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INFORMATION LETTER

Unitary patent / Unified Patent Court

Changes in the European patent system and entry into force of the EU unitary patent system

It is expected that the unitary patent system will enter into force on 01 June 2023. The unitary patent system will bring about significant changes in two respects:

It offers the possibility of obtaining uniform protection through a European patent for those EU states that participate in the unitary patent system (currently 17 EU states hereinafter: "UP countries", including Germany, France and Italy), whereby a so-called "unitary patent" can be obtained.

Secondly, a completely new jurisdiction ("Unified Patent Court" or "UPC") will be created, which is or will be competent for these participating EU states with regard to all patent infringement and invalidation proceedings (nullity proceedings) that relate to a European patent.

This information letter gives a first overview of provisions of the unitary patent system that we consider relevant for practice.

Brief overview

- (i) Under the unitary patent system, for any European patent granted on or after the date of entry into force of the Agreement on a Unified Patent Court (UPCA) there will be the choice, with respect to the UP countries, either to obtain protection individually in selected UP countries as before or to apply for a unitary patent. **For pending EP applications, it should be decided whether a unitary patent is desired.**
- (ii) The unitary patent is to be understood as a single unitary property right obtained through a European patent for all UP countries. For the other designated countries of a European patent (i.e. other EPC member states that are not UP countries), the previous regulations on the classic EP bundle patent will continue to apply.

LIPPERT STACHOW

- (iii) A unitary patent is a unitary property right which can only be renewed, enforced, defended or declared invalid in its entirety.
- (iv) Compared to validation in a larger number of countries (more than 4-5 countries), obtaining protection for a European patent as a unitary patent may be less costly, depending on the countries relevant in the individual case. However, the unitary patent can only be maintained as a whole. It should be noted that it is not possible to drop the patent for only some of the UP countries at a later stage to save renewal fees.
- (v) Under the unitary patent system, the newly created Unified Patent Court (UPC) will generally have jurisdiction with uniform effect for all UP countries, as an independent judiciary having its own procedural law, to rule on patent infringement and on patent validity. The UPC has jurisdiction for all UP countries re European patents (this includes both existing and future European patents) unless an "opt-out" (see vi)-vii) below) is declared. The court fees and recoverable litigation cost are expected to be significantly higher than in the national courts having jurisdiction so far.
- (vi) For the duration of an initial transitional period of seven years (that may be extended) the proprietor or applicant may decide by means of an **"opt-out"** declaration that the jurisdiction of the UPC shall not apply to an existing classic EP bundle patent, to a European patent granted during the transitional period or also to a new European patent application filed during the transitional period. In case of an "opt-out" the national courts shall continue to have jurisdiction in respect of infringement and nullity proceedings under the previous regime.
- (vii) For existing EP bundle patents and pending EP applications, a **decision** should be taken, **preferably by 01 May 2023**, as to whether **an "opt-out" declaration** should be made. The opt-out declaration can be withdrawn (so-called "opt-in"), provided that no proceedings have been initiated before a national court.

LIPPERT STACHOW

Further details

I. Scope of the Unitary Patent

The unitary patent applies uniformly in all EU countries that have already ratified the Agreement on a Unified Patent Court UPCA ("UP countries"):

Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovenia, Sweden (as of Dec. 2022).

Other EU countries can still accede to the Convention. However, Croatia, Poland and Spain have indicated that they do not wish to accede to the UPCA (for the time being). For these countries, as well as the non-EU countries of the existing European Patent Convention (EPC), such as Great Britain, Switzerland, Turkey, etc., patent protection can be obtained through an EP bundle patent under the EPC.

This means that unitary patents and EP bundle patents with different geographical coverage can co-exist (see also VII) below).

II. Unitary effect

The unitary patent has the same effect in terms of territory in all countries that have acceded to the UPCA and in terms of substance with regard to scope of protection and patentability of subject-matter. On the one hand, the unitary effect makes it possible to enforce the unitary patent against patent infringers in a single procedure that binds all UP countries. On the other hand, the unitary effect implies that the unitary patent can only be extended, dropped or transferred as a whole and can be attacked or defended only as a whole in nullity proceedings. However, licenses can be granted on a territorially limited basis.

III. Obtaining a Unitary Patent

The unitary patent is obtained at the European Patent Office (EPO) in the same way as a classic European patent ("bundle patent"). After publication of the mention of the grant of the European patent, the patent proprietor has a time limit of **one month** to apply for "unitary effect" of the European patent (i.e. to apply for a unitary patent for the UP countries) or may continue as before with protection by an EP bundle patent for these countries or part of these countries.

IV. Obtaining the unitary effect / validation

With the unitary patent, validation requirements in individual UP countries, such as the need for translations into the respective official language or the appointment of domestic representatives, are eliminated, which reduces expenses. However, the request for unitary effect (request for the unitary patent), must contain a full translation of the European

LIPPERT STACHOW

patent. If the specification of the EP patent is in English, a translation into another EU official language must be filed (e.g. into German/French), if it is in German or French, a translation into English must be filed.

V. Renewal fees / Annuities

Uniform renewal fees are payable to the European Patent Office for the unitary patent in order to renew it uniformly. The official renewal fees are approximately the same as the fees for the four EU countries with the most validations. You will find the renewal fees, including our remuneration, in the **supplement** to this information.

