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The Unitary Patent and Unified Patent Court: Potential Changes and Implications

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THE UNITARY PATENT AND UNIFIED PATENT COURT:
POTENTIAL CHANGES AND IMPLICATIONS

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I. INTRODUCTION

Patent protection in Europe is expensive and fragmented.² Many have complained the current system amounts to a tax on innovation.³ Europe has been in need of a common patent litigation system since the 1970s, when the European Patent Convention⁴ (EPC) was passed.⁵ In late 2012 and early 2013, European Parliament passed what is known as the European Union (EU) Patent Package.⁶ The proposed package consists of a unitary patent, which will be valid in each country participating in the agreement and a Unified Patent Court, which will have jurisdiction over all European and unitary patents.⁷ The EU Patent Package has not yet come into force.⁸ It is expected to be ratified by the contracting member states sometime in 2015 or 2016⁹; however, some critics believe ratification of the agreement will fail.¹⁰ If the

² *Commission Staff Working Paper Impact Assessment Proposal for a Regulation of the European Parliament*, at 4, SEC (2011) 482 final (Apr. 13, 2011) [hereinafter *Impact Assessment*].

³ Press Release, Eur. Parliament, Parliament Approves EU Unitary Patent Rules (Dec. 11, 2012), available at <http://www.europarl.europa.eu/news/en/news-room/content/20121210IPR04506/html/Parliament-approves-EU-unitary-patent-rules> (“The current European patent regime ‘is effectively a tax on innovation’ said Raffaele Baldassarre (EPP, IT).”).

⁴ European Patent Convention, Oct. 5, 1973, 1065 U.N.T.S. 199 (as amended Apr. 1, 2013).

⁵ *Impact Assessment*, *supra* note 2.

⁶ Press Release, Eur. Parliament, *supra* note 3.

⁷ *Id.*

⁸ Andrew Clay, *A Unitary Patent for Europe and a Unified Way of Enforcing it: An Update – September 2012*, SQUIRE SANDERS (Sept. 2012), <http://www.squiresanders.com/a-unitary-patent-for-europe-and-a-unified-way-of-enforcing-it> (follow “View Publication” hyperlink).

⁹ *Id.* (“This will then be ratified by national parliaments in the remainder of 2013/2014. Once 9 MS (including the three with the most EU patents in force) have ratified the UPC agreement then it will come into effect after a yet to be defined period, which is expected to be about two years after ratification.”).

¹⁰ Volker Metzler, *The Prospect of the Unitary Patent in 2013 – Some Thoughts on Ratification (update)*, K/S/N/H::L. BLOG (Jan. 1, 2013),

EU Patent Package does come into force, there will be significant changes to the European patent system.¹¹ For those seeking European patent protection in the future, it will be important to know the impact of the new regulations, the effect of national laws, and the strategies for navigating the new environment. The possibility of a unitary patent and a Unified Patent Court raises several important questions: Will the unitary patent be uniformly enforced? Will the Europeans give full faith and credit to their neighbors? Will the new regime decrease costs? What about forum shopping? Should U.S. applicants participate? Before these questions can be answered, it is necessary to understand the patent regimes currently in existence within Europe.

II. THE EUROPEAN PATENT AND THE EUROPEAN PATENT ORGANISATION

A. *Current European Patent Systems*

Today, patent rights may be pursued in Europe through three main channels. First, a patent application may be filed directly with each country; such applications are referred to as national filings. Second, a patent application may be filed as an international application under the Patent Cooperation Treaty (PCT).¹² Subsequently, the countries or regions in which the applicant wishes to pursue rights may be designated and the PCT application

<http://blog.ksnh.eu/en/2013/01/01/the-prospect-of-the-unitary-patent-in-2013-some-thoughts-on-ratification>.

¹¹ Press Release, Eur. Parliament, *supra* note 3.

¹² *How to Apply for a European Patent*, EUR. PAT. OFF., <http://www.epo.org/applying/basics.html> (last updated May 29, 2013) (“There are different routes to patent protection and the best route for you will depend on your invention and the markets your company operates in. The European Patent Office accepts applications under the European Patent Convention (EPC) and the Patent Cooperation Treaty (PCT). If you are seeking protection in only a few countries, it may be best to apply direct for a national patent to each of the national offices.”).

will enter a national phase for each designated country or region.¹³ The individual member states make the final determination whether to grant the patent.¹⁴ Third, an applicant can obtain patent protection by filing for a regional, European patent with the European Patent Organisation (EPO).¹⁵ Following a search conducted by the EPO, an applicant may pursue validation in each of the countries in which the applicant wishes to obtain rights.¹⁶

1. National Patents and PCT Applications

Filing for a national patent is the traditional method for obtaining exclusive rights to an invention.¹⁷ This type of patent will only protect the patentee within the geographical confines of the nation's territory; however, the cost of obtaining a national patent is typically lower than obtaining rights in multiple jurisdictions.¹⁸ In general, a national patent is recommended if the applicant intends to file in fewer than four European countries.¹⁹

On the other hand, an applicant may file a single application under the PCT. This allows an inventor to apply for a patent simultaneously in up to 148 countries.²⁰ PCT applications can be

¹³ *PCT FAQs*, WORLD INTELL. PROP. ORG., <http://www.wipo.int/pct/en/faqs/faqs.html> (last visited Aug. 24, 2013).

¹⁴ Patent Cooperation Treaty, art. 27 § 5, June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 231.

¹⁵ *How to Apply for a European Patent*, *supra* note 12.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *See generally National Applications*, EUR. PAT. OFF., <http://s/www.epo.org/applying/national.html> (last updated Mar. 14 2011).

¹⁹ *What are the Advantages of a European Patent?*, IP INSIGHT (Jul. 2013), <http://www.ipo.gov.uk/news/newsletters/ipinsight/ipinsight-201307/ipinsight-201307-4.htm> (“[P]atenting is advisable in any country where an invention can be expected to yield significant economic benefits. It makes sense to file a European patent application rather than national applications when protection is sought in at least four European countries.”).

²⁰ *PCT FAQs*, *supra* note 13; *See also PCT – The International Patent System*, WORLD INTELL. PROP. ORG., <http://www.wipo.int/pct/en/> (last visited Aug. 24, 2013).

filed in a number of national and regional patent offices, or directly with the World Intellectual Property Organization.²¹ In order to file in a national office, one of the listed inventors must be a natural citizen of that nation.²² Likewise, to file with a regional office such as the EPO, one of the inventors must be a citizen of a country that is a party to an agreement, such as the EPC.²³ However, the applicants must pursue allowance of the application in each country they desire protection—this is defined as entering the national phase.²⁴ Additionally, an applicant may designate a regional patent office, like the EPO, in order to enter the national phase for an entire region.²⁵ In essence, a PCT application simply provides an international filing date for an application; it is not an international patent.

2. The European Patent

A European patent application, like a PCT application, provides an applicant with a means of pursuing a patent within a large number of countries. The EPO was established under the EPC²⁶ as the granting authority for European patents.²⁷ Signed by sixteen member states in 1973,²⁸ the EPC is now ratified by thirty-eight member states, including all twenty-seven countries of the EU.²⁹ European patents are like a bundle of national patents that must be validated in each country in which the applicant seeks

²¹ *Supra* note 20.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Chapter 2: Entry into the National Phase*, WORLD INTELL. PROP. ORG., <http://www.wipo.int/pct/en/appguide/text.jsp?page=np02.html> (last visited Jan. 9, 2014).

²⁶ European Patent Convention, *supra* note 4, at 4.

²⁷ *Legal Foundations*, EUR. PAT. OFF., <http://www.epo.org/about-us/organisation/foundation.html> (last updated Apr. 22, 2013).

²⁸ *Id.*

²⁹ *Member States of the European Patent Organisation*, EUR. PAT. OFF., <http://www.epo.org/about-us/organisation/member-states.html> (last updated Apr. 22, 2013).

protection.³⁰ Thus, the EPO is like a central application and granting authority³¹ that issues patents on behalf of one or more member states.³²

i. How to File a European Patent Application

In order to file a European patent application, applicants must designate the states in which they are seeking rights.³³ The EPO conducts an initial search and provides the applicant with a written opinion.³⁴ Following the opinion, if the applicant wishes to proceed, a substantive examination is carried out to ensure the application complies with the EPC.³⁵ Applications are published eighteen months after filing.³⁶ Provisional protection is granted to applications that are published; however, some member states require a translation into their official language for provisional protection to be established.³⁷ Once the EPO grants the patent, it must be validated by each member state in which the patent is being sought.³⁸ Some member states require additional translations, and all require fees as part of the validation process.³⁹ The patents issue as a bundle of national patents, although they arose from a single application.⁴⁰

³⁰ *How to Apply for a European Patent*, *supra* note 12.

