

# The Unitary Patent and Unified Patent Court Institutions & Industry Panel

31 May 2017 Bird & Bird



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# The Unitary Patent and Unified Patent Court Institutions & Industry Panel

#### **Alan Johnson (Bristows)**

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#### Michael Fröhlich (EPO)

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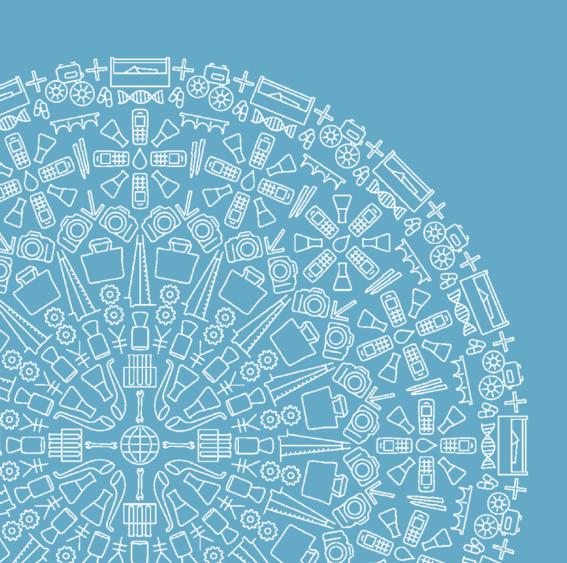
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# BRISTOWSUPC



Alan Johnson - Partner

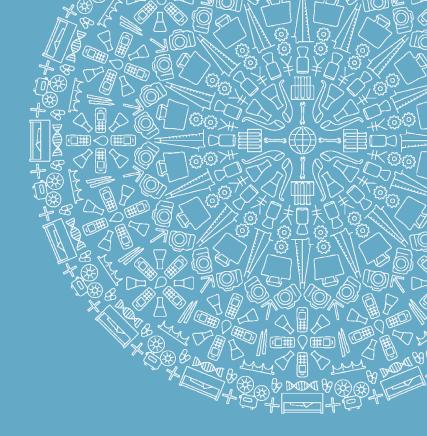
31 May 2017



# Agenda

- Why Brexit causes a problem
- Timetable
- UK a part of the UPC post-Brexit?
  - Options
  - Preferred outcomes





Why Brexit causes a problem

#### The UK's role in the UPC framework

One of three essential ratifiers: Article 89(1) UPC Agreement

#### Entry into force

1. This Agreement shall enter into force on 1 January 2014 or on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with Article 84, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.



		Designations as contracting states	
Country of residence of the patentee		Patents	Rate
DE	Germany	65 117	99.1%
FR	France	63 046	96.0%
GB	United Kingdom	62 481	95.1%
IT	Italy	56 556	86.1%

Source: EPO Annual Report 2012

#### The UK's role in the UPC framework – as was

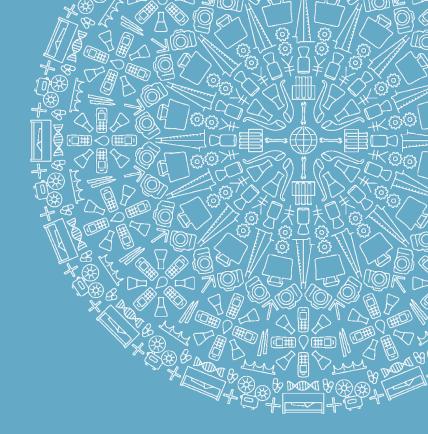
- The location of one of the three sections of the Court's "Central Division" for revocation and DNI actions: Article 7(2) UPC Agreement:
  - The central division shall have its seat in Paris, with sections in London and Munich. The cases before the central division shall be distributed in accordance with Annex II, which shall form an integral part of this Agreement.







