



Armstrong
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The Unified Patent Court and Unitary Patent

APRIL 2023

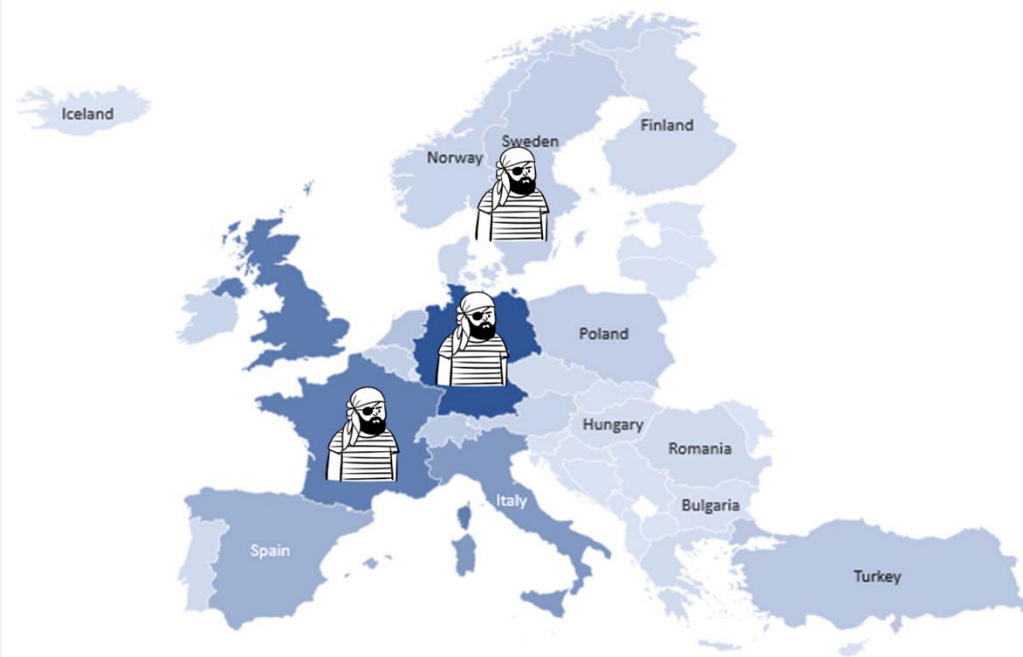
// *Always exceed expectations through teamwork and excellent client service.*

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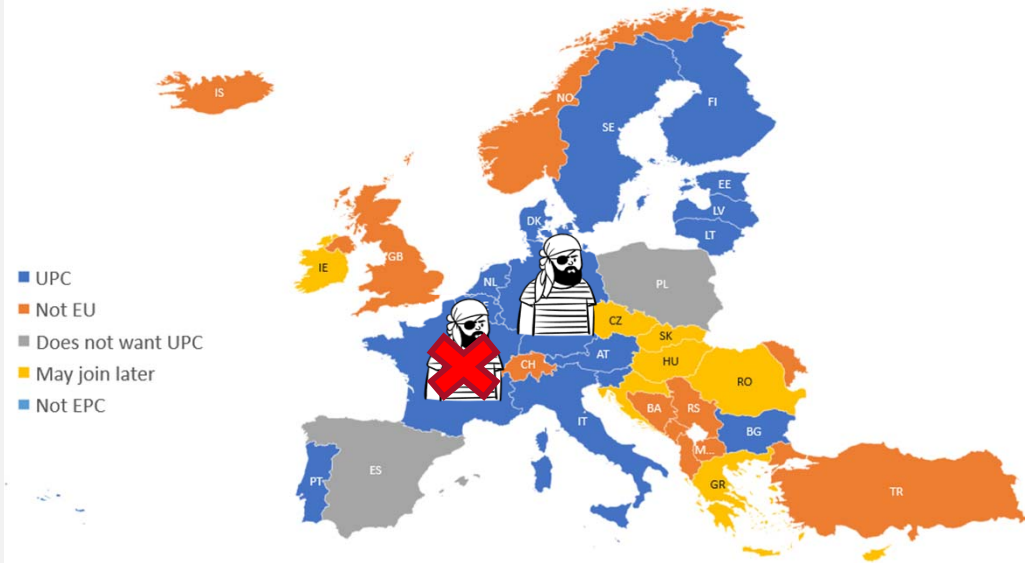
The Current Situation

- Separate validation in each country required.
- Separate infringement action in each country.
- Different evidence requirements, procedure, language, and remedies according to jurisdiction.
- Risk of inconsistent decisions on validity/infringement leading to uncertainty.