³¹ Vincenzo Di Cataldo, *From the European Patent to a Community Patent*, 8 Colum. J. Eur. L. 19, 20 (2002).

³² 1 ANDREW RUDGE, *GUIDE TO EUROPEAN PATENTS* § 1:2 (2013) (“A European patent is not, therefore, a single patent covering the territory of ‘Europe’ but a set of independent patents arising from a single European patent application. This bundle of patents is largely indistinguishable from a set of national patents that have been granted independently by the national patent offices and more or less subject to the same national laws.”).

³³ *How to Apply for a European Patent*, *supra* note 12.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ RUDGE, *supra* note 32.

ii. *Governing Law of European Patents*

The EPC leaves the determination of substantive patent rights to contracting states.⁴¹ However, the EPC provides rules for the examination of patent applications and limited substantive criteria for patentability.⁴² Member states are not required to conform their national patent laws to the EPC, but most have complied.⁴³

iii. *Unification*

The current European patent is not unified. A wide variety of national laws and regulations apply to the bundle of patents obtained through the EPO. However, “if an opposition is filed against the ‘patent’ within 9 months of the grant, then any decisions taken by the EPO in the course of that opposition . . . will apply to all country designations of that patent.”⁴⁴

B. *Issues with the Current Patent System in Europe*

There are several issues with the current European patent system, particularly with the judicial enforcement of European patents.⁴⁵ Specifically, patent enforcement in Europe is costly and

⁴¹ Mark Nickas, *Discordant Harmonization: Did the European Court of Justice Interpret the Biotechnology Directive's Exclusions to Patentability Too Broadly in Brüstle v. Greenpeace?*, 40 AIPLA Q.J. 517, 520 (2012).

⁴² Di Cataldo, *supra* note 31 (“[T]he various fractions of the European Patent have almost nothing in common. They share only the few substantive rules about the conditions of patentability fixed by the EPC. For the remainder of the substantive law, each individual Contracting State's patent law governs that State's fractional share of the European Patent.”).

⁴³ Nickas, *supra* note 41 (“The EPC leaves the determination of substantive rights of issued patents to contracting states. The EPC does not require member states to conform their national patent laws to the EPC, though most have done so.”).

⁴⁴ Gary Moss & Matthew Jones, *Patents and Patent Litigation in Europe – Past, Present and Future*, INTELL. PROP. TODAY, June 2011, at 30.

⁴⁵ *Breakthrough on Enhanced Patent System for Europe*, SINGLE MARKET NEWS, 6, 6 (2010).

inconsistent. Many believe there is room for improvement in European patent system.⁴⁶

The current patent system available in Europe “involves prohibitive cost, in particular for young innovative companies and SMEs (small and medium enterprises) and is prone to be subject to very expensive and risky multi-forum litigation.”⁴⁷ Moreover, the diversity of national languages and fee structures results in high costs associated with pursuing patent coverage in a large number of member states.⁴⁸ Another problem is the complex patchwork of national laws that make it difficult for entities to license or transfer their patent rights throughout Europe.⁴⁹ Unfortunately, these costs lead to a reduction in knowledge sharing as many smaller enterprises maintain their inventions as trade secrets.⁵⁰ These smaller enterprises may simply find it economically impractical to obtain a patent.⁵¹ In such instances, maintaining the invention as a trade secret may be a more cost-effective method for protecting the inventor’s intellectual property.⁵²

Due to the lack of a central patent court, a European patent must be litigated individually in each country in which the patent is

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Impact Assessment, supra* note 2, at 13, 14.

⁴⁹ *Id.* at 13 (“The fragmentation of the patent protection in the EU has four main aspects: high costs related to the translation and publication requirements, diverging rules in relation to renewal fees, complex national provisions in relation to registering transfers, licenses and other rights and the legal uncertainties due to the lack of a unified court system.”).

⁵⁰ *Id.* at 21 (“As a consequence of the problems explained above, access to comprehensive patent protection in Europe is so costly and complex that it is inaccessible to many inventors and companies. There is some evidence that the costs associated with patent protection are so high that SMEs often prefer informal protection of their innovations (i.e. secrecy).”).

⁵¹ *See generally* CORPORATE COUNSEL’S GUIDE TO PROTECTING TRADE SECRETS § 2:8 (2013) (discussing cost of multi-national patents).

⁵² *See id.*

in force.⁵³ There are several consequences to this reality. Parallel litigation of the same patent in courts of different nations is commonplace.⁵⁴ As one might expect, “[t]his leads to multiple litigation of the same patent in different Member States, often resulting in contradictory judgments.”⁵⁵ As a result, there is a great deal of forum shopping where litigators seek the jurisdiction that will yield favorable results.⁵⁶

Not only does the inconsistent enforcement of patents lead to problems for potential defendants in patent cases, but this fragmentation also creates a ripple effect throughout the European patent system that affects the efficiency of the EPO. Furthermore, it leads applicants and competitors to misallocate resources and causes market distortions.⁵⁷

According to European Court of Justice doctrine, “EU law has supremacy over national law.”⁵⁸ This creates a situation where there may be more than one standard of patentability: the EPO standard and the EU standard.⁵⁹ Thus, if an applicant’s patent is

⁵³ Moss, *supra* note 44, at 30 (“[T]here is no single jurisdiction for determining patent cases on a Europe-wide basis and, as a consequence, patents have to be litigated on a country-by-country basis.”).

⁵⁴ *Id.*

⁵⁵ *Breakthrough on Enhanced Patent System for Europe*, *supra* note 45.

⁵⁶ Moss, *supra* note 44, at 30.

⁵⁷ Dongwook Chun, *Patent Law Harmonization in the Age of Globalization: The Necessity and Strategy for a Pragmatic Outcome*, 93 J. Pat. & Trademark Off. Soc’y 127, 136 (2011) (“[T]he uncertainty associated with patent delay imposes significant costs not only to patent applicants but also to potential competitors. These competitors cannot know where to focus their research and development investments until they know precisely what a patent applicant has been able to claim as its inventive territory. Accordingly, companies in this situation may make fewer investments in innovation that are potentially misdirected and wasteful.”).

⁵⁸ Nickas, *supra* note 41, at 521 (“Within EU member states, however, EU law has supremacy over national law according to ECJ doctrine. The disjunction between the EU and EPC can potentially place an EPO patent applicant in a position of double jeopardy within EU member states.”) (citation omitted).

⁵⁹ *Id.*

challenged within an EU member state, the patent will be subject to EU laws regarding patentability, regardless of any EPO decision.⁶⁰ However, in non-EU countries a patent may be evaluated under a different standard of validity altogether because those countries will have their own standard aside from the EPO.⁶¹

Due to the issues stated above, there is a strong desire for a European-wide patent system that could reduce filing costs and produce consistent rights for patent grants and the enforcement of those patents.⁶²

III. PAST ATTEMPTS AT A UNITARY PATENT

Shortly after the EPC was passed, the Community Patent Convention (CPC) was signed in 1975.⁶³ The CPC was supposed to supplement the EPC with a uniform patent court system that would ensure uniform patent enforcement throughout the member states.⁶⁴ Unfortunately, the CPC failed to gain support and was never implemented.⁶⁵ This failure left Europe's patent system without the basis for harmonization that was originally intended by those who ratified the EPC and CPC.⁶⁶ Other attempts to create a central European patent litigation system also failed in 1962, 1975,

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² *Breakthrough on Enhanced Patent System for Europe, supra* note 45 (“This political breakthrough comes at a moment when it is most needed and is considered as a very strong signal from the Council that the EU is committed to achieve a true Single Market for patents.”).

⁶³ Council Agreement 89/695/EEC, Agreement Relating to Community Patents, 1989 O.J. (L 401) 1.

⁶⁴ Di Cataldo, *supra* note 31, at 19.

⁶⁵ *Id.*

⁶⁶ *Id.* (“[T]he EPC was to be followed by a further step, a more advanced tool. In fact, that tool was crafted not after the work concluded on the EPC, but before. That tool, the second step, was supposed to be the Community Patent Convention (CPC), also known as the Luxembourg Convention, signed in Luxembourg on December 15, 1975. But this second Convention has never become effective.”).

1985, 1989, and 2003, mostly as a result of disagreements over translation and litigation arrangements.⁶⁷

The European Commission re-launched efforts to create a single “community” patent and central litigation structure in 2007.⁶⁸ This renewed interest in harmonizing the patent system in Europe led to the EU Patent Package.⁶⁹

IV. THE EUROPEAN UNION PATENT PACKAGE

On December 17, 2012, the European Parliament and the Council of the European Union passed the Unitary Patent Regulation implementing enhanced cooperation in the area of the creation of a unitary patent protection.⁷⁰ If ratified by a sufficient number of contracting member states, the EU Patent Package will consist of three major parts: (1) a European patent with unitary effect; (2) a Unified Patent Court having jurisdiction over all unitary patents; and (3) a language regime for the new unitary patent and Unified Patent Court.⁷¹

A. *Entry into Force*

The EU Patent Package is expected to enter into force sometime in 2015 or 2016.⁷² The agreement must be ratified by the

⁶⁷ *Breakthrough on Enhanced Patent System for Europe*, *supra* note 45.