Aldgate Tower, London E1



UK progress and timetable

# UK progress up to 23 June 2016

- Recall progress pre-referendum:
  - Intellectual Property Act 2014 (section 17 provides for implementation of UPC Agreement) - received Royal Assent 14 May 2014
  - The Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016 (SI 2016/388) - 12 March 2016
  - The Patents (Amendment) Rules 2016 (SI 2016/517) 20 April 2016
- UK appeared to be on track for ratification by end-2016
- Start date anticipated to be May 2017

# UK progress 23 June to 28 November 2016



# UK progress post 28 November 2016

- 28 November 2016 UK gives unconditional "yes" to ratification
- P&I Protocol signed 14 December 2016
- Agrees to Prep Comm timetable announced 16 January 2017:
  - Start of "Provisional Application Phase" end-May 2017
  - Court to open December 2017
- P&I Protocol laid before Parliament 20 January 2017
- Draft SIs to implement P&I Protocol prepared

UK appeared to be on track for ratification in April/May

#### Delays ...

- <u>UK</u>
  - SIs not put before Parliament for approval (Westminster or Holyrood)
  - Intended to be submitted 24 April...
  - But...
  - General election announced 18 April

#### Elsewhere

- Austria, Bulgaria, Portugal not ready for Provisional Application Phase
- Germany?

# What still has to happen?

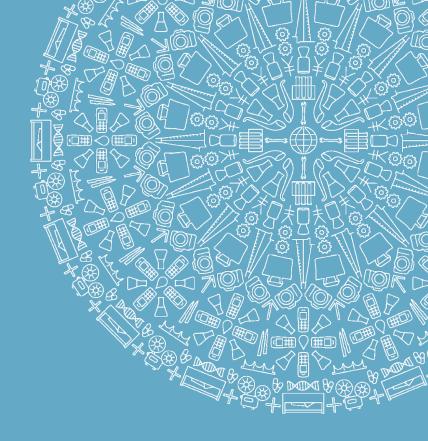
- Start of Provisional Application Phase:
  - News from abroad?
- Work during PAP:
  - Formal adoption of draft Rules etc
  - Judicial interviewing, appointment, training
- Ratification by UK:
  - Westminster P&I SI
  - Holyrood P&I SI
  - Formal instrument of ratification

#### Predictions?

- PAP delayed until after UK General Election July?
- Same Government as before in UK
- UK commitment to proceed
- Is it possible to complete UK ratification by August?
  - Westminster SI recess 20 July
  - Holyrood SI recess 30 June

- Two possibilities:
  - Timing remains unchanged
  - Delay of (overall) three to four months





# The longer term

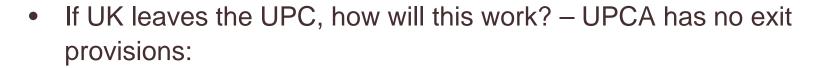
#### Unanswered questions on Brexit - remain

- Will UK stay in the UPC as a full member?
  - Is it possible at all?
    - CJEU opinion 1/09 March 2011
    - Commission non-paper May 2011 and
    - Council Legal Services Opinion October 2011
  - If so, how will this be achieved (legality issue):
    - Minimal amendments to UPCA required?
    - Extend UP and Brussels Regulations
    - More significant actions? EU-UK agreement?



#### Unanswered questions on Brexit - leave

- If the UK leaves the UPC system what will happen?
  - Cliff edge or "implementation phase"



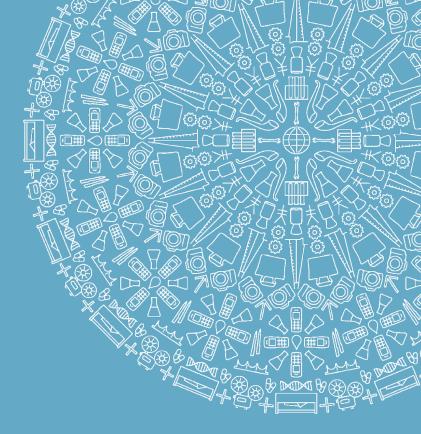
- Status of existing court decisions?
- Actions in progress?
- English judges?
- Transitional arrangement (Brexit "implementation phase")?



# Unanswered questions on Brexit - hybrid

- A possible hybrid?
- Stay in UPC, but exit UP system?
- Politically easier?
  - UPC ≈ international court, but
  - UP = EU instrument
- Industry view?





