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**European Unitary Patent
Unified Patent Court**

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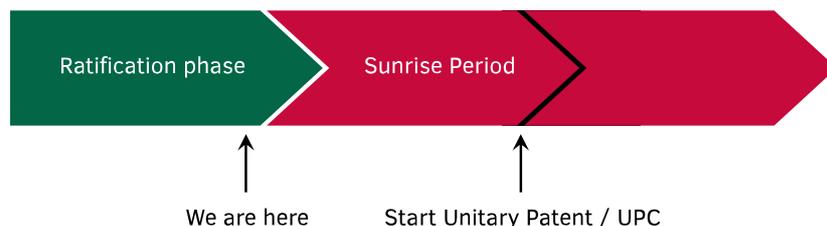
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1. Introduction

After long years of work full of obstacles and setbacks, the path is now clear for a major reform package regarding the setup of a new European Unitary Patent and Unified Patent Court (UPC) to enter into force soon.

The new system eliminates a long-time gap in the protection of IP in the European Union (EU). While EU-wide protection of trademarks and designs has been available for a long time, the harmonization of patent protection so far was limited to the option of a common examination and grant procedure at the European Patent Office (EPO). The so-called EP-patents granted by the EPO had no unitary effect throughout the EU, however, but constituted a bundle of independent national patents subject to national regulations and jurisdictions.

The final preparations for the new system, in particular the setup of IT infrastructure and recruitment of judicial and administrative personnel, are now underway. As soon as these preparations will be finished, which from the present perspective will likely be in Q4 2022 or Q1 2023, a so-called Sunrise Period of at least three months will set in, which will provide an opportunity for patentees to appropriately prepare. After the end of the Sunrise Period the first European Unitary Patents will enter into force and the Unified Patent Court will start work in its area of competence.



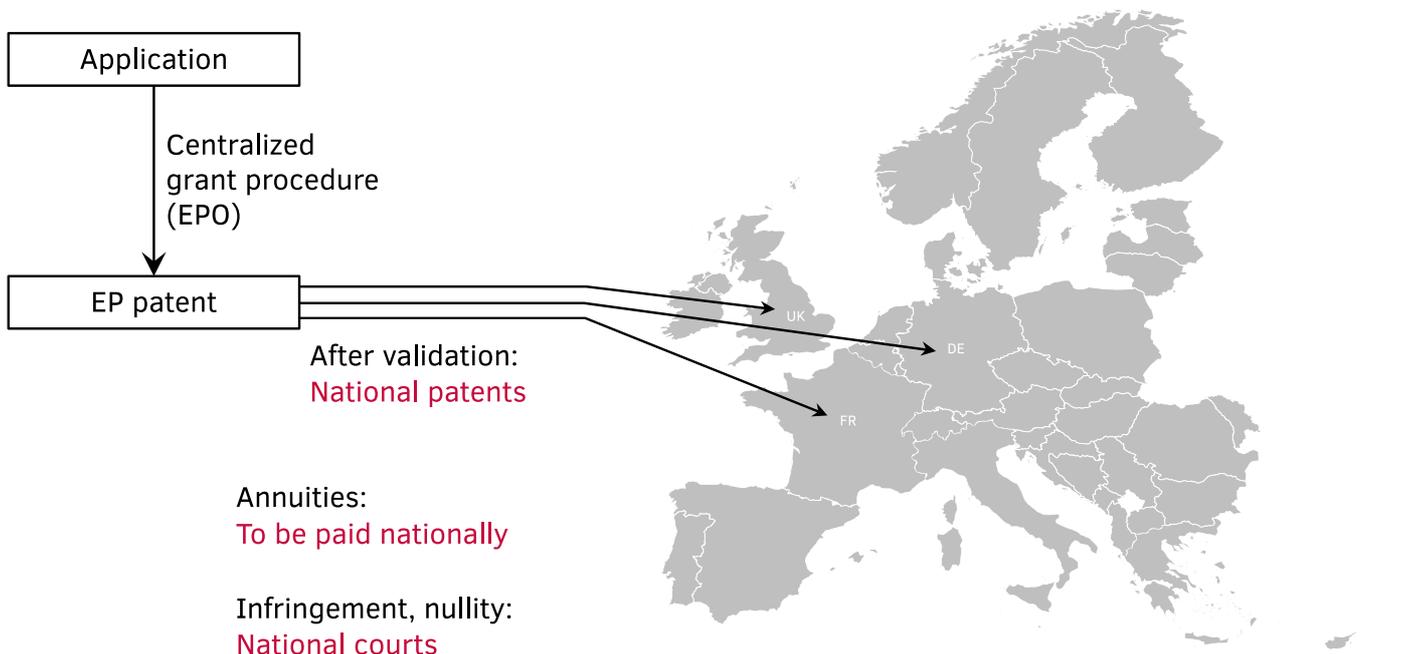
2. The European Unitary Patent

2.1. PRESENT

So far there has been no fully harmonized patent protection in the European Union.