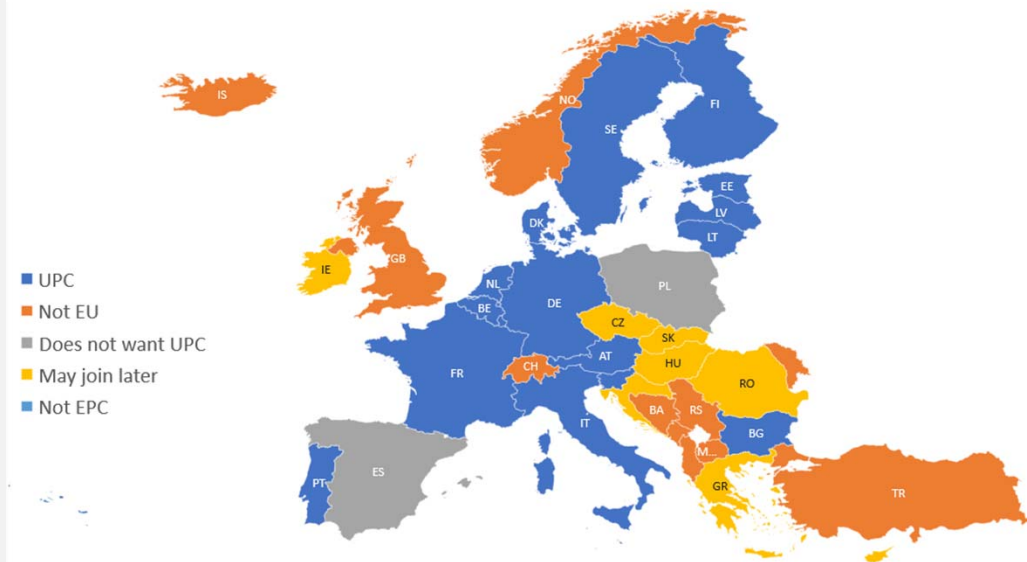
Unified Patent Court

- A single court effective in 17 EU countries.
- One action, with possible injunction for all UPC countries where patent validated.
- Uniform evidence requirements, procedure, language, and (usually) remedies across jurisdictions.
- Lower risk of inconsistent decisions on validity/infringement.



