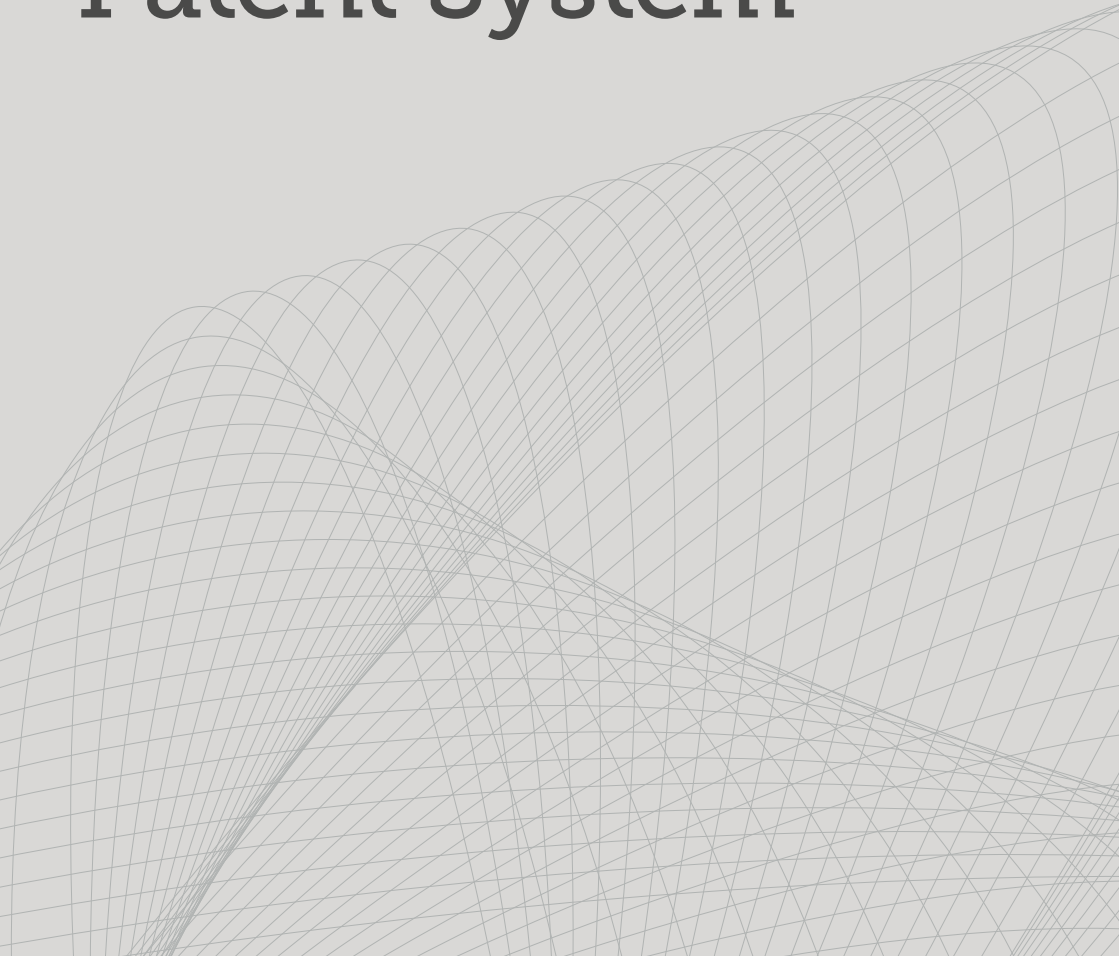


Abel+Imray

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# Practical Guide to: European Patents and the Unitary Patent System