A common patent examination and grant procedure at the European Patent Office (EPO) to obtain so-called EP patents in states of the European continent has been available for decades. When compared to national applications and examination and grant procedures in individual states, this common procedure already constitutes a major simplification for patentees.

EP patents had no unitary effect throughout the European Union, however. Rather, these patents were a bundle of individual national patents (“Bundle Patents”), which had to be pursued further (“validated”) in individual contracting states of the European Patent Convention (EPC) after the patent grant, according to provisions of national law. They hence were subject to national provisions regarding representation, translation and renewal, which often produced significant cost after patent grant because the spending in different states added up quickly. There also was no possibility for transnational patent enforcement. A Bundle Patent could only be asserted at a national court of a validated states individually for the respective state, so when a patentee was willing to enforce a patent in more than one state, she had to initiate a number of parallel and independent national court proceedings.

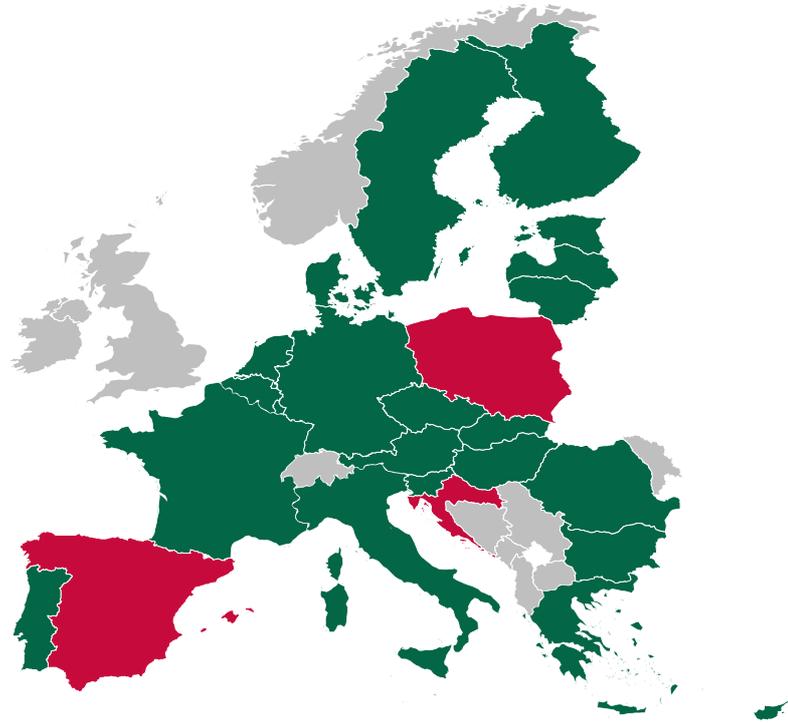


2.2. FUTURE

The new system allows patentees to request for unitary effect after grant of an EP patent and so obtain a single Unitary Patent effective in all participating EU states.*

*Not all EU states will be part of the new system, at least not from the beginning. The system is based on an enhanced cooperation of a majority of the EU states. Spain, Poland and Croatia do not participate in this enhanced cooperation so far and will hence not be part of the system for the time being. Other EU states take part in the enhanced cooperation in principle, but have not so far ratified the Agreement and are hence expected to join the new system with delay. Many economically important states like Germany, France, Italy or The Netherlands will be part of the new system from the beginning, however.

For member states of the EPC, which are not or not yet part of the new system because they are no EU states (e.g. the United Kingdom, Switzerland or Norway) or do not (yet) participate in the enhanced cooperation for reasons given above, the status quo of the Bundle Patent remains: In these states an EP patent continues to be equivalent to a national patent after being validated.



Example:

An EP patent is granted after the new system has entered into force. The patentee wants to validate the patent at least in Germany, the United Kingdom, The Netherlands and Spain.

She can request for unitary effect to obtain a Unitary Patent effective in all participating EU states, inter alia Germany, France, Italy and The Netherlands. In addition, she can validate the EP patent in the United Kingdom (not part of the EU) and Spain (part of the EU, but not part of the new system).

Also in participating EU states the possibility of single state validations will continue to exist as an alternative to requesting unitary effect. The new system does not replace the existing system, but complements it.

Example:

An EP patent is granted after the new system has entered into force. The patentee wants to validate the patent in Germany, France and Italy.

She can choose between requesting unitary effect to obtain a Unitary Patent effective in, inter alia, Germany, France and Italy, and a single state validation of the Bundle Patent in the three states.