Preferred outcomes and predictions

# Preferred outcomes (UK Governmental perspective)

- Current policy position is officially "all options open", but...
- ... UK has long wanted a pan-European patent / enforcement system:
  - Party to the CPC as well as EPC (1970s)
  - Leading player in the EPLP / EPLA initiative (1999 )
- UK views this project as good for UK industry ...
- ... and its legal services sector
- UK has invested time and effort and money in getting to this point
- Would UK really have agreed to ratify if it expected to leave the system 18 months after start-up??

#### **Predictions**

- UK will make every effort to remain in the UPC system
- Will also try to remain in the UP system

BUT

- Probably no certainty for at least 12-18 months
- Therefore users should plan with all options in mind
- Everyone should lobby for the UK to remain in the UPC

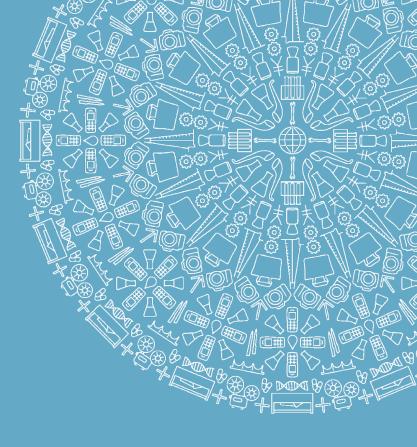


### Thank you for your attention

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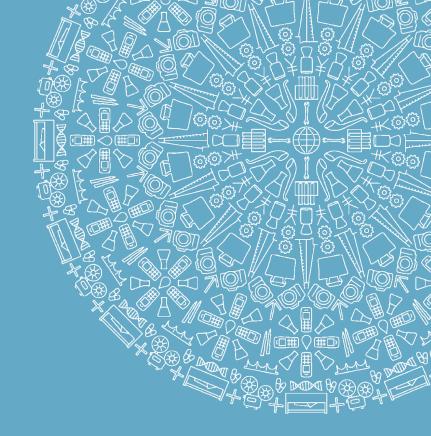
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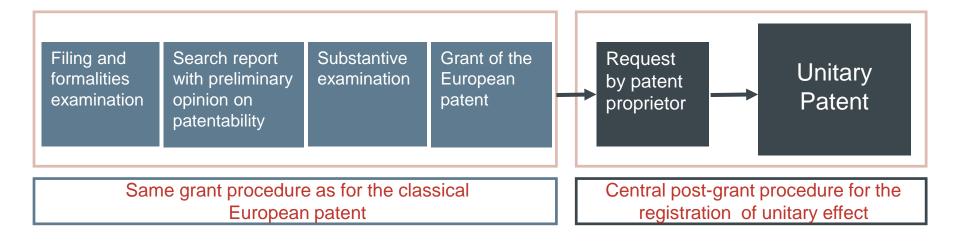
# The Unitary Patent in the starting block



#### Table of content

- Costs
- State of play at the EPO
  - Technical implementation
  - New register for Unitary Patent Protection
  - Search functionality
  - Possible EPO sunrise period
- Accompanying measures at EU and at national level
- Status quo on ratifications

# **Basic concept of the Unitary Patent**

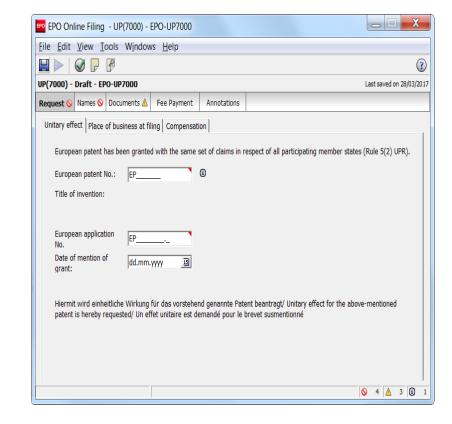


#### **Costs of a Unitary Patent**

- No fee will be charged for filing, examination or registration of a Unitary Patent.
- Renewal fees:
  - The renewal fees have been set at a very business-friendly level equivalent to the combined renewal fees of the top 4 countries where a traditional European patent was most frequently validated at the time the "True Top 4" approach was adopted (DE, FR, UK and NL).
  - Fees will be less than €5.000 in the first 10 years the current average lifetime of a EP.
  - When comparing the costs of a UP and those of a classic European patent, not only is the renewal fee level to be considered but also the costs associated with the validation and maintenance of a classic European patent (i.e. attorney fees for validations, translation costs for validations, publication fees to be paid to national patent offices and fees for attorneys or service providers for maintenance).
  - Based on a comparison of fees and all associated costs, a Unitary Patent will on average be significantly less expensive than a European patent validated and maintained in four countries.

