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MASTER-THESIS

Titel der Master-Thesis

„Siamese Twins: Unitary Patent Looking for a Unified
Patent Court“

verfasst von

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angestrebter akademischer Grad

Master of Laws (LL.M.)

Wien, 2015

Universitätslehrgang:

ULG Europäisches und Internationales Wirtschaftsrecht

Studienkennzahl lt. Studienblatt:

A 992 548

Betreut von:

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Author

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expected academic degree

Master of Laws (LL.M.)

Vienna, 2015

Postgraduate Program:

European and International Business Law

Program Code:

A 992 548

Supervisor:

Hon. Prof. Dr. Michel Walter

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List of Abbreviations

AUPC	Agreement on a Unified Patent Court
EU	European Union
CJEU	European Court of Justice
EPC	European Patent Convention
EPO	European Patent Office
SME	Small and Medium-sized Enterprise
TEU	Treaty on the functioning of the European Union
Translation Regulation	Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L 361/89
UPP	Unitary Patent Package
Unitary Patent Regulation	Parliament and Council Regulation (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L 361/1

Introduction

The quest for an EU-wide patent and a unified patent litigation system has a long history or even tradition.¹ There have been many attempts, proposals, conventions and agreements such as e.g. the Community Patent Convention and the Agreement relating to Community patents² to reach common grounds but they all failed or did not become effective.³ The stumbling blocks for failure were basically related to the language issue (Must the granted application be translated in all the official EU languages?) and to the implementation of common patent litigation system.⁴

It was after another failure, once again, to reach an agreement during the Competitive Council Meeting on 10 November 2010 that several Member States requested the Commission to submit a proposal to the Council for enhanced cooperation in the area of unitary patent protection. In its decision of 10 March 2011 the Council authorised enhanced cooperation.⁵ On 17 December 2012 two Regulations were adopted implementing enhanced cooperation for the creation of unitary patent protection and applicable translation agreements.⁶ Spain and Italy will not take part in the enhanced cooperation.

These Regulations will among others allow the proprietor of a European patent, after filing a single request for unitary effect, to obtain patent protection in 25 Member States

¹ Hanns Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (2012) Max Planck Institute for Intellectual Property & Competition Law research Paper No. 12-03, 5 <<http://ssrn.com/abstract=2027920>> accessed 23 May 2015; P Callens and S Granata, *Introduction to the unitary patent and the Unified Patent Court: the (draft) rules of procedure of the Unified Patent Court* (Kluwer Law International 2013) 1.

² Convention 76/76/EEC for the European Patent for the Common Market (Community Patent Convention) [1976] OJ L 17/1 and Agreement 89/695/EEC relating to Community patents [1989] OJ L401/1; For a schematic and chronological overview of all attempts see Reto M Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (2012) Max Planck Institute for Intellectual Property & Competition Law research Paper No. 12-12,1,7-8 <<http://ssrn.com/abstract=2169254>> accessed 23 May 2015.

³ Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (n 1) 1.

⁴ Ibid 1 and 5-8.

⁵ Council Decision 2011/167/EU authorising enhanced cooperation in the area of the creation of unitary patent protection [2011] OJ L76/53.

⁶ Parliament and Council Regulation (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L 361/1 (Unitary Patent Regulation); Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L 361/89 (Translation Regulation).

at a much lower cost than in the past, where an applicant had to file in each country where patent protection was sought. Indeed, the current European patent granted by the European Patent office ('EPO') does not create any unitary effect since it is merely a bundle of national patents, which have to be validated in the designated Member States.⁷ Clearly, this is an expensive operation involving substantial translation and filing costs as well as renewal fees in each of those designated countries.

On 19 February 2012, 25 Member States concluded an Agreement on a Unified Patent Court ('AUPC')⁸, which will have exclusive jurisdiction on infringement, revocation and invalidation of European patents with unitary effect and subject to certain transitional dispositions to all European patents.⁹ This new Court will remedy the old problem of parallel litigation in two or more Member States, which may result into contradicting decisions concerning invalidity and infringement claims.¹⁰ The Unified Patent Court will also provide the opportunity for an alleged infringer to invalidate a patent in all the Member States with one single court decision, after the opposition procedures before the EPO have been completed; this is not possible today.¹¹

The combination of these two Regulations and the AUPC are commonly referred to as the Unitary Patent Package ('UPP').¹² Since these Regulations will only be applicable if the AUPC enters into force¹³, which means that the AUPC has to be ratified by at least 13 signatory States¹⁴, including Germany, France and the UK, I refer to this combination as **Siamese twins**. The European patent with unitary effect will only be applicable when the AUPC enters into effect and on the other hand the AUPC would never have been agreed upon, if there were no European patent with unitary effect. They simply need each other as Siamese twins and writing about the Unified Patent Court or these Regulations almost necessarily implies to involve the other one: they are intrinsically linked. The Commission phrased it as follows:

⁷ See for example L Bently and B Sherman, *Intellectual Property Law* (4thedn, OUP 2014) 392.

⁸ Agreement on a Unified Patent Court [2013] OJ C 175/1.

⁹ Winfried Tilmann, 'The Transitional Period of the Agreement on a Unified Patent Court' (2014) 9 *Journal of Intellectual Property Law and Practice* 575,575.

¹⁰ Callens and Granata (n 1) 2.

¹¹ *Ibid.*

¹² Bently and Sherman (n 7) 391.

¹³ Unitary Patent Regulation, art 18 (2); Translation Regulation, art 7(2).

¹⁴ AUPC art 89.