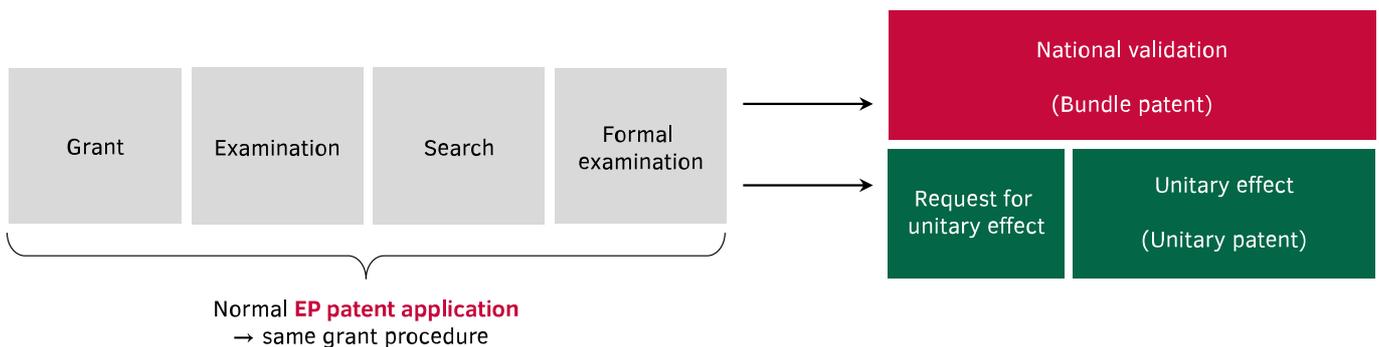
A double-validation of an EP patent in a participating EU state by requesting unitary effect and additionally validating the Bundle Patent in that state is not possible.

Example:

An EP patent is granted after the new system has entered into force. The patentee wants to validate the patent in Germany.

She must decide whether to request unitary effect and obtain a Unitary Patent effective in, inter alia, Germany, or whether to carry out a single state validation of the Bundle Patent in Germany.

A request for unitary effect is due within one month after the grant of an EP patent at the EPO



The annuity fees for a Unitary Patent will be oriented on the annuity fees that would cumulatively be due for national parts of a Bundle Patent in the four most validated system member states („True Top 4“).

The magnitude of these fees can be taken from the table below.

Patent year	Planned UP annuity fees according to „True Top 4“	For comparison: Sum of the cumulated annuity fees in all participating states
5	app. 500 Euro	app. 2.500 Euro
10	app. 1.000 Euro	app. 6.500 Euro
15	app. 3.000 Euro	app. 12.000 Euro
20	app. 5.000 Euro	app. 20.000 Euro



2.3. TRANSITION

A Unitary Patent will be valid only in states, which are part of the system when the underlying EP patent is granted. It does not retroactively become valid in states, which were not part of the system at that time and only enter the system later.

Example:

An EP patent is granted shortly after the new system enters into force. At that time, Ireland is not part of the system because it has not already ratified the Agreement. The patentee wants to obtain patent protection in Ireland.

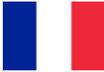
She has to make a single state validation of the Bundle Patent in Ireland. Even if Ireland ratifies the Agreement some months later and joins the system, a Unitary Patent based on the respective EP patent would not retroactively become valid in Ireland.

During a transitional period of between 6-12 years, a full translation of the EP patent document into a second language will have to be furnished to obtain a Unitary Patent. If the language of the EP patent is English, the second language may be selected from any other official language of a participating state (e.g. German). If the language of the EP patent is German or French, the second language has to be English. The transition period is intended to bridge a period until machine translations of sufficient quality are available for all language pairs. The submitted translations will be used to train the translation AI.