#### **Technical implementation at the EPO**

- EPO is currently finalising the technical implementation.
- The procedure for filing requests for Unitary Patents will be fully automated (i.e. Online Filing (eOLF), New Online Filing (CMS) and webform filing (WFF)).
- Electronic forms will be very simple and straightforward to fill in and are designed in a way to avoid possible procedural/formal errors.



### Technical implementation at the EPO (cont'd)

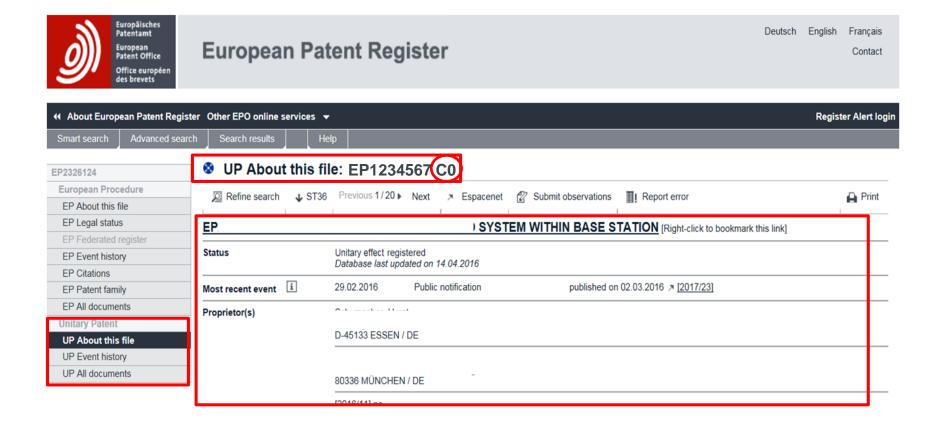
- New Forms will be available, for example:
  - request for unitary effect (Form 7000),
  - statement on licences of rights (Form 7001) and its withdrawal (Form 7002).

#### Payments:

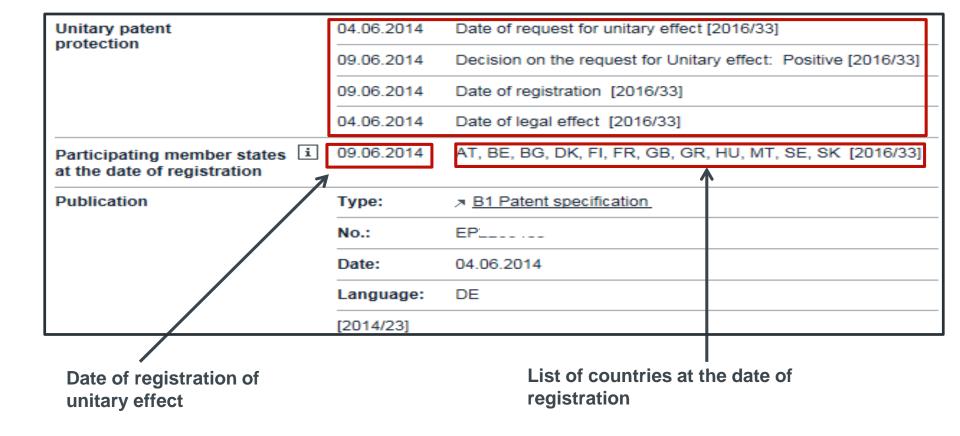
- by payment or transfer to a bank account held by the EPO, or
- by debiting a deposit account held with the EPO (see the Arrangements for deposit accounts (ADA) and their annexes).
- Holders of EPO deposit accounts may also use the EPO's Online Fee Payment service (OFP).
- Payments may be made by any person, including persons who are obliged to be represented.



