

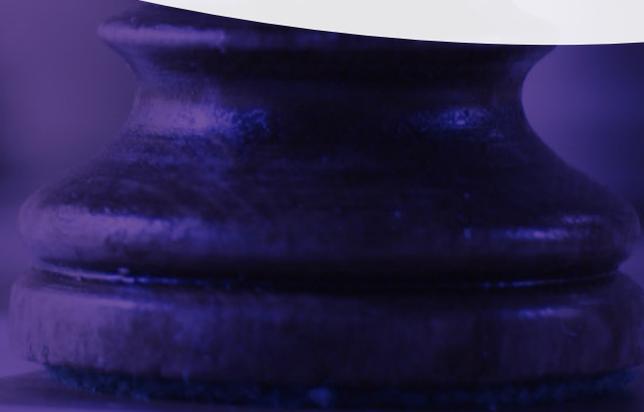


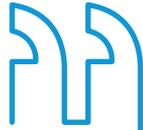
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How to re-evaluate your patent strategies?

By Asawari Churi and Adrian Murray



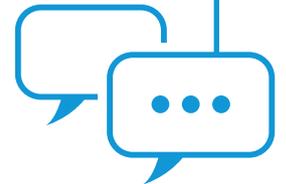


Currently Spain, Croatia and Poland have elected not to participate in the unitary patent system but as EU member states could do so in future.

The new unitary patent system is poised to come into effect from 2017 and will change the way patent rights are exploited by innovative entities. In this Insight we consider how companies may change their patent filing strategies to best exploit the benefits of the new system.

Background

A European patent with unitary effect (a “**unitary patent**”) will be a single patent right enforceable before the Unified Patent Court (the “**UPC**”) for the 25 EU member states participating in the unitary patent system. As the name suggests, a unitary patent is a form of European patent but is only open to countries in the EU. While certain non-EU European countries (eg. Switzerland, Norway, and Iceland) are excluded from the unitary patent system, a European patent in respect of the same application may still designate those states. Further, currently Spain, Croatia and Poland have elected not to participate in the unitary patent system but as EU member states could do so in future.



Filing



The upside of keeping patents away from the UPC is particularly acute now, where the procedure, jurisprudence and consistency of decisions of the UPC is uncertain, making it hard to analyse the strength of a patent application and formulate litigation strategy.

The first decision that applicants need to make will be familiar; whether to pursue patent protection via the national, European and/or Patent Co-operation Treaty (PCT) route. The complexity added by the new unitary patent system in this decision is threefold:

- national patents
- European patent strategies
- language of European patents.

National patents

First, as experienced patent-filers will recognise, the main disadvantage of proceeding via the national patent route is the high upfront cost of translation and simultaneous prosecution of separate patent applications in each country of interest. This financial burden will need to be weighed against the potential advantages of excluding the patent from the jurisdiction of the UPC.

The upside of keeping patents away from the UPC is particularly acute now, where the procedure, jurisprudence and consistency of decisions of the UPC is uncertain, making it hard to analyse the strength of a patent application and formulate litigation strategy. Further advantages of proceeding via the national route include more rapid prosecution and the absence of post-grant opposition procedures in some European territories.

Whilst there is always the option to opt a European patent or application out from the exclusive jurisdiction of the UPC during the 7 year transitional period to achieve the same result (see further below), there remains some debate as to how the opt-out will work in practice. For example, the wording used in Article 83 of the UPC Agreement makes it unclear whether opting out a European patent will opt it out of the jurisdiction of the UPC completely or only out of the *exclusive* jurisdiction of the UPC. Moreover, in the case of opted-out patents, it is unclear whether the UPC Agreement will continue to apply even if the UPC is no longer competent. If this is the case, the

national courts may need to apply the UPC Agreement instead of national law to the opted-out patents. In January 2014, the UPC preparatory committee expressed the view that, if an opt-out is in place, then the UPC Agreement no longer applies and national courts would have to apply the relevant national law.

Further, there will undoubtedly be pressure on national courts to harmonise their jurisprudence on European patents with that of the UPC (especially given that most national judges will sit in both courts); that pressure potentially being greater for European patents than for national patents. For example, the UK has long employed the idiosyncratic *Windsurfing* test for obviousness over the problem/solution approach, but the former would seemingly have no place before the UPC.

Those attracted to the national route should remember that national patent applications cannot be filed on the basis of a PCT application in certain European jurisdictions, most notably Belgium, France, Greece, Italy, and the Netherlands. National patents covering those territories would have to be filed at the end of the priority year.

