The European Unitary Patent
Implications and Strategies for U.S. Businesses

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Europe was created by history.
America was created by philosophy.
— Attributed to former British Prime Minister Margaret Thatcher (1925–2013)

HISTORICAL BACKDROP

The new European unitary patent is the culmination of a forty-year effort to replace an existing patchwork of national patent laws with a single patent right, commonly enforceable across the European Union member states. While full ratification will not take place until at least 2014, and possibly later, the basic features of the new system have now come into focus, and there will be important consequences for any U.S. business with overseas interests. To make sense of the new system from an American perspective, however, it may help to first understand its history in Europe.

While international patent agreements date back at least to the Paris Convention of 1883 (which is still in force), the current European patent system is legally grounded in the European Patent Convention of 1973, which established the European Patent Office (EPO).1 Under the 1973 Convention, the EPO acts as a receiving office for the member states, and provides for a common examination procedure based on a single body of substantive patent law.2

Generally, a “European patent” can provide the same rights as a national patent, but only in the member states that are individually designated in the application.3 There are currently thirty-eight member states, including (but not limited to) all twenty-eight current members of the European Union. The EPO option does not supersede national granting procedures, however, and equivalent protection is still available by filing in the individual member states.4

In addition, the resulting European patent is not a unitary right and is not enforceable across national borders. Instead, European patents must be individually validated in each of the designated states, with renewal fees and enforcement performed at a national level, in accordance with local national law.5 This system is in stark contrast to the U.S. system, where only the U.S. Patent and Trademark Office has the power to grant patent rights, and these rights extend uniformly across all fifty states, the District of Columbia, and other U.S. territories and possessions, based on a single, common body of federal law.6

Thus, current European patents are neither “European Union” nor “Europe-wide” patents. Instead, the current system merely provides an option to bundle a set of individual (national) patent rights together for prosecution, while validation, renewal, and enforcement are still performed on a national basis, in each of the designated member states.

As a result, securing patent protection in Europe can be much more expensive than in the United States, and enforcement and defense of patent rights is also more difficult and costly. In particular, the potential for litigation in multiple jurisdictions may substantially increase costs, and there is always a risk of uncertainty due to diverging decisions in the different national courts. Local parties can also take advantage of forum shopping, leveraging local precedents and procedural rules against U.S. companies (and other foreign concerns) seeking to enforce their legitimate patent rights, or defend from unreasonable accusations of infringement.

A NEW FRONTIER

The new European Unitary Patent (or “European patent with unitary effect”) is designed to change all this.7 The current version of the European unitary patent is defined by two new EU regulations, the first on unitary patent protection and the second on translation arrangements, which were adopted by the European Parliament in December 2012. Nominally, both regulations entered into force January 20, 2013, but in actual practice neither is applicable until at least January 1, 2014, and only then if ratification of a separate Agreement on the establishment of a Unified Patent Court (UPC Agreement) is also achieved.8 The Agreement will only fully enter into force four months after ratification by thirteen of the twenty-five signatory states, including at least Germany, France and the United Kingdom.9 Thus, while the European Union may be as close as ever to a Unitary Patent, it is still not quite there.

To date, none of the signatory states has ratified the UPC Agreement, and some may require legislative acts, national referendums, or constitutional amendments to do so because sovereign national rights must be surrendered to the Unified Patent Court for it to function. Moreover, from a political standpoint, there is no guarantee that even the three required signatories will be able to schedule a decision on ratification before the original target dates in 2014, or perhaps even by year 2015.

Nonetheless, the EU does appear to be approaching a new, more unified patent regime, and the future rules that will govern European patents are rapidly falling into place. Given these facts, it is critical that U.S. businesses begin to understand how the system will work, if and (as is looking increasingly likely) when it eventually arrives.

THE UNITARY PATENT

A European patent with unitary effect will provide uniform protection and have equal effect in all the participating Member States.10 Unitary patent protection is intended to foster scientific and technological advances by making access to the patent system easier, less costly, and legally secure, ensuring more uniform patent protection that will eliminate costs and complexity. While the EU focus is on economic benefits for member states, unitary patent protection will also be available to U.S. companies, and to all other foreign enterprises outside of the EU, regardless of nationality, residence, or place of business.11

Unitary patent protection will be granted upon request of the applicant or patent owner, based upon an EPO examination
under the existing rules and procedures of the European Patent Convention.\textsuperscript{12} Once issued, however, the unitary patent will not require validation in order to take effect in individually designated member states, but will instead be effective across the contracting states (that is, in those EU states that have ratified the Agreement on the Unified Patent Court).