⁶⁸ *Proposal for a Regulation of the European Parliament and of the Council Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection*, at 1, COM (2011) 215 final (April 13, 2011).

⁶⁹ Regulation 1257/2012, Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection, 2012 O.J. (L 361) 1 (EU) [hereinafter Unitary Patent Regulation].

⁷⁰ *Id.*

⁷¹ *Id.* (“A European patent granted by the EPO should, at the request of the patent proprietor, benefit from unitary effect by virtue of this Regulation in the participating Member States. Such a patent is hereinafter referred to as a ‘European patent with unitary effect.’”).

⁷² Clay, *supra* note 8 (“This will then be ratified by national parliaments in the remainder of 2013/2014. Once 9 MS (including the three with the most EU patents in force) have ratified the UPC agreement then it will come into effect

parliaments of thirteen contracting member states, which must include France, Germany, and the United Kingdom.⁷³ The Translation Agreement 1260/2012 and the Unitary Patent Regulation 1257/2012 will enter into force on January 1, 2014 or on the date the Agreement on a Unified Patent Court 16351/12 (UPC Agreement) enters into force, whichever is later.⁷⁴

The looming question is whether enough contracting member states, including France, Germany, and the United Kingdom, are going to ratify the agreement.⁷⁵ Some commentators believe the EU Patent Package is now inevitable⁷⁶; however, others suspect “there are more challenges ahead than one may expect.”⁷⁷ After all, Europe attempted to create a central patent litigation system under the CPC.⁷⁸ In fact, the second attempt to pass the CPC in 1989 was only ratified by seven member states, although twelve member states signed the original agreement.⁷⁹

after a yet to be defined period, which is expected to be about two years after ratification.”).

⁷³ Press Release, Eur. Parliament, *supra* note 3.

⁷⁴ *Id.*; see generally Council Regulation 1260/2012, Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection with Regard to the Applicable Translation Arrangements, 2012 O.J. (L361) 89 (EU) [hereinafter Translation Agreement]; Council Agreement 16351/12, Agreement on a Unified Patent Court, 2013 O.J. (C175) 1 [hereinafter UPC Agreement].

⁷⁵ *EU Unitary Patent and Unified Patent Court*, FISH & RICHARDSON (last updated February 14, 2014), http://www.fr.com/unitary_patent.

⁷⁶ Don McCombie, *Litigation in the Brave New World 1: overview of the EU reform package*, PATLIT (Mar. 12, 2013, 11:03 PM), <http://patlit.blogspot.co.uk/2013/03/litigation-in-brave-new-world-1.html> (“[I]t appears that the EU may finally succeed in its goal of re-shaping the European patent system.”).

⁷⁷ Metzler, *supra* note 10.

⁷⁸ Di Cataldo, *supra* note 31, at 19.

⁷⁹ Metzler, *supra* note 10 (“[T]he Community Patent Convention (CPC) was signed in 1975 by all EU member states (nine at that time) but never entered into force because it was not ratified by enough countries. In a second attempt, the revised CPC was signed by twelve EU member states in 1989 but only ratified by seven.”).

The political obstacles to ratification may be even greater today. Following the recent financial crisis, a higher degree of Euro-skepticism exists. For example, there is “an intense public debate as to whether or not the UK should leave the EU.”⁸⁰ If a popular vote is required to ratify the UPC Agreement in any contracting member state, the result may be difficult to predict.⁸¹ If a national vote occurs in France, Germany, or the United Kingdom, and the outcome is against ratification, the EU Patent Package will fail. For now, practitioners will have to wait and see how the ratification process unfolds. To be somewhat prepared in the event of ratification, it will be important to understand the main aspects of the EU Patent Package.

B. Unitary Patent

The unitary patent will provide applicants with a means for obtaining patent rights in each of the member states simultaneously without the need for national validation in each country.⁸² It will be a true European patent, rather than a collection of national patents and will be referred to as a “European patent with unitary effect” (Unitary Patent).⁸³ The unitary patent will provide uniform protection in all participating member states.⁸⁴ Likewise, a unitary patent will be limited, transferred, or revoked in all participating member states.⁸⁵ There are several important aspects of the unitary patent. The first is the manner in which an applicant can obtain a unitary patent. The second aspect is the granting authority from which a unitary patent can be obtained. The third is the scope and effect of the unitary patent. And the fourth aspect is the expected fees and costs of such a patent.

⁸⁰ *Id.*

⁸¹ *Id.* (“[I]f a popular vote is required in the UK, the outcome will be absolutely unpredictable.”).

⁸² Unitary Patent Regulation, 2012 O.J. (L 361) 1 (EU) at 4 (describing the unitary patent in Article 3).

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.* at 2.

The EPO will be solely responsible for granting European patents with unitary effect as well as handling the registration of licensing statements, collection of renewal fees, and disbursement of fees.⁸⁶ However, licenses will be governed by the laws of the respective member states.⁸⁷ In order to file a unitary patent application, an applicant will need to file for a European patent with the EPO and register for unitary effect during the post-grant phase of prosecution.⁸⁸ Unlike the current European patent,⁸⁹ a unitary patent must have the same claims in each member state in order to be registered for unitary effect.⁹⁰ Furthermore, a unitary patent application must be filed in one of the three agreed-upon languages: English, French, or German.⁹¹ If an application is filed in any other language, a translation into one of the agreed languages will be required⁹²; however, reimbursement will be available for member states whose official language is other than English, French, or German.⁹³ It is important to note that the unitary patent does not revoke or replace European patents or national patents within the member states.⁹⁴

⁸⁶ *Id.* at 6.

⁸⁷ *Id.* at 2.

⁸⁸ *Id.* (“Unitary patent protection should be achieved by attributing unitary effect to European patents in the post-grant phase . . .”).

⁸⁹ EUROPEAN PATENT OFFICE, GUIDELINES FOR SUBSTANTIVE EXAMINATION ch. III, § 3.2 (2001), *reprinted in* JOHN GLADSTONE MILLS III, DONALD CRESS REILEY III, ROBERT CLARE HIGHLEY & PETER D. ROSENBERG, PATENT LAW FUNDAMENTALS, app. 21(I) (2d ed. 2001), *available at* 7 Pat. L. Fundamentals Appendix 21(I) (2d ed. 2001) (Westlaw) (“Sometimes an applicant will submit claims which, although worded differently, really fall within the same category and have effectively the same scope. The examiner should bear in mind that the presence of such different claims may assist an applicant in obtaining full protection for his invention in all the designated countries, having regard to the fact that infringement of a European patent is dealt with by national law.”).

⁹⁰ Unitary Patent Regulation, *supra* note 69, at 4.

⁹¹ Press Release, Eur. Parliament, *supra* note 3.

⁹² *Id.*

⁹³ Translation Agreement, *supra* note 74, at 90.

⁹⁴ Unitary Patent Regulation, *supra* note 69, at 2.

Currently twenty-five member states have signed on to the agreement for enhanced cooperation.⁹⁵ At the moment, Spain and Italy are not participating due to a disagreement over the language regime agreed upon by the contracting member states.⁹⁶ The participating member states are Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, France, Cyprus, Latvia, Lithuania, Luxemburg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden, and the United Kingdom.⁹⁷ Furthermore, countries that are within the EPO but outside of the EU are not currently within the agreement; these countries include Switzerland, Turkey, Norway, and Iceland.⁹⁸

For U.S. and non-European applicants, if neither an inventor nor an assignee to a unitary patent application has a residence or place of business in any member country, a unitary patent will be considered an object of property in the country in which the European Patent Office has its headquarters.⁹⁹ Thus, the patents of applicants from non-contracting member states, such as the U.S., will be subject to German law.¹⁰⁰

The amount and handling of fees is a significant portion of the EU Patent Package. The level of renewal fees will be set to match those paid for the average geographical coverage of current European patents.¹⁰¹ Similar to the current European patent,

⁹⁵ *Id.* at 1.

⁹⁶ Joined Cases C-274/11 & C-295/11, Kingdom of Spain v. Council of the European Union, (Apr. 16, 2013), <http://curia.europa.eu/juris/document/document.jsf?text=&docid=136302&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=47777>

⁹⁷ Unitary Patent Regulation, *supra* note 69, at 1.

⁹⁸ *Unitary Patent – Frequently Asked Questions*, EUR. PAT. OFF., <http://www.epo.org/law-practice/unitary/faq> (last updated Dec. 13, 2012).