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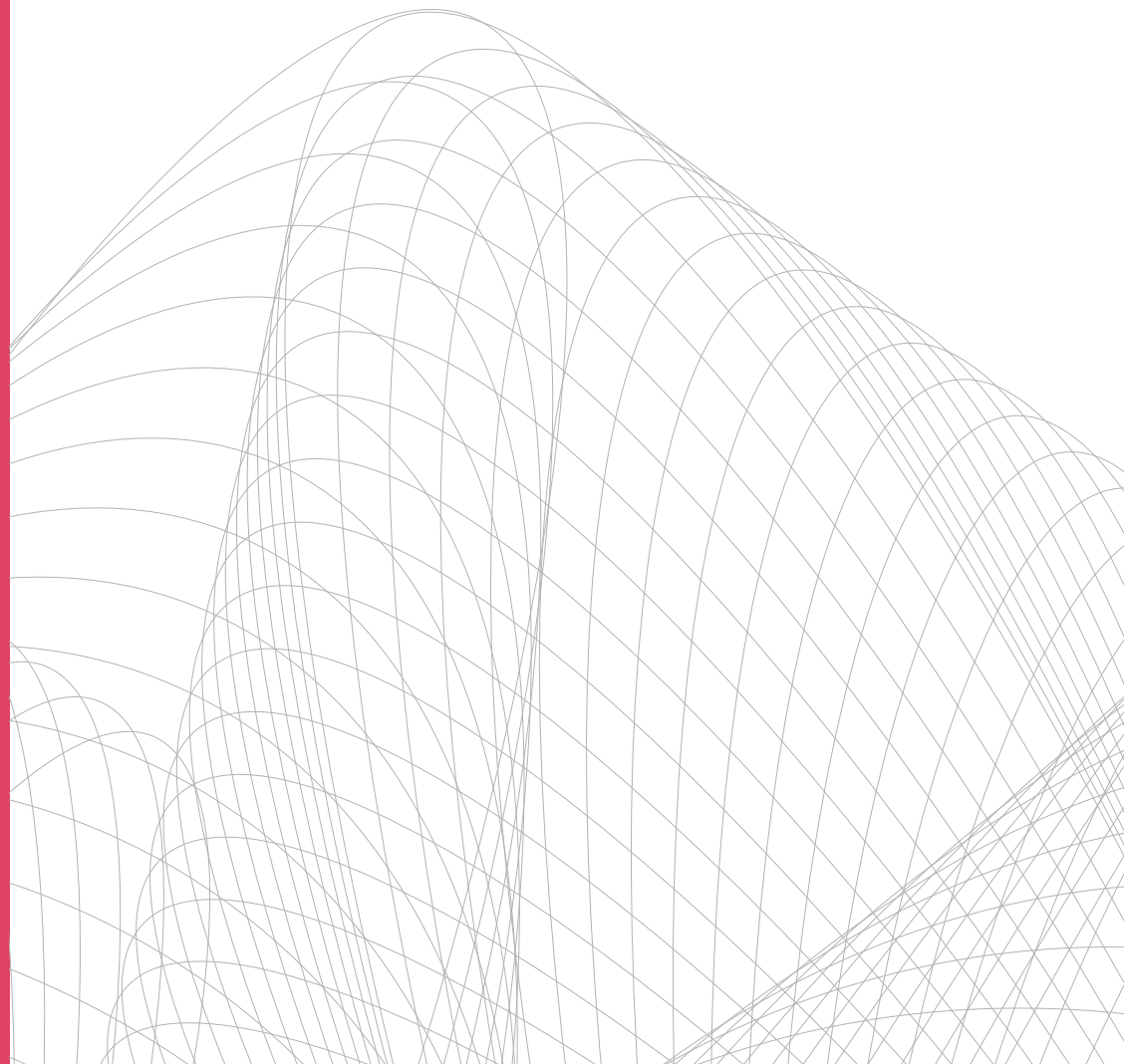
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Abel + Imray's team of patent attorneys and trade mark attorneys is on hand to support clients with protecting their European, UK and global intellectual property rights including representation at the UKIPO, EUIPO and EPO.

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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 realise potential cost savings and to address the risks and opportunities offered by the new Unified Patent Court.
- + The new system will result in potential 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 at the end of 2022 or beginning of 2023, with opt-outs from the new court available from a few months before that.
- + 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 court.

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## Forward

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The Unified Patent System has roots in the Community Patent Convention (CPC), which was signed in 1975. That system provided for a single unitary patent right across what became the European Union and for a single court to have jurisdiction across all member states. The CPC never came into effect due to the reluctance of countries to give up translations into their national languages and their local courts. Those issues have not gone away and the new Unified Patent System includes some awkward compromises as a result, but it seems, after more than 50 years in the making, that Europe will now take a significant step towards a Unified Patent System.

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## The Unitary Patent and the Unified Patent Court

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These are two closely related developments which significantly change the European Patent System. This guide is intended to give you an understanding of the principles behind these changes and their practical consequences.

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## When are European Patents changing?

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The start of the new regime has been much delayed, most recently by challenges in the German constitutional court, but the way is now open for the new system to be up and running by the end of 2022 or the beginning of 2023. Proprietors of European Patents and Applications will need to decide in advance 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 expected to open in 2022. 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 of the patent.

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

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To fully understand 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, Switzerland and the UK) are not. European Patents can also be extended to a further 6 validation and extension states, giving a total of 44 territories in contrast to the EU's 27 member states.

In contrast, the new regime which will give unitary effect to European Patents is an EU initiative, given legal basis by a mixture of Agreements between EU member states, which are international agreements rather than EU law, and EU regulations, which are EU law, 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.

The UK formally left the EU on 31 January 2020 and, following a transition period, ceased to be bound by most EU laws from 1 January 2021 and instead entered into a looser Trade and Cooperation Agreement. The UK's departure from the EU means that it will not participate in the Unitary Patent System, although it remains a full member of the European Patent System, in common with countries such as Norway and Switzerland, and European Patent Attorneys from any of the 38 EPC member states have full rights of representation before the EPO and the new Unified Patent Court.

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, both 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 24 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. The new system is expected, at the time of writing, to start out covering only 17 states, this number gradually rising to 24.

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

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

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**EU Member States NOT participating in the new Unitary Regime**

Croatia†  
Poland  
Spain

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

Albania†	Monaco†	Switzerland†
FYR Macedonia†	Norway†	Turkey
Iceland†	San Marino	United Kingdom†
Lichtenstein†	Serbia	

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**European Patent Extension States**

Bosnia & Herzegovina  
Montenegro

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**European Patent Validation States**

Moldova  
Morocco  
Tunisia  
Cambodia  
Georgia (expected in future)

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 November 2021 plus Germany, which must ratify for Agreement to come into effect

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

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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 result in some improvements, they do not go as far as many in industry had hoped for.”