European patent strategies

The second decision point surrounds European patent applications, and thankfully is an easier choice. Unitary patents are prosecuted as European patent applications with the decision as to whether to register as a unitary patent only made on grant.

The Unitary Patent Regulation suggests that the European patent must designate all participating member states in order for it to be able to become a unitary patent. Thus, assuming that (as is the case for most patent filers) the strategy is chosen of designating all states when a European patent application is filed (or the European regional phase of a PCT application is entered), no change in filing strategy will be required.

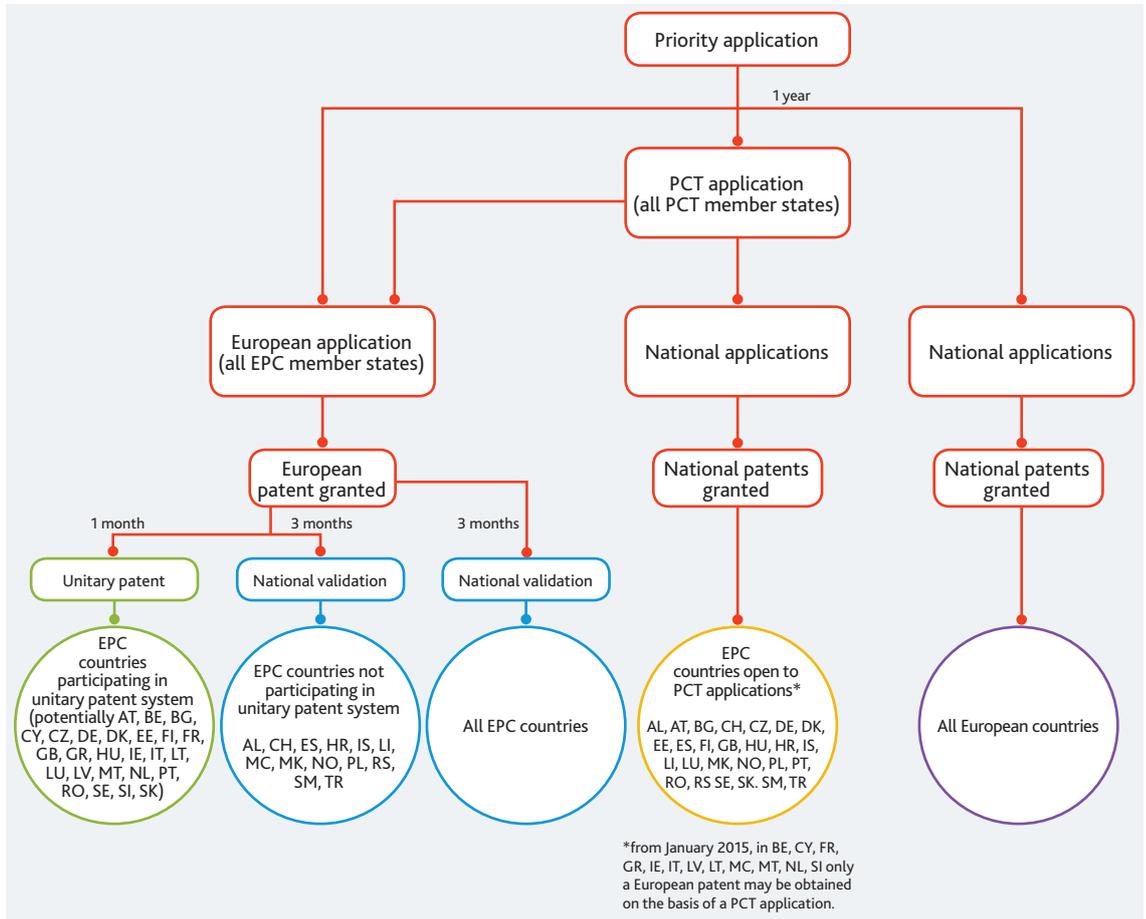
The Unitary Patent Regulation suggests that the European patent must designate all participating member states in order for it to be able to become a unitary patent.



Filing (continued)



Future patent application process in Europe



Language of European patents

Thirdly, patent holders should also consider how the language of a European patent application may eventually affect enforcement proceedings should it become a unitary patent. The current language requirements for European patent applications remain; a patent application may be filed at the EPO in any language, but will need to be translated into one of English, German and French.

However, this has ramifications should the European patent application become a unitary patent, as the

current draft of the Rules of Procedure of the UPC in many cases allows the parties or the court to designate the language the patent was granted in as the language of the proceedings before the UPC¹. This in turn will play a part in which judges are allocated to the proceedings given that they are allocated based on, amongst other things, linguistic skills².

