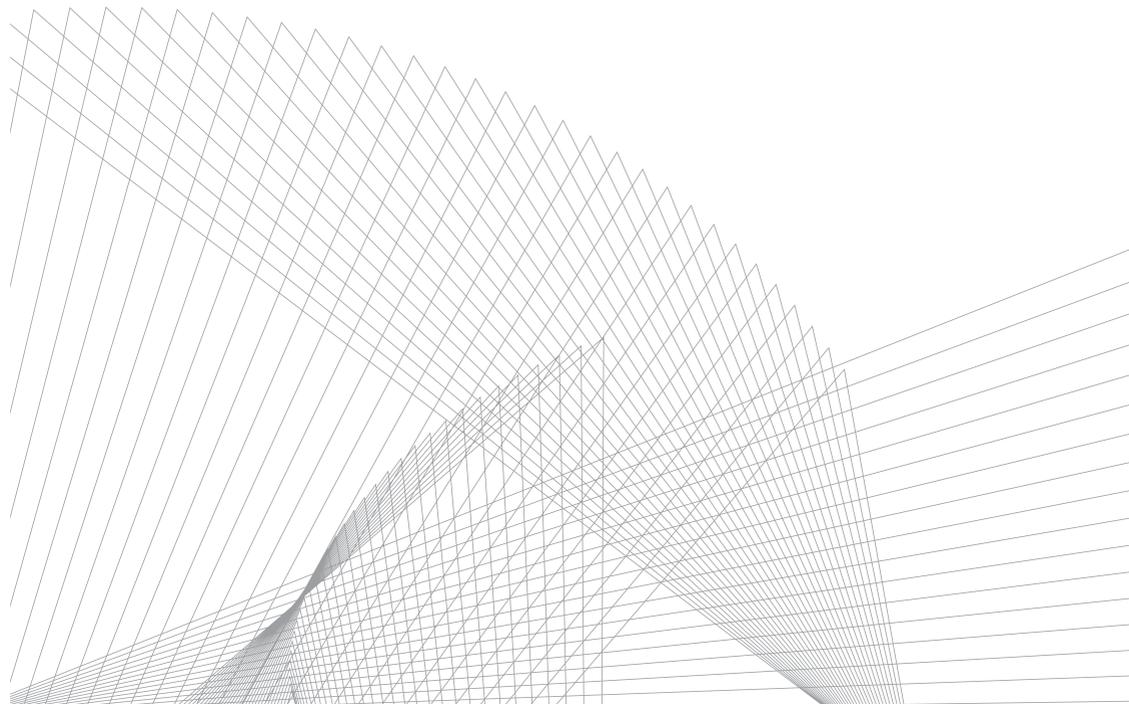
Multiple renewal fees for unitary patents have been replaced by a single, centrally payable fee. However, that fee is fairly high and the requirement to renew in all participating states with a single fee means a loss of flexibility.

As for litigation fora, the multiple national patent courts are replaced by a single Unified Patent Court. However, when you look at the details of this supposedly single court, it starts to look less and less like a single court, because it has a Central Division split between three countries, an appeal court in a fourth country and multiple local and regional divisions scattered around Europe. Opportunities for forum-shopping have certainly not gone away, although it should, of course, be remembered that forum-shopping is also a feature of patent litigation in other countries, such as the USA, which is a single federated country.

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# Section 2

# Unitary Patents in Practice



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## Filing, Prosecution and Grant

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European patents will continue to be filed as usual directly at the EPO, at a national office on behalf of the EPO, or as the regional phase of an International Patent Application (the so-called “Euro-PCT” route).

Prosecution will continue to be by the EPO and will conclude with either a refusal or a notice of allowance (the Rule 71(3) EPC Communication). The EPO’s post-grant opposition and appeals system remains in place.

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## Validation

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Validation in non-participating EU states, such as Spain, and also non-EU states, such as Turkey, will continue as usual with national requirements, particularly as to translations, continuing to apply. For the states participating in the Unitary Patent project, applicants will have the option of validating the patent by the “classic” route in as many, or as few, of the states required, or validating with unitary effect for all states participating in the Unitary Patent regime.