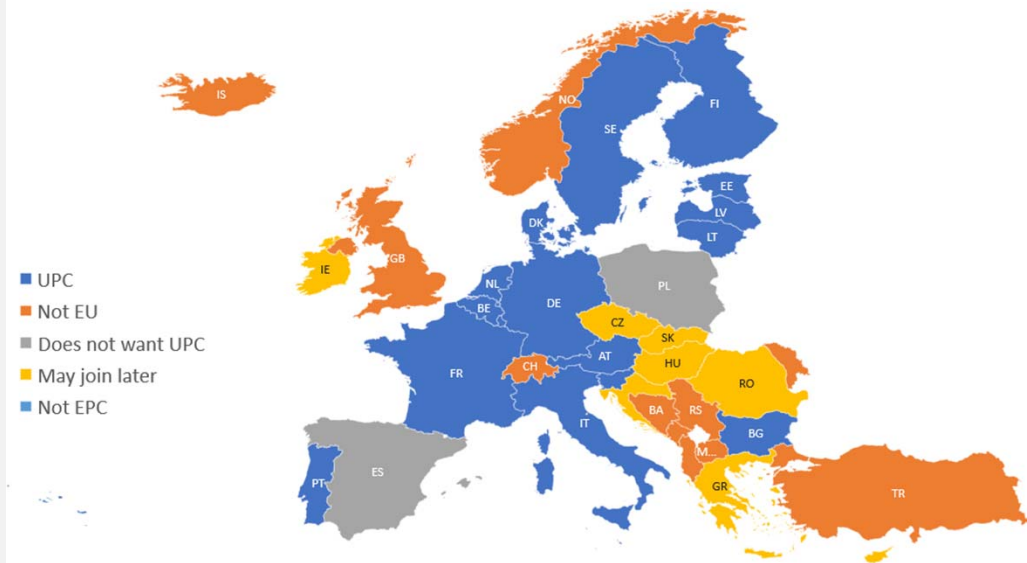
Unified Patent Court

- Mostly likely language of proceedings is English.
- Value of patent immediately increased, because enforcement more plausible.
- Although there is a possibility of central attack- this will be before panels of judges including technically qualified judges.
- Possible to opt out but potentially dangerous – you might be prevented from opting in again.



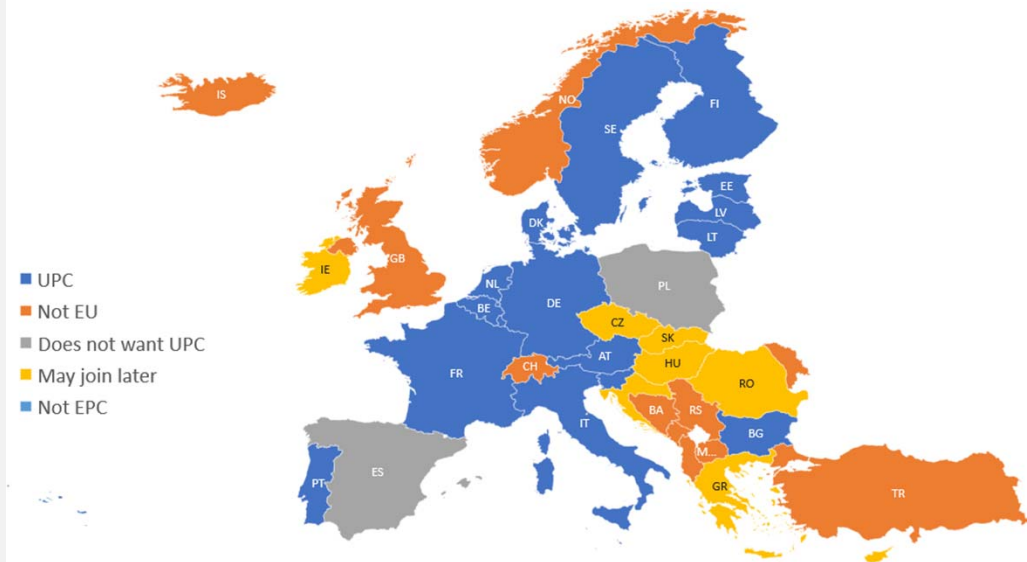
Unified Patent Court

- A rocket docket – timetable for first instance decision infringement or revocation actions anticipated to be less than a year.
- Contrasts favourably with Germany where a first instance decision on infringement might take one year, and on validity two years.



Unified Patent Court

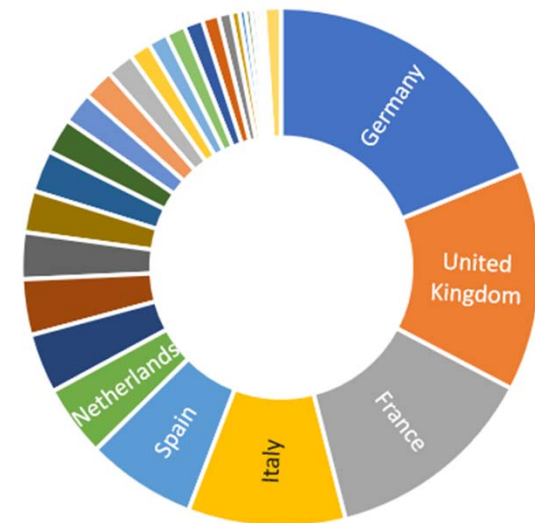
- Initial bunch of UPC member states may grow.
- The more UPC member states you have validated in, the higher the value of the patent.



Unified Patent Court

- But validating in lots of states has diminishing returns in size of market covered.
- Four countries to get to 50% of market and one of those is the U.K. (not part of the UPC).