At least initially, the Unitary Patent (or “European patent with unitary effect”) will coexist along with the “classical” (non-unitary effect) European patent already available from the EPO, and traditional prosecution before the individual national patent offices, which will remain available as filing options. Non-EU members of the European Patent Convention will also have access to both traditional and unitary patent protection upon patent grant by the EPO, but patents designated for enforcement in non-EU member states will not fall within the sphere of unitary patent enforcement.

THE UNIFIED PATENT COURT

The Unified Patent Court is intended to provide consistency of patent case law, in order to reduce uncertainties due to different national court interpretations, and to improve both patent enforcement and defenses against unfounded claims.\textsuperscript{13} In practice, the Unified Patent Court will include a Court of First Instance and a Court of Appeal, with central public Registry. The Court of First Instance will have a central division seated in Paris, with sections in London and Munich.\textsuperscript{14} Local divisions (i.e., in other countries) will be set up upon request of the member states, but all the panels will have a multinational composition of three judges.\textsuperscript{15} The Court of Appeal will sit in Luxembourg.

Once implemented, the Unified Patent Court will have explicit international jurisdiction (nominally, in the EU member states that have ratified the UPC Agreement), with exclusive competence for infringement, non-infringement, injunctions, actions for damages, actions and counterclaims for revocation and invalidity, and prior use defenses.\textsuperscript{16} The scope of authority for the Unified Patent Court is not limited to new European patents with unitary effect, but also extends to existing “non-unitary” European patents (to the extent that such patents were or are lodged in EU member states and those states have ratified the UPC Agreement), whose term has not yet lapsed.\textsuperscript{17}

The UPC Agreement also includes an identification of sanctioned substantive case law for consultation in determination of direct and indirect infringement, prior use, and patent exhaustion.\textsuperscript{18} At the same time, the UPC Agreement explicitly limits certain patent rights, excluding private, non-commercial acts, experimental purposes, the use of biological materials for breeding and developing plant varieties, and certain farm, medical, veterinary and pharmacy applications.\textsuperscript{19}

FEES

Under the new regulations the EPO will continue to maintain a central register of assignments, transfers, licenses, and lapse data, under existing provisions of the European Patent Convention, and act as a central agency for the collection of renewal fees for new unitary European patent grants. These fees will be annual and progressive throughout the patent term, with discounts for small and medium-sized enterprises.\textsuperscript{20}

This is generally similar to the U.S. scheme, except that U.S. maintenance fees are levied only four, eight and twelve years from issue. In addition, the EPO will retain only 50\% of the renewal fees that are received, distributing the rest back to the individual member states.\textsuperscript{21} However, the actual fee structure is still to be determined.

From a business perspective, the greatest benefit for U.S. companies may be an acceptable cost for broad protection across most or all of the EU states. The unitary patent fee structure should be less than that for an equivalent bundle of non-unitary patents covering all the member nations that have ratified the UPC Agreement. Also, payment of unitary patent fees should be easier than the current system where renewal fees are paid in each designated member state.

TRANSLATION REQUIREMENTS

Another major change in the regulations is that unitary patent owners will no longer be obligated to translate the application into the official languages of each designated member state. Instead, any one of the official EPO languages can be used (English, French or German), and no further translations should be required. The specification will then be published in the selected language, along with a translation of the claims in the other two.\textsuperscript{22} This new arrangement is also intended to stimulate innovation and make access to the European patent system easier and less costly. When the application is filed in

English, the translation can be provided not only in French or German, but alternatively in any other official language of the EU.\textsuperscript{23} This provides a clear advantage for English, and this advantage extends to U.S. businesses and other foreign enterprises where English is used.

PLANNING A “NEW” EUROPEAN PATENT PROSECUTION STRATEGY

So what does all this mean? Nothing immediately—everything hinges upon ratification of the UPC Agreement—but it is prudent to plan for the future, when (or perhaps if) the new regime kicks in. Other than extremely large U.S. technology or pharmaceutical companies with unlimited war chests to exploit the present European patent system by asserting infringement claims on multiple fronts, it is likely that most U.S. businesses will embrace the new unitary patent and the UPC. The unitary patent will feel familiar in its scope, i.e., just as a U.S. patent is considered valid and enforceable in every state and territory of the U.S., so will a unitary patent with respect to all of the ratifying states in the EU.

There will be three possible paths to patent protection in Europe: a European patent with unitary effect, a traditional European patent, and national patents. Applications for unitary and traditional European patents will be filed as normal with the European Patent Office. Once a notice of grant is received, the applicant must choose between a unitary patent in participating states or to lodge the patent in particular states as under the present regime. Note that protection desired in any EU state that does not ratify the UPC, or in other, non-EU states that are members of the EPC, will still need to be perfected by lodging the patent and following the national rules as usual. Direct national applications may also still be filed, bypassing the EPC entirely.