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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 strengthening the single European market and, for some, as a step towards a federal European state. 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 obvious and most straightforward solution to those problems would have been for countries to reduce their translation requirements, as many have done under the London Agreement, and to allow the EPO or another central authority to collect a single more moderate renewal fee. However, the desire to proceed under the EU’s legal framework has led to a more complicated way of achieving those aims.

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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## 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 result in some 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, as does the ability of further countries to reduce their translation requirements under the “classic” system, either as part of the London Agreement or unilaterally.

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 more and more like a single court in name only, 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 federal country.

Furthermore, because the Unitary Patent is an EU initiative, it is not available to the 17 countries potentially covered by a European Patent which are not EU member states, including the UK, which is one of the “top three” EPC states in which patents are validated.

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## How does the Unified Patent fit with existing arrangements?

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A key point to remember is that the Unitary Patent and the Unified Patent Courts are established under the EU's legal framework. This means that for countries covered by a European Patent which are not in the EU, along with Spain, Poland and Croatia (which, although EU members, are not taking part in this initiative), national validation requirements, renewal fee payments and litigation fora will remain unchanged.

Also, the EPO will continue to grant patents in accordance with the EPC, as it has done since its inception. The EPO opposition system and the EPO Boards of Appeal will continue to function as before. Direct national patents, for example national UK, Dutch or Swedish patents, granted by the national offices in those countries, will forever lie outside the scope of the new Unitary Patent System and the Unified Patent Court.

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## When will the new regime come into force?

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The regime comes into force on the first day of the fourth month after Germany ratifies the relevant agreement. In practice Germany will time its ratification to allow preparatory work to be completed first and the regime is expected to start at the end of 2022 or beginning of 2023.

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## Changing Territorial Scope

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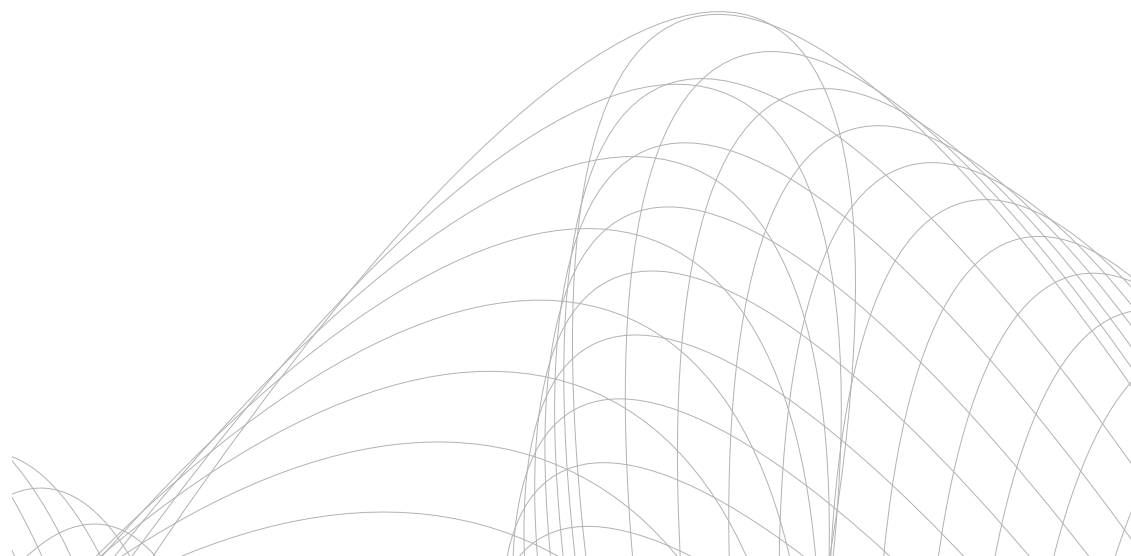
Initially, the Unitary Patent System and the Unified Patent Court will only cover those states in which the UPC Agreement has been ratified. Other participants will be covered when they ratify. Non-participating EU member states, including potentially Spain, Poland, Croatia and any newly joined EU member states may choose to join the system in due course.

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# Section 2

## Unitary Patents in Practice

Germany is responsible for previous delays in the new regime entering into force because ratification by Germany (as the EU member state with the most European validations) is necessary for the new regime to start. Germany's ratification has been twice blocked by injunctions of the German Constitutional Court as a result of legal challenges by a German lawyer. The first challenge was upheld when it was found that Germany had followed incorrect parliamentary procedure in preparing their instrument of ratification. Germany was able to correct that mistake. The second challenge was on substantive grounds and was dismissed by the Constitutional Court without examination of the merits, meaning that Germany is now free to ratify and, by choosing when to deposit its instrument of ratification, is able to control the timing of entry into force of the new regime. It is expected that in order to allow time for practical matters to be put into place, Germany is expected to deposit its instrument of ratification in 2022, leading to entry into force in late 2022 or early 2023.