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## Requirements for Validating with Unitary Effect

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In order to validate a European Patent with Unitary Effect, it is the intention that, eventually, no translation will be required (other than machine translations which the EPO intends to make available). However, for a transitional period which will last for up to twelve years, a single translation of the whole specification will be required. If the patent is granted in French or German, that translation must be into English. If the patent is granted in English, the translation may be into any other EU language (including, interestingly, Spanish, which translation may already have been prepared to meet Spanish validation requirements). The patent proprietor will also need to register the patent as having unitary effect at the EPO.

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## Effect of Validating with Unitary Effect

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A European Patent with Unitary Effect will be a single unitary article of property in all participating states. It will not be possible for the patent to be owned by different parties in different participating states, nor will it be possible to abandon the right in some states only. It will, however, be possible to licence the patent to different parties in different states. Exclusive licenses to different parties in different states will also be permitted, although of course it is possible that a licensing strategy which attempts to segment the EU’s single market may fall foul of competition law considerations.

## Renewal Fees

A single renewal fee will be payable to the EPO for all countries which are covered by a Unitary Patent. The fees have been set to approximate to the cost of renewing in four single European countries. For an equivalent fee you get up to 25 countries, so the Unitary Patent represents far better value, provided that you genuinely want more than a handful of countries and are willing to sacrifice the ability to reduce later renewal fee costs by dropping countries towards the end of the patent term.

## Procedure for Requesting Unitary Effect

A request for Unitary Effect needs to be requested. It does not arise automatically. It may only be requested if the European Patent designates all participating member states (not just those which have ratified at the time of grant) and the granted claims are identical for all states.

A request for Unitary Effect must be filed at the EPO within 1 month of grant and the request must be accompanied by the required translation. Any deficiencies in the request will trigger an invitation to correct them within 1 month. There is no official fee for requesting Unitary Effect.

Year	Expected Renewal Fee cost (in Euros)
2	35
3	105
4	145
5	315
6	475
7	630
8	815
9	990
10	1175
11	1460
12	1775
13	2105
14	2455
15	2830
16	3240
17	3640
18	4055
19	4455
20	4855
<b>Total</b>	<b>35,555</b>

## Overseas territories of Participating States

In most countries the national EP designation (i.e. the EP(UK) or EP(IE)) will automatically disappear when that country is covered by the Unitary Patent. Complexities arise when the national EP designation also covers an overseas territory of an EU member state but the overseas territory lies outside of the EU and so cannot be assumed to be covered by the Unitary Patent. The Netherlands Antilles is one example of this complexity. Whilst the European territories of the Netherlands will be covered by a Unitary Patent, protection in the Netherlands Antilles, to which a Dutch patent would ordinarily extend, cannot be included. The Dutch government has, therefore, decided that a European patent with unitary effect may additionally be validated as a “mini EP(NL)” covering only those parts of the Kingdom of the Netherlands lying outside of the EU.

The Isle of Man is a dependency of the UK Crown and is not part of the EU. The UK Government’s view is that Unitary Patents will extend to the Isle of Man as will the jurisdiction of the UPC. The status of the overseas territories of France is unclear.

There are also a number of former UK overseas possessions, including Hong Kong, to which a United Kingdom designation of a European Patent can be extended. Whether or not a Unitary Patent covering the UK can be extended to those territories is a matter of local law. Advice from Hong Kong is that Unitary Patents will almost certainly be extendable to Hong Kong. Further advice should be sought with respect to other territories if they are of importance to you.

## Litigation of European Patents with Unitary Effect

An important consequence of choosing your European Patents to have Unitary Effect is that they, in so far as they relate to participating EU states, will fall under the exclusive jurisdiction of the new Unitary Patent Court. Further details of this court are given below, but it assumes exclusive jurisdiction for all infringement and validity actions. Whether you view that as an advantage or disadvantage will depend on your circumstances and, to an extent, the quality and predictability of this new court.