# **New register for Unitary Patent Protection**

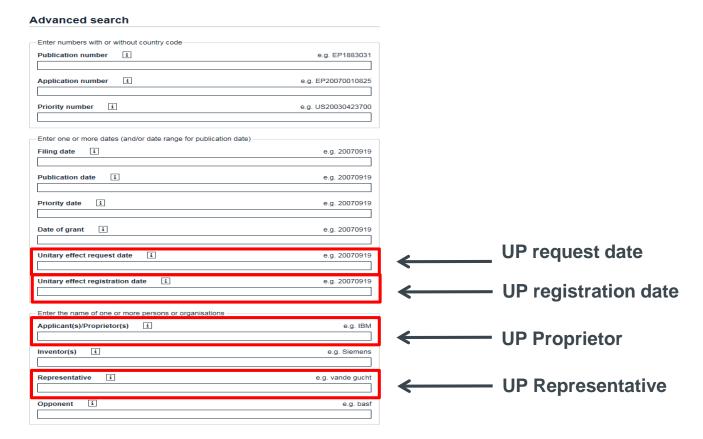


#### **New register for Unitary Patent Protection (cont'd)**



European Patent Office 32

### **Search functionality**



#### Possible EPO sunrise period

- "Early requests for unitary effect" Three month EPO sunrise period considered.
  - EPO considers to allow the filing of requests for unitary effect already three months before the start of the system:
    - o It would allow for a smooth transition to the Unitary Patent.
    - Such early requests for unitary effect may only be validly filed for European patent applications in respect of which a communication under Rule 71(3) EPC would have been despatched.
    - Any request filed before the start of the EPO sunrise period or for an application in respect of which a communication under Rule 71(3) EPC would not yet have been despatched would not be admissible.
    - On the first publication-day for European patents after the entry into force of the UPCA, the EPO would then despatch respective communications (registration of unitary effect or invitations to remedy any formal deficiencies or rejections).

#### Accompanying measures at EU and at national level

- Supplementary Protection Certificate (SPC).
  - Creation of Unitary SPC envisaged by the European Commission. But, this is likely to raise a number of legal and political challenges and may not be achievable in the short term.
  - Pending the creation of Unitary SPCs, the Commission will clarify that national SPCs can be obtained on the basis of a Unitary Patent.
- National validations in case request for unitary effect is rejected after expiration of the national deadline for validations.
  - Safety net system implemented or in the process of being implemented in a number of countries.
- Double protection between European patents that are subject to the jurisdiction of the UPC and national patents.

#### Status quo on ratifications

- The Unitary Patent Regulations are in force for 26 EU Member States.
- The UP Regulations apply only from the date of the entry into force of the UPCA:
  - UPCA enters into force on the first day of the fourth month after the deposit of the 13<sup>th</sup> instrument of ratification, incl. the three most patent intensive Member States (FR, DE, UK).
  - So far, twelve EU Member States have deposited their instruments of ratification incl. FR, with several others being in the process or having indicated their intention to ratify anytime soon.
    - o **DE:** parliamentary approval for the ratification has been obtained on 31/03/2017.
    - UK: reaffirmed the commitment to ratify the UPCA at the recent meeting of the Competitiveness Council on 29/05/2017.
    - o **SI:** parliamentary approval for the ratification obtained on 22/09/2016 and legislative process completed with the publication of the law in the Official Journal of the Republic of Slovenia on 07/10/2016.
    - LT: parliamentary procedure completed on 03/11/2016 and publication of the law in the Registry of Legal Acts on 8/11/2016. Legislation will come into force on 01/07/2017.
    - LV: law enabling Latvia to ratify the UPC Agreement has been passed by Parliament on 30/03/2017 and received presidential assent on 12/04/2017. The law will however not enter into force before 01/01/2018.
    - EE: The UPCA ratification bill was launched in the Estonian Parliament on 02/05/2017. A finalisation of the ratification procedure could be expected as early as June 2017.



