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# White Paper: Preparing for the Unitary Patent

 Wolters Kluwer



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Kluwer IP Law

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## Introduction



by Gertie Schouten, Editor

Later this year or in early 2023 the new Unitary Patent (UP) and the Unified Patent Court (UPC) will see the light of day. They will create an alternative option, alongside the classic European patent or the national route, for protecting inventions.

Businesses, patent proprietors and lawyers should start preparing now, if they have not already done so. This White Paper from [Kluwer IP Law](#) explains the main characteristics of the new system, and decisions that will need to be made to get ready and to protect inventions (both new and existing) in the new system. Authors of Wolters Kluwer's reputed [Manual IP](#) from various UP member states, as well as an expert from the international high-tech company Philips, shed a light on their expectations.

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## Background

For decades the creation of a truly harmonised European patent system has been on the agenda. Since 1978, the European Patent Office (EPO) has been examining European applications and granting patents for its (current) 38 member states. This was just a first step. Traditional European patents have to be validated in every single member state; they are essentially a bundle of patents enforceable before national courts according to different national legislations and procedures. The UP is something else, once granted it will be valid in every UP member state and has to be maintained by yearly payment of renewal fees to the EPO. The new UPC is the only competent court in case of conflicts.

Negotiations about the UP system got off the ground after the Court of Justice of the EU (CJEU) ruled in 2011 that setting up a court with jurisdiction for patents granted by the EPO was incompatible with EU law. It was decided to set up a UPC outside the EU framework, but open to EU members only UPC Agreement (UPCA) of 2013. Also, 'enhanced cooperation' for a UP (EU regulations 1257/2012 and 1260/2012) was agreed.

The UP system should have started around 2015/2016, but two unexpected developments - the result of the Brexit referendum of 2016 and especially constitutional complaints filed against the system in Germany (2017 and 2020) - severely delayed this. When it was clear in June 2021 that the last German constitutional challenges stood no chance of success, preparations relaunched with full vigour. The 13th - Austrian - ratification of the UPC's Protocol for Provisional Application (PPA) on 18 January 2022 marked the birth of the UPC as an international organisation and the start of an official period of preparations. Judges will be selected, IT systems prepared for registering unitary effect and handling cases of the UPC, among other things.

The UP system and the UPC will start fully functioning on the first day of the fourth month after Germany deposits its instrument of ratification with the European Council. Germany will do this in close contact with the EPO and UPC administration. It is expected that the court will open its doors in October 2022 at the earliest.

■ **Participating countries are:** Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Portugal, Slovenia, Sweden

■ **Signatory states, but not (yet) participating:**

Slovak Republic, Cyprus, Greece, Romania signed the UPCA, but there is no progress with regard to ratification.

■ **Ireland** will have to hold a referendum before it can ratify and join the UPCA.

■ **The United Kingdom** was seen as a crucial member state but withdrew its ratification in 2020 as a consequence of the Brexit.

■ **Hungary** stopped the ratification process in 2018 after its Constitutional Court had judged ratification would violate the Constitution.

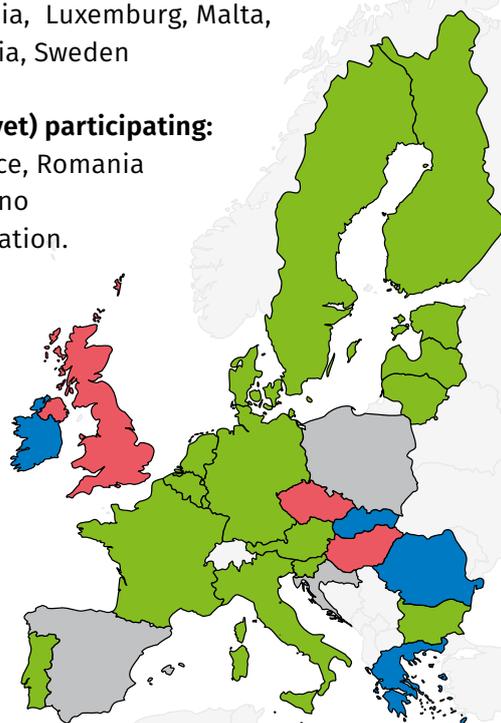
■ **The Czech Republic** will not ratify the UPCA any time soon. According to a 2019 PwC report, commissioned by the national IP office, the UP system would harm Czech Small and Medium-Sized Enterprises (SMEs) and the economy in general; moreover the lack of reliable Czech translations of UPs and the language of proceedings at the UPC, most often not Czech, may violate the Constitution.