⁹⁹ Unitary Patent Regulation, *supra* note 69, at 5.

¹⁰⁰ European Patent Convention, *supra* note 4, art. 6(1). (“The [European Patent Office] shall have its headquarters in Munich.”).

¹⁰¹ *Id.*

renewal fees will increase over the term of the patent.¹⁰² In an attempt to foster competitiveness, European SMEs will enjoy decreased renewal fees¹⁰³ and full reimbursement of translation costs.¹⁰⁴ Unfortunately, it does not appear that any such benefit will be extended to non-European enterprises. For the purpose of promoting and facilitating the economic exploitation of inventions, a patent owner will be able to transfer the renewal fee responsibility to a new licensee by filing a single statement with the EPO.¹⁰⁵ The EU Parliament predicts that a unitary “patent may cost just €4,725, compared to an average of €36,000 needed today.”¹⁰⁶

Fees will be collected by the EPO, and up to fifty percent of those fees will be retained by the EPO.¹⁰⁷ The remaining fees will be distributed according to a number of factors.¹⁰⁸ Generally, the fees will be distributed depending upon the number of patent applications and the size of the market of the participating member state.¹⁰⁹ However, the level of reimbursement will vary according to several equitable considerations established as part of the EU Patent Package.¹¹⁰ One such factor is language translation: additional reimbursement for the costs of translation will be granted to countries whose official language is not one of English, German, or French.¹¹¹ Furthermore, in order to guarantee a minimum level of reimbursement for each member state, an increased portion of fees may be distributed to nations which have

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ Press Release, Eur. Parliament, *supra* note 3.

¹⁰⁵ Unitary Patent Regulation, *supra* note 69, at 2.

¹⁰⁶ Press Release, Eur. Parliament, *supra* note 3.

¹⁰⁷ Unitary Patent Regulation, *supra* note 69, at 7 (detailing the distribution of fees collected from unitary patents under Article 13).

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*; Translation Agreement, *supra* note 74, at 90.

a disproportionately low level of patenting activity as well as to relatively new member states.¹¹²

C. Unified Patent Court

The Unified Patent Court may provide several benefits to the European patent system including the reduction of frivolous litigation and the improvement in consistency of patent enforcement throughout member states.¹¹³ The Unified Patent Court will have exclusive jurisdiction over unitary patents and European patents,¹¹⁴ except for European patents whose owners have opted out of the Unified Patent Court.¹¹⁵ Unlike the United States Court of Appeals for the Federal Circuit, the Unified Patent Court will only handle cases regarding patents and supplementary protection certificates.¹¹⁶ According to the European Commission, “the proposed litigation system would allow for a saving of as much as € 289 million each year for European companies.”¹¹⁷

For now, there are twenty-five member states participating in the unitary patent. Every member state except Poland is participating in the Unified Patent Court,¹¹⁸ and Italy has signed on to the Unified Patent Court as well.¹¹⁹ Spain, Poland, and Croatia

¹¹² Unitary Patent Regulation, *supra* note 69, at 7.

¹¹³ UPC Agreement, *supra* note 74, at 1.

¹¹⁴ *Id.* at 9–10 (outlining the Unified Patent Court’s exclusive competence as defined in Article 32).

¹¹⁵ *Id.* at 21 (describing the transitional regime under Article 83 of the UPC Agreement allowing an applicant to opt out of the Unified Patent Court under certain circumstances).

¹¹⁶ *Id.* at 9.

¹¹⁷ *Breakthrough on Enhanced Patent System for Europe*, *supra* note 45, at 6.

¹¹⁸ *Unitary Patent—Ratification Progress*, EUR. COMM’N, http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm (last updated Jan. 30, 2014).

¹¹⁹ *Id.*

are the only states in the EU not currently participating in the Unified Patent Court.¹²⁰

1. Legal Foundations

The Unified Patent Court will derive its law from several sources. The sources of law, in order of supremacy, are (1) EU law including the rulings of the Court of Justice of the European Union (CJEU); (2) the Unitary Patent Regulation, the Translation Agreement, and the UPC Agreement; (3) the EPC; and (4) the national laws of the contracting member states.¹²¹

One of the most important aspects of the Unified Patent Court is that actions of the court will be binding and enforceable in all contracting member states.¹²² According to Article 39 of Regulation (EU) 1215/2012, “[a] judgment given in a Member State which is enforceable in that Member State shall be enforceable in the other Member States without any declaration of enforceability being required.”¹²³ Additionally, the UPC Agreement states, “[d]ecisions of the Court shall cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect,”¹²⁴ and that “[d]ecisions and orders of the Court shall be enforceable in any Contracting Member State.”¹²⁵ The procedure of enforcement will be governed by the member state in which enforcement is

¹²⁰ *Id.*

¹²¹ *See generally* UPC Agreement, *supra* note 74, at 7.

¹²² UPC Agreement, *supra* note 74, at 9 (“The international jurisdiction of the Court shall be established in accordance with Regulation (EU) No 1215/2012 or, where applicable, on the basis of the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters . . .”).

¹²³ Council Regulation 1215/2012, On Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, 2012 O.J. (L351) 1, 14 (EU) [hereinafter Regulation on Enforcement of Judgments].

¹²⁴ UPC Agreement, *supra* note 74, at 11.

¹²⁵ *Id.* at 20.

sought¹²⁶; it remains to be seen whether this procedural provision will reduce the effectiveness of international enforcement. Patent-related matters that are not within the competence of the court will remain in the province of the national courts.¹²⁷

2. Structure of the Court

The Unified Patent Court will consist of a Court of First Instance and a Court of Appeals.¹²⁸ The Court of First Instance is divided into three parts: local divisions, regional divisions, and central divisions.¹²⁹

Local divisions may be set up in an individual contracting member state upon its request.¹³⁰ A contracting member state may request additional local divisions depending on its caseload, with a maximum of four local divisions for any single contracting member state.¹³¹

A regional division may be established by two or more contracting member states upon the states' request.¹³² A regional division may be the sole Court of First Instance for two or more member states. Alternatively, it may serve as a supplemental court to provide additional capacity to contracting member states that do not have the quantity of patent cases or the budget to justify another local division.¹³³

¹²⁶ Regulation on Enforcement of Judgments, *supra* note 123, at 14.

¹²⁷ UPC Agreement, *supra* note 74, at 10 (“The national courts of the Contracting Member States shall remain competent for actions relating to patents and supplementary protection certificates which do not come within the exclusive competence of the Court.”).

¹²⁸ *Id.* at 3.

¹²⁹ *Id.* at 3–4.

¹³⁰ *Id.* at 4.

¹³¹ *Id.*

¹³² UPC Agreement, *supra* note 74, at 4.

¹³³ *Id.*

The central division will be located in Paris with additional sections in London and Munich.¹³⁴ The various sections of the central division will serve as the central divisions for specific subject matter categories.¹³⁵ For example, Paris will hear cases regarding operations, transporting, textiles, constructions, physics, and electricity.¹³⁶ Germany will hear cases pertaining to mechanical engineering, lighting, heating, weapons, and blasting. And finally, London will hear cases relating to human necessities, chemistry, and metallurgy.¹³⁷

Courts of First Instance will have a panel of three judges.¹³⁸ If a Court of First Instance sees fifty or fewer patent cases per year, one judge will be a national of the contracting member state in which the court is located, and the other two judges will be nationals of countries other than the contracting member state in which the court is located.¹³⁹ However, if a Court of First Instance sees more than fifty patent cases per year, then two of the three judges will be nationals of that contracting member state in which the local division is located.¹⁴⁰

A technically qualified judge may be requested by one of the parties to sit as an additional member of a local division panel.¹⁴¹ The technically qualified judge would be selected from a pool of judges who have experience in the field of technology in question.¹⁴² In the central division, a technically qualified judge will replace one of the legally qualified judges, such that only one legally qualified judge is a national of the member state in which

¹³⁴ *Id.*

¹³⁵ *Id.* at 40.

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ UPC Agreement, *supra* note 74, at 4.

¹³⁹ *Id.*

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

¹⁴² *Id.*

the court is located.¹⁴³ In the Court of First Instance, only one technically qualified judge may be appointed per trial.¹⁴⁴

Litigants from the Court of First Instance may challenge a judgment to the Court of Appeal.¹⁴⁵ The Court of Appeal will be headquartered in Luxemburg¹⁴⁶ and will consist of five judges.¹⁴⁷ Three legally qualified judges will be selected from different contracting member states.¹⁴⁸ In addition, the panel will also consist of two technically qualified judges.¹⁴⁹

3. Jurisdiction

The Unified Patent Court will have exclusive jurisdiction over matters involving European patents with unitary effect and traditional European patents within the contracting member states.¹⁵⁰ The Court's jurisdiction also includes supplementary protection certificates.¹⁵¹ These certificates allow for term extensions for pharmaceutical patents¹⁵²; the term extensions provide a better opportunity for applicants to recover the significant investment required to produce such products.¹⁵³

For matters requiring the interpretation of EU law, the Unified Patent Court must rely on the CJEU.¹⁵⁴ The Unified Patent Court will either apply CJEU case law or request preliminary rulings under Article 267 of the Treaty on the Functioning of the European

¹⁴³ *Id.*

¹⁴⁴ UPC Agreement, *supra* note 74, at 4.