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## Litigation of European Patents without Unitary Effect

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If you choose to validate your European Patents in participating states so that they do not have unitary effect but are instead validated “classically” into a bundle of national patents, you might think that they will fall outside the jurisdiction of the Unitary Patent Court. However, that is not automatically the case and they will fall under the jurisdiction of the UPC unless they are explicitly opted out. The jurisdiction of the UPC over these patents will be non-exclusive for at least the first seven years of the UPC’s existence. The ability to completely opt out of the UPC’s jurisdiction will be available for the transition period of at least seven years from the new system coming into force and lasts for the life of the patent.

An opt-out may be withdrawn at any time, for example if the proprietor wishes to litigate in the UPC system. But, once an action has been started, in either the UPC or a national court, the ability to opt out or withdraw an opt-out is curtailed. However, unless that happens, the Proprietor may opt out and back into the UPC as often as required. It appears that an action which has been started in one jurisdiction is an absolute bar to opting for the other jurisdiction, even if that action is subsequently withdrawn, completed or otherwise concluded.

After consultation on a possible fee for opt-out, it has been announced that there will be no official opt-out fee. Existing patents already in force when the UPC system comes into force will have to be opted out to prevent them being subject to the UPC’s jurisdiction. There will be a six-month sunrise period for filing opt-outs before the new court opens for business. This will allow proprietors to opt out their existing patents before a third party has a chance to begin an action before the UPC.

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## Opt-Out Procedure

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Opt-outs will need to be filed at the Registry of the Court using their electronic filing system. They will only take effect from the day on which they are recorded, which will presumably be a few days after the request is filed. They need to be filed by the entitled proprietors or, in the case of multiple proprietors, jointly by all entitled proprietors or their legal representative. In practice, the electronic opt-out form is expected to include a tick-box declaration that the person applying to opt out has the authority of all entitled proprietors. If there is an error in the opt-out, even if it is an “obvious mistake”, then it is not effective.

There is a rebuttable presumption that the entitled proprietor is the person recorded in the European Patents Register as Proprietor. It appears that it will be possible to file an opt-out on a pending application before grant. If an opted-out application is subsequently granted and validated with unitary effect, then the opt-out will cease to have any effect.

The EPO has stated that it expects details of opt-outs to be notified to them so that the information may be appended to the European Patents Register which it maintains. It seems unlikely that information as to whether or not a patent has been opted out will be open to the public before the Unitary Patent regime enters into force, which means that during the sunrise period for filing opt-outs, it is unlikely that you will be able to find out if third parties have had their patents opted out.

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## Overlapping Jurisdictions

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Starting with the simplest scenario first. A European Patent which is validated with Unitary Effect will fall under the exclusive jurisdiction of the Unified Patent Court. Actions will not be possible in national courts (except in respect of the countries which are non-participants in the new unitary regime).

For patents which are not validated with unitary effect (both existing patents and newly granted patents) for a transition period of seven years (which may be extended to fourteen years) from the start of the new regime, actions (both those initiated by the patentee and invalidity/revocation actions initiated by a third party) may be brought before the UPC or before a national court. Decisions before a national court will obviously only extend to the national territory of that court, but decisions of the UPC will cover all participating states. Once the transition period has expired, the UPC will have exclusive jurisdiction, unless an opt-out is registered before expiry of the transitional period.

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## EPO Oppositions

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The EPO opposition and appeals system will continue to run in parallel with the new regime. Oppositions give third parties the opportunity to challenge a European Patent in all designated states (both EU and non-EU states) during a nine-month post-grant window. The Unified Patent Court regime will give third parties the ability to challenge a non-opted-out European Patent in all EU member state participants in the UPC system throughout the life of the patent.

In practice, the new regime will, for many clients, allow two opportunities to knock out troublesome patents, before the EPO Opposition Division and before the UPC. The UPC procedure will be largely paper-based with a day or two's hearing at the end and, in many ways, is expected to be similar to the EPO Opposition procedure. Many of Abel & Imray's attorneys have extensive experience of winning EPO oppositions and all of our European Patent Attorneys will have a right of audience before the Unified Patent Court. This means that they will be well-placed to act for their clients before the Unified Patent Court, particularly in revocation actions. Clients wishing to attack a third party patent will need to weigh up the pros and cons of using an EPO opposition or a UPC central revocation action or both.