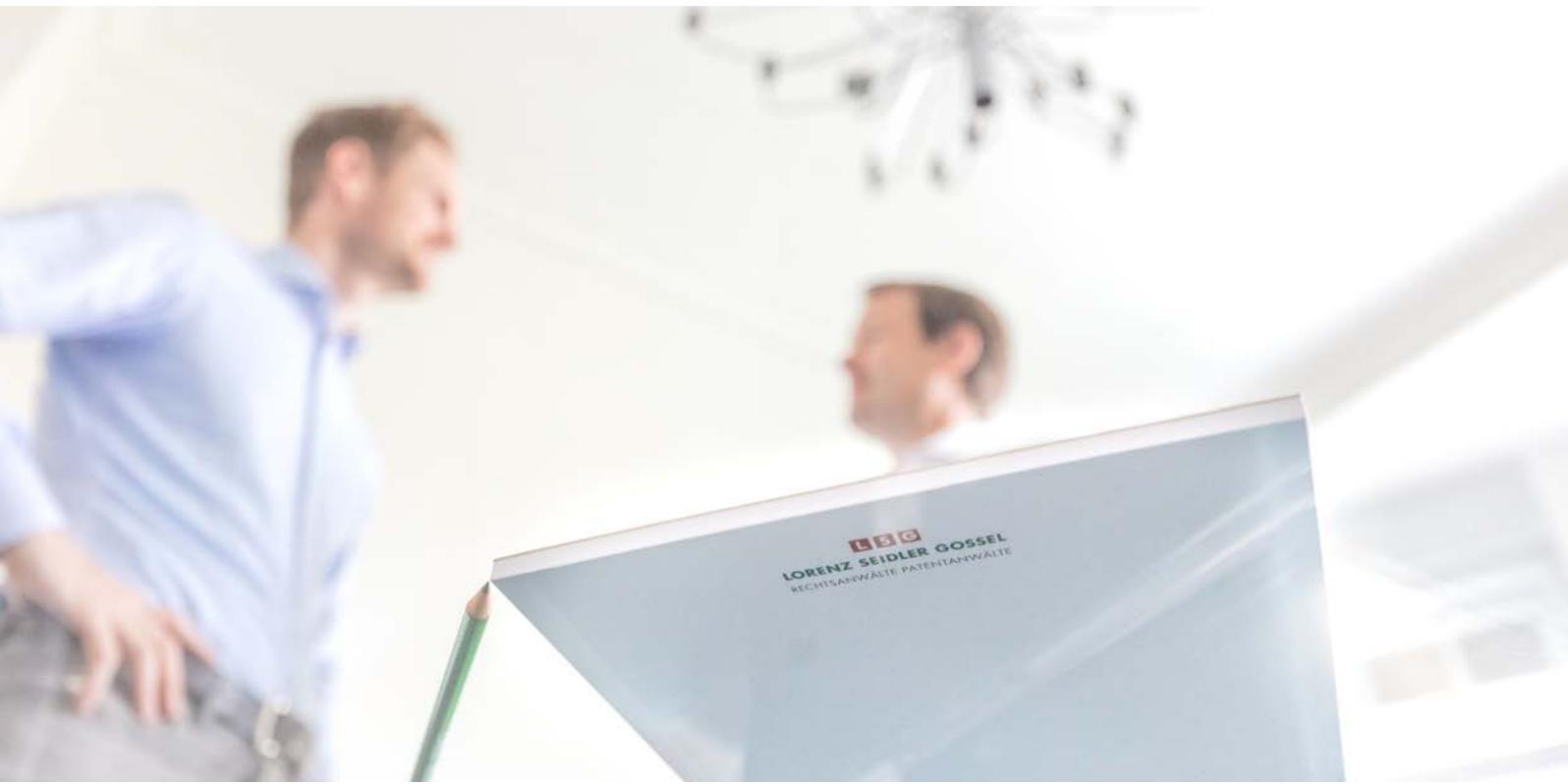
Unitary effect can only be requested for EP patents granted after the new system enters into force.

During the Sunrise Period it will be possible to postpone the grant of EP patents, which are intended for grant, until the new system enters into force. This enables requesting unitary effect for these patents.

The postponement must be requested prior to or concurrently with payment of the issue fee.

Case 1: Patent in  or  → 

Case 2: Patent in  →  (any EU official language)