# Thank you for your attention!

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# **UPC and Brexit 'An' industry perspective**

### **Tim Frain**

Director, IP Regulatory Affairs, Nokia

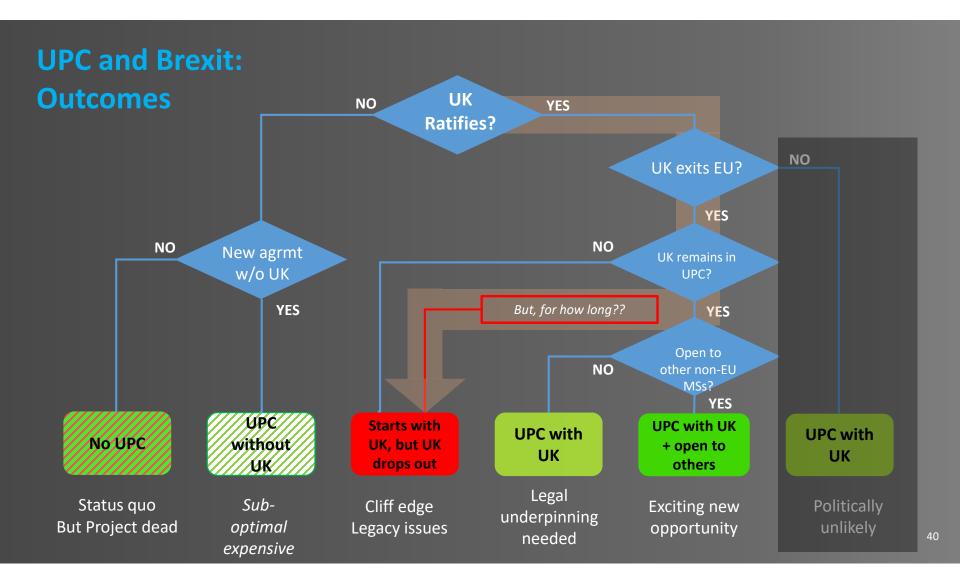


AIPPI UK, London, 31 May 2017

# Summary



- UPC and Brexit: outcomes
- The back-story
- The cliff edge and how to avoid it
- The unitary patent can UK be part of it?
- What industry can do to prepare:
  - Strategic
  - Economic
  - Logistics
  - Training
- Conclusion



# The back-story

- Industry has more or less long wanted a European patent package:
  - Accessible, cost-competitive, and legal certainty (minimum risk)
- After the Brexit referendum the fate of UPC project became unclear provoked widespread alarm
  - Numerous options and outcomes, with or without UK



- Many called for urgent (UK) ratification
  - Especially from continental European industry
- UK stakeholders wanted a more measured approach
  - Ratification subject to knowing what will happen if/when UK leaves UPC
    - avoid "cliff edge"



# ....the back-story

- HMG announcement at Nov 2016 Competitiveness
   Council and PR surprised everyone
  - Welcomed by continental stakeholders
  - UK stakeholders more sceptical <u>creates</u> a cliff edge





- UK election has frustrated/delayed ratification process
  - Pre-purdah the signs were that UK will still ratify
- UPC more likely than not to start around at year end or soon after
  - and sunrise period for opt-outs sooner.... OR IS IT?
- So users have to prepare NOW

# The cliff edge

- As currently constituted UPC and UP cannot start without UK
- Can UK remain in UPCA and UP?
  - UPC possibly legally, less likely politically?
  - UP unlikely legally (EU instruments)?



#### For example:

- Arrangements for pending litigation
- Treatment of existing decisions and orders of the court, e.g. injunctions
- Continuity of UP rights nationally
- No-one knows no termination provisions in UPC or UP Regulations



# **Avoiding a cliff edge**

- Unitary patents last up to 20 years
  - What will EU membership profile look like in that time frame?
  - Users need to know what territorial coverage they are securing for the full term of the patent
  - Maybe not just a UK/Brexit issue



- Pre-emptive, generic withdrawal and transitional provisions would help
  - E.g. obligation to implement domestic legislation for continuity of rights nationally
- Win—win solution: de-politicises by distancing from Brexit
  - Provides the safety net stakeholders are seeking for the UK
  - Also general future proofing gives users long terms assurances for all participating States