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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, as happens today, it 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 and the UK, 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 outside of the Unitary System). The patent proprietor will also need to register the patent as having unitary effect at the EPO.

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## Quality of Translations

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In accordance with current (“classic”) validation practice, some countries require a translation into a local language to be filed. In those cases, the quality of the translation is important because errors in the translation can reduce the scope of the monopoly conferred by the patent in that country. This is not the case with the translation which needs to be filed when validating with unitary effect. The language of proceedings in which the patent was granted remains determinative when deciding the scope of protection conferred. This raises the possibility of using a lower cost (and potentially lower quality) translation to meet the translation requirement. In the Author’s view, a very low quality translation, for example a machine-generated translation which has not been checked, runs the risk of failing to qualify as a “translation” and is, therefore, not advised. However, it would not seem unreasonable to use a machine-assisted translation which has been checked by a human to ensure that it meets the requirement of “a translation” but which, perhaps, has not been thoroughly checked for absolute accuracy and scope. EPO staff have expressed a preference for good quality translations, not least because they intend to use these translation to train the machine translation algorithms they are developing, but the EPO would appear to lack an effective sanction against translation errors.

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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.



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## Renewal Fees

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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 24 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.

Year	Expected Renewal Fee (in Euros)
2	35€
3	105€
4	145€
5	315€
6	475€
7	630€
8	815€
9	990€
10	1,175€
11	1,460€
12	1,775€
13	2,105€
14	2,455€
15	2,830€
16	3,240€
17	3,640€
18	4,055€
19	4,455€
20	4,855€
<b>Total</b>	<b>35,555€</b>

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## Procedure for Requesting Unitary Effect

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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 participating states (European Patents are occasionally granted with different claims for some states in order to avoid national unpublished but earlier dated prior rights, which count as prior art for novelty only against the European patent application in some states only).

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.

In practice the Applicant should aim to have decided whether or not they want unitary effect within the 4 month time period for approving the text proposed for grant ("Rule 71(3) EPC Communication"). It is important to appreciate that if you decide to validate your patent with unitary effect then the unitary effect must cover all states participating in the Unitary Patent at the date of grant, so, if you choose to cover, say, France with a Unitary Patent you will necessarily also cover Germany and all other participating states with a Unitary Patent.

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## Litigation of European Patents with Unitary Effect

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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, once filed, an opt out can last 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. 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. If you opt out of the Unitary Patent Court’s jurisdiction and then withdraw the opt-out, a second opt-out will not be accepted. This prevents proprietors opting into and out of the UPC multiple times.

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 sunrise period expected to last 3 to 4 months 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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## Deciding on Whether to Validate with Unitary Effect:

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There are pros and cons of validating with unitary effect, mainly relating to whether or not you see placing your patents under the exclusive jurisdiction of a powerful, but untested, new court as good or bad. However, for many proprietors, it is expected that the relative costs of the two validation routes may be the deciding factor.

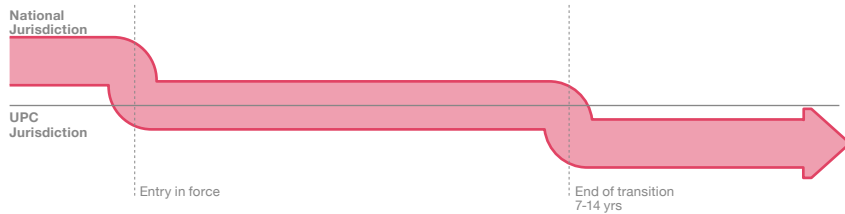
For patents granted *after* the new Unitary Patent System is up and running proprietors are faced with three alternatives:

- A** validate classically and opt out of the jurisdiction of the UPC. Validation costs and patent litigation will be unchanged for those patents with the caveat that the opt out can be withdrawn if the Proprietor subsequently wishes to use the UPC;
- B** validate classically, but not opt out. Validation costs will be unchanged but the Proprietor will have the freedom to sue (or be sued) in either the UPC or national courts for the duration of the seven to fourteen year transition period, after which the UPC will assume exclusive jurisdiction, unless an opt-out is subsequently filed within the transition period;
- C** validate with unitary effect. Patents validated with unitary effect cannot be opted out and will fall under the exclusive jurisdiction of the UPC in respect of countries covered by the unitary effect.

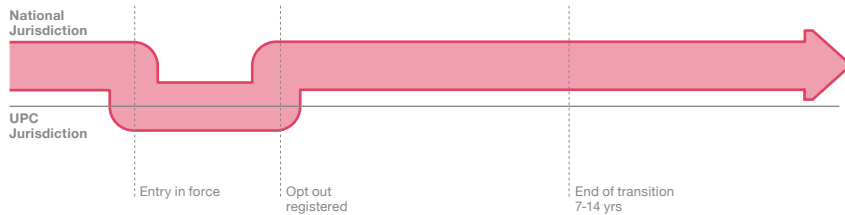
For patents granted *before* the new Unitary Patent System has started (i.e. portfolios of existing granted patents), proprietors have two alternatives:

- A** opt out of the jurisdiction of the UPC. The patent will be under the exclusive jurisdiction of the national courts for the lifetime of the patent, unless the opt-out is later withdrawn. This option will only be available during the transition period lasting 7 to 14 years from the start of the new regime;
- B** do not opt out. The patent will be under the jurisdiction of both national courts and the UPC for the 7 to 14 year transitional period, after which time the UPC jurisdiction will become exclusive (unless an opt-out is filed before the expiry of that period).