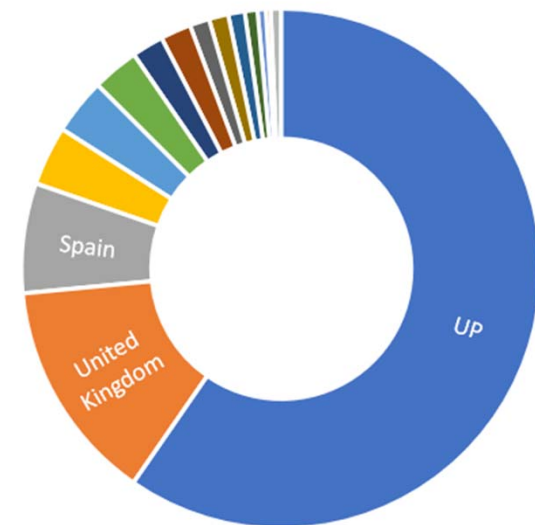
National validation % of EPC GDP



Unitary Patent

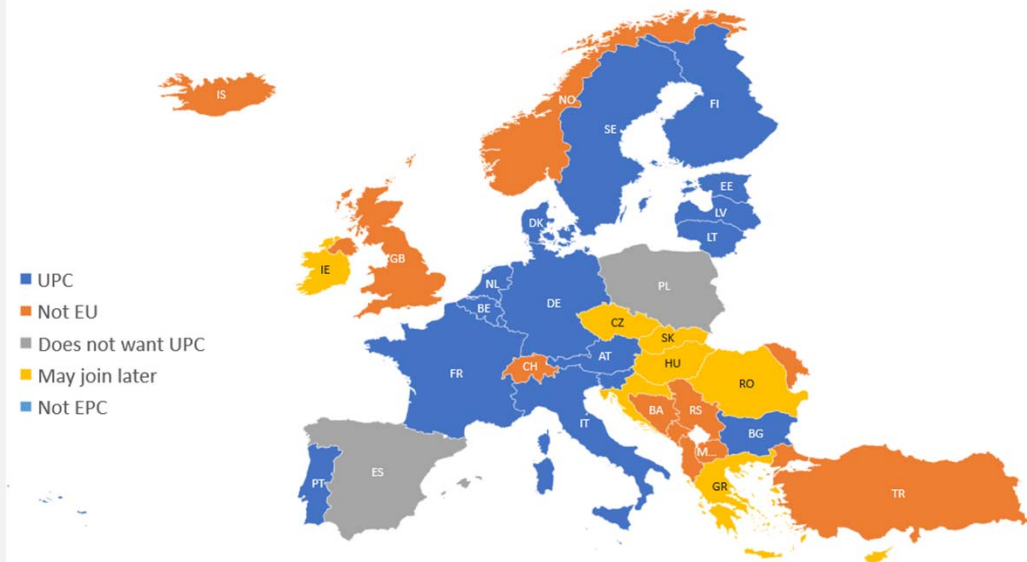
- One patent to cover multiple states as a unitary property.
- Initial bunch of UPC member states amounts to over 50% of the EPC GDP.
- Throw in the U.K. and that gets to nearly 75% of the EPC GDP.