¹⁴⁵ *Id.* at 19.

¹⁴⁶ *Id.* at 5.

¹⁴⁷ *Id.* at 4.

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ UPC Agreement, *supra* note 74, at 1.

¹⁵¹ *Id.* at 9.

¹⁵² Council Regulation 469/2009, Concerning the Supplementary Protection Certificate for Medicinal Products, 2009 O.J. (L 152) 1, 1 (EC).

¹⁵³ *Id.*

¹⁵⁴ UPC Agreement, *supra* note 74, at 2.

Union.¹⁵⁵ This is similar to the requirements of national courts within the EU.¹⁵⁶

The Unified Patent Court will not have jurisdiction over European patents and unitary patents in non-contracting member states, such as Spain and Poland. Thus, the holder of a European patent with unitary effect may still be subject to litigation in more than one country. However, the number of countries in which litigation may occur will be significantly fewer than the existing situation in Europe.¹⁵⁷

4. Procedural Law

Most actions will be initiated in a local or regional division.¹⁵⁸ However, stand-alone actions of revocation and non-infringement must be commenced in the central division unless an infringement proceeding has already been initiated in a local or regional division.¹⁵⁹ A comprehensive chart outlining the appropriate divisions for filing suit is located in the Appendix.¹⁶⁰

The division first seized is to be responsible for the entire dispute.¹⁶¹ No action involving the same patent and parties can be brought in any other division within a Court of First Instance once one of the following actions has been commenced: (1) infringement actions, (2) actions for provisional or protective

¹⁵⁵ *Id.*

¹⁵⁶ *Id.*

¹⁵⁷ See McCombie, *supra* note 76 (explaining that under the current European patent system, “[i]f a patentee wishes to enforce its rights in every EU member state, at present it needs to commence infringement actions separately in the courts of each member state.

¹⁵⁸ UPC Agreement, *supra* note 74, at 9–11.

¹⁵⁹ *Id.* at 11.

¹⁶⁰ See *infra* Appendix.

¹⁶¹ UPC Agreement, *supra* note 74, at 39. (“In case an action between the same parties on the same patent is brought before several different divisions, the division first seized shall be competent for the whole case and any division seized later shall declare the action inadmissible in accordance with the Rules of Procedure.”).

measures, (3) requests for injunctions, (4) actions for damages or compensation derived from provisional protection, (5) prior user right actions, or (6) actions regarding license compensation.¹⁶²

A preparatory committee has created draft rules of procedure according to Article 41 of the UPC Agreement.¹⁶³ The committee expects the final rules to be adopted in the summer of 2014.¹⁶⁴

5. Language Accommodations

With regard to proceedings involving one or more parties who are native speakers of a language other than the official language of the country in which the proceeding will take place, certain language accommodations will be made such that no party is unfairly disadvantaged.¹⁶⁵

By request of the alleged infringer, a translation of the unitary patent shall be provided by the patent holder.¹⁶⁶ The unitary patent needs to be translated into either the official language of the member state in which the alleged infringement took place or the official language of the member state in which the alleged infringer is domiciled.¹⁶⁷

In some instances, the alleged infringer may have been denied notice of the patent because it was not published in the alleged infringer's language.¹⁶⁸ When calculating damages, the court may

¹⁶² UPC Agreement, *supra* note 74, at 9–10.

¹⁶³ *Preliminary Set of Provisions for the Rules of Procedure ("Rules") of the Unified Patent Court*, UNIFIED PAT. CT., (May 31, 2013), <http://www.unified-patent-court.org/images/documents/draft-rules-of-procedure.pdf>.

¹⁶⁴ *Roadmap of the Preparatory Committee of the Unified Patent Court*, UNIFIED PAT. CT., <http://www.unified-patent-court.org/images/documents/roadmap.pdf> (last visited Feb. 28, 2013).

¹⁶⁵ Translation Agreement, *supra* note 74, at 90.

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 91 (accounting for translation when considering whether an alleged infringer had knowledge of a patent under Article 4(4) of this agreement).

need to determine whether the alleged infringer acted in good faith.¹⁶⁹ A court will take into account whether the alleged infringer knew or had grounds to know he or she was infringing the patent.¹⁷⁰ The court will also consider whether the alleged infringer is a SME operating within a local region.¹⁷¹

The EPO is presently working on a system for creating high-quality machine translations.¹⁷² This will reduce the burden of translating such a large number of unitary patents into all languages of the EU.¹⁷³ Because this system is not yet available, there will be a transitional period in which patents will be translated into English for proceedings in countries where the language in front of the EPO is French or German.¹⁷⁴ Thus, all patents before a Unified Patent Court in any member state will be translated into English in order to ensure that all patents are available in the language that is most commonly used in the fields of technological research and publication.¹⁷⁵ For proceedings where the official language in front of the EPO is English, patents will be translated into French and German.¹⁷⁶ When the system of high-quality machine translations becomes available, a unitary patent application will be automatically translated into each of the official languages of the EU: English, French, and German.¹⁷⁷ This transitional period should last no longer than twelve years from the

¹⁶⁹ *Id.* at 90.

¹⁷⁰ *Id.*

¹⁷¹ Translation Agreement, *supra* note 74, at 90.

¹⁷² *Id.*

¹⁷³ *Id.* (“In order to promote the availability of patent information and the dissemination of technological knowledge, machine translations of patent applications and specifications into all official languages of the Union should be available as soon as possible. Machine translations are being developed by the EPO and are a very important tool in seeking to improve access to patent information and to widely disseminate technological knowledge.”).

¹⁷⁴ *Id.*

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

¹⁷⁷ Translation Agreement, *supra* note 74, at 90.

date that the Translation Agreement comes into force.¹⁷⁸ The machine translations will be subject to a regular and objective evaluation by an independent panel of experts to ensure the quality of the translations.¹⁷⁹ Regardless of the future quality of machine translations, they will be for informational purposes only and will not have any legally binding effect.¹⁸⁰

6. Opting out

Applicants for European patents will have the option to opt out of the Unified Patent Court for a transitional period of seven years after the UPC Agreement comes into force.¹⁸¹ During this period, applicants who opt out will have the option of litigating infringement and revocation actions in the national courts of the contracting member states.¹⁸² Once the transitional period has expired, the Court of First Instance will have exclusive jurisdiction over both European patents and unitary patents.¹⁸³

At any time before an action is brought in a national court, a European patent holder may elect to opt out of the Unified Patent Court by notifying the register at least one month prior to the expiration of the transitional period.¹⁸⁴ However, if the applicant later decides to participate in the Unified Patent Court, the applicant may reenter no later than one month prior to the expiration of the transitional period.¹⁸⁵ In contrast, applicants for European patents with unitary effect will not have the choice of

¹⁷⁸ *Id.*

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* at 92.

¹⁸¹ UPC Agreement, *supra* note 74, at 21 (detailing the provisions for opting out under Article 83 of the UPC Agreement).

¹⁸² *Id.*

¹⁸³ *Id.* at 9.

¹⁸⁴ *Id.* at 21.

¹⁸⁵ *Id.*

opting out of the Unified Patent Court during the transitional period.¹⁸⁶

V. IMPORTANT CHANGES TO THE EUROPEAN SYSTEM

If the EU Patent Package comes into force, as many expect,¹⁸⁷ there will be several important implications for attorneys and applicants to take into consideration. For example, applicants must consider: (1) the integration with other means of patenting, (2) the cost of obtaining a unitary patent, (3) the effect of national laws on the enforcement of unitary patent protection, (4) the possibility of forum shopping, and (5) the international effect of licensing. It is difficult to predict the impact of the unitary patent and Unified Patent Court. The preparatory committee is still drafting the final rules of procedure,¹⁸⁸ and it remains to be seen whether the Unified Patent Court will apply the substantial precedent of the EPO or if it will depart from current European patent law.

A. *Integration with Current International Filings*

The EU Patent Package will not change the current manner in which applicants file for patent protection within Europe. The traditional options, such as filing a PCT application, filing for one or more national patents, or seeking a European patent from the EPO remain available for all applicants. Unitary protection will function as an attribute that may be applied to future European patents.¹⁸⁹ The addition of this attribute does not revoke or limit a European patent.¹⁹⁰ The important question for the applicant is which type of patent to pursue.