An EPO opposition will have broader geographic scope but is only available for 9 months after grant. A revocation action before the UPC will only cover UPC participating states, but is available for all of the patent's term.

Another important advantage of filing an opposition rather than a central revocation action is that a patent proprietor is unable to file a counterclaim for infringement at the EPO as part of their defence.

The UPC route carries significantly higher court fees than the official fees payable for an EPO opposition, however, a revocation before the UPC may be much quicker than an EPO opposition.

There is nothing to stop a party filing an opposition and a UPC revocation action at the same time as the two jurisdictions run in parallel.

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## The Unified Patent Court (UPC)

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The UPC will be a common patent court for the EU. It will have jurisdiction over unitary patents and non-unitary European Patents which have not been opted out. The Court comprises a Court of First Instance and a Court of Appeal. Questions of statutory interpretation may, in some limited circumstances, be referred to the Court of Justice of the European Union.

### Court of First Instance

The Court of First Instance will consist of a Central Division and Local and Regional Divisions.

### Central Division

The Central Division will be split between three cities, according to the subject matter of the patent. Patents having an IPC classification starting with C or A (i.e. chemistry, pharmaceuticals, biotech and human necessities) will be allocated to London. Munich will handle mechanical engineering (IPC Classification F). Paris will handle all other subject matter, including electronics. The aim is that the number of cases will be split fairly equally between the three cities, all of which will use English, French and German as official languages. Abel & Imray's attorneys have right of audience in all three parts of the Central Division. There is no need to appoint a German lawyer for an action in Munich nor a French lawyer for an action in Paris.

### Local and Regional Divisions

A country with a sufficient number of patent cases, or potentially a country that wishes to attract patent cases, may choose to set up a Local Division. For example, London, Paris and Munich will also have Local Divisions as will Vienna, Copenhagen, Helsinki and Milan (list subject to change). Countries may also club together with their neighbours and set up a Regional Division. Stockholm will host a Regional Division, with English as its official language, to serve Estonia, Latvia, Lithuania and Sweden.

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## Appeal Court

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The Court of Appeal will be in Luxembourg, along with the Court Registry.

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## Judges

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The first instance divisions will be presided over by a panel of three judges. The Court of Appeal will sit with a panel of five judges.

All of these panels will be multinational, which will go some way to ironing-out national differences and decision-making. However, Local Divisions with a high volume of cases (for example in the UK, Germany or France) will have two local judges and only a single foreign judge.

The judges will be appointed and re-appointed for six-year terms, will require technical or legal qualifications and will receive training. It is expected that many judges will transfer to the UPC from national courts, thereby bringing experience, but also, potentially, national variations to the UPC panels.

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## Invalidity Actions

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Invalidity actions that are not counter claims in infringement actions must be started in the Central Division (London, Munich or Paris). There had previously been concerns that a third party would be able to drag a proprietor to defend a revocation action in a local or regional division where the judges might not have sufficient experience of patent work, or where the language of the court might present difficulties. That concern has not come to pass. Abel & Imray will be available to file and defend invalidity actions before all three branches of the Central Division.

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## Infringement Actions

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Actions for infringement may be started in the local or regional division where the alleged infringement takes place or where the defendant is domiciled. If there is no appropriate Local Division, or when the defendant has no place of business in a participating state, an infringement action may be brought in the Central Division. When the defendant counterclaims for invalidity, both matters may be transferred to the Central Division with the consent of both parties. Without that consent, the local or regional division may, at its own discretion, hear the invalidity counterclaim itself, or retain the infringement action and transfer the counterclaim for invalidity to the Central Division. This last option is known as bifurcation and is a feature of German courts. It has the disadvantage of permitting a finding of infringement of a patent which has not yet been found valid, and which might, subsequently, be found invalid. Such an occurrence is pro-patentee but can be contrary to the interests of justice.

Whether or not such bifurcation takes place in the Unified Court is a decision which lies with the local or regional division in which the action starts. One might expect that a Local Division in Germany, where bifurcation is already a feature of proceedings, will be more willing to permit bifurcation than a Local Division in, say, the UK, where it is usual to hear infringement and invalidity claims together. Only time will tell what happens in reality. However, it is expected that if and when bifurcation takes place, the Central Division will issue a decision promptly and before the Local Division has decided the issue of infringement, thereby mitigating the problems of a bifurcated system.