For example, if a patent holder so desired, they could potentially increase the likelihood of a German judge being allocated to proceedings enforcing a unitary patent by ensuring that their European patent application is filed in German.

¹ See in particular Article 49 subsections (3),(4),(5) and (6) of the UPC Agreement

² See Article 18(3) of the UPC Agreement



Grant



As noted above, unitary patents are prosecuted as European patent applications and are only registered as unitary patents on grant. Given the amount of commentary on this decision, patent holders will undoubtedly be familiar with many of the points summarised below:

There has also been some discussion about adopting a mixed strategy e.g. obtaining various European patents of differing scope covering a product of value using divisional applications, with some being opted-out and others being designated as unitary patents.

European patents	Unitary Patents
Enforceable and revocable nationally (after an initial 9 month central opposition window) – many separate proceedings necessary.	Enforceable and revocable centrally – a single “ <i>make or break</i> ” set of proceedings.
Large variance in the length of patent proceedings – from 18 months to years.	The UPC must try to resolve the proceedings within 12 months.
Variance in the ease of obtaining provisional measures.	Provisional measures are available across all participating states.
National renewal fees which need to be monitored and paid individually. Can elect to let certain national designations lapse to save costs.	A single renewal fee set to be paid centrally.

There has also been some discussion about adopting a mixed strategy e.g. obtaining various European patents of differing scope covering a product of value using divisional applications, with some being opted out and others being designated as unitary patents. The unitary patents enable the holder to bring infringement proceedings before the UPC to conveniently obtain pan-EU relief³ in a single action. The opted-out patent/s can be relied upon as a fallback should the patent be revoked centrally.

An obvious disadvantage of such an approach is the increased cost of prosecuting and validating numerous European patents. A further question mark over the merits of this strategy is the weight that national courts will place on a decision of the UPC when subsequently considering national counterpart patents.



³ Although relief will not extend to member states which are not participating in the unified patent system.

Existing patents during the transitional period



One strategy would be to opt out at first, and then opt-back in by withdrawing the opt-out should proceedings before the UPC seem desirable. The danger of this strategy is that it is not possible to withdraw an opt-out if national proceedings have been started.

During the transitional period (which is currently set to be 7 years), provided there is no pending action against the patent before the UPC, a patent holder can opt out their European patent/patent application and SPC (but not unitary patents) from the exclusive jurisdiction of the UPC. Given that central revocation of a European patent previously had only been possible via EPO opposition proceedings, there was widespread concern that this would result in a race to seize jurisdiction i.e. by starting revocation proceedings before the UPC before a patent holder could opt out, thus preventing the patent holder from doing so. For this reason, a “sunrise” provision has been included in the most recent draft of the Rules of Procedure of the UPC which will allow owners of European patents/patent applications and SPCs to register their opt-out before the UPC opens.

The decision whether to opt in or opt out will depend on a number of factors, two important questions being: (i) the uncertainty surrounding how the jurisprudence of the UPC will develop, the application of procedural rules and guidelines, the consistency of its decisions and the availability of provisional and injunctive measures; and (ii) the inability to put forward arguments shaping how the above will develop without being active participants in the system.

One strategy would be to opt out at first, and then opt back in by withdrawing the opt-out should proceedings before the UPC seem desirable. The danger of this strategy is that it is not possible to withdraw an opt-out if national proceedings have been started. Further, once opted back in a further opt-out will not be available.

Another concern is financial; current proposals put the opt-out fee at €80 (it will also cost €80 to opt back in). While this fee is relatively modest when considering opting specific patents out of the new regime, entities with substantial portfolios may find it financially daunting to blanket opt out all of their patent rights.

Conclusions

While it is clear that uncertainty regarding practice at the UPC remains, what is apparent is that there is no ‘one size fits all’ approach for patent holders under the new regime. Considered analysis of patent-holders’ commercial aims, attitude to risk and patent budget will need to be made in order to develop the most appropriate strategy. A close eye will need to be kept on developments at the UPC to ensure that such patent strategies remain correct.

While it is clear that uncertainty regarding practice at the UPC remains, what is apparent is that there is no ‘one size fits all’ approach for patent holders under the new regime.



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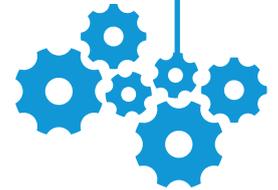
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