■ **No signatory states:**

■ **Poland** did not join the UP project out of concern it would harm its economy.

■ **Croatia** joined the EU in July 2013, after the UP project had started. Unofficially it backs the system and it may join later.

■ **Spain** challenged the UP system twice before the CJEU but lost. It objects to the absence of Spanish as an official language in the UP Regulations.



## Scope of the Unitary Patent

Whereas the European patent can cover up to 38 member states of the European Patent Convention (EPC), the UP system is only open to EU member states (although there was some discussion about this in the period after the Brexit referendum, when the UK initially had plans to stay in the UP system).

The UPCA has been signed by 25 EU member states, but so far only 17 have ratified the Agreement (or, in the case of Germany, will do this in order to launch the UP system, once the preparations are ready): Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia and Sweden.

This means that initially the UP will cover these 17 member states only. And that, in many cases, patent proprietors will want to extend protection of their inventions to other states – Spain, Turkey, Switzerland and/or the UK for instance – with traditional European or national patents.

If more member states ratify the UPCA in the coming years, the scope of existing UPs will not be extended to those countries.

A UP may be licensed for the whole or part of the territories of the UP member states.

The fact that the UP will automatically cover all member states was one of the reasons for Poland not to join. It was concerned it would harm its economy if its territory were flooded with UPs from businesses all over the world.

“The EPO has introduced two transitional measures for patent applications which are in the final phase of the grant procedure.”

## Applying for Unitary Patent protection

The application procedure for a UP is the same as for a traditional European patent. The difference is post-grant: the patent proprietor must submit a ‘request for unitary effect’ to the EPO, no later than one month after the date of publication of the mention of the grant in the European Patent Bulletin. The request shall preferably be filed online and is free of charge.

The EPO will register the unitary effect in the Register for Unitary Patent Protection, and inform the requester of the date of registration. If the request has been filed beyond the one-month deadline, no extension is available.

For the period just before the introduction of the UP system, the EPO has introduced two transitional measures for patent applications which are in the final phase of the grant procedure.

First, applicants will already be able to file early requests for unitary effect before the start of the UP system. This will be possible as of the date Germany deposits its instrument of ratification of the UPCA with the European Council (this deposit means the UPCA will enter into force between 3 and 4 months later).

Secondly, the applicant can request to delay the grant of a European patent in the final phase of the procedure. In this way applicants can avoid missing the opportunity to obtain a UP in the transitional phase.

The Register for Unitary Patent Protection will be part of the European Patent Register and will register any limitation,

licence, transfer, revocation or lapse of a European patent with unitary effect, the participating member states in which the patent has effect, the date of filing – and, if applicable, the date of any withdrawal – of a statement on licences of rights.

The Register will also contain data as to the payment of the renewal fees and information on decisions of the UPC.

## ***Influence of national law***

A European patent traditionally exists of clustered national patents, which are enforceable against national courts according to different national laws and procedures. This is different for the UP. Substantive patent law governing the scope and limitations of patent rights and available remedies in case of infringements have been harmonised in the UPCA. However, national patent law is still of influence, as Article 7(1) Regulation 1257/2012 clarifies:

‘A European patent with unitary effect as an object of property shall be treated in its entirety and in all the participating Member States as a national patent of the participating Member State in which that patent has unitary effect and in which, according to the European Patent Register: (a) the applicant had his residence or principal place of business on the date of filing of the application for the European patent; or (b) where point (a) does not apply, the applicant had a place of business on the date of filing of the application for the European patent.’

If no applicant has its residence, principal place of business or place of business in a contracting member state, German law applies.

In case of co-ownership of a patent, the nationality of the first applicant will decide what national law is applicable. This is important for issues such as entitlement, employee invention disputes, mortgaging, assignments, licences and the rights of co-owners. National laws differ significantly on these topics.

## ***Official languages***

English, French and German are the official languages of the EPO in which a European and therefore also a UP can be obtained. Whereas the specification of a traditional European patent has to be translated into the language of the countries where it is validated (with the exceptions of the London Agreement), this will not be the case for UPs.