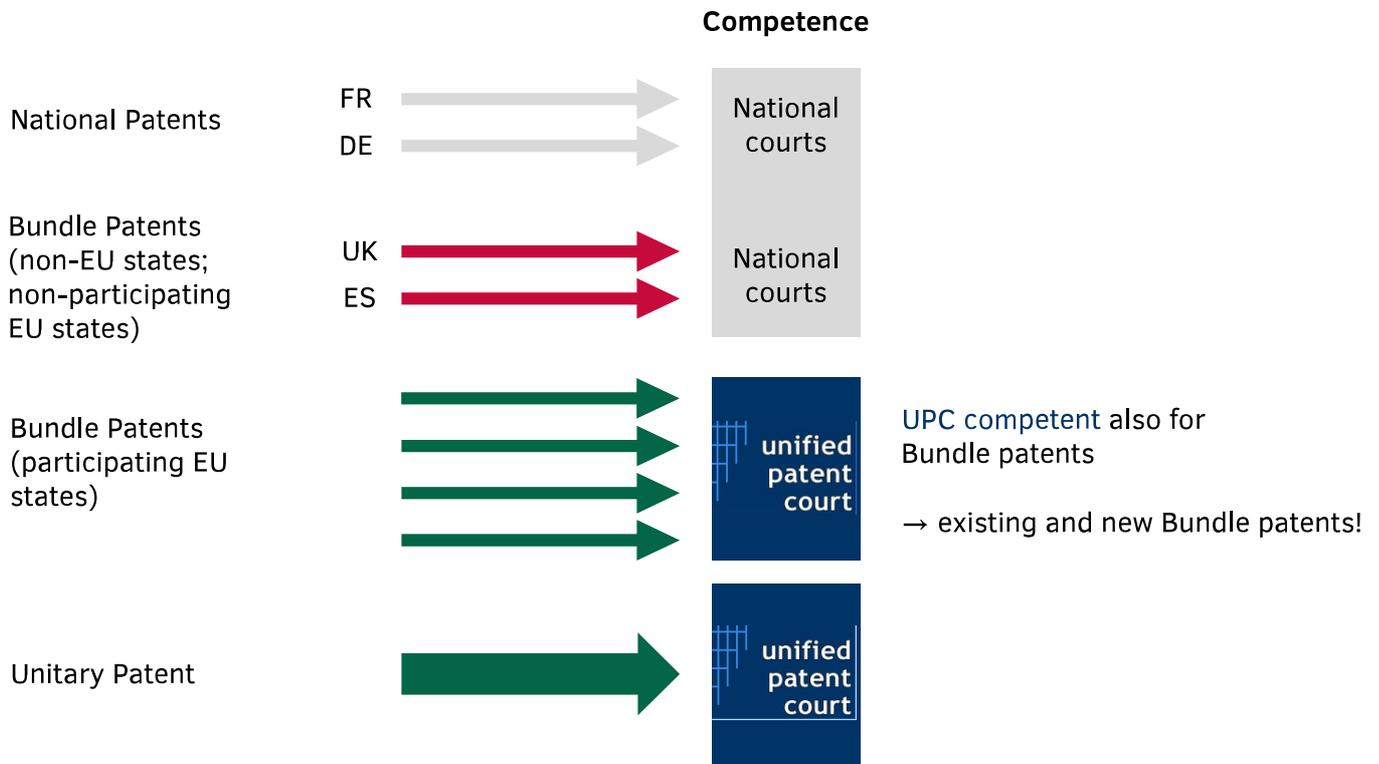


3. The Unified Patent Court

3.1. COMPETENCE

The Unified Patent Court (UPC) has exclusive competence for actions out of and against Unitary Patents, in particular for infringement actions and nullity actions. In addition, it is competent for actions out of and against status quo Bundle Patents. This competence also extends to existing Bundle Patents, which have been granted before the new system enters into force.

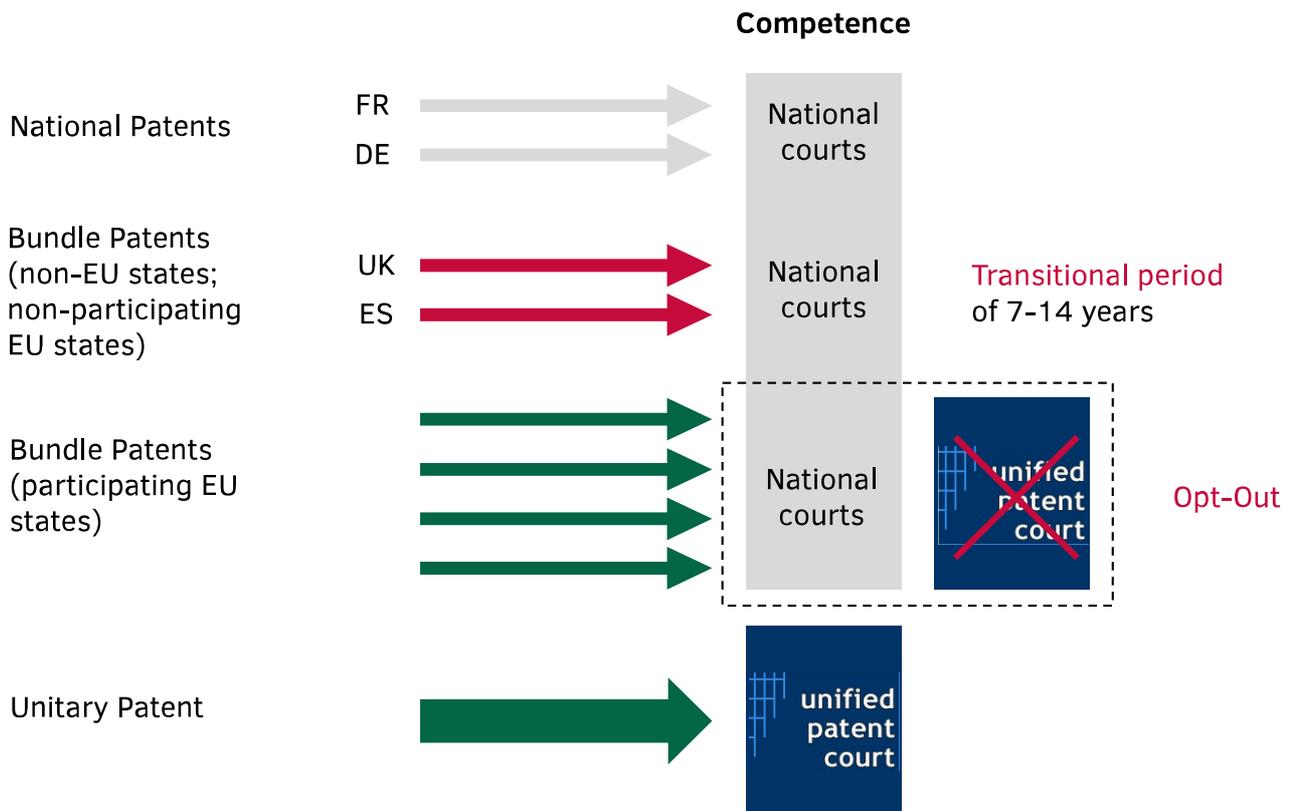
Once the new system enters into force, the UPC assumes competence also for actions out of and against existing Bundle Patents in the participating EU states.