The creation of unitary patent protection has to be accompanied by appropriate jurisdictional arrangements responding to the needs of the users of the patent system. In order for the unitary patent protection to work properly in practice, appropriate jurisdictional arrangements should allow for patents to be enforced or revoked throughout the territory of the participating Member States and at the same time should ensure high quality judgments and legal security for companies.¹⁵

We will not discuss the institutional issue whether “enhanced cooperation” as a means for differentiated European integration in the field of unitary patent protection is legally appropriate. Enhanced cooperation allows integration for specific policy issues without involving all the Member States, but only those who are willing to integrate further.¹⁶ This procedure was used to avoid the difficulties that some countries (Spain, Italy) had with the language regime of the unitary patent.¹⁷ In the literature, leading scholars argue that enhanced cooperation in the field patent protection and litigation is at least questionable.¹⁸

The history of all attempts which finally led to the European patent with unitary effect and Unified patent Court will neither be dealt with.¹⁹

The reader will notice that most of the consulted ‘critical’ literature on the UPP is predominantly from German authors and legal scholars, especially from those affiliated with the Max Planck Institute. This is not surprising if one knows that 35% of all European patent applications originating from EPO Member States come from

¹⁵ Commission, ‘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’ COM (2011) 216 final, 8

¹⁶ M Lamping, ‘Enhanced Cooperation in the Area of Unitary Patent Protection - Testing the Boundaries of the Rule of Law (2015) Max Planck Institute for Innovation and Competition Research Paper Series, 2<SSRN: <http://ssrn.com/abstract=2561365>> accessed 3 May 2015.

¹⁷ Richard Davies and others, *Tritton on Intellectual Property In Europe* (4th edn, Sweet & Maxwell 2014) 55-56.

¹⁸ See for a detailed and in depth analysis on this important institutional issue : Hanns Ullrich, ‘Select from within the system: The European patent with unitary effect’ [2012] Max Planck Institute for Intellectual Property & Competition Law research Paper No. 12-11, 36-42<<http://ssrn.com/abstract=2159672>> accessed 23 May 2015 ; Lamping (n 16) 1; Hanss Ullrich, ‘Enhanced cooperation in the area of unitary patent protection and European integration’ (2013) 13 ERA Forum 589.

¹⁹ See for an historical overview and further references: Hanns Ullrich ‘Patent Protection in Europe: Integrating Europe into the Community or the Community into Europe? (2002) 8 European Law Journal 433, 437-439; Thomas Jaeger ‘The EU Patent: Cui Bono et Quo Vadit?’ (2010) 47 Common Market Law Review 63,63-68; Justine Pila, ‘The European Patent: An Old and Vexing Problem’ (2013) 62 International & Comparative Law Quarterly 917; J Pila, ‘An Historical Perspective I: The Unitary Patent Package’ in J Pila & C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 9-32.

Germany. Nominally, this is about the same amount as all European patent applications stemming from France, UK, The Netherlands and Switzerland together.²⁰ As the UPP is of recent date and not yet applicable, the legal literature is not (yet) abundant on this subject, but this was an interesting challenge for the writer of this thesis.

I prefer to use a numerical table of contents instead of the classical table of contents with chapters, sections and paragraphs; the length of the thesis does not justify such table.

This thesis is divided in the following four parts:

In part 1 the economic rationale and the operational objectives behind the UPP as proclaimed by the Commission are discussed with the purpose of getting a better insight and understanding on its underlying principles and goals.

Part 2 describes the main features of the European patent with unitary effect and the major principles relating to the organisation, functioning and competence of the Unified Patent Court;

Under part 3 we will deal with some critical legal issues and concerns relating to the workability of the UPP;

Part 4 aims at assessing the potential practical impact of the UPP on future patent filing and litigation from a users' viewpoint;

Finally, in part 5 we will draw some conclusions: will the UPP be successful?

²⁰ EPO, 'Annual Report 2014' <<http://www.epo.org/about-us/annual-reports-statistics/annual-report/2014/statistics/patent-filings.html>> accessed 23 April 2015.

1 Economic rationale and (operational) objectives of the Unitary Patent Package

Economic rationale

1.1.1 Economic context

In the aftermath of the global financial crisis of 2008, the Commission developed its “2020 Strategy” for Europe to create growth in the next ten years and to make Europe come out stronger from the devastating financial crisis and more able to meet the challenges of globalisation.²¹ The Commission pointed out that Europe’s average growth rate over the last decade had been structurally lower than its main economic partners and competitors. This was –according to the Commission- largely due to a widening “productivity gap”, which in its turn is explained, amongst other reasons, by lower investment in research, development and innovation than Europe’s economic competitors such as the U.S.A. and Japan.²² To bring Europe back to economic growth and for maintaining its quality of life and welfare state, Europe should develop a smart, inclusive and sustainable economy. This “smart economy” ought to be based on innovation and knowledge.²³ The Commission proposed that one of the actions (Flagship initiative: ‘Innovation Union’) to achieve this goal was to improve the conditions for business to innovate by creating a ‘single EU Patent and a specialized Court’ and to improve access of SME’s to Intellectual Property Protection at the EU level and at the national level the Member States will need to ‘improve the conditions for enforcing intellectual property’ (Flagship initiative: ‘An industrial policy for the globalisation era’).²⁴

²¹ Commission, ‘Europe 2020 A strategy for smart, sustainable and inclusive growth’ COM (2010) 2020 final.

²² COM (2010) 2020 final, 7.

²³ COM (2010) 2020 final, 11.

²⁴ COM (2010) 2020 final, 12-13 and 16-17.

The idea that unitary patent protection in the EU is beneficial for economic development, innovation and growth is not new. In its ‘Green Paper on the Community patent and the patent system in Europe’ the Commission wrote already in June 1997 that patents play a central and pivotal role in the innovation process and that the protection of the results of innovation and research are essential: ‘In economic terms, it has been clearly established that companies with specialized know-how which sell branded products and patented products or processes have a competitive advantage when it comes to maintaining or expanding their market share’.²⁵ The same message was conveyed by the Commission in 2008 in its Industrial Property Rights Strategy for Europe.²⁶

1.1.2 Patents foster innovation

The Commission’s Staff Working Paper (‘Commission Staff Working Paper’), which accompanied the Proposals for the Unitary Patent Regulation and Translation Regulation, again emphasizes the economic role of patents as an effective tool and means to increase innovation, research and development in knowledge based economy.²⁷ The economic reasoning of the Commission can be summarized as follows: In exchange for a limited and exclusive exploitation monopoly in time (incentive), the patent holders must make their invention public and describe their invention in detail, in doing so the patented knowledge is disseminated to the public and should facilitate new and or follow up inventions.²⁸ Nevertheless, the Commission acknowledges that there is not much research being done on the ‘causal’ relationship between growth and patents and the Staff Working Paper provides only few underpinning literature or evidence on this ‘causal’ relationship.²⁹

The Commission is furthermore of the opinion that patents are of specific importance for SME’s because they may increase and foster the creation of high tech SME’s. In particular, SME’s may use patents as core assets for attracting (new) capital and

²⁵ Commission, ‘Promoting Innovation Through Patents - Green Paper on the Community patent and the patent system in Europe’ COM (97) 314 final, 1.