In order to alleviate the consequences of the UP system for member states where none of the official languages of the EPO is spoken, a transitional period of 6 years has been agreed (Article 6 of Regulation (EU) No 1260/2012), during which the patent proprietor will have to file a translation of the European patent specification, namely:

- into English if the language of the proceedings before the EPO was French or German, or
- into any other official language of an EU member state if the language of the proceedings was English.

The translation must be filed together with the request for unitary effect. It is for information only and has no legal effect, nor will the quality of the translation be checked, which has raised doubts as to how useful and reliable it will be.

After the transitional period, which may be extended up to a maximum of 12 years, translations will no longer be required when opting for a UP. The idea is by that time the EPO will have developed high quality machine translations for all the official languages of the Union. After 6, 8 and 10 years, an independent expert commission will evaluate whether the quality is up to standard.

The language regime has been a very sensitive issue, and for Spain (and initially also Italy) a crucial reason not to join the UP project. It is also part of the explanation as to why some member states, mostly eastern European, have refrained from ratifying the UPCA and joining the UP system.

This is the case for instance in the Czech Republic. There it was decided not to ratify the UPCA any time soon, after a 2019 report by PricewaterhouseCoopers concluded this would harm the economy. As a patent expert explained to the [Kluwer Patent Blog](#): ‘SMEs will not have available patent documentation in the Czech language any longer and will often have to rely on inaccurate machine translations. (...) The absence of Czech translations would thus unfairly discriminate those in our country or elsewhere that do not have a good command of the main European languages in which a UP will be published. (...) Similar concerns relate to the language of proceedings at the UPC. The proceedings at the court involving Czech individuals and entities would mostly not be held in the Czech language.’

## Costs

Validating a traditional European patent can lead to high costs, depending mostly on the number of countries in which the patent proprietor wishes to validate the European patent. More validations mean more costs for translation, representation and renewal fees.

In the case of a UP, validation covers all UP member states. Translation costs are significantly less. Only in the transitional phase, of up to 12 years, will one additional translation of the patent need to be filed, instead of translations in the different languages of the member states as is the case for European patents.

Renewal fees for the UP are much lower than the amount to be paid for renewed protection in every single UP member state separately. In 2015 the EPO published the fees, announcing they had been set at the 'Top 4' level, meaning they were comparable to the renewal costs of 4 of the most frequently validated EP states.

This means the UP is especially interesting for businesses who seek widespread patent coverage for their inventions. If coverage is sought in no more than 3 or 4 states, the traditional European patent is probably a more logical choice. The balance between the two has shifted unfavourably for the UP since the UK left the system. The EPO has declared that despite this, the fees would remain unchanged.

### Renewal fees for the Unitary Patent

	Eur		Eur
2nd year	35	11th year	1460
3rd year	105	12th year	1775
4th year	145	13th year	2105
5th year	315	14th year	2455
6th year	475	15th year	2830
7th year	630	16th year	3240
8th year	815	17th year	3640
9th year	990	18th year	4055
10th year	1175	19th year	4455
		20th year	4855

It is also important to realise that an inventor can reduce costs by letting traditional European patents lapse after some years in markets that prove to be unimportant. That is not possible in the case of a UP – it is all or nothing.

Another factor regarding costs is the UPC, the only court compatible in case of conflicts about UPs. The fees at that court are considerably higher than for many national courts. A European patent can – during the first 7 or 14 years – be opted out from the jurisdiction of the UPC.

Due to UP renewal and court fees among others, the UP system is, contrary to what has often been claimed by its creators, not perceived to be beneficial for SMEs, rather the opposite.

## The Unified Patent Court

The UPC has been created to put an end to parallel litigation concerning the same European patent in all countries where it is validated. Such multi-forum litigation is expensive and complex and has led to conflicting decisions and legal uncertainty.

The UPC will have a Court of First Instance, a Court of Appeal and a Registry.

The Court of First Instance will have a central division as well as local and regional divisions. According to the UPCA, Article 7(2), 'the central division shall have its seat in Paris, with sections in London and Munich', London being in charge of chemical, metallurgical and life sciences, Munich handling mechanical engineering cases and Paris all other cases, including software and physics.