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## Infringement

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The rights conferred by a Unitary Patent are defined in Articles 25 to 30 of the UPC Agreement. Those rights include the ability to prevent both direct and indirect use of the invention. The UPC Agreement also provides exceptions to prohibited acts such as for acts done privately and for non-commercial use. Of interest to pharmaceutical companies will be the inclusion of a “Bolar” exemption for acts carried out in relation to obtaining regulatory approval for a medicine. It should be noted that the UPC “Bolar” exemption is narrower than that currently allowed by some national laws. Further advice should be obtained if this is an area of interest to you.

It can also be noted that participating countries are, in general, conforming their national law on infringement to the UPC Agreement as arguably required by Article 2 of the European Patent Convention.

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## Court Fees

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It is intended that the Unified Patent Court will be self-funded from user fees. These fees will comprise a fixed element applicable to all claimants and an additional value-based element applicable for higher value cases. The fixed fee for an infringement action is €11,000. For an invalidity action the fixed fee is €20,000, unless the claim for invalidity is a counterclaim to an infringement action, in which case the fixed fee will be €11,000. If the court assesses the value of the dispute to be greater than €750,000, an additional fee of very roughly 1% of the dispute value is imposed, up to a maximum of €325,000. Recoverable costs are capped at €38,000 for disputes valued at €250,000 or less. For higher-value disputes the cost cap rises on a sliding scale up to a maximum of €2,000,000.

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## Representation

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Right of audience before all divisions of the Unified Patent Court will be granted to national lawyers (for example UK solicitors) and to European Patent Attorneys with appropriate additional qualifications. All of Abel & Imray's European Patent Attorneys are qualified to represent clients before the UPC.

It is expected that the procedure of the UPC will be rather like that of EPO oppositions with an extensive written procedure culminating in a hearing lasting a day or two.

For cases which have proceedings both before the EPO's Opposition Division and before the UPC, either in parallel or sequentially, clients may be able to achieve cost savings by instructing the same European Patent Attorney to handle both proceedings.

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## Licences under Unitary Patents

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When a patent is exclusively licensed, it is common for the licence to grant the licensee the responsibility for the prosecution, validation and enforcement of the patent. Under the rules of the Unitary Patent system only a proprietor can opt out of the jurisdiction of the UPC and thought should be given to how the right of opt-out interacts with the licence objectives.

Decisions taken with regard to whether a patent is validated with Unitary Effect or not and whether an opt-out of the UPC's jurisdiction is required would normally be regarded as part of the litigation and enforcement strategy and so, we would recommend that existing and contemplated licences be reviewed to ensure that a licensee with responsibility for enforcement is able to secure the Proprietor's co-operation with regards to validation decisions and to obtaining an opt-out, should that be required. In situations where there are two or more proprietors, it should be noted that the agreement of all joint owners are needed to file an opt-out.

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**"All of Abel & Imray's European Patent Attorneys  
are qualified to represent clients before the UPC."**

## Co-Ownership

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One aspect of the new regime is that the nationality or place of business of the applicant, at the time of filing, (which is expected to be the PCT filing date for a Euro-PCT application) determines which national law will apply to the Unitary Patent as an item of property. Where there are two applicants, the first-named applicant's nationality takes precedence. The order in which joint applicants are named has, in the past, been inconsequential, but where they are of differing nationalities, that will no longer be the case.

## Supplementary Protection Certificates and the New Regime

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Supplementary Protection Certificates (SPC) are sui generis national monopoly rights granted for medicines and plant protection products only. They are based on a granted patent and, in effect, add extra time to the monopoly granted by the patent in compensation for delays in regulatory approval of the product.

