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The Impact of the European Unified Patent Court on Filing Strategies

Unitary Patent System

Europe is on the verge of implementing its new Patent System (expected May 2017) with a Unitary Patent and Unified Patent Court (UPC), under which the EU would allow for grant of a unitary patent under the rules and procedures of the European Patent Convention. The new system will provide patent holders with EU-wide injunctive relief (in participating member states); it will also raise the specter of infringement risk in Europe. To best prepare for the new system, companies with patent positions in Europe need to closely examine their filing and clearance strategies.

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When the new Patent System comes into effect (estimated May 2017), the unitary patents will co-exist with traditional European national patents. The patent applicant may elect validation as a unitary patent at the time of patent grant. Protection in other EU countries and non-EU members of the EPO can only be obtained by traditional national patent validation at the time of grant or by filing separate national patent applications. Unitary patent validation is available for applications that are filed after March 1, 2007 and are pending when the new Patent System becomes effective.

The UPC will allow a patent holder or challenger to bring one action at the UPC and receive one judgment effective throughout the 25 Member States participating in the new Patent System. The new system will grant injunctions without considering the eBay factors applied by U.S. courts.

The UPC will take effect once at least 13 of the contracting member states (including France, Germany and the United Kingdom) have ratified the agreement. France has already ratified the agreement, and both Germany and the United Kingdom have begun the ratification process. Despite the ratification process beginning in the United Kingdom, it should be noted that a decision by the United Kingdom to end its membership in the EU could substantially delay the UPC.

The UPC will have jurisdiction to hear:

- actions for infringement;
- revocation actions;
- declarations of non-infringement;
- supplementary protection certificates;
- actions for provisional and protective measures and injunctions; and
- establishment of damages.

The UPC is retroactive, and thus its jurisdiction includes all cases involving unitary patents, as well as any cases involving traditional European patents without unitary effect, including those patents granted before the UPC agreement takes effect. However, Article 83 of the UPCA provides a transitional period (starting on the date the UPC takes effect) during which owners of traditional European Patents (but not Unitary Patents) have the right to opt out of the UPC and choose an alternative, national forum.

Opting Out of the UPC

Unless an action on a European patent has already been brought before the UPC, the owner of a patent granted or applied for prior to the end of the transitional period may opt out from the jurisdiction of the UPC by notifying the court's registry. The transitional period will be seven years, and may extend up to an additional seven years. After the transitional period, the UPC will handle all litigation in the participating states for the new unitary patents and traditional European patents.

Article 83.4 permits the owner to withdraw an opt-out ("opt-in") by notifying the registry. Once an opt-out is registered, it remains in force for the entire lifetime of a European patent, unless the proprietor withdraws the opt-out pursuant to Article 83.4 of the UPC agreement. There will be no possibility to opt out of a unitary patent.

Starting on the day the UPC opens, existing European patents will be subject to attack with respect to all states participating in the UPC, unless the patent owner opts out of the UPC before the patent is challenged. Thus, the jurisdictional reach of the UPC will have a retroactive effect on granted and pending European patents, making the opt-out decision important for current and future licenses involving European patents.

Filing Strategies

The UPC provides patent proprietors a unified route for obtaining patent protection and enforcing patent rights across all participating EU Member States. However, while a patent proprietor may benefit from the ability to enforce a patent in all 25 Member States via a single action, unitary patents or opted-in European patents may not be appropriate in all situations. Factors that may affect a patent proprietor's decision to file unitary patents, opt in or opt out of the UPC or file traditional European national patents may include:

Patent Strength

The UPC will likely favor European patents that are strong in compliance with the European Patent Committee (EPC). European oppositions and central revocation proceedings will be available to invalidate weak patents. Some U.S.-originated patents may not be sufficiently strong to stand up under the scrutiny of those reviews. The decision of whether to subject a patent to the UPC thus may be determined by how well the patent complies with the EPC.

Risk Aversion

Patent proprietors may decide that the new Patent System's all-or-nothing approach is not suitable for all patents. For example, patent proprietors with patents that face a higher likelihood of invalidation, or that are particularly important from a commercial standpoint, may wish to avoid the risk of central revocation in a single UPC ruling. Instead, proprietors of traditional European national patents, in which each national patent would be adjudicated separately in the traditional national courts, may prefer to pursue classical European Patents (validation of EP patents in the national patent offices, as is commonly done today, and then opt them out of the UPC) or return to the historical mode of national filing.

Speed

Irrespective of the UPC, the prosecution of patents through the EPO has traditionally taken much longer than prosecution through national patent offices. Accordingly, in cases where patent proprietors wish to quickly obtain patent protection (particular in instances where the national jurisdiction under which a potential infringer resides is limited), patent proprietors may benefit from pursuing a parallel national application or forgoing the UPC and EPO altogether.

Or some patent proprietors may elect to hedge their bets and pursue classical European patents with some filings and divisionals for Unitary Patents.

Substantive Law

As it is a product of a multi-national treaty, the UPC will implement law from many different sources, including EPC and national law from the signatory member states. Integration and adaptation of these laws may take time. In order to ratify the UPC, Member States must change their own laws in order to harmonize them with the UPC, but the substantive law may differ between UPC and Member States (*see, e.g.*, the standard of experimental use). Such substantive differences may impact a patent proprietor's filing strategy as subtle nuances in the laws may prove favorable or unfavorable to the patent proprietor.

Procedural Effects

Along with the substantive changes to patent law, the UPC will create a series of new courts (*e.g.*, Local Divisions, Regional Divisions, etc.). As with any new court, a patent proprietor may need to "wait and see" how the various new courts address the issues within their jurisdiction relevant to that patent practitioner, for example, how the court goes about authorizing discovery, assessing ownership and awarding injunctions.

As with any important patent strategy, decisions whether to file Unitary Patents, stay with classical European patents (and opt in or opt out of the UPC) or file traditional European national patents can be complicated and multifaceted. Please contact any Ropes & Gray attorney with whom you regularly work if you would like a more detailed discussion on the UPC and its implications for your company.