Choosing between these options may be driven by a variety of factors including cost, ease of prosecution, ease of enforcement, or even a desire for a complex enforcement scheme (e.g., to hedge against a total loss in a single venue by preserving the right to enforce under different national patent laws). For the vast majority of U.S. businesses, and even for the vast majority of patent applications filed by corporations with large patent portfolios, the significant cost savings (in both translation and annuity fees) afforded by a unitary patent will be a strong motivation to select the unitary patent option. However, the regime is not in place as yet, so what can be done to
potentially take advantage of the unitary patent for applications presently pending or filed in the coming months (or years)?

Delay is the name of the game. First, for new applications, begin the European patent process by filing a Patent Cooperation Treaty (PCT) application. The PCT application can be a first filing or can be filed within a year after first filing of a U.S. (provisional or nonprovisional) application. This will delay the need to file in the EPO for 31 months from the priority application filing date. Wait the entire 31 months before filing directly with the EPO. An additional benefit beyond the 31 month delay is that PCT applications are in practice given the lowest examination priority in the EPO. Thus, as a second strategy, for future filed or presently pending applications in the EPO, do not request expedited examination or treatment under the Patent Prosecution Highway (PPH) program. Such will, as intended, expedite the processing and examination of your applications. Third, use the full six month period for filing a reply to any European examination reports. Further, some four month reply periods can be extended an additional two months upon request and there is no cost to extend as there is in U.S. prosecution. Hopefully, by the end of this extended period, the UPC will be ratified and the unitary patent will be available as an option upon grant of the patent.

For sophisticated businesses with deep resources that want to hedge against enforcement risk as described above, it may be desirable to do the opposite: expedite prosecution of significant patent assets. For those truly concerned about the limitation of enforcement of a unitary patent to a single court, request expedited prosecution or PPH treatment of pending European applications. For new applications, consider filing only direct national applications. Further, commence actions on issued European patents in desired states under national law before majority ratification of the UPC agreement and otherwise before ratification of the UPC agreement by the particular state in which an action is to be brought.

Further, for new applications, consider filing only direct national applications. Once the UPC is instantiated, ratifying countries cede all authority to decide cases of patent infringement or requests for rescission (invalidation) of European patents (both unitary and traditional issued both before and after the UPC comes into force) to the UPC to be decided under European law rather than the substantive law of the particular country. However, national patents will still be enforced by national courts under national laws rather than European law.24 Further, during the initial seven year transition period, it is possible for a patent owner to either file suit directly in national courts or opt out of the UPC regime for future actions.25

CONCLUSION

European history may well be entering a new era in the near future upon establishment of the unitary patent. As the marketplace becomes more and more global, the European market will likely become more and more accessible to a greater number of U.S. technology companies. Cost-effective protection of technology in Europe with a greater degree of certainty in the outcome of patent enforcement actions should be appealing to a majority of U.S. companies that presently (or intend to) operate or sell in Europe.

ENDNOTES

* The authors would like to recognize summer associate Samir Islan for research assistance.

2. Articles 52–57 EPC.
3. Articles 1–3 EPC.
4. Article 66 EPC.
5. Article 39 EPC (fees); Article 64 EPC (patent rights).
6. 35 U.S.C. § 100(c).
8. Regulation (EU) No. 1257/2012 (unitary patent protection), Article 18(2); Regulation (EU) No. 1607/2012 (translation arrangements), Article 7(2).
9. UPC Agreement, Recitals, p. 6. The Agreement refers to “the three States in which the highest number of European patents was in force in the year preceding the year in which the signature of the Agreement takes place,” which were Germany, France and the United Kingdom.
10. EU 1257/2012, Preamble (7).
11. EU 1257/2012, Preamble (4).
12. EU 1257/2012, Article 2(b).
13. UPC Agreement, Article 19(3); see also Recitations.
14. UPC Agreement, Article 7.
15. UPC Agreement, Article 7.
16. UPC Agreement, Articles 31 and 32.
17. UPC Agreement, Article 3.
18. UPC Agreement, Articles 25, 26, 28, 29.
19. UPC Agreement, Article 27.
20. EU 1257/2012, Articles 9, 12.
21. EU 1257/2012, Article 9.
22. EU 1260/2012, Article 3; see also Article 13 EPC.
23. EU 1260/2012, Article 6(1).
24. EU 1257/2012, Recital 26 and Article 3.
25. UPC Agreement, Article 7.