²⁶ Commission, ‘An Industrial Property Rights Strategy for Europe’ COM (2008) 465 final, 7.

²⁷ Commission, ‘Staff working paper: Impact assessment’ SEC (2011) 482 final 8.

²⁸ *ibid* 9.

²⁹ *ibid* 8.

potential investors. The Commission contends that the possibility to use patents for the creation of start-up companies –and thus creating employment- is not sufficiently used in Europe.³⁰

In summary and referring to the previous points 1.1.1 and 1.1.2 it is fair to say that the Commission is convinced that patents are playing a crucial and pivotal role in innovation and research and thus in creating economic growth, wealth and employment.

In the literature, however, there is a rather recent and very interesting study indicating there is only weak empirical evidence that patents really serve as an incentive for innovation. The study reveals that: (i) in a subsector of industry and mostly in the pharmaceutical industry, patents are considered as essential and useful for innovation; (ii) in general, in other sectors, if one's competitors have patents you need them too, so thus this is a zero sum game and not really important as an incentive and thirdly (iii) patents can generate large financial returns and therefore some economic actors (companies, research organisations) have interest in them and are creating their own demands for more research and innovation policies.³¹

1.1.3 The European patent with unitary effect advances the functioning of the internal market

The European patent system is characterized by fragmentation and complexity where many national patent systems, with their own particularities and requirements, coexist with a European Patent system (EPO) and by high costs (translation and renewal fees in all the different countries) if EU wide patent protection is wanted. In addition there is no common patent litigation system.³² Obviously, the combination of all these factors is

³⁰ *ibid* 9.

³¹ Bronwyn H Hall, Dietmar Harhoff, 'Recent research on the economics of patents' (2012) NBER Working Paper 17773, 35 <<http://www.nber.org/papers/w17773>> accessed 22 March 2015.

³² For an in depth analysis see Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 3-30.

not in favor of the European industry and has a negative impact or undesirable effects on the functioning of the internal market.³³

The Commission therefore rightfully asserts that the lack of access to a single European patent protection system causes market fragmentation, because patent protection is territorial by nature and stops at the national border and patentees will not file their patents in all Members States but only in some of them in order to reduce filing and renewal fees. In fact, it is worthwhile to note that only 50% of all European patents are only validated in 3 countries (UK, DE and FR).³⁴ This may imply that in some Member States business opportunities will not be pursued or not as rigorously pursued as in Members States where a patent was filed. Clearly, this undermines cohesion and the proper functioning of the internal market. Moreover inventors cannot fully benefit from the Single Market if they have to patent their invention on a state by state basis.³⁵

However, from the angle of enhanced cooperation (coalition of EU Member States who want to integrate further) an important concern should be made namely that ‘enhanced cooperation for a unitary patent will impair the Internal Market, as well as economic and social cohesion and that it will constitute a barrier to or amount to discrimination in trade between States and distort competition (art. 326 para. 2 TFEU)’³⁶ and that enhanced cooperation might divide the European Union into three territorial zones: two “Southern” zones”, Italy and Spain (who are not participating in the enhanced cooperation) and one Northern zone, whilst the very objective and essence of the unitary patent was to abolish these territorial barriers.³⁷ One can rightfully ask the question whether enhanced cooperation in the field of intellectual property rights may not create unwanted differentiation and asymmetry between the Member States³⁸.

³³ Commission Staff Working paper (n 27) 23.

³⁴ *ibid* 23.

³⁵ *ibid* 23.

³⁶ Ullrich, ‘Harmonizing Patent Law: The Untamable Union Patent’ (n 1) 23-24.

³⁷ *ibid* 24.

³⁸ Lamping (n 16) 53.

1.2 Operational Objectives

1.2.1 Legal Context

Currently, an applicant for a patent in Europe can choose between different routes: the national one and the EPO route.³⁹ If the national route is chosen, the applicant will have to file with the relevant national patent office of each country in which he wishes to obtain patent protection. The patent application will then have to comply with all applicable national requirements (inventive step, novelty and industrial application).

Besides the ‘national route’ there is the European Patent Convention (‘EPC’), which created a system for the centralized granting, searching and examination of European patents via the European Patent office (‘EPO’). After approval by the EPO, the patent applicant obtains only a bundle of national patents.⁴⁰ In order for the granted European patent to have effect, it needs to be validated or converted into all the different participating EPO countries, where patent protection is sought. This means that the applicant will have to translate the patent in most of these countries and to pay publication and filing fees in each of the designated countries. If the European patent is validated it will have the same effect as a national patent.⁴¹ Some authors –rightfully- say therefore that it is misleading to call this bundle patent a “European patent”.⁴² The administrative and financial burden relating to the validation effort seriously affects SME’s, startups and public research organizations. Besides these validation costs and progressive renewal fees – which need to be paid annually in each country for maintaining the patent in force- there are all sorts of other costs and fees e.g. for registering patent transfers and licenses in some countries. In addition, professional fees to patent attorneys may be owed for patent and claim drafting.

According to the Commission the fragmentation of patent protection in Europe has two main negative aspects or consequences: one relates to high costs of filing patents on

³⁹ Bently and Sherman (n 7) 391-392.