Validations with UP % of EPC GDP



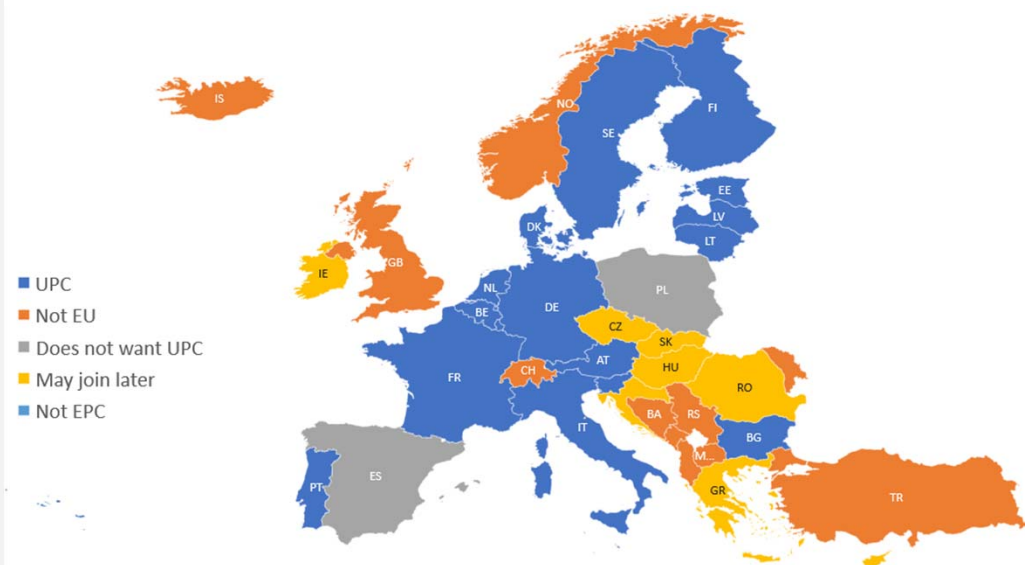
Unitary Patent

- Reduced validation costs compared with national validations.
- Although vulnerable to central attack – so too is a U.S. patent.
- Although increased vulnerability to earlier filed later published national rights, the risk is low.



The Gung-Ho for EU Appreciation

- On a bang-per-buck basis, Unitary Patent compares favourably with national patents.
- On an enforcement basis Unified Patent Court has much greater reach than national enforcement.
- On a portfolio management basis Unitary Patent simplifies decision making.
- The few potential downsides are way less than the upside of choosing UPC and UP.

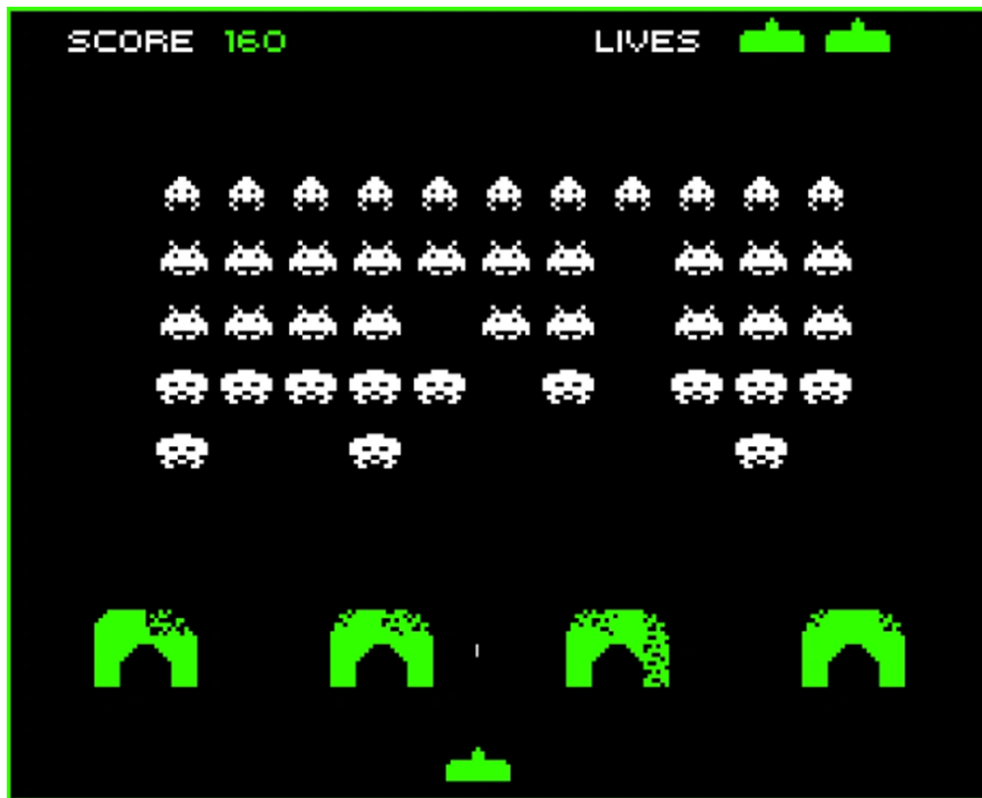


Downsides – the Sceptic's View

- Several downsides that may affect client choice
- Fear of the unknown
 - A new court
 - A new law
- Increased vulnerability to prior art of Unitary Patent
- Reduced portfolio flexibility