Since the UK's departure from the system, however, this is problematic. As the UK is no longer a participating state, the London section will have to be relocated. In an interview with [Kluwer Patent Blog](#) last January, chairman Alexander Ramsay of the Preparatory Committee (now Administrative Committee) said: 'The Signatory States of the UPCA will discuss and decide where to reallocate this division. However, the entry into force of the Agreement and the start of operation of the Court is not subject to the finalisation of these negotiations. Should they not be concluded, the existing seats and sections of the central division [in Paris and Munich] will temporarily deal with all the central division cases.'

On several occasions Milan, Italy, has expressed its ambition to replace London as location of the central division; the Netherlands is reportedly interested as well. It is a thorny issue and the lawfulness of ignoring Article UPCA 7(2), where London is expressly mentioned, may be challenged in court. The Court of Appeal and Registry will have their seat in Luxembourg.

According to the UPCA, there will also be a patent mediation and arbitration centre in Slovenia and Portugal and a training centre for judges in Budapest. The latter is uncertain, however, as Hungary's membership of the UP system has been blocked by its constitutional court.

## Local divisions, language of proceedings

Each member state can set up one or more (if there is a case-load of more than 100 patent cases per year) local divisions up to a maximum of 4. Austria, Belgium, Denmark, France, Finland, Germany (in Hamburg, Munich, Mannheim, Düsseldorf), Italy and the Netherlands will have a local division. Estonia, Latvia, Lithuania and Sweden have set up the Nordic-Baltic division, the only regional division so far.

Most local divisions will use their national language(s) and English as the language of the proceedings. The Nordic-Baltic regional division has chosen English only. If there are several options, the claimant has the right to choose the language. However, in case only one local or regional division has jurisdiction (this is when an infringement only occurred in the member state where the defendant is domiciled), the claimant has to use the official language of that member state.

Local divisions and regional divisions will have both national judges and judges from other member states. This will contribute to consistent case law. There will be both legally and technically qualified judges.

### Competence of the various divisions

A patent owner can start an infringement action before a local or regional division hosted by the member state where an actual or threatened infringement has occurred or may occur; or before the local or regional division hosted by

the member state where the defendant has its residence or (principal) place of business. Defendants can bring counterclaims for revocation before the same local or regional divisions.

If a party wants to start an independent revocation or non-infringement action, it has to go to the central division. This division is also competent (together with divisions at the place of infringement) for infringement actions against defendants located outside the territory of the UPC or in a member state which does not host a local or regional division.

Both the Courts of First Instance and the Court of Appeal can ask the CJEU for preliminary rulings on topics of EU law.

**“As the UK is no longer a participating state, the London section will have to be relocated.”**

## ***Transitional period, sunrise period***

The UPC is the only court which is compatible in litigation concerning UPs. For European patents, the rule is that during a transitional period of 7 years (extendable up to 14 years), the claimant can choose between the national court or the UPC.

If a proprietor does not want its patent to be judged by the UPC, it can opt out of the court's jurisdiction. This is an online procedure. An opt-out is no longer possible if an action has already been brought before the UPC. Before the UPC opens its doors at the end of 2022 or early 2023, there will be a sunrise period of 3 months during which patents can already be opted out, in order to prevent proprietors from being dragged into UPC procedures.

It sounds simple, but at some point it became clear the Rules of Procedures were unclear about who was the 'proprietor' entitled to apply. And an opt-out is only valid when it is performed by all proprietors of the patent and all holders of SPCs. The 18th and final draft of the Rules of Procedures clarified that the proprietor is the person 'entitled to be registered as proprietor(s) under the law of each Contracting Member State in which the European patent has been validated', whether or not such person is in fact recorded in the Register.

It is important to do things right here. Neither the EPO nor the UPC registrar will check whether the opt-out has been done properly, but this can be challenged in court.



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## ***Licences and co-ownership agreements***

Licensees do not have a right to opt out of European patents. However, provisions about involvement of the licensee in the choice (not) to opt out may be included in licence agreements.

It is also crucial to look at the enforcement issue. The UPC Agreement authorises exclusive licensees of both European and UPs to enforce a patent without consent from the proprietor, unless agreed otherwise. Non-exclusive licence holders cannot bring infringement proceedings before the UPC, unless the licence agreement specifically grants them the right to do so.