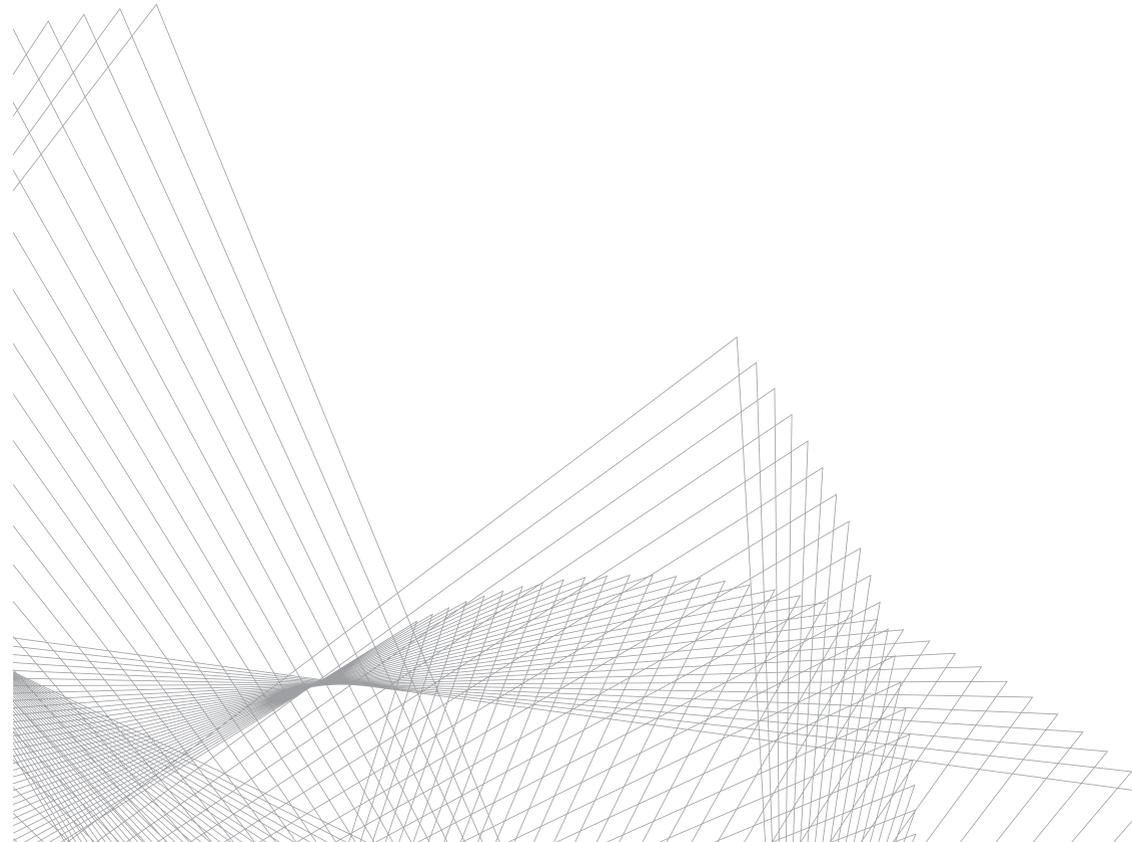
For the near term, SPCs will continue to be national rights. However, longer term there are likely to be efforts to institute a "Unitary SPC" granted by or on behalf of a central authority. The European Commission is in the process of carrying out studies to that end, but, for the moment at least, SPCs will continue to be national rights. Under the new regime those rights can be based on direct national patents, European patents or European patents with unitary effect. National SPCs in participating states will fall under the jurisdiction of the new UPC, unless they are opted-out. If the basic patent on which an SPC is based is opted-out, the SPC will automatically be opted-out also. The filing of an opt-out for an SPC would appear to require the participation of both the Patentee and the SPC proprietor.

Whilst a European Patent almost always has a single set of claims on which the UPC can make a single finding of infringement, a bundle of SPCs derived from that Patent can be expected to contain different product descriptions which raises the question of how the UPC can issue a single finding on infringement. Because of this uncertainty, you may decide to opt out your SPCs until the matter is resolved.

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# Section 3

## Possible Scenarios



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## Possible Scenarios

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The following examples illustrate the thought process which applicants might have to go through in deciding whether to use the Unified Patent system or not.