In general, it depends on the filing strategy and/or the selection of countries in which protection is needed whether there is any advantage of cost or how high it is. Please note that, in the case of the unitary patent, individual countries cannot be abandoned in order to reduce the total of renewal fees, which is a common practice especially towards the end of the term.

VI. Enforcement and defence of a unitary patent

The Unified Patent Court (UPC) with its two instances has exclusive jurisdiction to decide on infringement actions and invalidity actions relating to unitary patents. The Unified Patent Court (UPC) also has jurisdiction for classical European patents with dual jurisdiction, of both the UPC and the national courts, during the transitional period, exclusive jurisdiction of the UPC after the transitional period, unless an "opt-out" request (see below) is filed.

The first instance of the UPC has a central chamber with seats in Paris and in Munich, as well as local and regional chambers in various EU countries. In Germany there will be four local chambers, namely in Düsseldorf, Hamburg, Mannheim and Munich. The second instance of the UPC has its seat in Luxembourg.

Since the UPC will be newly created and staffed with new panels of judges, it remains to be seen to what extent the practice of the UPC will differ from the national courts that previously had jurisdiction.

It is to be expected that the costs for court proceedings before the UPC will be higher than before a respective national court, even if the court fees will not change significantly. As the proceedings are planned to be concluded within one year (shall provision), the proceedings will have to be conducted according to a tight schedule and each party will have to spend a considerable time and effort in order to conduct the proceedings effectively in the short timeframe. Furthermore, the maximum costs to be reimbursed to the winning party in the event of losing the case in infringement or nullity proceedings will in many cases be significantly higher than before a national

LIPPERT STACHOW

court. In general, there will be a higher risk concerning litigation cost.

However, proceedings before the UPC have several advantages: Since patent and nullity proceedings before the UPC are conducted as a single procedure and these proceedings are to be concluded in the first instance within one year, final decisions can be expected to be significantly faster. In addition, the UPC decides with effect for all UP countries, so that a patent infringement judgement can have a greater effect.

VII. Grant: European patent or unitary patent?

In connection with the grant of a European patent, concerning it will thus have to be decided whether a European patent for selected UP countries ("bundle patent" as before) or a Unitary Patent for all UP countries should be applied for. Essential considerations here are likely to be, on the one hand, the accruing renewal fees and validation/translation costs, which, however, also depend on the respective countries to be considered, and, on the other hand, the strategy regarding possible infringement and nullity proceedings in relation to the respective patent. This should be decided considering the circumstances of each individual case. We are happy to advise on this.

In any case, EP bundle patents and unitary patents may coexist.

VIII. National patents – double patenting

The possibility of applying for a national patent in parallel with a European patent (to obtain a unitary patent) should also be considered. Germany and France, for example, have amended their national patent law to allow double patenting through a national patent in parallel with a unitary patent (which was not allowed for a national patent alongside a traditional EP bundle patent).

This could partially offset the risk of centralized revocation or limitation of the unitary patent.

IX. Opt-Out - Court of Jurisdiction

For the transitional period of at least seven years, the patent proprietor may decide by an "opt-out" declaration that the exclusive jurisdiction of the new Unified Patent Court (UPC) shall not apply to a classical European patent (bundle patent) or also to a new European patent application filed until the expiry of the transitional period, but that the national courts shall continue to have jurisdiction in respect of infringement and nullity proceedings as before. This question is important regarding enforcing and defending your EP patents. The opt-out and thus the choice of jurisdiction also affects presently existing granted European patents and pending European patent

LIPPERT STACHOW

applications, so that your entire existing patent portfolio should be reviewed in this respect.

An "opt-out" declaration can be withdrawn once by an "opt-in" declaration. However, an "opt-out" declaration or an "opt-in" declaration can only be declared as long as no litigation, such as an action for revocation or an action for declaration of non-infringement (negative scope trial), is pending against the patent in question.

Whether an "opt-out" declaration is useful or advisable depends on the circumstances of the individual case. A practical approach would be to initially file an "opt-out" declaration for all patents or for selected patents of a patent portfolio as a precautionary measure, so that the previous jurisdiction of the national courts remains in place until the practice of the UPC becomes apparent. However, this is of course countered by the potential disadvantage that an "opt-in" is no longer possible if a potential patent infringer brings an action in connection with the European patent before a national court while the "opt-out" declaration is effective. The question of whether an opt-out declaration makes sense should therefore be discussed with an attorney for each individual case. We are happy to advise on this.

An "opt-out" declaration is already possible during a three-month sunrise period before the UPCA comes into force. The question as to whether and for which European patents in your portfolio an "opt-out" is advisable should be considered as of now.

X. Your patent portfolio

We are happy to be at your disposal for advice on your existing and future European patents in relation to the unitary patent system:

<http://www.pateam.de/english/ContactUs/>

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Patentanwälte Rechtsanwälte Partnerschaft mbB

Encl.

our schedule of fees for Unitary Patent

DISCLAIMER: This information letter is not intended as legal advice. The information/presentation is intended to help you understand the basics in order to ask the right questions of the lawyer of your choice. You cannot rely solely on the information contained herein, as appropriate professional legal advice must be given on a case-by-case basis, taking into account all relevant facts of each case.