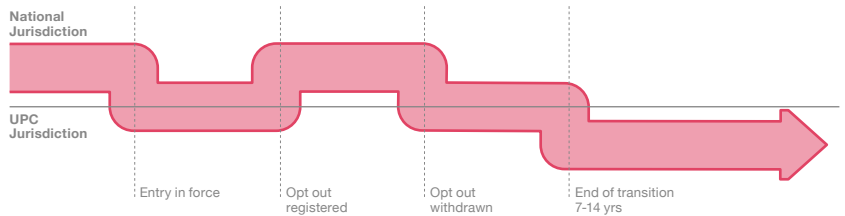
### Existing portfolio if you do nothing



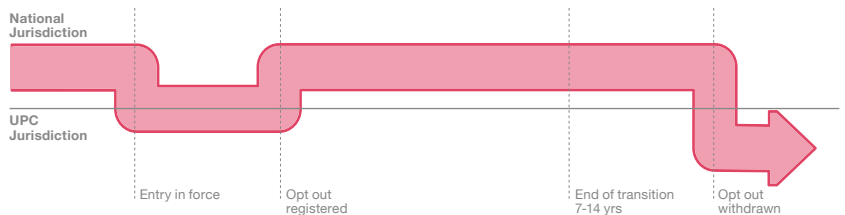
### Opt out filed in transition period



### Opt out withdrawn period



### Opt out withdrawn after transition period



### Reasons to Opt Out

Because an opt-out carries no official fee and can be withdrawn at any time (subject to proceedings not having started), there is a school of thought which says that patentees should opt out their entire portfolios in order to avoid the uncertainty of placing patents under the jurisdiction of an untested court. It may be better to allow the new court to practise on other people's patents before entrusting your own to it.

### Reasons to Not Opt-Out

It is expected that a substantial number of patents will not be opted out of the new regime. Those non-opted out patents can perhaps be categorised as belonging to two groups – “passive” and “active”. Patents falling into the first group include those for which it has been decided that the administrative burden of filing opt-outs is not worth it and perhaps includes patents where litigation in any form is seen as unlikely. The Author has also heard from several larger patent holders that, whilst they will opt out most of their patents, or their most valuable patents, or adopt opting out as their default position, they have positively decided to keep a few patents in the new system so that they can gain experience in using it and seek to shape it during its early years.

### Opt-Out Procedure

Opt-outs will need to be filed at the Registry of the Court using their electronic filing system. This can be undertaken by your European Professional Representative. 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 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.

After the new regime has come into effect, it would seem sensible for Applicants to decide on opt-outs and validation strategy at the “intention to grant” (Rule 71(3) EPC) stage of proceedings when grant is expected but has not yet taken place. Unitary Patent Court actions are only possible in respect of granted patents rather than pending applications, so there would seem to be little advantage in filing an opt-out sooner, although there would be nothing to stop an Applicant filing an opt-out at the start of prosecution, although this would only be advisable if the Applicant was certain of their decision.

The EPO has stated that it expects details of opt-outs filed at the Court Registry to be notified to them so that the information may be appended to the public 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.

Because an opt-out will only take effect from the day on which it is recorded by the Court Registry, rather than on the day it is filed, if an opt-out is filed with the Registry on the same day as a court action is filed with the UPC, there is a risk that the court action will “win” the “race to file” and that the opt-out request will be refused in accordance with the rules which state that a patent cannot be opted out of the UPC if an action at the UPC has started. It is, therefore, recommended that, if possible, an opt-out is filed before a UPC court action can be started. For existing patents this means during the sunrise period, and, once the new regime is up and running, this means before grant (in practice the last convenient time for this is probably when a response is filed to the notice of allowance under Rule 71(3) EPC).

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## Opt-Outs in Practice

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Opt-outs may be filed by a proprietor or a suitably authorised representative and must be submitted to the UPC Court Registry (not the EPO), using the Court Registry’s online filing portal.

Once the Registry starts receiving opt-outs from the first day of the sunrise period onwards, it will be possible to opt out both granted patents and pending patent applications. It is understood that, if an application is opted out and then is subsequently granted and validated with unitary effect, then the previous opt-out will automatically cease to apply and the patent will fall under the UPC’s exclusive jurisdiction.

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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, in which case the opt-out lasts for the life of the patent.

The Unitary Patent Court, on the day it opens, is expected to have jurisdiction over patents in approximately 17 countries. That list of countries will steadily expand as other countries ratify the UPC agreement.

Issues of jurisdiction are further complicated by the fact that when the UPC first opens for court actions it will likely cover only about 17 countries (17 being the number of ratifications of the UPC agreement). Decisions of the court will be limited to those countries. However, during the life of a patent, the jurisdiction of the UPC will expand as more countries ratify. This means that actions filed with the UPC later in the patent's life will have wider geographical scope than earlier filed actions.