⁴⁰ M Haedicke and H Timmann, *Patent law: A Handbook on European and German Patent law* (Munich Beck 2014), 951; Bently and Sherman (n 7) 392.

⁴¹ Bently and Sherman (n 7) 392.

⁴² Haedicke and Timmann (n 40) 951.

several levels (filing, renewal, registration and translation) and the other one relates to weak patent enforcement and the lack of a unified patent litigation system which on its turn leads to legal uncertainty.⁴³ Understandably, the Commission's objectives are to remediate these barriers, which are putting Europe in a disadvantageous position towards its economic competitors. I will explain and further elaborate on these "operational objectives" in the next points 1.2.2 and 1.2.3.

I will not develop on the Patent Cooperation Treaty⁴⁴ in this context. This Treaty is essentially setting up a patent search organization, which grants a priority right. The actual granting and examining is done by the EPO or national patent offices.

1.2.2 reduction of costs (translations, validations, renewals, registration transfers and licenses)

The validation of a European patent encompasses in principle the following costs⁴⁵:

- (i) Filing in the official language of the State where protection is sought (translation fees)
- (ii) Publication and registration fees
- (iii) Patent agent fees

According to the Commission these fees for a patent (of typical length) amount to

- 680€ If protection is desired in three Member States: Germany, France and UK, which are all Parties to the London Agreement by which certain translation requirements are waived⁴⁶;

- 12.500€ If protection is desired in 13 member States (the ones in which most validations take place);

- 36.000€ If one wants to validate a patent in all member States.

⁴³ Commission Staff Working paper (n 27) 14-16.

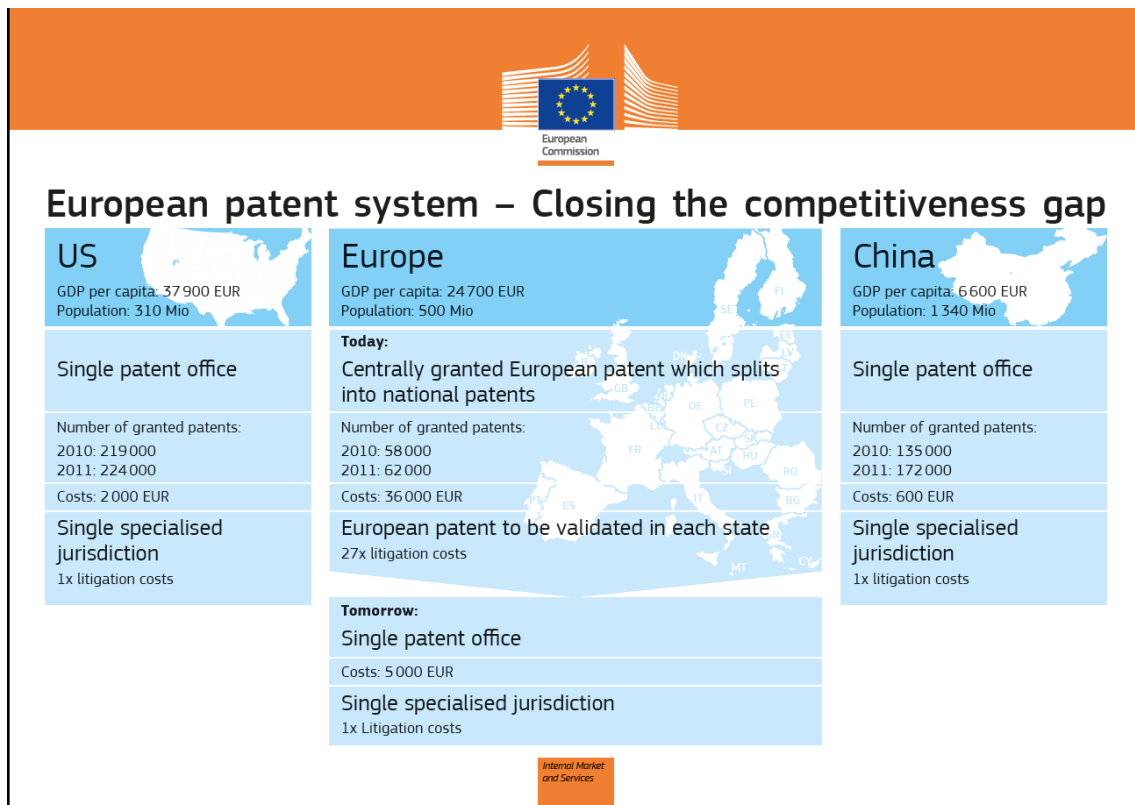
⁴⁴ Patent Cooperation Treaty, June 19, 1970, amended in 1979 and modified in 1984 and 2001.

⁴⁵ Commission Staff Working paper (n 27) 14.

⁴⁶ Agreement on the Application of Article 65 of the Convention of the Grant of European Patents [2001] OJ EPO 12/2001 550.

Only very few patents are validated in all member states (2%) and that about 50% of all patents are validated only in three Member states (Germany, France and UK).⁴⁷

These costs are substantially higher than in the USA (2000 €) or China (600€). See table below.⁴⁸



The Commission sets out that the European patent with unitary effect shall substantially decrease the overall patent cost for an EU wide patent protection in 25 countries. The Commission estimates that the introduction of unitary patent will reduce these costs for a patent validated in each Member State from 36.000€ to approximately 5000€ (see table above). These substantial cost decreases should enable SME's better access to comprehensive patent protection for their inventions.

Another interesting and financially important aspect in the 'global patent cost' is the annual renewal fee, which has to be paid for avoiding the lapsing of the patent. These fees are progressive and increase yearly: the logic behind being that the patent holder

⁴⁷ Commission Working Paper (n 27) 17.

⁴⁸ http://ec.europa.eu/internal_market/indprop/docs/patent/faqs/competitiveness_en.pdf.

will only maintain these patents, which are generating return and income. The renewal fees are very considerable and differ from country to country.