¹⁸⁶ See *id.* (stating that a European patent holder may opt out of the Unified Patent Court's legal competence; however, excluding European patents with unitary effect from the provision).

¹⁸⁷ McCombie, *supra* note 76.

¹⁸⁸ See generally *Roadmap of the preparatory committee of the Unified Patent Court*, *supra* note 164.

¹⁸⁹ Unitary Patent Regulation, *supra* note 69, at 2.

¹⁹⁰ *Id.*

B. Cost of Obtaining Protection

It appears that the unitary patent will provide a cost-efficient mechanism for obtaining a patent across a large number of European states. This would be a welcome change in Europe, because “a patent designating only 13 EU Member States is already 11 times more expensive than a [U.S.] patent. The creation of such a single title would remove the need for validation with national offices and translations and thus reduce cost significantly.”¹⁹¹ However, there are two caveats. First, only six of the ten largest economies in Europe (by GDP) are within the contracting members states of the EU Patent Package.¹⁹² Second, whether there will be a cost savings to applicants will depend upon the necessary scope of geographic protection, as well as the translation, validation, and maintenance fees that will accompany the unitary patent. The fee considerations will be discussed in detail below.¹⁹³

1. Translation and Validation

Currently, the average European patent applicant only validates in five countries¹⁹⁴: Germany, France, the United Kingdom, Spain, and Italy.¹⁹⁵ Due to the London Agreement, Germany, France, and the United Kingdom require no translation if the application is filed in German, French, or English.¹⁹⁶ Therefore, the average applicant will probably not see a cost savings resulting from reduced translation requirements because fifty percent of European

¹⁹¹ *Breakthrough on Enhanced Patent System for Europe*, *supra* note 45.

¹⁹² FRANK D. PETERREINS & JOHN B. PEGRAM, EU UNITARY PATENT AND UNIFIED PATENT COURT 40, *available at* <http://www.fr.com/files/Uploads/Documents/UP%20and%20UPC%20%282-7-2013%29.pdf>.

¹⁹³ *See infra* Part E.2.

¹⁹⁴ Clay, *supra* note 8.

¹⁹⁵ *Impact Assessment*, *supra* note 2, at 17 tbl.2.

¹⁹⁶ *Id.* at 16 tbl.1.

patent applications are only validated in Germany, France, and the United Kingdom.¹⁹⁷

However, applicants seeking protection in all contracting member states will see major savings in granting and translational costs. Today, validating in the five largest EU markets costs €4,718.¹⁹⁸ Again, the EU Parliament predicts that a unitary patent, which covers twenty-five countries, “may cost just €4,725, compared to an average of €36,000 needed today.”¹⁹⁹ Of course, validation and translation costs are just part of the equation.

2. Maintenance Fees

The EPO has not yet determined renewal rates for the unitary patent.²⁰⁰ An important question is whether the unitary patent will cost more than a European patent validated in five member states; this will determine whether the average unitary patent will be more or less costly than the average European patent. Predicting the total cost of obtaining and maintaining a unitary patent is difficult at the moment. Some guidance is provided in the Unitary Patent Regulation. As this Regulation states, the level of renewal fees should be set to “reflect the size of the market covered by the patent and be similar to the level of the national renewal fees for an average European patent taking effect in the participating Member States.”²⁰¹

In 2009, an owner of a European patent would have paid €28,686 in renewal fees over a ten-year period for the twenty-five contracting member states.²⁰² In contrast, the renewal rates in the

¹⁹⁷ *Id.* at 17 tbl.2.

¹⁹⁸ *Id.*

¹⁹⁹ Press Release, Eur. Parliament, *supra* note 3.

²⁰⁰ Jeremy Phillips, *The Arithmetic of Unitary Patents: Does More Mean Less for Those Who Pay?*, IPKAT (Mar. 18, 2013, 5:41 AM), <http://ipkitten.blogspot.com/2013/03/the-arithmetic-of-unitary-patents-does.html>.

²⁰¹ Unitary Patent Regulation, *supra* note 69, at 3.

²⁰² *Impact Assessment*, *supra* note 1, at Annex V.

five largest markets amounted to only €4,552.²⁰³ Therefore, the average European patent holder paid only €4,552 in renewal fees in 2009. Because fifty percent of EPO patents lapse in the first ten years, this term is a good approximation for the average cost of renewal fees currently paid by European patent holders today.²⁰⁴ Thus, it would be a reasonable prediction that the renewal fees for a unitary patent will be significantly greater than those paid by the average European-patent holder. However, applicants will be gaining a larger geographic coverage with the unitary patent.

C. The Effect of National Laws on Unitary Patent Protection

As previously discussed, unitary patents will be governed by (1) EU law including the rulings of the CJEU, (2) EU regulations and European Council agreements, (3) the EPC, and (4) the national law of the contracting member states.²⁰⁵ Thus, national law will govern all subject matter outside of EU law or the agreements specified above. This raises the question—will unitary patents be uniformly enforced? The answer may depend upon the consistency of national patent laws among the contracting member states.

Progress has been made towards harmonization of European patent law.²⁰⁶ A great deal of substantive and procedural patent law has already been established through the EPC. For example, there are uniform standards for patentability and the duration of patent rights.²⁰⁷ Furthermore, the Biotech Directive of 1998 harmonized

²⁰³ *Id.* (in Germany, €1420; France, €782; Italy, €870; Spain, €760; and UK, €720).

²⁰⁴ *Id.* at 18.

²⁰⁵ UPC Agreement, *supra* note 74, at 7.

²⁰⁶ Matthew Parker, Comment, *Giving Teeth to European Patent Reform: Overcoming Recent Legal Challenges*, 26 EMORY INT'L L. REV. 1079, 1090 (2012).

²⁰⁷ Hanns Ullrich, *Select from Within the System: The European Patent with Unitary Effect* 29 (Max Planck Inst. for Intellectual Prop. and Competition Law Research Paper No. 12-11, 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2159672 (noting that “the

patent laws regarding the field of biotechnology.²⁰⁸ However, some attempts at harmonization have not achieved the results intended by their drafters.²⁰⁹ One such example is Article 69 of the EPC, which was supposed to standardize claim interpretation among the member state courts.²¹⁰ Unfortunately, courts across Europe have interpreted Article 69 differently according to national precedent.²¹¹

The greatest contrast between claim interpretation standards in Europe is demonstrated by the difference between the English and German approaches.²¹² English courts construe claims according to their plain meaning (peripheral claiming), but German courts tend to incorporate meaning from the patent specification in order to provide a more narrow scope of protection (central claiming).²¹³ This substantial difference has led to conflicting outcomes when the same patent has been litigated in multiple member states.²¹⁴

The structure of the Unified Patent Court will enforce greater consistency in the interpretation of European patent law for two reasons. First, the centralized Court of Appeal will have authority

standards of patentability and the duration of protection essentially are the same across all systems . . .”).

²⁰⁸ Parker, *supra* note 206.

²⁰⁹ *Id.* (“In actuality, the national courts of Europe have construed patents differently despite applying the so-called uniform requirements of the EPC.”).

²¹⁰ *Id.*

²¹¹ *Id.*

²¹² RUDGE, *supra* note 32, at § 1:15.

²¹³ *Id.*

²¹⁴ Angelos Dimopoulos & Petroula Vantsiouri, *A New Highest Patent Court for Europe? Not as Long as the Court of Justice of the EU is Here*, PATENTLY-O (Aug. 23, 2012, 11:10 AM), <http://www.patentlyo.com/patent/2012/08/a-new-highest-patent-court-for-europe-not-as-long-as-the-court-of-justice-of-the-eu-is-here.html> (“Any practitioner who has been involved in patent litigation in the European Union (EU) is well aware of the inconsistencies in the Member States patent law and the differences among national litigation systems. Disturbingly often the same case is litigated in several jurisdictions, under different procedural and evidentiary rules with uncertain timing of outcomes.”).

to settle interpretational discrepancies among the Courts of First Instance.²¹⁵ The composition of the Court of Appeal,²¹⁶ as well as the training program established in Article 14 of the statute,²¹⁷ will help to reduce judicial activism in interpreting the applicable sources of law.²¹⁸

Second, the preamble of the UPC Agreement states, “the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law Decisions of the Court of Justice of the European Union shall be binding on the Court.”²¹⁹ Because the UPC Agreement is considered EU law under the Treaty on the Functioning of the European Union,²²⁰ interpretation of the UPC Agreement will likely be appealable to the CJEU. With each contracting member state giving full faith and credit to the rulings of the Unified Patent Court,²²¹ parties who obtain unfavorable judgments turning on matters of inconsistent national law are likely to appeal to the Court of Appeal and further to the CJEU if necessary. It is unclear how quickly remaining inconsistencies within the national laws will be resolved by higher courts; however, this is an inevitable result of the Unified Patent Court’s structure.