The National Route Provides Comforting Redundancy



- With individual national rights, it is hard for a hostile party to eliminate your IP protection.
- After the EPO opposition period is over, each right needs to be challenged in national venues.
- Each “shot” is time-consuming and expensive; this adds up quickly. Third parties are only likely to take action in countries of direct relevance to them.

The Unitary Patent Provides A Big, Tempting Target

- A single revocation action can destroy your protection across the entire unitary patent jurisdiction.
- A third party who believes they have a clear shot may be tempted to go for it.
- Because of the large territorial coverage, a unitary patent potentially affects more potential challengers.



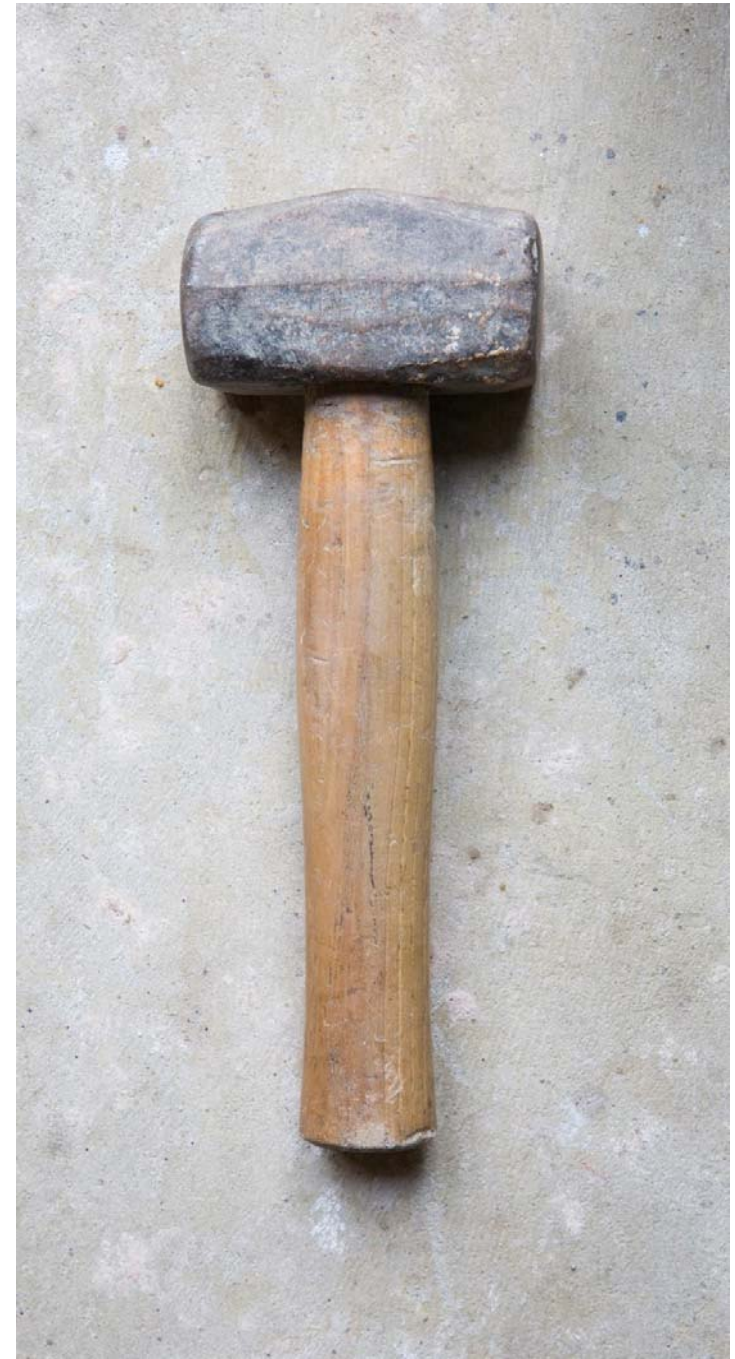
National Courts Provide Options For Nuance

- Each national jurisdiction of the EPC contracting states has developed its own national case law on infringement.
- This case law is understood by local practitioners, and invariably varies from state to state.
- This permits a certain degree of jurisdiction selection according to the case.