# **Unitary Patent**

- Debate tends to focus on UPC
  - Court, Rules of Procedure, location of divisions, training and appointment of judges etc



- But the real goal for industry is the unitary patent
  - wide coverage, cost-competitive, familiar procedures
  - before EPO

## Can UK be part of the Unitary Patent?

- UK will most likely have to leave the unitary patent as currently constituted
  - Established by EU Regulations under enhanced co-operation procedure, unlike UPCA
- If UK can remain in UPCA, does this matter in the long run...?
  - aside from the transitional concerns

#### Option 1:

- Do nothing
- EP(UK)s will eventually be indistinguishable from UPs
  - just subject to UKIPO renewal fees

#### Note:

Italy originally signed up to UPC but not unitary patent

#### Option 2:

 Invoke Art. 142 EPC - UK enters agreement with EU/MSs on 'unitary character' for EPs

Option 2 opens the door for other non-EU EPC contracting states?

Assuming they (can) sign up to the UPCA

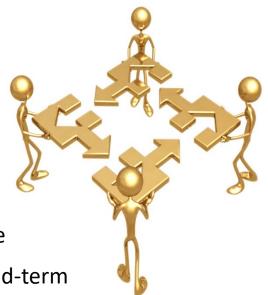
This is a very attractive prospect

# Strategic considerations – UPC jurisdiction

- Wider territorial, borderless, coverage
- Vulnerability to central attack
- Uniform-ish protection and harmonised enforcement regime
- Transitional issues uncertain impact of countries leaving mid-term
- Art.27(k) interoperability exception, may be something or nothing

#### To do NOW:

Determine criteria for electing unitary protection



# **Strategic considerations – existing EPs**

#### To do NOW:

Prepare to OPT in/OUT

- Determine opt-out criteria for all existing EP patents and applications
- Affirmative action needed to opt-out!

OPT-OUT X

OPT-IN



- Delay grant of pending EPs
- Validate EPs in more countries to benefit from enhanced X-border effect
- File divisionals
- File parallel (e.g. German) nationals as a safeguard?
- File UK nationals as well or instead of EP(UK)s to shelter from UPC

# Strategic considerations – litigation

- Consider bringing an early action in UPC
  - Seize jurisdiction
  - First mover advantage
  - Home turf
  - UPC has no track record
  - Multi-territory enforcement in single action
- Injunctions (multi-territory) possible
- Need to carefully pre-select EP candidate(s)
- Extent of validated States is a factor
- Selection process could/should begin already now



#### **Economic considerations**

- Cost benefit of electing unitary protection
  - UP renewal fees currently based on True Top 4
  - Some industries only validate EPs in 3-4 countries
  - Many users will use 4/5 designations as the cut-off for electing UP
  - These less likely to elect Unitary if UK is out
  - In any case, cost benefit is diluted if UK is out:
    - Will have to pay UK renewal fees for separate UK protection



- When UK leaves the unitary patent, the UP renewal fees (to EPO) will not change\*
  - Even though territorial coverage reduces mid-term
  - But patentee will (presumably) have to start paying separate national fees to UK-IPO

\*Note: other NPOs will receive a proportionally larger share of renewal fees if UK leaves



# **Logistic considerations**



- Can I record opt-out status for EPs?
- Can I record unitary patents?
- Can I capture what territories are covered in unitary patent?
  - This will need to reflect wider territorial coverage as more countries join
  - How will it deal with countries that leave mid-term?



# **Training Considerations**

- Do my patent attorneys know how and when to elect unitary patent protection?
- Do they know how and when to opt-out existing EPs?
- Familiarity with UPC case management tool
- Do they know how to enforce unitary patents?
- ...and non-opted out EPs?
- When checking status of third party patents do they know where to look for....
  - Renewal status, country coverage, opt-out status, LoR endorsements etc?



#### Conclusion

- Obtaining UPs is optional other patenting routes remain available
- All existing EPs will be in UPC jurisdiction if not opted out
- If users don't have assurances about continuity of rights will there be less take-up of unitary patent and more opt-outs?
- Enhancing user confidence from the outset will avoid the UPC/UP becoming a white elephant



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