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Changes on the Horizon for European Patenting

Legal Update

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Just as people were starting to gain a sense of comfort dealing with changes to the U.S. patent system brought on by the America Invents Act of 2011, we now find that Europe is also planning changes to its own patent system. The changes will include introducing a unitary patent and a unified patent court. What are the further particulars regarding these changes and how should they factor into your European patent filing strategies?

Current System

We have long become accustomed with the European system, and the ways by which applicants can pursue patent protection. In the current system, applicants generally can pursue patent protection by:

- (i) filing in patent offices of specific European countries, or
- (ii) filing at the European Patent Office (EPO) and upon grant of a European patent, validating that patent in specific European countries.

While option (ii) tends to be more costly at time of filing than option (i), a cost savings can be realized by limiting patent examination to one patent office (the EPO) as opposed to patent offices of many different European countries. However, one problem in proceeding with option (ii) has been the high costs associated with validating the granted European patent. These high costs have been attributed to the generally low number of validations being pursued by applicants following grant of their European patents (e.g., on average, the number of validations pursued by applicants has been less than four European countries).

New System: The Unitary Patent

In order to address the above-described issue (as well as others), a majority of the European countries (currently excluding Italy and Spain) have agreed to implement a system offering a new European patent that would have unitary effect among these countries -- the Unitary Patent. While the filing process would be similar to that described above for option (ii), upon grant of the European patent, the applicant

would be able to request that the patent be deemed a Unitary Patent (thereby having unitary effect in each of the participating European countries). As an alternate, applicants would have available the traditional option of validating the granted European patent in only specific European countries.

In requesting that the granted patent be a Unitary Patent, costs for the patent would generally be streamlined. For example, regarding renewal costs, a single annual fee would be due, as opposed to a separate fee being due for each country in which the patent is validated (as is the case under the current system). While the amount of the single renewal fee has not yet been set, it is expected to be comparable to the cumulative cost of renewal fees for about four to six national patents that are validated in specific countries. Thus, if you are interested in securing protection in three or fewer European countries, the traditional approach of validating the patent in select countries may be best, purely from a cost perspective.

A Unified Patent Court for the Unitary Patent

Under the current European system, if seeking to enforce your patent, you would need to file separate court actions in the specific countries in which you validated the patent. This too will change with the grant of Unitary Patents. Particularly, in concert with implementing the Unitary Patent, a new court -- the Unified Patent Court (UPC) -- is to be formed. The UPC will have exclusive jurisdiction over disputes related to Unitary Patents and a decision of the UPC will have direct binding effect in all participating European countries. This could be particularly troubling for the patent holder, as an adverse decision by the UPC (such as the patent being ruled as invalid) would apply in all of the participating countries. Under the current system, a judicial decision in one country would not have binding effect in another country.

The UPC is in the process of being established. The UPC will include a Court of First Instance (trial court) and a Court of Appeal, with the Court of First Instance involving central divisions in Paris, Munich, and London, and local or regional divisions in locales yet to be determined. As described above, the UPC will have exclusive jurisdiction over Unitary Patents, but it will also have jurisdiction over existing and future traditional European patents. However, this jurisdiction over traditional European patents will initially be non-exclusive for a transitional period of seven years, after which it will become exclusive. In short, at the end of the transitional period, you will no longer be able to enforce a European patent in the courts of specific participating countries.

Opting Out

Given the potential negative implications of the UPC on existing or future traditional European patents, owners of these patents have the option to opt out from the UPC's jurisdiction during the seven-year transitional period, and such opt out would then continue through the term of the patent. Despite this seven-year period for opting out, patent holders should not delay in opting out if that is what is desired. This is because the owners of traditional European patents would not be able to opt

out once proceedings have been initiated before the UPC relating to their patents. As such, patent owners of existing European patents wishing to avoid jurisdiction of the UPC should consider opting out as soon as the new system comes into force.

Upon opting out, an owner of a traditional European patent can subsequently opt back in so as to be subject to the jurisdiction of the UPC. However, similar to that described above relating to the process of opting out, if proceedings are started in a national (non-UPC) court with respect to a traditional European patent before the patent owner opts back in, the option of opting back in is no longer available to the patent owner.

Timing and Associated Strategy Considerations

The system relating to the new Unitary Patent will come into force with ratification of the Agreement on a Unified Patent Court (UPC Agreement). This ratification may take place as early as January 1, 2014; however, delays are anticipated, and as such ratification is not expected until well into 2015. Nevertheless, those planning to file European applications or having existing European patents should begin considering what actions they will take once the system comes into force.

For example, you will need to consider new options upon reaching the grant stage at the EPO. Particularly, you will need to choose between following the traditional path of validating in certain select countries, or designating your patent as a Unitary Patent so as to have unitary effect. To that end, if deciding on a Unitary Patent, you will also need to consider whether protection is desired in European countries that are not party to the UPC Agreement (i.e., Italy and Spain, currently); and if so, you will further need to validate the patent in those countries.

On the other hand, owners of existing and future traditional European patents will need to consider what court (UPC or national/non-UPC) would be more favorable, and, if desired, to opt-out as soon as possible once the new system comes into force.

Thus, moving forward, your overall patent strategy should not only account for the recent changes in the U.S., but also those to come in Europe.