The Unified Patent Court Is a Blunt Instrument...

- One venue, one set of case law (tentative at present).
- Reduced scope to select venue, and what happens there affects you across a large jurisdiction. It's all or nothing.



...and Nobody Knows How It Will Behave

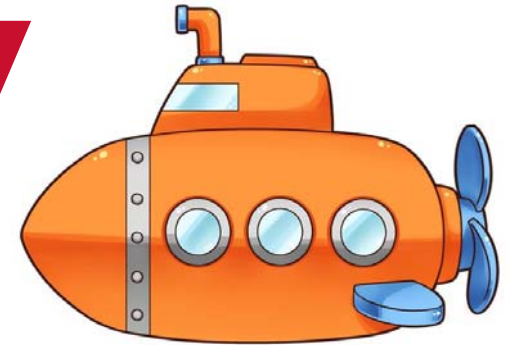
- Eventually, the UPC will have its own body of case law and we will have a broad understanding of that.
- Right now, however, it is a blank slate. Every case is a test case.
- Not just a test case, but a test case with implications across a wide jurisdiction...



Do You Really Want To Be a Guinea Pig?



Unitary patents - later published national rights – a submarine risk?



- **Article 139(2) EPC** “A national patent application and a national patent **in a Contracting State** shall have with regard to a European patent designating **that Contracting State** the same prior right effect as if the European patent were a national patent”.
- For a “bundle” patent this means that if an earlier national right exists in one country that country can be carved out leaving other countries unaffected.
- **Article 3(2) Unitary Patent Regulation – 1st sentence** “A European patent with unitary effect shall have a unitary character. **It shall provide uniform protection and shall have equal effect in all the participating Member States**”.
- For a unitary patent the Member States are in effect treated as one territory and so an earlier national right has effect in all Member States. Potentially this means losing all rights to the unitary patent, whereas for a bundle patent you would lose rights in only the country of the earlier national right.

Unitary patents - lack of flexibility with age

- With a “bundle” patent, as time goes by one can reduce expenditure by reducing the number of countries covered if renewal fees start to get expensive.
- For a unitary patent it is all or nothing, and if one wants to keep protection in any one UP country while minimising costs, the most that could be done would be to drop non-UP countries.

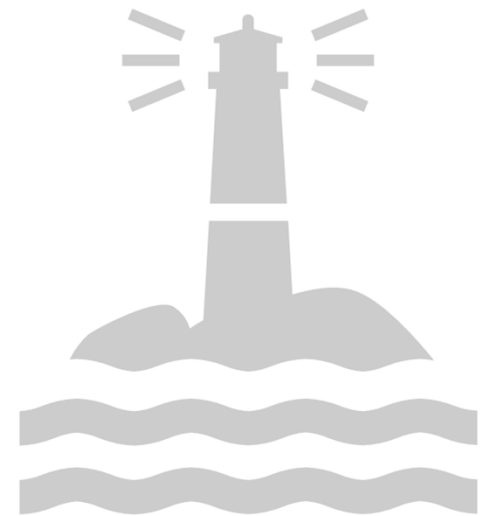
And What About Your Licenses?

- Existing IP licenses will be based on the old system, and its old assumptions.
- One failed defense could affect licenses across the entire jurisdiction.
- Do existing licenses have any provisions about choice of jurisdiction for validation?