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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 (participating EU states, non-participating EU states 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 participating EU member states 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 against an opposition.

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 both an opposition and a UPC revocation action at the same time as the two jurisdictions run in parallel. If the substance of both actions is similar, the marginal costs of filing both actions rather than just one, may be small.

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## The Unified Patent Court (UPC)

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The UPC will be a common patent court for the participating countries. 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 (CJEU). The system has been deliberately designed to minimise the CJEU's involvement because of concerns about that court's expertise in the field of intellectual property, as witnessed by poorly reasoned decisions of the CJEU on trademarks and SPCs. Whether or not the Agreement will succeed in preventing the CJEU from damaging interference in practice remains to be seen. The Unified Patent Court has a very wide range of procedural tools available to it, including cross-examination and seizing orders, because it draws on the legal traditions of many countries. It remains to be seen under what conditions each of those tools will be used. This contributes to uncertainty, as does the diverse background experience of the judges.

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



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## Court of First Instance

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

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### Central Division

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The Central Division will be split between three cities, according to the subject matter of the patent. Munich will handle mechanical engineering (IPC Classification F). Paris will handle all other subject matter, including electronics. Patents having an IPC classification starting with C or A (i.e. chemistry, pharmaceuticals, biotech and human necessities) will be allocated to a third city, possibly Milan. 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.

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## Local and Regional Divisions

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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. This information is subject to change but currently a Local Division is expected in Austria, Belgium, Denmark, Finland, France, Italy, Ireland, the Netherlands, and four Local Divisions in Germany are expected. Countries may also club together with their neighbours and set up a Regional Division. Stockholm will host a Nordic Regional Division, with English as its official language, to serve Estonia, Latvia, Lithuania and Sweden. Bulgaria, Greece, Cyprus, Romania and Slovenia are planning to share a Regional Division, whereas Malta and Luxembourg do not plan to participate in a Local or Regional Division, with actions going straight to the Central Division. Local and Regional Divisions can choose their language of proceedings, with the Nordic Regional Division in Stockholm expected to choose English, the Finnish Local Division opting for Finnish and English, the Danish Local Division using Danish and English and the Belgian Local Division operating in Dutch, English, French and German.

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## Appeal Court and Arbitration Centre

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The Court of Appeal will be in Luxembourg, along with the Court Registry. An Arbitration/Mediation Centre is planned for Ljubljana and Lisbon.

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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 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. A training facility for judges has been established in Budapest.

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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 (Munich, Paris or the third city when allocated in accordance with IPC code). 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 has long been 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, France, 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. Some of the German national judges expected to sit in the Local Divisions of the UPC have publicly stated that they would relish the opportunity to decide on infringement in a Local Division rather than having to send the matter to the Central Division.

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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. This is in contrast to the situation in many national courts, such as the UK, which are funded out of general taxation and where court fee amounts, where levied, are approximately in line with Patent Office fees.

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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 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.

An example licence agreement clause granting a licensee control of UPC opt outs and withdrawals therefor is given below:

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## Example Licence Clause

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**UPC Opt-Out and withdrawal of opt out.** *This Section applies if the Agreement on a Unified Patent Court signed in Brussels on February 9, 2013 enters into force pursuant to Article 89 thereof:*

*The Proprietor shall, at the Licensee's sole cost and expense, as soon as reasonably practicable on request by the Licensee (i) lodge an application with the Registry of the Unified Patent Court in the manner specified the Rules of Procedure of the Unitary Patent Court requesting Opt-Out or Withdrawal of Opt-Out, as specified by the Licensee, of any Patent specified by the Licensee, and (ii) take such other actions as may be necessary or useful to secure the Opt Out or Withdrawal of Opt Out, as applicable, of such Patent including making any declarations required by the Rules of Procedure of the Unitary Patent Court.*

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## 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.

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## 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

## Unitary Patent and Brexit

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## What is Brexit?

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“Brexit” is a portmanteau word of “British” and “exit” coined in 2012 to refer to the United Kingdom’s planned withdrawal from the European Union (EU). In 2016 the UK population voted in an advisory referendum in favour of such a withdrawal and the UK left the EU on 31 January 2020, although little changed until 1 January 2021 when the transition period ended and a new looser relationship between the UK and EU started under a Trade and Co-operation agreement.

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## The Constitutional Position of the European Union

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The European Union is a political and economic union of 27 member states (28 prior to the UK’s departure). Its constitutional nature is unique and the EU has elements of an intragovernmental organisation, a confederation of states and a federal union of states. It was established by several treaties which set out the framework under which it operates, including the operation of the Court of Justice of the European Union (CJEU), which has the determinative role in interpreting the treaties and all legislation enacted under them. In some ways the treaties can be regarded as the constitution of the EU and the CJEU as its supreme court because national law is secondary to EU law and national courts are overruled by the CJEU. However, EU member states retain all powers not acquired by the European Union. The areas over which the EU has powers are known as its “competences”. Certain competences (for example agricultural policy) are exclusive to the EU, some competences are shared with national governments (for example the environment and defence, meaning both bodies can legislate) and some competences (for example culture) remain with national governments.