²¹⁵ UPC Agreement, *supra* note 74, at 19 (“The Court of First Instance shall be bound by the decision of the Court of Appeal on points of law.”).

²¹⁶ *Id.* at 4.

²¹⁷ *Id.* at 32 (discussing training of Unified Patent Court judges under Article 11 of the UPC Agreement).

²¹⁸ Don McCombie, *Litigation in the Brave New World 2: Jurisdiction and the Unified Patent Court*, PATLIT (Mar. 20, 2013, 1:59 PM), <http://patlit.blogspot.co.uk/2013/03/litigation-in-brave-new-world-2.html>.

²¹⁹ UPC Agreement, *supra* note 74, at 21.

²²⁰ Consolidated Version of the Treaty on the Functioning of the European Union art. 295, Mar. 30, 2010, 2010 O.J. (C83) 175 [hereinafter TEFU] (“[T]he European Parliament, the Council and the Commission shall consult each other and by common agreement make arrangements for their cooperation. To that end, they may, in compliance with the Treaties, conclude inter-institutional agreements which may be of a binding nature.”).

²²¹ UPC Agreement, *supra* note 74, at 20.

Furthermore, Article 2 of the UPC Agreement states, “the Contracting Member States should . . . be liable for damages caused by infringements of Union law by the Unified Patent Court, including the failure to request preliminary rulings from the Court of Justice of the European Union.”²²² This liability may encourage national courts to interpret the UPC Agreement in a manner most consistent with the consensus of the contracting member states, thus reducing the need for intervention by the Court of Appeal or the CJEU and speeding up the harmonization process.

Further consistency among contracting member states is likely to develop for issues covered by the EPC and UPC Agreements, such as claim interpretation. In contrast, issues governed by national laws, such as prior user rights²²³ and compulsory licenses,²²⁴ may remain fragmented.

D. Forum Shopping

Whenever a patentee is given the opportunity to file suit in multiple jurisdictions, the possibility of forum shopping exists.²²⁵ Litigants will always seek to take advantage of jurisdictional variations that may play in their favor.²²⁶ Many alleged infringers will sell, import, manufacture, or use an allegedly infringing product in several contracting member states. Thus, a plaintiff will

²²² *Id.* at 2.

²²³ *Id.* at 9 (“Any person, who, if a national patent had been granted in respect of an invention, would have had, in a Contracting Member State, a right based on prior use of that invention or a right of personal possession of that invention, shall enjoy, in that Contracting Member State, the same rights in respect of a patent for the same invention.”).

²²⁴ Ullrich, *supra* note 207, at 22; *see also* UPC Agreement, *supra* note 113 at 9; Unitary Patent Regulation, *supra* note 69 at 5, 6 (establishing the Unified Patent Court’s competence over licenses for consideration, but not for compulsory licenses).

²²⁵ Molly Land & Nicole Kennedy, LAND WITH KENNEDY ON CHOICE OF FORUM IN EUROPEAN PATENT LITIGATION (2009), Emerging Issues 4265 (MB), at 2, *available at* LEXIS 2009 Emerging Issues 4265.

²²⁶ *Id.*

try to select the forum that is most friendly to its position under the UPC Agreement.²²⁷

The first adjudication in a multinational patent litigation is of great importance.²²⁸ The outcome of the first suit can affect the outcome in each of the remaining jurisdictions.²²⁹ Global dispute resolution is increasingly used to settle a suit in the remaining jurisdictions, especially among companies involved in multinational patent infringement cases.²³⁰ Arbitration proceedings can be heavily influenced by the outcome of the first judgment.²³¹ Thus, the first-strike forum is becoming increasingly important.²³²

The party initiating a lawsuit will likely try to choose a friendly jurisdiction.²³³ Historically, defendants might seek declaratory judgment in the United Kingdom, which is known to be one of the least patentee-friendly nations in the EU.²³⁴ In contrast, plaintiffs alleging infringement may seek out the first proceeding in Germany, which is widely regarded as the most pro-patent nation in the EU.²³⁵

The UPC Agreement contains several provisions seeking to limit the possibility of forum shopping.²³⁶ Most importantly, the

²²⁷ Don McCombie, *supra* note 218 (“[I]n many cases, the defendant will have sold an accused product in several Contracting Member States, providing the claimant with a choice of venues in which to bring a claim.”).

²²⁸ Michael C Elmer & Stacy D Lewis, *Where to Win: Patent Friendly Courts Revealed*, MANAGING IP MAGAZINE, Oct. 2010, at 2.

²²⁹ *Id.*

²³⁰ *Id.*

²³¹ *Id.*

²³² *Id.*

²³³ *Id.*

²³⁴ Elmer, at 2.

²³⁵ *Id.*

²³⁶ Don McCombie, *supra* note 218 (“[T]hey may present a further solution to one of the concerns of stakeholders expressed during the drafting of the UPC Agreement, namely the prospect of having to defend an infringement action before a local division which is either inexperienced or which might adopt an unjustly pro-patentee stance. Whilst the provisions relating to multinational

harmonization of laws regarding protective measures,²³⁷ permanent injunctions,²³⁸ corrective measures,²³⁹ and damages²⁴⁰ will reduce the impact of venue selection. In addition, the Court of First Instance and Court of Appeal will comprise panels of multinational judges,²⁴¹ further minimizing the effect of national bias and interpretational variation. The harmonization of patent laws and multinational mixture of judges may reduce the effectiveness of some forum-shopping strategies.

E. Licensing

Under the current European patent system, licensing or transferring a patent right throughout Europe is difficult.²⁴² A patent holder is required to register a license agreement in each member state in order for the transfer to have effect in that state.²⁴³ The related registration fees and agent costs to file the registration can be expensive.²⁴⁴ Furthermore, the requirements for registering the transfer are inconsistent across many of the member states.²⁴⁵ However, the Unitary Patent Regulation facilitates faster and easier licensing across contracting member states.²⁴⁶ For example, an owner of a European patent with unitary effect may escape ongoing maintenance fees for patents that will be licensed in the

judicial panels (Art. 8) are already designed to mitigate such problems, in addition it could be possible to structure a company's distribution network to ensure that no acts are undertaken by a person having a domicile or place of business within the territory of a 'rogue' local or regional division.'").

²³⁷ UPC Agreement, *supra* note 74, at 17 (establishing laws for protective measures under Article 62 of the UPC Agreement).

²³⁸ *Id.* (establishing laws for permanent injunctions under Article 63).

²³⁹ *Id.* (discussing how Article 64 establishes laws for corrective measures).

²⁴⁰ *Id.* at 18 (discussing how Article 68 establishes laws for damages).

²⁴¹ *Id.* at 8, 9.

²⁴² *Impact Assessment*, *supra* note 2, at 20, 21.

²⁴³ *Id.* at 20.

²⁴⁴ *Id.* ("Registering the transfer of a patent valid in five Member States can cost EUR 2000-2500.").

²⁴⁵ *Id.*

²⁴⁶ Unitary Patent Regulation, *supra* note 69, at 2.

near future.²⁴⁷ By filing a single statement with the EPO, a patent owner will be able to efficiently transfer all maintenance fee obligations simultaneously to the new owner for all contracting member states.²⁴⁸

VI. IMPLICATIONS FOR U.S. APPLICANTS

For applicants from the United States, the effect the EU Patent Package will have on future filings and proceedings will depend upon several factors. Some important considerations will include the industry in which the invention pertains, the budget of the entity, and the scope of protection desired for the invention in question.

A. Predicted Effect on U.S. Applicants and U.S. Owners of European Patents

If the EU Patent Package comes into force, it will provide an easier and hopefully less-expensive means of obtaining patent protection in Europe. Wide-reaching geographic coverage may be obtained at a more reasonable cost when compared to the current European patent. U.S. applicants will have another tool for protecting their intellectual property in Europe. These options will allow applicants to narrowly tailor the scope of coverage to their specific needs.

A further benefit to U.S. applicants is the simplicity of the new unitary patent. Unless applicants wish to limit coverage to a select few European states, the new patent will be subject to more consistent substantive and procedural law with fewer national quirks to worry about.

Ratification of the EU Patent Package may be the final nail in the coffin for peripheral claim interpretation²⁴⁹ in Europe because

²⁴⁷ *Id.*

²⁴⁸ *Id.*

²⁴⁹ 4 R. CARL MOY, MOY'S WALKER ON PATENTS § 13:8 (4th ed. 2013) (defining peripheral claim interpretation as the method of limiting the

of increased harmonization.²⁵⁰ Depending on the case, this may turn out to be a benefit or a detriment to patent owners. An element of uncertainty has been removed from the litigation equation, but U.S. practitioners may need to become more familiar with central claim interpretation.