3.2. TRANSITIONAL PROVISIONS – OPT-OUT

During a transitional period of at least 7 and at most 14 years, patentees will be given the option to “opt out” existing Bundle Patents and Bundle Patents validated after the new system entered into force from the UPC. By opting out, the competence of the UPC is deselected for the respective Bundle Patent, and the competence of the national courts selected instead.

An opted out patent will remain opted out during the entire patent term, and hence potentially beyond the end of the transitional period.



*Unitary Patents
cannot be opted out.*

The possibility for opting out Bundle Patents during a transitional period was created to increase acceptance of the new system. Sceptical patentees will have the possibility to avoid competence of the UPC for all their existing and new Bundle Patents throughout a relatively long transitional period.

An opt-out does not incur official fees. It will already be possible to opt out patents during the Sunrise Period.

An opt-out is not final. Competence of the UPC can again be selected for an opted out Bundle Patent by again opting in. After an opt-in, no further opt-out will be possible („lock-in“).

Once an action out of or against a Bundle Patent has been initiated at the UPC or at a national court, the competence cannot anymore be changed, meaning that the patent is either locked in to the UPC or locked out from the UPC („lock-in“; „lock-out“).

Example:

A patentee is sceptical about the new UPC and opts out all her existing Bundle Patent during the Sunrise Period. After some time she wants to assert one of her Bundle Patents against a competitor in a number of EU states.

She opts in the respective patent because the UPC enables her to assert the patent against the competitor in all participating EU states in a single action. She does not have to initiate a number of individual actions in the respective states.

Example:

A patentee is sceptical about the new UPC and would like to opt out an existing Bundle Patent during the transitional period. However, a competitor has already filed a nullity action against the patent before the UPC. Hence, no opt-out is possible anymore and the competence of the UPC is locked in for the respective patent.

Example:

A patentee has validly opted out a Bundle Patent during the Sunrise Period. After some time she wants to assert the patent against a competitor in a number of EU states. However, the competitor has already initiated a nullity action against the respective patent at a national court. Hence, no opt-in is possible anymore and the competence of the UPC is locked out for the respective patent.

*During the Sunrise Period,
Bundle Patents can be safely
opted out because no actions that
would lock in the patents can
already be filed at the UPC.*

3.3. STRUCTURE

The UPC comprises two instances. There is no direct (third) revision instance, but the Chambers of both instances may refer questions on EU law to the ECJ. Such referrals are expected to be rather infrequent in practice, however.

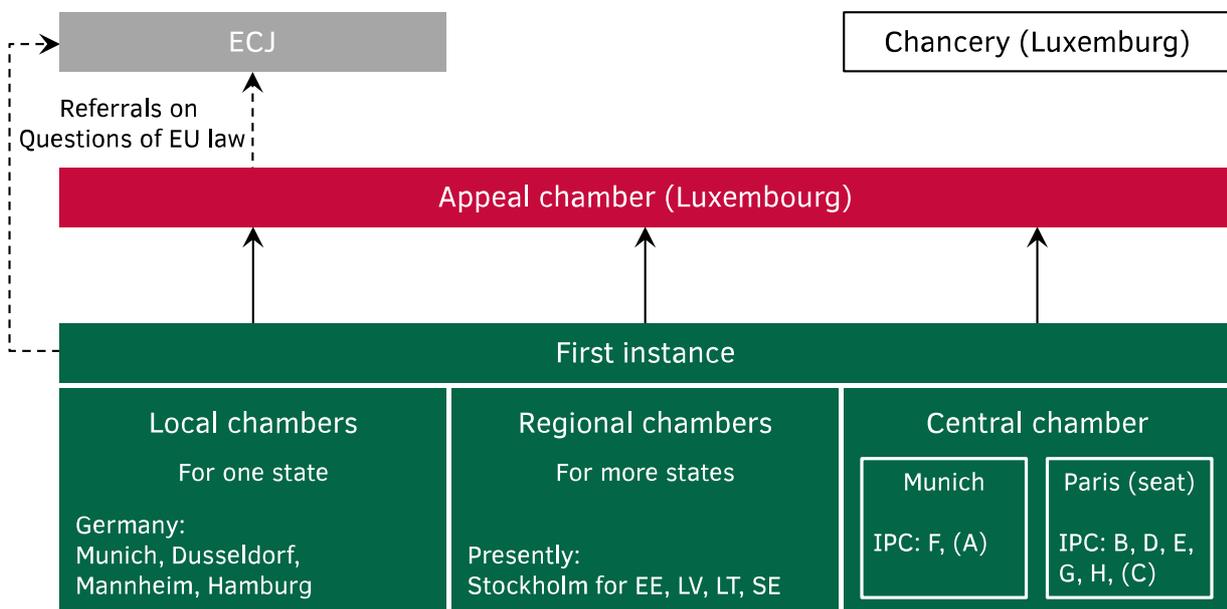
The first instance court has a plurality of sites and three kinds of chambers: a central chamber, local chambers and regional chambers.