## ***Court fees***

The court fees consist of a fixed fee and in certain cases a value based fee. For actions relating to infringement, the fixed fee is EUR 11,000. In case of an application for the determination of damages, there is an additional fixed fee of EUR 3,000.

There is no value based fee for actions with a value of EUR 500,000 or less. For actions with a higher value, a value based fee ranging from EUR 2,500 (for actions with a value between EUR 500,000 and EUR 750,000) up to EUR 325,000 (for actions with a value of more than EUR 50,000,000) will be due.

For independent revocation actions, there will only be a fixed court fee of EUR 20,000. For counterclaims for revocation, the fee will be the same as the fee of the infringement action (including the value based fee), up to a maximum of EUR 20,000. For an application for provisional measures there will be a fixed fee of EUR 11,000.

SMEs are entitled to a discount, and pay 60 percent of the fixed and value based fees.

## Adapting is the keyword for success in the next few years



Maria Silvia Martinson

‘The Unitary Patent system has taken a long time to set up, which has resulted in lessened interest and even scepticism in many potential users,’ says Maria Silvia Martinson, patent attorney of patent agency RestMark Metida in Tallinn and author of the Estonian chapter of [Manual IP](#).

Still, she expects the UP system to gradually gain ground. ‘There are definitely some entities that have been looking forward to a more all-encompassing solution for getting patent protection and are willing to jump on board immediately. For some entities that wish to protect their rights in a majority of EPC states, cost-effectiveness will be a big selling point. We welcome having options to choose from.’

Martinson says she has some concerns as well: ‘For instance, how exactly the UP system will affect the patent protection landscape in Europe and which unexpected issues we will have to face. As some bigger entities outside of Estonia are expected to start opting for the UP system immediately, it is likely that our workload will lessen considerably in relation to national validations. At the same time, more patents are likely to be valid in Estonia than before because Estonia comes with the UP package for many entities who would otherwise not validate their EP in Estonia.’

‘To put it simply, we are preparing to navigate through uncharted waters. Introducing the UP system is the biggest change in Europe regarding patent protection since the EPC. At this stage we can only guess how the changes will affect the work. Adapting is the keyword for success in the next few years.’

The fact that Estonia will be part of the Nordic-Baltic regional division of the UPC, together with Sweden, Latvia and Lithuania, will not change a lot for patent litigation, Martinson explains: ‘Estonia and the Baltic states in general have very few patent disputes, perhaps 1 to 2 per year. As the quantities are so small, there will be no significant changes in that regard. The only major change is that small local companies can easily be targeted by international companies which could result in a David versus Goliath situation due to litigation costs.’

“It is likely that our workload will lessen considerably in relation to national validations.”

‘For local companies especially this new landscape will be difficult to manage as the chances of (accidentally) infringing another party’s rights increase considerably. This is especially true considering that under UP rules it is no longer necessary to translate the patent specifications into local languages which results in reduced accessibility to prior rights.’

## Milan can become a European patent capital



Elisabetta Papa

'Different situations call for differentiated advice.' The option to choose or not choose the Unitary Patent 'depends upon the type of client (big companies, SMEs, universities/research institutions), the type of patent portfolio, the potential 'strength' of the patent/application and the client's legal 'status', including territorial aspects linked to applicable jurisdiction', according to Elisabetta Papa, head of patents of IP firm SIB in Rome and co-author of the chapter on Italy in Wolters Kluwer's [Manual IP](#).

'For example, if we are talking about a patentee with existing 'classic' European patents who fears a revocation action by a competitor based upon reasonable grounds, we would probably suggest opting out in order to avoid the risk of seeing all national portions of the European patent revoked in all the participating member states through a single action.'

Papa expects that at first only a few, most likely large, companies will experiment with the UP system. She points out 'the rules of procedure of the Court are rather complex and different with respect to those currently applying for national litigation in some countries. Therefore, formal issues may also arise, with a substantive impact, for example on the admissibility of requests, issuance of orders and so on.'

'In the medium term,' she says, 'it will be interesting to see how the jurisdiction of the UPC will be assessed, especially where infringements are carried out by third parties in third states (so called UPC 'long arm jurisdiction') or where the defendant is domiciled in member states which are not parties to the UPCA. Possible conflicts of jurisdiction may arise and it will be necessary to fully understand the UP system in order to assess the best judicial and filing strategies for our clients.'