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### Example 1

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Brit Co is a small UK company. They have recently obtained allowance of a European Patent by the European Patent Office. They normally only validate in the UK, Germany and France, because validation in those three territories is inexpensive (mainly because no translations are required in any of them thanks to the London Agreement) and they have few competitors elsewhere. For a more important patent they might validate more widely but, for reasons of cost, they decide to validate in the UK, France and Germany only and to avoid validating with unitary effect. They have concerns about whether they could afford to take part in a court action, but have had recent positive experiences of the UK's Intellectual Property Enterprise Court, which provides a low-cost litigation forum for low value disputes. To safeguard against having to defend an action in the UPC, where costs may be higher, they opt out their patent from the Unified Patent Court's jurisdiction.

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### Example 2

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Texas Pharma Inc have a promising treatment for diabetes. They got their main patent granted in 2013, validated it in 24 European states and regard it as the jewel in the crown of their patent portfolio. They have already paid for the translations required for this geographically broad validation and so the Unitary Patent regime has come too late to allow them to make a saving in translation costs. Because they don't want to expose their main IP asset to the risks of central revocation by the UPC, they decide to opt out their existing patent. They retain the flexibility to opt back into the UPC at a future date, should that become attractive to them, for example should they wish to obtain an EU-wide injunction.

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They have some secondary patent applications, directed to formulations of their diabetes drugs. They would normally choose to validate those rights, when granted, in no more than about 8 countries as they view them of medium importance. They see the cost savings of the Unitary Patent regime as attractive and have deliberately taken steps to delay grant of one of these second tier patents until after the Unitary Patent regime is in force so that they may validate in all participating EU countries with a single translation and make renewal fee savings. They judge that the risk of central revocation for a tier 2 patent is worth taking for what will be significant cost savings.

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### Example 3

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Rio Biotech Ltda is a Brazilian start-up company with limited financial resources. They had intended to validate their recently allowed European Patent in the UK, Germany and France only, on cost grounds, but really want to validate more broadly, if only they could afford it. They were initially discouraged from validating their 200-page patent with Unitary Effect because the requirement to file a translation of the whole specification into an EU language would be prohibitively expensive. Their European Attorney points out that they may be able to prepare a Portuguese translation of the granted European Patent at low cost because they already have the application, at least as filed, in Portuguese in connection with their Brazilian application which is pending. The availability of that translation makes the Unitary Patent regime affordable to them.

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### Example 4

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Desirable Devices Pty Ltd is a medium-sized Australian company with a portfolio of twenty existing European patents, which have typically been validated in about eight countries each. It wishes to avoid the risk of its patents being knocked out centrally in an action before the UPC. It therefore files an opt-out for all its existing European Patents. However, looking into the future, it has adopted a policy of validating its patents with unitary effect and therefore placing them under the jurisdiction of the UPC. The risk of central revocation is out-weighed by the significant validation and renewal fee cost savings.

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### Example 5

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EuroSpace S.p.a is a large European multinational with a portfolio of five hundred European patents. It has adopted a general policy of not opting out its existing patents. However, the managers of business units have been asked to identify a small number of high value patents for which an opt-out will be considered. They are also reviewing their patent licences to identify those where the opt-out decision lies with a licensee and also to identify patents which they have licensed in, where they may wish to direct the Proprietor to opt out before the new regime starts.