The central chamber is seated in Paris (France) and has a further division in Munich (Germany). Cases are distributed between Paris and Munich according to the technical field of the tried patent, i.e. according to its IPC class.

Local chambers can be established by participating states. For example, Germany plans to establish four local chambers in Munich, Mannheim, Dusseldorf and Hamburg. Other countries like France, Italy or The Netherlands plan to establish one local chamber each.

The Baltic States plan to establish a regional chamber together with Sweden.

The appeal chamber is seated in Luxembourg.



UPC: Structure of the court

Within the first instance, the local or regional chambers at the place of infringement or the defendant's seat are competent for infringement actions (including preliminary measures). In case the defendant has no seat in a participating EU state, where the tried Unitary or Bundle Patent is active, both the local or regional chamber at the place of infringement and the central chamber are competent. The central chamber is also competent if no local or regional chamber exists at the place of infringement or defendant's seat.

The central chamber has exclusive competence for isolated nullity actions or declaratory actions

A nullity counterclaim must be raised before the chamber, at which the infringement action is pending. If this is a local or regional chamber, the chamber can use its discretion to either treat the nullity counterclaim itself or refer the nullity counterclaim to the central chamber – with or without staying the infringement action.

The Agreement on the UPC thus offers a choice between the widespread system of uniform treatment of infringement actions and nullity counterclaim in one and the same proceeding, and the German system of separate treatment („bifurcation“). It is open which approach will prevail in the practice of the UPC.

The appeal chamber has exclusive competence for appeals against all decisions of the first instance chambers.

Local and regional chambers	<ul style="list-style-type: none"> • Place of infringement • Defendant's seat
Central chamber	<ul style="list-style-type: none"> • No defendant's seat in a participating EU member state • No local or regional chamber at defendant's seat • No local or regional chamber at place of infringement

UPC: Local competence – infringement

Local regional chambers	<ul style="list-style-type: none"> • Infringement actions • Nullity counterclaims • Preliminary measures 	} <ul style="list-style-type: none"> e.g. no local chamber e.g. referral by chamber
Central chamber	<ul style="list-style-type: none"> • Nullity actions → also parallel to an EP opposition proceeding • Declaratory actions • If applicable: infringement actions, nullity counterclaims 	←
Appeal chamber	<ul style="list-style-type: none"> • Appeals against decisions of the first instance <p>→ Factual instance, but limited admissibility of new facts and evidence</p>	

UPC: Material competence

3.4. LANGUAGE

The procedural language at a local or regional chamber is usually the official language of the state in which the chamber is located. The respective state can admit the use of further languages as procedural languages, however. For example, Germany will likely admit English as a second procedural language before its local chambers.

The procedural language at the central chamber is the language of the tried patent.

The procedural language at the appeal chamber is the language of the first instance.

Aside these general rules, the parties have the option to agree on either the language of the tried patent or English as procedural language.

3.5. PRODECURE

The UPC Rules of Procedure provide for a streamlined procedure with tight and rigid deadlines.

3.5.1. FIRST INSTANCE

The first instance procedure should usually be finalized within one year after the lawsuit has been served to the defendant.

The first instance procedure will comprise a first part, where each party will regularly submit two written submission by rigid deadlines (complaint, statement of defence, reply, rejoinder). In the case of a nullity counterclaim, there can be one additional submission by the plaintiff (= nullity defendant) after the rejoinder of.

After the first part, the oral proceedings shall be prepared. For that purpose, the rapporteur judge communicates questions to the parties and asks for written submissions or an exchange during a videoconference.

The oral proceedings take place before the entire chamber. The judgement is not usually taken at the end of the oral proceedings, but timely after the end of the oral proceedings. The written decision shall be available within six weeks after the end of the oral proceedings.

3.5.2. APPEAL

The appeal instance is a second factual instance.

An appeal can hence be based on legal and factual grounds. However, the admissibility of new facts and evidence in the appeal proceedings will be limited.

Notice of appeal must be filed within two months after service of the written first instance decision. A statement of grounds of appeal must be submitted within four months after service of the written first instance decision. The procedure is then quite similar to the first instance procedure.



3.6. COST

Court fees for infringement cases depend on the value of litigation, similar to the national German system.

For other proceedings, fixed court fees apply. The fixed fee for preliminary injunctions and nullity counterclaims is 11.000 Euros. The fixed fee for an isolated nullity action is 20.000 Euros.