Papa thinks it is no more than logical that the branch of the UPC's central division formerly assigned to London goes to Milan: 'The UPC Agreement sets forth that central division's seats are assigned to the states that in 2012 had the largest number of validated European patents. The four top states for number of validated European patents in 2012 were Germany, the UK, France and Italy. Since

the UK has withdrawn, Italy should host the central division seat dedicated to human necessities, chemistry and metallurgy.

'Milan may be considered the Italian 'economic capital'. It hosts 42% of the companies in the pharmaceutical and 31% in the chemical sector, precisely the sectors formally as-

signed to London. It is an inclusive and organised city fully structured to become one of the three European patent capitals along with Munich and Paris.'

The plan to start the UPC with just two seats of the central division (Paris and Munich) 'appears a practical solution for the shortest term and possibly the only one suitable to make the system start by the end of 2022. In the medium term, however, this solution does not seem practical and farsighted for the same reasons that had induced the contracting states to choose three different premises in the first place. Three seats, therefore, remain necessary and desirable.'

"At first only a few, most likely large, companies will experiment with the UP system."

## Philips will not opt out its patents from the UPC



Erik Pastink



Stephanie van Wermeskerken



Leo Steenbeek

Philips currently has no intention to opt out from the Unified Patent Court, it told Kluwer IP Law in an interview. This means that the majority of its existing European Patents will fall under the jurisdiction of the new court, once this opens its doors in October 2022 or in the months thereafter.

The company has been preparing in various ways for the new system. 'We assessed it in detail, both on procedural and cost aspects, and compared it to other routes for patent grant. We make the new system known in our organization, and we adjust our business management system to the introduction of the UP.'

Philips, which was founded in 1891 to produce electric light bulbs, but transformed into a leader in health technology over the last decade, welcomes the main impact of the UP system. According to the company, that is the 'simplification: a one-stop-shop UP, and a one-stop-shop patent litigation system with specialized courts providing high-quality judgements for 17 countries in one go.'

Head of HealthTech IP Stephanie van Wermeskerken, principal IP counsel Leo Steenbeek, licensing program leader Kevin Scott and health tech licensing program leader Erik Pastink say their company will certainly apply for unitary effect for patents, albeit in selected instances. 'The decision will be based on IP strategy for the relevant business, also taking into account market size and costs.'

They do not think the patent system in Europe becomes too fragmented now that there will be three options to choose from: national patents, traditional European patents and the new UP. 'We feel that this is no issue as applicants will make their own decision based on the specific case. Patent quality remains an important element in that decision.'

At the start of the process, the idea was that the UP system would cover the whole European Union. The website of the UPC still announces there will be a 'single patent court covering 24 countries'. However, for the moment there are only 17 member states; Spain, several eastern European countries and, of course, the United Kingdom do not participate. But the Philips IP experts do not see this as a problem: 'Of course, it would be nice if the system covered all of the EU, but the current system is still worthwhile.'

However there is one issue Philips is concerned about, related to the UK's decision to withdraw from the UP system in the aftermath of the Brexit. According to the UPC Agreement, one branch of the central division of the new court has to be in London. That was no longer possible after the UK left the system, and it is not yet clear how this issue will be dealt with: 'The decision on the replacement of the London seat of the UPC central division should be done in a legally correct and careful manner, to avoid any room for objections alleging that the UPC court would have no jurisdiction.'

## Fundamentals of the UP system may well come to be tested in litigation



Thorsten Bausch

Thorsten Bausch, partner of Hoffmann Eitle, welcomes the fact that with the UPC, for the first time, Europe will have a supranational civil court with its own and unified rules of procedure. 'This is a great step forward and may help to promote integration.'

Nonetheless he cautions: 'Not all EU member states have agreed to participate in the UPC. Thus, it remains to be seen whether the UPCA will be as successful as the European Patent Convention, which more and more countries have ratified over time.'