In fact these costs are extremely high and the accumulated renewal fees over 27 EU Member States approximate according to the Commission⁴⁹:

For 6 year: 8.836€;

For 10 years: 13.031€;

For 20 years: 162.598€.

In the UPP system the patentee will have to pay these renewal fees directly to the EPO instead of the national patent offices. The determination of these fees will be done by the Select Committee of the Administrative Council of the EPO. The Unitary Patent Regulation lays down in Article 12 several criteria and factors, which must be considered in setting the renewal fees such as: sufficient to cover the costs of the EPO, who will be in charge of the grant and administration of the patent, but also other economic factors such as the size of the applying companies e.g. SME's and research organisations.

The EPO will retain 50% of the renewal fees and the remainder shall be disbursed to the national patent offices of the participating member States.⁵⁰

Renewal fees will be an important factor in the patentees' decision to renew or not to renew their patents but they are also important in financing the national patent organisations. In point 2.1.8 we will address the renewal issue specifically. A recent study, pointed out that there might be a (political) dilemma in choosing between high(er) renewal fees to ensure sufficient income for the national patent offices of all countries (especially Germany which has the most patent filings) and low (er) renewal fees with some countries, especially Germany losing (more) income for its national patent office than other countries.⁵¹

⁴⁹ Commission Staff Working paper (n 27) 48.

⁵⁰ Unitary Patent Regulation, art 13 (1).

⁵¹ Jérôme Danguy and Bruno van Pottelsberghe, 'The policy dilemma of the unitary patent'. Bruegel Working Paper, 21 <<http://www.bruegel.org/publications/publication-detail/publication/858-the-policy-dilemma-of-the-unitary-patent/>> accessed 12 May 2015.

The Translation Regulation (Unitary Patent Regulation) defines a translation regime, which provides for the reimbursement of translation costs up to a ceiling for certain applicants (natural persons, SME's and public research organisations) if they file in another language than the official languages of the EPO (English, German and French).⁵² If filed in one of these languages and the claims are translated into the two other official languages, then no further translations needed.⁵³ This mechanism will be further explained and detailed under point 2.1.6.

From the above we can preliminary conclude that the European patent with unitary effect will certainly decrease the validation and translation costs but the EPO patent route remains open, just as selective national filing.

1.2.3 The Unified Patent Court: avoiding parallel litigation

Some sort of court or patent litigation system has been part of all the previous attempts to come to an EU wide patent: the logical -and rightful- idea behind this reasoning is that the unitary character of an EU patent is strengthened by a uniform patent litigation system.⁵⁴ In its Communication of 24.5.2011 the Commission explicitly and clearly set out its viewpoint on the necessary and functional relationship between unitary patent protection and a uniform litigation system and the benefits of such a system:

In order for the unitary patent protection to work properly in practice, appropriate jurisdictional arrangements should allow for patents to be enforced or revoked throughout the territory of the participating Member States and at the same time should ensure high quality judgments and legal security for companies. A unified patent litigation system which would govern both European bundled patents and European patents with unitary

⁵² Translation Regulation, art 5.

⁵³ Translation Regulation, art 3(1).

⁵⁴ Jaeger, 'The EU Patent: Cui Bono et Quo Vadit?' (n 19) 74; C Wadlow, 'An Historical Perspective II: The Unified Patent Court' in J Pila and C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 33-35.

effect would considerably reduce litigation costs and the time taken to resolve patent disputes, whilst increasing legal certainty for users.⁵⁵

The benefits of a unified litigation system are mostly accepted and supported in the literature⁵⁶ and already for a long time defended and promoted by the Commission.⁵⁷

In a first economic cost-benefit study in Europe in 2009 on this issue by Professor Dietmar Harhoff and tendered by the Commission, it became apparent that a unified patent litigation system would avoid costly duplication of infringement and revocation cases and thus would generate substantial cost savings for litigating parties, which were estimated for the year 2013 in the range of 148 to 289 million €.⁵⁸

The parallel litigation or case duplication of legal procedures is mainly caused by the fact that invalidity claims, or invalidity claims made during infringement proceedings may only be judged upon and must be brought before the national courts of the country in which the patent is registered in accordance with Article 22 (4) of the Brussels I Regulation.⁵⁹ Since it is a common defence for an alleged infringer to invoke the invalidity of the patent during infringement proceedings, the patent holder, in practice, may have to litigate in each jurisdiction where he wants to get injunctive relief against the alleged infringer.

The study of Professor Dietmar Harhoff basically found out that litigation in a highly fragmented patent litigation system, with important differences between national legal systems and costs related to patent infringement and revocation proceedings, leads to (i) duplication of proceedings or parallel litigation; (ii) divergent court decisions, which again may contribute to fragmentation and which may never be consolidated because there is no second instance ruling; (iii) forum shopping based on sophisticated legal

⁵⁵ Commission, 'A Single Market for Intellectual Property Rights Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe' COM(2011) 287 final, 7-8.

⁵⁶ See for an overview Thomas Jaeger, 'The EU Patent: Cui Bono et Quo Vadit?' (n 19) 74.

⁵⁷ Commission, 'Promoting Innovation Through Patents - Green Paper on the Community patent and the patent system in Europe' COM (97) 314 final, 4-5.

⁵⁸ Dietmar Harhoff, 'Economic Cost-Benefit analysis of a unified and integrated European Patent Litigation' (Ludwig –Maximilians-Universität 2009) 5. <http://ec.europa.eu/internal_market/indprop/docs/patent/studies/litigation_system_en.pdf> accessed 22 March 2015.