Balanced View on Navigating the New European Patent System

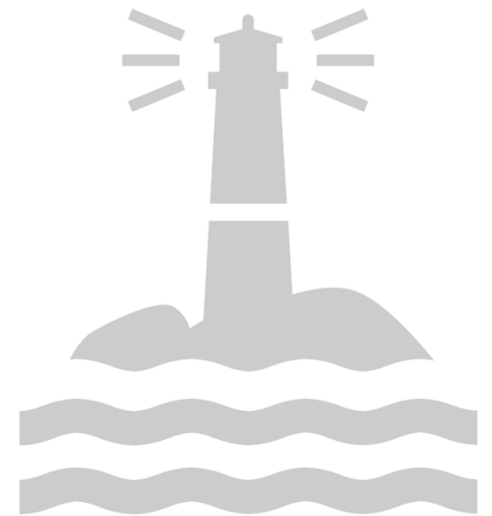
- Patents / patent applications directly filed at national patent offices are unaffected.
- UP/UPC adds new layers/options to patent rights granted by the EPO.
- Existing EP “bundle patents” affected – opt them out if UPC unattractive – but assess rationally
 - Client by client, case by case decision.



Balanced View on Navigating the New European Patent System

- From April 1, 2023 one could:
 - choose bundle patents as before
 - Opted in or out of UPC as required
 - choose UP instead of bundle patents in UP territory
 - UPC comes with UP – no opt out.

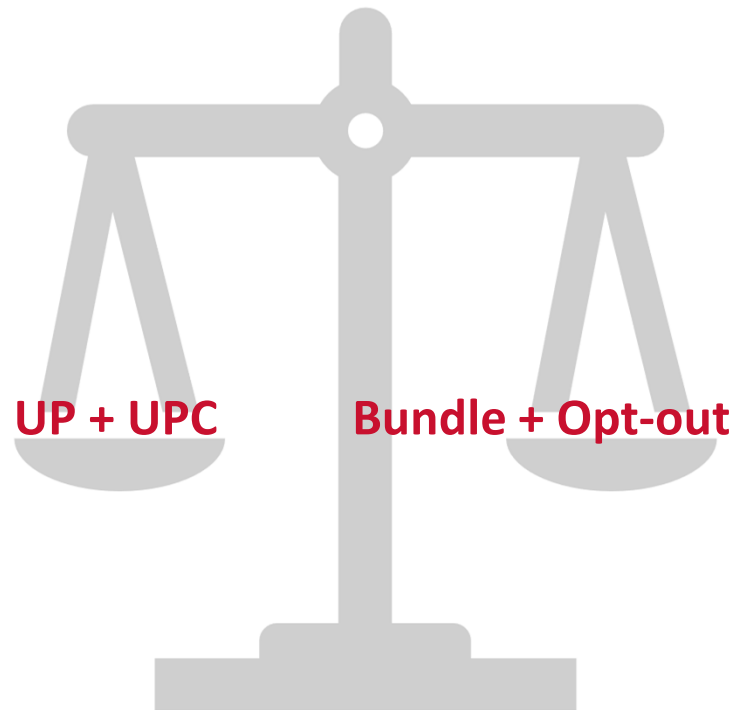
Lots of decisions



To UP or Not to UP?

Your client:

- Wants wide patented territory
- Wants big bang per buck
- Is not afraid of the new
- Wants early resolution of litigation
- Knows demand for the technology will be sustained
- Does not have existing licensees
- Has a patent with a high presumption of validity
- Accepts the risk of intervening patent rights



Your client:

- Needs cover in few EP countries (e.g. \leq DE, FR, GB)
- Has deep pockets
- Prefers the tried and tested
- Wants a war of attrition in litigation
- Wants flexibility to taper down territorial protection over time
- Does not want to disturb existing licenses
- Has an important patent, open to patentability challenge
- Needs to cater for intervening patent rights

Practical Issues

- Unitary patent IT system at EPO appears to be working.
 - UPC IT system appears clunky but works
 - UPC Registry not particularly helpful at present
- For Unitary Patent, early decision needed as only one month from grant to put in request.
 - Early Unitary Patent requests can be submitted now for any patent application where no response has yet been put in to the Rule 71(3) notice.
 - Although translation required, this has no legal effect so low cost providers can be used.
- For opt-out, need to know not just those owners shown as such on the relevant official registers, but also any unrecorded beneficial owner.
 - Contact details [email] required for owners

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- In order for us to process your continuing legal education credit, you will be asked to confirm your participation in this webinar by submitting a code word in the Zoom Chat function. Please submit now.
- Code Word: **PATENT**

Questions?



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