Additionally, the administration of a patent portfolio will be streamlined with only one annual maintenance fee deadline to manage. Some applicants will find the new translation requirements more burdensome, as translations into French and German will be mandatory; however, applicants requiring protection in a large number of countries that are not participants in the London Agreement will find the limited translation requirements far more appealing.

Unitary patents issuing to U.S. applicants will have the benefit of being an object of property of the most patent friendly forum in Europe: Germany.²⁵¹ Currently, patentees in German courts enjoy an estimated 57% win rate²⁵² compared to a 20% win rate in the United Kingdom.²⁵³ Although rules regarding damages and injunctions have been harmonized in Europe since 2004,²⁵⁴ and the UPC Agreement establishes some universal substantive and procedural law, perhaps some benefits of German intellectual property law will remain.

Having European litigation centralized in a single court opinion will assist U.S. practitioners in making information disclosure statements. First of all, there will be fewer opportunities for an

scope of a patent to the meaning of the words within a patent claim, which is the primary method of claim interpretation in the United States).

²⁵⁰ See *supra* Part V.C.

²⁵¹ *Id.* at 5.

²⁵² Elmer, *supra* note 228 (“[A]ccording to the Global IP Project methodology, the patentee win rate in validity challenges at the Federal Patent Court for 2003 to 2007 is 45% + (half of 23%) = 57%.”).

²⁵³ *Id.* at 6 fig.12.

²⁵⁴ Directive 2004/48/EC, On the Enforcement of Intellectual Property Rights, 2004 O.J. (L 157) 77.

unfavorable opinion to be rendered by a foreign court. These unfavorable opinions must be disclosed to the U.S. Patent and Trademark Office during prosecution of related U.S. patent applications, even if the U.S. application has been given a notice of allowance. In certain instances, an unfavorable opinion can lead to a U.S. patent being withdrawn from issuance.²⁵⁵ The reduced number of international proceedings will make it easier for attorneys to fulfill their duty of disclosure and will reduce the opportunity for the U.S. Patent and Trademark Office to withdraw notices of allowance. The result may be a lower overall rate of requests for continued examination and lower costs for U.S. applicants.

Broader protection may lead to more litigation threats. For example, U.S. entities conducting business in countries where European patents are not frequently validated could now be sued by plaintiffs who historically have not paid for patent protection in the defendant's country of operation. With a unitary patent, these plaintiffs may likely have broader geographic protection because the cost of obtaining it may no longer be prohibitive.²⁵⁶ This increased access to broader geographic patent protection may increase the volume of litigation because the pool of plaintiffs and the jurisdictions of potential infringement will be larger. For plaintiffs who have opted out of the Unified Patent Court, this may be especially true because defendants will be subject to litigation in each country the patent is in force.²⁵⁷

²⁵⁵ See 37 C.F.R. § 1.56 (2000) (requiring an applicant to disclose information material to patentability to the USPTO, including prior art cited from foreign patent offices); see also 37 C.F.R. § 1.313(b)(2-3) (2000) (stating that an applicant may withdraw an application from issue due to a violation of the applicant's duty of disclosure under 37 C.F.R. § 1.56 or the unpatentability of one or more claims).

²⁵⁶ Press Release, Eur. Parliament, *supra* note 3.

²⁵⁷ UPC Agreement, *supra* note 74, at 21.

B. Strategy Recommendations

Once the UPC Agreement enters into force, a holder of a European Patent will have an important decision to make: to opt out of the Unified Patent Court or to participate in the new system. For many, opting out will be a good defensive option. First, patents prosecuted under existing EPO and national laws will be more predictable due to the extent of existing case law available. Moreover, the high cost of country-by-country litigation will impede infringement actions against current patent holders and encourage settlement.

For industries relying heavily on a single patent or a small portfolio of patents, opting out of the Unified Patent Court may be a prudent decision. Entering the Unified Patent Court cautiously first with defensive or low-value patents may be a preferable way to test the waters. Of course, some applicants will desire broad European coverage on a budget that may only be achievable with a unitary patent.

Moving forward, U.S. applicants will have the option to file PCT applications, national applications, or European patents with unitary effect. For high-stakes patents, filing national patents will help diversify the risks of invalidity. On the other hand, the unitary patent will fill a different need for bolstering a patent portfolio at a lower cost.

VII. CONCLUSION

Overall, the unitary patent and Unified Patent Court will likely have a positive impact on applicants and patent holders within Europe. If the EU Patent Package comes into force, the negative aspects that logically follow from a more centralized system can be mitigated by opting out of the Unified Patent Court and utilizing the current patent filing options. In the near term, the flexibility offered during the transitional period will provide valuable peace of mind. The EU Patent Package will likely result in further harmonization and enforcement of patent laws within Europe;

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however, enforcement will almost certainly not be entirely uniform. Such harmonization will also likely reduce the need or effectiveness of many forum-shopping strategies. Whether the unitary patent will offer cost savings to applicants will depend upon the scope of protection desired by the applicant and the renewal fee structure that remains to be determined by the EPO.

VIII. APPENDIX

Table 1. Competence of the Divisions of the Court of First Instance

An action may be commenced where:		1	2	3
		Infringement has occurred or is likely to occur	Defendant is domiciled	Defendant has its principle place of business
a	Infringements and defenses, including license counter-claims	Local or regional division	Local or regional division	Local or regional division
b	declarations of non-infringement of patents and supplementary protection certificates	Central division ^{1,2}	Central division ^{2,3}	Central division ^{2,3}
c	Provisional protection measures and injunctions	Local or regional division	Local or regional division	Local or regional division
d	revocation of patents and declarations of invalidity of supplementary protection certificates	Central division ^{2,3}	Central division ^{2,4}	Central division ^{2,4}
e	counterclaims for revocation of patents and for declaration of invalidity of supplementary protection certificates	Local or regional division ⁴	Local or regional division ⁵	Local or regional division ⁵
f	Damages regarding provisional protection from a published European patent application	Local or regional division	Local or regional division	Local or regional division
g	Prior user rights	Local or regional division	Local or regional division	Local or regional division
h	Actions for compensation based upon licenses	N/A	Local or regional division	Local or regional division

4		5	6
In the absence of 2 & 3, where the defendant has its place of business		No local or regional division exists for the contracting member state	Actions pending before three or more regional divisions ⁵
a	Local or regional division	Central division	Central division
b	Central division ^{2,3}	Central division	Central division
c	Local or regional division	Central division	Central division
d	Central division ^{2,4}	Central division	Central division
e	Local or regional division ⁵	Central division	Central division
f	Local or regional division	Central division	Central division
g	Local or regional division	Central division	Central division
h	Local or regional division	Central division	Central division

¹ *Id.* at 11 (Article 33(4) states that “actions referred to in Article 32(1)(b) and (d) shall be brought before the central division. If, however, an action for infringement as referred to in Article 32(1)(a) between the same parties relating to the same patent has been brought before a local or a regional division, these actions may only be brought before the same local or regional division.”)

² *Id.* (Article 33(6) states that “an action for declaration of non-infringement as referred to in Article 32(1)(b) pending before the central division shall be stayed once an infringement action as referred to in Article 32(1)(a) between the same parties or between the holder of an exclusive license and the party requesting a declaration of non-infringement relating to the same patent is brought before a local or regional division within three months of the date on which the action was initiated before the central division.”)

³ *Id.* (Article 33(5) states that “if an action for revocation as referred to in Article 32(1)(d) is pending before the central division, an action for infringement as referred to in Article 32(1)(a) between the same parties relating to the same patent may be brought before any division in accordance with paragraph 1 of this Article or before the central division. The local or regional division concerned shall have the discretion to proceed in accordance with paragraph 3 of this Article.”)

⁴ *Id.* at 10 (Article 33(3)(a) states that “a counterclaim for revocation as referred to in Article 32(1)(e) may be brought in the case of an action for infringement as referred to in Article 32(1)(a). The local or regional division concerned shall, after having heard the parties, have the discretion either to:(a) proceed with both the action for infringement and with the counterclaim for revocation and request the President of the Court of First Instance to allocate from the Pool of Judges in accordance with Article 18(3) a technically qualified judge with qualifications and experience in the field of technology concerned; (b) refer the counterclaim for revocation for decision to the central division and suspend or proceed with the action for infringement; or (c) with the agreement of the parties, refer the case for decision to the central division.”)

⁵ UPC Agreement, *supra* note 113, at 10 (Article 33(2) states that “if an action referred to in Article 32(1)(a) is pending before a regional division and the infringement has occurred in the territories of three or more regional divisions, the regional division concerned shall, at the request of the defendant, refer the case to the central division.”).