⁵⁹ Council Regulation (EC) 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2001] OJ L 12/1; Jaeger, 'The EU Patent: Cui Bono et Quo Vadit?' (n 19) 76.

delay and cost raising strategies by exploiting differences in the national legal systems- for example requesting a declaration for non-infringement in a slow court, which basically means that any other actions in other courts are blocked because of the lis pendens principle: this delay practice is also known as a “torpedo”. The potential infringer anticipates –unexpectedly - an expected infringement claim from a patentee by launching a torpedo i.e. requesting a declaration of non-infringement from a slow Court and thereby effectively and temporarily blocks the patentee.⁶⁰

From a principle point of view one has to agree with the idea that a unified European patent litigation system for a European unitary patent is a perfect match and should prove to be beneficial for all stakeholders. It would avoid unnecessary legal procedures and therefore it would be more efficient and cost effective and last but not least it would offer more legal certainty. But as always between principles and practice lies reality as we will discuss later under points 3 and 4, where we will make some critical analysis and assessment of the UPP.

⁶⁰ Harhoff (n 58) 15-17; B Vandermeulen, ‘Harmonization of IP litigation practice -still a long road ahead’ (2005) 1 JIPLP 34.

2 Main Principles and Features of the European Patent with Unitary Effect and the Unified Patent Court

2.1 The European Patent with Unitary Effect

2.1.1. Fragmented substantive law of the European patent with unitary effect

The European patent with unitary effect is the result of its own factual context: a long history to reach after many attempts a patent with ‘unitary effect’. It is the sum of political considerations and compromises, differences in national patent systems and the very fact that the existing and very successful EPC convention was drafted alongside the first (failed) Community Patent Convention, which also provided that the Community Patent would be granted by the EPO and according to the latter’s patentability requirements.⁶¹ Not surprisingly, therefore, that part of the substantive law to this new unitary patent such as e.g. patentability, scope, limitations, exclusivity and direct or indirect infringement is fragmented over several sources of national, international and EU law.⁶² The Unitary Patent Regulation delegates, in fact, the whole pre-grant phase but also the keeping of the European Patent Register to the EPO⁶³ –an international organisation outside the scope of the EU- and thus clearly builds further on the existing expertise in the granting and examination procedure of the latter.

It might seem odd and illogical that several essential substantial patent law rules - without these rules the unitary patent would not have any substance- relating to the legal consequences of the unitary protection namely the terms of the exclusivity i.e. its limitations and what constitutes direct and indirect infringement are not defined in the

⁶¹ J Pila, 'An Historical Perspective: The Unitary Patent Package' in J Pila & C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 19.

⁶² Hilty (n 2) 4; See also Bently and Sherman (n 7) 396-397.

⁶³ AUPC art 2 (b).

Unitary Patent regulation but in the AUPC.⁶⁴ This was not always the case. In the previous drafts of the Unitary Patent Regulation these substantial provisions were included under the ex-articles 6-8⁶⁵ and drafted in entirely uncontroversial terms as one legal scholar writes.⁶⁶ The transferring of those rules to the AUPC (Articles 25-28) was a compromise. It was argued by some (influential) patent community circles, (e.g. lawyers, academics and some English and Dutch patent judges but also the UK government)⁶⁷ that the inclusion of those Articles in the Unitary Patent Regulation would allow the CJEU to give interpretations on these material patent law provisions via preliminary rulings and it was feared that this would cause unnecessary delays and that the CJEU had not sufficient expertise in intellectual property matters.⁶⁸ However - and I fully concur- with the opinion of several leading legal scholars⁶⁹ that this deletion will not ultimately refrain the CJEU from interpreting AUPC clauses (Articles 25-28) and it thus will only have a limited effect:

The unitary effect concerns not only territorial unity, but the uniform design of the exclusivity or else the territorial unity will miss its purpose. Therefore, the determination of the contents and of the limits of the exclusivity necessary is also a matter of Union law. As such, it comes under the jurisdiction of the Court.⁷⁰

Under this point 2.1 I will describe the major features and characteristics of the substantive law as defined in the Unitary Patent Regulation, Translation Regulation, AUPC, EPC and which substantive law issues will remain under national laws.

⁶⁴ Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 598.

⁶⁵ Callens and Granata (n 1) 27-30; See for further analysis C Wadlow, 'Hamlet without the prince: Can the Unitary Patent Regulation strut its stuff without Articles 6-8?' (2013) 8 Journal of Intellectual Property Law & Practice 207,209

⁶⁶ Wadlow, 'Hamlet without the prince: Can the Unitary Patent Regulation strut its stuff without Articles 6-8?' 207.

⁶⁷ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 40; W Tilmann 'The compromise on the uniform protection for EU patents' (2013) 8 Journal of Intellectual Property Law & Practice 78; Ullrich (n 18) 599.

⁶⁸ Callens and Granata (n 1) 27; Tilmann 'The compromise on the uniform protection for EU patents' (n 61) 78; Ullrich 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 599.

⁶⁹ Tilmann, 'The compromise on the uniform protection for EU patents' (n 67) 80-81; Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 599.

⁷⁰ *ibid* 599.

2.1.2 Granting procedure and unitary effect

The Unitary Patent Regulation by virtue of its Article 3 creates the possibility to give unitary effect to granted European patents.⁷¹ This necessarily implies that the pre-grant phase is delegated to the EPO. Only, the latter is indeed entrusted with the granting of European patents in accordance with the Convention on the Grant of European patents (EPC). Article 142 of the EPC allows that a group of Contracting States, which has provided a special agreement, may request that a European patent granted for those States has a unitary character throughout their territories. The Unitary Patent Regulation constitutes a special agreement within the meaning of Article 142 EPC.⁷²

From the forgoing it is inferred that to obtain a unitary effect, the normal examination procedure before the EPC and thus all its requirements with regard to patentability and scope have to be followed and completed and that at the end of a successful examination a European patent may be granted. It is only in the post-grant phase that an applicant may request unitary protection and provided that this request has been registered in the Registry for unitary patent protection within one month after the publication of the European patent in the European Patent Bulletin.⁷³ The European patent must –logically- be granted with the same set of claims for all participating Member States but may be licensed as a whole or partially i.e. for individual territories of the participating Member States.⁷⁴

The unitary effect is defined in Article 3.2 of the Unitary Patent Regulation ‘It shall provide uniform protection and shall have equal effect in all the participating Member States. This entails that the unitary patent may only be limited, transferred, revoked or lapsed in respect of all Member States.’⁷⁵

⁷² Unitary Patent Regulation, recital 6.