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## The *Acquis Communautaire*

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It is a fundamental principle of the EU, as enforced by the CJEU, that once the competence to legislate in a certain area has passed from the nation states to the EU, it becomes part of the *acquis communautaire* (“that which has been acquired by the Community”) and it remains with the EU. This means that the EU’s competences expand over time in accordance with the principle of “ever closer union”. Sometimes, new treaties are used to grant the EU new competences and sometimes competences are expanded by judicial actions of the CJEU.

Whether or not the EU is competent to legislate in the field of intellectual property is somewhat contentious. This is because, although it has competence to legislate to ensure the proper function of the EU single market, it lacks competence in the field of industrial policy and property. This is why, when the EU opened an office to grant EU-wide trademarks and registered designs, it framed its action as a single market measure and gave the office the opaque title of “Office for Harmonisation in the Internal Market (OHIM)”. Only once it had become more confident of its competence did it rename the office the European Union Intellectual Property Office (EUIPO). It is also the reason why the Unitary Patent System will be enacted by a mixture of EU Regulations (laws enacted directly by the EU in an area in which it is competent under the authority of existing treaties) and new intragovernmental treaties.

The ratchet principle by which the *acquis communautaire* is acquired means that it may be difficult for the participants in the Unitary Patent System which remain in the EU to participate in such cooperation outside of an EU framework and the CJEU’s jurisdiction because the nation states may have ceded their competences to legislate in such matters to the EU. This is relevant because a system of cooperation under EU law necessarily has the CJEU as final arbiter and, for countries outside of the EU, such as Switzerland and the UK, having the CJEU in charge is politically and constitutionally challenging.

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## The Single Market

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The European Single Market (previously known as the Common Market, and then the Internal Market) is an area covering the EU and providing for free movement of goods, services, capital and people (“the four freedoms”). It also covers, with some exceptions, Iceland, Lichtenstein, Norway and Switzerland, which are outside the EU, but, together with the EU are known as the European Economic Area (EEA). It is possible that the UK will join the EEA in the future but that is not expected to happen soon.

In terms of goods it means that customs duties are abolished when crossing internal EU borders and that a common external tariff barrier exists around the EU. By most measures, the single market in goods has been a success in achieving the aim of creating an integrated market for goods across around 400 million people. It is the freedom of movement in goods which impacts on Intellectual Property via the principle of exhaustion of rights in trademarks, whereby a trademark registration may not be enforceable to prevent an article voluntarily placed on the market in one member state from being re-imported to another member state.

National patents in a patchwork of EU states are able to restrict the free movement of goods within the single market, which explains why the EU, in support of single market aims, is keen to move towards a unitary patent covering the whole of the single market.

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## Consequences of Brexit for UK Law

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Constitutionally, the consequence of Brexit means a return to the situation which applied to the UK before 1972, that is to say full sovereignty of the UK Parliament and a UK Supreme Court which really is supreme. Practically, the consequence of Brexit for UK law presented a number of challenges. If all UK law were to have disappeared at a stroke, great *lacunae* would have appeared in the UK statute book.

In order to avoid this, the UK government, when repealing the European Communities Act 1972, which was the UK law by which entry into the EU was effected, simultaneously converted all existing European legislation into UK law, which can now be retained, amended or repealed at leisure by the UK Parliament. This means, for example, that the EU regulation under which UK Supplementary Protection Certificates (SPCs) for pharmaceutical and plant protection products are currently granted have become UK national law and can be expected to continue to operate in the same way as when the UK was a member of the EU, until such time as the UK Parliament decides to amend it. It does, however, mean that the linkage to the CJEU will be broken and, over time, one might expect UK courts to interpret the law on SPCs differently to how the CJEU interprets it.



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## Consequences of Brexit for Patents

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Brexit will have very little effect on patents under the existing pre-unitary patent arrangements. Existing UK patents and existing European patents covering the UK will continue in force and the UK will continue to be a signatory of the European Patent Convention allowing the UK to continue to be covered by European patents.

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## Consequences of Brexit for the UPC

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Brexit has undoubtedly made the UPC system less attractive because a unitary patent cannot cover the UK and validation in the UK, along with Spain, Switzerland and other non-participating states, will diminish the advantages of validating European patents with unitary effect.

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## Other Consequences of Brexit