Bausch appreciates the opportunities which the new litigation system offers, particularly to large companies, and understands the choice not to renegotiate the UPCA after the UK's withdrawal from the UP system, as this would have meant a further serious delay. 'On the other hand, the contracting states run a risk that the CJEU may overthrow the current arrangement.' He sees several issues which he suspects may eventually need to be decided by the CJEU:

- The location(s) of the central division;
- Compatibility of the UPCA with the principles of autonomy of Union Law and the EU legal order (CJEU may not always have the last say against UPC decisions);
- Compatibility of the UPC's language regime with Art. 2 EU Treaty and Arts. 47(2) and 48(2) of the EU Basic Rights Charter;
- Compatibility of the UPCA with the principles of Rule of Law, in view of the fact that the UPC is not competent to overrule EPO decisions;
- The issue of whether the judges of the UPC are independent, in view of (a) the process of their pre-selection by an advisory committee including attorneys-at-law and patent attorneys (Art. 14(2) UPCA) and (b) the fact that they are only appointed for 6 years and then need to be re-appointed.

The position of the EPO as a supranational authority which is completely separate from the EU and not subject to EU law is also problematic, according to Bausch.

'I see no other patent office that could fill the EPO's role in this respect. Nonetheless, the EU member states should seriously consider the question of whether the EPO in its current constitution is still fit for the future or whether it would be better to strive for an overhaul of the entire European patent system. A patent office has, at least to some extent, the job to serve the state(s) for which it grants patents and support their general policies, e.g. in the fields of commerce, research, competition law. It should also be tied to the constitutional framework of the nation(s) it serves, rather than being a state in a state. And it would be better if the underlying statute could be amended, if necessary, by a simple law, e.g. an EU Regulation, rather than only by a complex and time-consuming diplomatic conference.'

'I would have also welcomed a more direct role for the UPC as a true Court of Appeal against decisions by the EPO, similar to the CAFC in the USA and the IP High Court in Japan. The EPO pursues its own political objectives, rather than those of the EU. This can result in conflicts of interest and sometimes in insufficient oversight by democratic institutions such as parliaments and courts of law.'

## The UPC will conquer ground soon



Christopher Tehrani

The obvious benefits of central litigation, time-efficiency and harmonisation and all thereto related aspects are key and highly welcomed elements of the Unitary Patent system,' says Christopher Tehrani, head of patent litigation at law firm Cirio and co-author of the Sweden chapter in [Manual IP](#).

He thinks the system will be widely used very soon. 'Many have speculated that the 'safety first' or 'wait and see' approach with opting-out will be the prevalent choice of many. While this may partially prove to be the case from the outset, we are of the opinion that once the system is up and running, and possibly as soon as after the first half of the initial transition period, the UPC will have gained significant ground.'

Also in Stockholm, where the UPC will have a regional division, he expects: 'Sweden has since 2016 implemented highly specialised IP courts (the Patent and Market Court and the Patent and Market Appeals Court) which have proven to be very successful and resulted in streamlining of the proceedings. The regional division – which will be housed in the facilities of the Stockholm District Court – will further benefit our clients in the enforcement of their valuable IPR as well as the community. Sweden is already a hub in the Nordics for innovation and technology and the regional division is a further testament to that effect.'

He is not too concerned that companies from all over the world, including patent trolls, will flood the UP member states with their patents. 'We are aware of the speculations regarding NPEs and are not too concerned about such per se. The system has, in our opinion, the appropriate mechanisms and safeguards to limit such developments.

'However, there is no denying that – as in any newly implemented system – there will be many issues, procedural or otherwise, that will have to be tackled during the coming years. Just by way of example, numerous concerns have been raised regarding the possibility that adversaries may seek to find routes to delay proceedings by challenging the validity of registered opt-outs and similar. We also foresee that – at least during the initial years – there will be difficult decisions to be made by the local/regional divisions with respect to the appropriateness of referring cases to the central division, etc.'

In which cases should clients opt out their patents from the jurisdiction of the UPC? There is no universal answer to that question,

according to Tehrani. 'The optimal choice for each entity is contingent on numerous commercial and strategic factors that have to be carefully assessed such as the nature and scope of the patent portfolio, the technological field, the competition situation, licensing and other contractual arrangements in place regarding said patent portfolio, etc.

'The choice also has to take into account whether the relevant entity wishes to be an active participant in the opportunity to shape the case law of UPC from the outset or rather more comfortable in taking a passive approach in such regard.'

"We are aware of the speculations regarding NPEs and are not too concerned about such per se."