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### Example 6

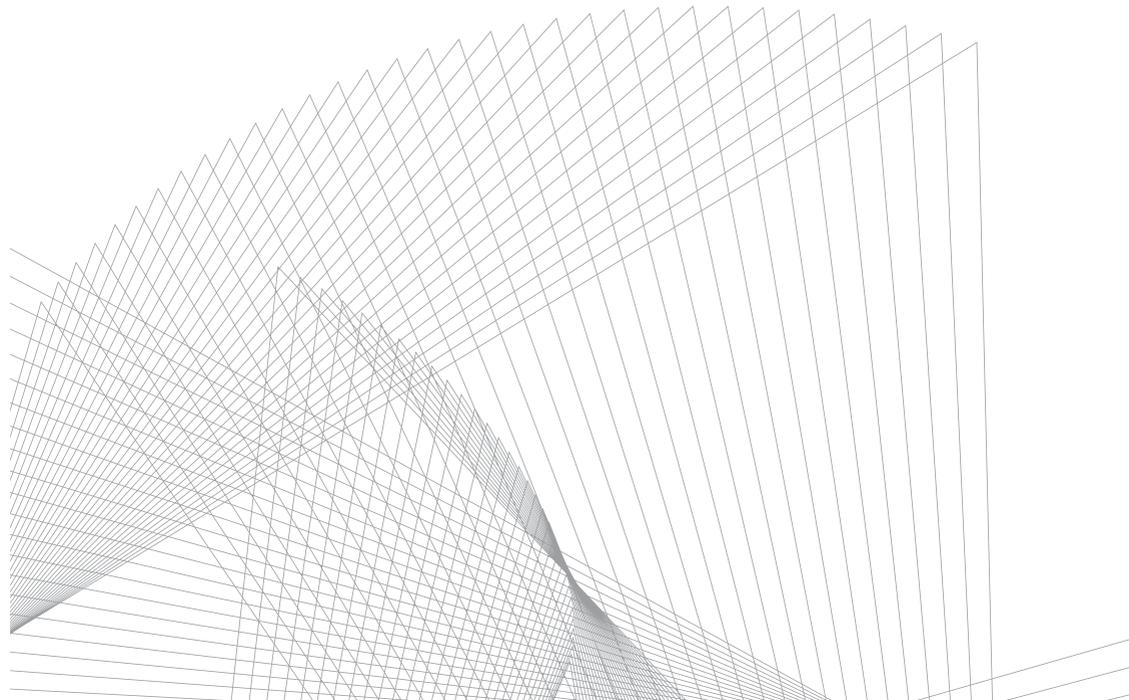
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Redprint plc is a large UK printing firm. Its general approach has been to not opt out its European Patents. However, it is in a patent dispute with one of its competitors, Blueprint plc. Blueprint opposed Redprints's key patent and, after a long-running battle before the EPO's Opposition Division and Board of Appeal, the patent has survived substantially intact. Redprint fears that, when the Unified Patent Court is open for business, Blueprint will file a central revocation action against the patent in order to have a second attempt in knocking it out; Redprint therefore chooses to opt this patent out of the UPC's jurisdiction. The opt-out is filed during the 6-month sunrise period before the UPC starts accepting cases. This ensures that the opt-out will already have been recorded before a revocation action before the UPC can be filed.

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# Section 4

## Actions



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## Actions

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### What do I need to do before the new regime starts?

+ Consider existing portfolio of granted patents

Remember, for existing patents the new regime comes too late for cost savings in validation and renewals to be realized. The only decision to make is whether or not to opt out those patents from the jurisdiction of the UPC. You will need to decide whether to opt out all, some, or none of your European patents. You should aim to reach a decision by mid 2016.

+ Consider portfolio of pending applications

If validating with unitary effect is attractive to you (and it may well be, on cost grounds alone) you should consider whether you wish to defer grant of your pending European Applications, so that they grant after the new regime has come into effect. If a response to the notice of allowance has not yet been filed there are procedural tricks available to defer grant.

+ Review licence agreements

Check to see which party is responsible for taking decisions regarding opt-outs, remembering that the proprietor's co-operation is required to file an opt-out.

+ Review concluded and ongoing oppositions

You may hold, in your portfolio, European patents which have survived an opposition or other challenge being filed against them or which are currently under opposition or revocation proceedings. Ask yourself if those patents could be a target for a central revocation action before the UPC. If that possibility concerns you, then you may wish to opt them out.

Please let your usual contact at Abel & Imray know if you would like us to provide you with a list from our records of your existing portfolio of granted patents or of your pending applications. Your renewals payment service may also be able to assist.

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### What do I need to do after the new regime starts?

Once the new regime starts from early 2017, a decision on whether to validate "with unitary effect" or by the classic route will need to be taken at the grant and validation stage. We appreciate that, for many applicants, relative cost will be a very important factor in making that decision. Abel & Imray's European Validation Team stands ready to provide you with the necessary cost estimates for both courses of action. If you choose to validate with unitary effect, it will not be possible to opt out of the jurisdiction of the UPC. However, if you arrange for national validations according to the "classic route" you will additionally need to decide whether or not you wish to file an opt-out.



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