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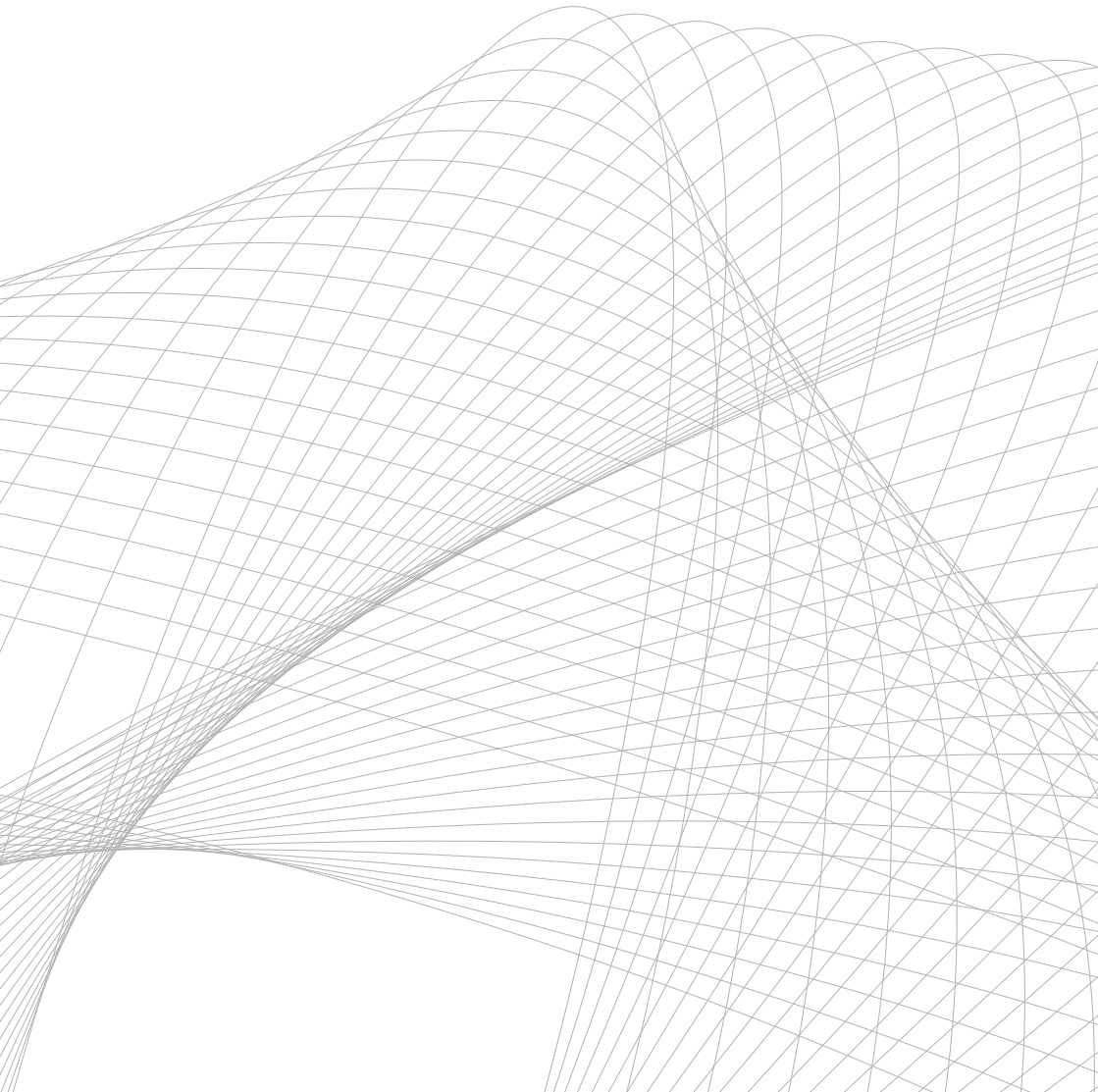
In general terms it appears likely that, over a period of years, withdrawal from the EU single market and the exercise of newly regained rights to negotiate trade agreements with the rest of the world will gradually “tilt” the UK away from Europe and towards the rest of the world, both economically and politically. This clearly brings both risks and challenges, but in some ways it is no more than a continuation and amplification of existing trends whereby the UK’s exports to the EU fell from 54% of total exports in 2004 to 47% in 2014, due to sluggish growth in the EU as compared to the rest of the world.

In the context of patents, the UK no longer being part of the single market may mean that the value of gaining patents in the UK will need to be reassessed. One of the features of the single market is that, because some industries really do see the EU as a single market, protection in a handful of EU states is viewed as often sufficient to, in effect, have a pan-EU monopoly. With the UK out of the single market, the UK may start to be viewed more as a market in its own right. For some patent holders this may mean that gaining a patent in the UK becomes less important, whilst for others gaining a UK patent will increase in importance.

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# Section 4

## 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 speedy and 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 2018, 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.

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 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 related 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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# Section 5

## Actions



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

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#### + 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 the start of 2022.

#### + 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. You should also decide whether you wish to opt out your pending applications.

#### + 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?

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Once the new regime starts, which is expected in late 2022 or early 2023, 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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**“The Abel + Imray team have provided us with over a decade of consistently solid and responsive advice, combining commercial pragmatism with global IP expertise.”**

– Dunstan Cooke, Business Director, Plaxica Limited



London  
20 St. Andrew Street  
EC4A 3AG, UK  
+44 (0)20 7242 9984

Cardiff  
3 Assembly Square  
Britannia Quay  
CF10 4PL, UK  
+44 (0)29 2089 4200

Bath  
Westpoint Building  
James Street West  
BA1 2DA, UK  
+44 (0)1225 469 914

Delft  
Whitepark  
Poortweg 4A  
2612 PA Delft  
The Netherlands  
+31 (0) 15 8080 194