## UK withdrawal from UP system does not change our ability to represent clients



Rob O'Callaghan

While probably most patent professionals in the UK regret the withdrawal from it, the Unitary Patent system was a significant compromise from what might have been,' says Rob O'Callaghan, partner of law firm Elkington + Fife in London. 'From the perspective of the work of UK European patent attorneys, neither Brexit nor the withdrawal from the UP system change our ability to represent our clients. But the loss of highly experienced British IP judges from the UP system is a regrettable consequence of the British departure.

He thinks many patentees will take a cautious approach towards the UP system: 'The patents for which unitary effect can offer the biggest cost savings are the ones that would otherwise be validated (and perhaps litigated) in the largest number of contracting states. However, these are also the patents that are most valuable to their owners. It seems unlikely that they will entrust these precious assets to a brand new, untested court system. The UPC is the unknown factor. If the early decisions of the court are seen to be of a high quality, this will reassure patentees and accelerate adoption of UPs.

'Still,' O'Callaghan says, 'there is absolutely the opportunity for patentees – also from the US and Asia, for instance - to obtain a larger geographic coverage than they might otherwise have achieved without additional cost. Obtaining a large number of UPs quickly could provide a significant barrier to entry of competitors. However, these patents would of course also be open to a central invalidity challenge, so the flood defences are built into the system.

The biggest uncertainty is that, as a consequence of the UK's withdrawal, London will not host a UPC section. There is not yet a clear answer as to where that section will be re-located. This would seem to have to be resolved before the system can begin.'

O'Callaghan sees potential advantages to the UK staying outside the UP system as well. 'The UK courts remain highly respected and to some extent the 'go-to' jurisdiction in Europe (although our German friends and colleagues may disagree with that!), and perhaps the world ex-US. The UK system provides an open-court, cross-examination of witnesses and fully reasoned written decisions. Taking this positive mindset, keeping the UK entirely out of the new system does at least provide both sides of an international dispute with a separate, sophisticated venue for patent litigation in Europe.'

He expects the courts will influence each other: 'The issues of infringement and validity to be heard before the UPC will be essentially the same as those considered over four decades by UK courts applying law equivalent to the European Patent Convention. One would expect that UPC judges are not going to turn a blind eye to this jurisprudence. Similarly, high quality decisions of the UPC are likely to be endorsed by UK judges, in the same way that authoritative decisions of national courts in other EPC contracting states are already influential in UK courts today.'

"The UK courts remain highly respected and to some extent the 'go-to' jurisdiction in Europe."

## Conclusion - Preparing for the Unitary Patent



by Gertie Schouten, Editor

If nothing unexpected happens – and there have been quite a few unexpected events on the road towards its creation – the UP system will be a reality in less than a year.

Will the patent landscape change dramatically in Europe? Most experts we spoke to for this White Paper think that the UP will need to find its niche, but that the Unified Patent Court may quickly gain ground.

The upcoming changes have led to a flurry of activity. Law firms and their clients are preparing with books, training, lectures inside and outside Europe, webinars, discussion tables and mock proceedings for the new era.

Important choices have to be made, and agreements checked. Patent proprietors who prefer to keep things as they are for the moment need to realise that future and existing European patents fall under the jurisdiction of the UPC unless they are opted out. So action is required here.

And many other issues need attention: Is unitary effect desired for certain European patents which are in the final phase of the grant procedure? Are there licensing agreements which need to be changed? In case of co-ownership of a patent, are amendments necessary in view of the national law that will be applicable?

The UP has many advantages. It provides widespread protection, in currently 17 EU member states, for a relatively low fee. No translations are necessary after the transitional phase. The EPO collects the renewal fees, there is one central Register and litigation is at the UPC. This central litigation however has an important downside as well: the risk of revocation across multiple countries all at the same time. And the Court is expensive in comparison to many national courts.

A traditional European patent can be preferable if protection is sought in a relatively low number of states. As many proprietors will seek protection not only in UP member states, but also in the UK for instance and possibly other non-UP states, the option of a UP is less attractive for them. Moreover, an advantage of the traditional European patent (or national patents) is that coverage and costs can easily be reduced over time by letting it lapse in some countries. For the UP, it is all or nothing.

Other reasons to stay away from the UP and UPC are legal uncertainties inherent in an untested system. There is no UPC case law yet, and the whole system itself may be challenged in court, for instance because of the way changes due to the Brexit were implemented.

We hope this White Paper will help you find your way in the exciting times ahead!

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