Proceedings before the UPC are subject to cost reimbursement. The losing party must bear reasonable and proportionate cost of the winning party.

This includes reimbursement of full court fees and reasonable attorney fees. Contrary to the national German system, the reimbursable attorney fees are not solely calculated depending on value of litigation, but only checked for adequacy (e.g. as far as hourly attorney rates go) within a quite high capping that depends on the value of litigation. Practice will show whether the capping is regularly exploited.

The cost risk in proceedings before the UPC is hence expected to be higher than at the German national courts and some other national courts.

4. Recommendations for Patentees

*Patentees will have to decide on two things in the close future:
Do I request unitary effect for my newly granted EP patents?
Do I opt out existing and newly granted Bundle Patents?*

These considerations are relevant only for states that participate in the new system. Non-EU states like the United Kingdom or Switzerland or non-participating EU states like Spain or Poland are not affected by the new system and maintain the status quo.

4.1. UNITARY PATENT OR BUNDLE PATENT

The main benefits of a Unitary Patent vis-à-vis a Bundle Patent are potential cost benefits and a potential simplification.

These benefits are relevant especially when the alternative would be a single state validation of the Bundle Patent in a plurality of states that participate in the new system.

The Unitary Patent provides free-of-charge patent protection in participating EU member states that would not have otherwise been validated in single state validation of a Bundle Patent for cost reasons.

Possible disadvantages of a Unitary Patent comprise the exclusive competence of the UPC with no option for opting out. Also, a Unitary Patent can only be maintained in full by payment of the respective Unitary Patent annuities. There is no possibility of an annuity cost reduction in later patent years by dropping individual states and maintaining only the most important ones.

Example:

An EP patent is granted after the new system has entered into force. A patentee wants to validate the patent in Germany, France and Italy and is unsure whether she should request for unitary effect or make a single state validation of the Bundle Patent in the three states.

No general recommendation can be given in such case because the pros and cons of a Unitary Patent weigh differently for each individual patentee. In such cases, we are happy to provide personal and customized advice.

Example:

An EP patent is granted after the new system has entered into force. The primary interest of the patentee is a validation of the patent in Germany, but she asks herself whether she should nonetheless request for unitary effect.

In such case, we tend to recommend a single state validation of the Bundle Patent in Germany only. The validation cost are low, as Germany does not require a translation of the patent, and administration is simple. Annuity fees for the German national part of the EP patent are much lower than annuity fees for a Unitary Patent. There is a possibility for opting out and the German court system is effective and likely cheaper than the UPC. Free-of-charge patent protection in the other participating EU member states alone likely cannot outweigh the other aspects.

Example:

An EP patent is granted after the new system has entered into force. A patentee wants to validate the patent in Germany, France, Italy, Austria, Sweden and The Netherlands and is unsure whether she should request for unitary effect or make a single state validation of the Bundle Patent in the six states.

In such case, we tend to recommend requesting unitary effect. The validation cost and the administrative effort of single state validations of the Bundle Patent in six states would be relatively high and the cumulated annuity fees due on the six states would be higher than the Unitary Patent annuity fees. In addition, the patentee gets free-of-charge patent protection in the other participating EU member. The disadvantages of being locked in to the UPC and the lack of renewal flexibility likely cannot outweigh the other aspects in most cases.

4.2. OPT-OUT – YES OR NO

The possibility of an opt-out only pertains to old and new Bundle Patents. Unitary Patents are bound to the UPC.

The UPC provides patentees with the possibility to enforce a Bundle Patent in a single action for all participating EU states in which the Bundle Patent is valid.

This increases the strength of the patent and makes supra-national enforcement much easier. On the other hand, there is a risk that a Bundle Patent can be declared invalid for all participating EP member states in a single action before the UPC, be it through an isolated nullity action or a nullity counterclaim.

A general recommendation whether to opt out individual patents, parts of patent portfolios or full patent portfolios during the Sunrise Period or during early phases of the new system cannot be given.

This is an individual question and we are happy to give personal and customized advice.

4.3. PARALLEL NATIONAL PATENTS

If a patentee wants to combine the advantages of both systems for her key technologies, she has the possibility to seek for a national patent, e.g. German patent parallel to an EP patent.

In such case, either unitary effect should be requested for an EP patent, or at least the Bundle Patent shall not be opted out. The national patent in such a case can still be enforced nationally before the national courts. The fate of the national patent remains independent of the fate of the EP patent.

A law change in Germany has removed the previous prohibition of double protection and now enables such a strategy also with respect to Germany.

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RECHTSANWÄLTE PATENTANWÄLTE
PARTNERSCHAFT mbB

You contact at Lorenz Seidler Gossel is available for personal and customized advice regarding the European Unitary Patent and Unified Patent Court.

We look forward to accompany you on your journey into this new chapter of pan-European patent protection.



your IP – our passion

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