⁷³ Unitary Patent Regulation, article 3 (1).

⁷⁴ Unitary Patent Regulation, articles 3 (1) and 3(2).

⁷⁵ Unitary Patent Regulation, article 3 (2).

2.1.3 The substantive features of the Unitary Effect

Article 5 of the Unitary Patent Regulation stipulates that ‘a proprietor shall have the right to prevent any third party from committing acts against which the patent provides protection’ but it does not define the scope itself of the exclusivity (direct or indirect infringement and limitations) but refers indirectly via Article 5.3 to Articles 25-28 of the AUPC.⁷⁶ The reasons for this particularity were explained under point 2.1.1.

In Articles 25 to 27 of the AUPC the following aspects were harmonized:

- (i) right to prevent direct use of the invention (art 25);
- (ii) right to prevent indirect use of the invention (art 26);
- (iii) Limitations of the effects of the patent i.e. the right conferred by the patent shall not extend to e.g. for acts done privately and not for commercial purposes or acts done for experimental purposes relating to the subject matter of the patented invention (art 27).

Article 28 of the AUPC provides that with regard to rights based on prior use of an invention 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. The prior use rights are thus not harmonized but left to the national legislator’s discretion.

2.1.4 Object of Property

As an object of property the European patent with unitary effect shall be treated in its entirety in all participating Member States as a national patent of the participating Member State in which the applicant had its residence or principal place of business on

⁷⁶ Callens and Granata (n 1) 29; Hanss Ullrich, ‘The property aspects of the European patent with unitary effect: a national perspective for a European prospect?’ (2013) Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 13–17, 3 <<http://ssrn.com/abstract=2347921>> accessed 10 May 2015.

the filing date.⁷⁷ In the absence of a residence or (principal) place of business, the laws of the State where the EPO is established shall apply i.e. German law.⁷⁸ This means among others that discussions concerning ownership or change of ownership or transfer of patents will be treated by the national courts but also rights *in rem* (a unitary patent as a security) or disputes concerning insolvency proceedings.

2.1.5 Compulsory licenses

Recital 10 of the Unitary Patent Regulation explicitly mentions that compulsory licenses shall be governed by the laws of the Participating Member States as regards to their respective territories.

2.1.6 Translation

The Translation Regulation states in Article 3, as a matter of principle, that no translation is needed if the specifications of the European patent with unitary effect are published in accordance with Article 14 (6) of the EPC. This article determines that the patent specifications are published in one of the official EPO languages of the patent proceedings (English, German or French) and they should include a translation of the claims in the two other official languages of the EPO. The Translation Regulation further provides for the reimbursement of translation costs up to a ceiling for certain applicants (natural persons, SME's, public research organisations), if they file in another language than the official languages of the EPO.⁷⁹ There are however exceptions to this language regime (i) in the event of an alleged infringement or court proceedings, translations are required and to be provided by the patent owner in the language e.g. of the participating Member State where the infringer is domiciled⁸⁰ and (ii) during the transitional period, where the language of proceedings at the European Patent Office is French or German, the patent proprietor will have to provide a translation of the European patent into English and where the language of proceedings

⁷⁷ Unitary Patent Regulation, art 7(1) (a) and (b).

⁷⁸ Unitary Patent Regulation, art 7(3).

⁷⁹ Translation Regulation, art 5.

⁸⁰ Translation Regulation, art. 4.

at the EPO is English, the patent proprietor will have to provide a translation of the European patent into any official language of the European Union.⁸¹

A key element for the political compromise on this vexing and old language problem was the tasking of the EPO with the development of a free of charge, high quality machine translations of all patent applications and specifications into all official languages of the EU, but only for information purposes and for improving access and maximum dissemination of patent specifications.⁸² This development will be closely monitored by independent experts: the EPO, user groups and all participating Member States.⁸³

2.1.7 Exhaustion

Article 6 of the Unitary Patent Regulation basically confirms the application of the existing case law of the CJEU concerning exhaustion of rights, as mentioned in recital 12 of the Unitary Patent Regulation: if the product has been placed on the market in the European Union by or with consent of the patent proprietor the rights conferred by a European unitary patent are exhausted Article 29 of the AUPC clarifies that exhaustion does only extend to the particular product of which the ownership has been transferred by or with the consent of the patent proprietor and not to the ‘distribution right’ or other exclusive rights as such.

2.1.8 Renewal fees

Reduction of renewal fees is one of the main operational objectives of the UPP and will be a very important factor –maybe the decisive factor- in determining whether a prospective patentee will either choose for the national patent route, the EPO route or for the European patent with unitary effect.

The proposals of the President of the EPO, Benoit Battistelli, concerning the level of the renewal fees for European patents with unitary effect to the Select Committee of the

⁸¹ Translation Regulation, article 6 (1)

⁸² Translation Regulation, article 6,3; Callens and Granata (n 1) 45

⁸³ Translation Regulation, article 6(3)

EPO have become public, although not yet officially and publicly available, but they were as to their basic content confirmed in an official press release by the Select Committee, which comprises all participating Member States in the enhanced cooperation, and they consist of the following suggestions:⁸⁴

- 1) From year 3-5 the EPO's current internal renewal fees apply;
- 2) From years 6 -9 a transitional level of fees between EPO level and year 10 level;
- 3) From year 10 onwards the level of fees should be equivalent to the sum of national renewal fees of the Member States where patents are most frequently validated (Top Level). Within the Top Level there are again two alternatives: (i) the sum of all renewal fees of the four most frequently validated countries (Top 4 level) or (ii) the sum of all renewal fees of the five most frequently validated countries (Top 5 level). Over twenty years this would amount to 37.995 € for Top level 4 and 43.625€ for Top 5 level, where a reduction for certain categories such as SME's, research organisations and universities is applicable.

Within the patent community some serious concerns were expressed on the suggested fee level by the EPO President. Currently, 50% of all current EPO applicants only validate in three countries (UK, DE, FR) with an estimated renewal fee cost of 26.000€ over 20 years. For these applicants the current fee level would increase with 46% or 67% depending on whether Top 4 level Top 5 level is applied. About 40% all applicants file in DE, FR, GB, IT and ES. For these applicants the cumulative amount over 20 years of renewal fees would increase between 32% and 47%.⁸⁵

⁸⁴ The proposals are not yet officially available, in fact, they were leaked and first mentioned on a very well known IP website <<http://ipkitten.blogspot.be/2015/03/revealed-epo-finally-proposes-level-of.html>> accessed 26 April 2015; Select Committee of the EPO, '13th meeting of the Select Committee of EU Participating Member States in the enhanced cooperation on unitary Patent Protection' (Munich, 23-24 March 2015) <<http://www.epo.org/about-us/organisation/communiques.html#a13>>. accessed 26 April 2015; The proposal from the President of the EPO (SC/4/5) can be found on website of the first tier IP lawfirm

Allen&Overly <<http://www.allenoverly.com/SiteCollectionDocuments/SC%20proposals%20EPO%20renewal%20fees.pdf>> accessed 26 April 2015; The proposal is also publicly referenced in the letter of AIPLA to the President of the EPO see next foot note 86.

⁸⁵ T Bausch and E Hoffmann, 'How attractive will the European Patent with Unitary Effect (EP-UE) be for Applicants?' (Kluwer Patent Blog, 3 April 2015) <<http://kluwerpatentblog.com/2015/03/12/how-attractive-will-the-european-patent-with-unitary-effect-ep-ue-be-for-applicants/>> Accessed 26 April 2015.

AIPLA, the influential American Intellectual Property law association, has conveyed to the President of the EPO its concerns in a public letter of March 19, 2015 and after being officially invited to comment on these proposals by the EPO President.⁸⁶ The association strongly objects to the fees as determined by Top Level 4 or 5 as being too costly to be attractive and holds that the suggested fee system will not be attractive for companies who are pursuing multi-state and long-term strategies. Such companies will probably prefer the national or classic EPO route because they want to selectively abandon certain patent applications by not paying national renewal fees, which is not possible with a single European unitary patent and they may want to avoid a central validity attack by third parties before the Unified Patent Court. Clearly a lot of lobbying will be and is being done by all interested parties such as law firms, employer federations and governments in order to influence the final outcome and that some kind of compromise will be reached, as customary in the EU

It is, nevertheless, clear that the reduction of renewal fees by the introduction of the unitary patent will certainly be interesting and financially beneficial for those -although few and mostly pharmaceutical- companies who are now already widely validating throughout the whole of Europe.

The aforementioned EPO proposals for renewal fees were not final and subject to further discussions, lobbying and deliberations. Already on the 29th of May 2015, the EPO referred in a press release to a new and updated proposal for the renewal fees, this time taking into consideration the 'true' Top 4 level and Top 5 level.⁸⁷ By its decision of June 24th, 2015 the Select Committee approved, with the required $\frac{3}{4}$ majority, the EPO's 'True Top' 4 proposal for a set of uniform renewal fees.⁸⁸ The proposed fees for the unitary patent which covers the territory of the 25 EU Member States participating in the UPP shall correspond to the total sum of the renewal fees currently paid for the

⁸⁶Letter from Sharon A Israel to Benoit Battistelli and Jérôme DelBrulle (19 March 2005) <<http://www.aipla.org/advocacy/intl/Documents/AIPLALettertoEPOSelectCommitteeonUnitaryPatentRenewalFees-3-19-15.pdf>>accessed 25 May 2015.

⁸⁷Select Committee of the EPO, '14th meeting of the Select Committee of EU Participating Member States in the enhanced cooperation on unitary Patent Protection' (Munich, 26-27May 2015) <<http://www.epo.org/about-us/organisation/communiqués.html>> Accessed 30 May 2015.

⁸⁸Select Committee of the EPO, 'Business-friendly fee pattern adopted for the unitary patent' (Munich 24 June 2015) < <http://www.epo.org/news-issues/news/2015/20150624.html>> accessed 31 August 2015.

four countries in which European patents are most frequently validated today (DE, FR, UK and the Netherlands).⁸⁹ The Select Committee explains further that for the first ten years - the average lifetime of a European patent - the renewal fees for a unitary patent will be less than EUR 5 000 and the cumulative total renewal cost over the full 20-year term will be just above EUR 35 500.⁹⁰ I think that the Select committee makes a point in arguing that 'The particularly low fees for the first 10 years will make the unitary patent very attractive for business, and especially for SMEs, universities, research centres and individual inventor'.⁹¹ The former proposals basically had (too) high fee levels for the first 'ten year lifetime' of the unitary patent.

The decision of the Select Committee on the renewal fees is not yet 'fully' final. It will be part of 'a package comprising the level of the fees for the unitary patent, including the distribution key for apportioning the renewal-fee income it generates'.⁹² Currently, renewal fees for classical European patents are collected by the Member State where the patent is validated. The Member State, subsequently, pays then 50% to the EPO. As the renewal fees for unitary patents will be paid directly to the EPO, the Member States have to agree on how this income will be distributed between them.⁹³

However, since 50% of all patents are only validated in three Member States (DE, FR, UK ⁹⁴), the cost of the 'true' Top Four fee level fees still remains significantly higher (about 10.000€) for companies who currently only validate in these three countries. Though, it is true to say that those companies will now get a much wider territorial protection (25 Member States)

In view of the aforementioned remarks and objections and because national filing or filing via the EPO in the three major and economically most important countries will still remain cheaper than the 'true' Top Level 4, one should not take for granted that existing patenting habits will be changed.

⁸⁹ *ibid.*

⁹⁰ *ibid.*

⁹¹ *ibid.*

⁹² *ibid.*

⁹³ *ibid.*

⁹⁴ Commission Working Paper (n 27) 17.

2.2 The Unified Patent Court

2.2.1. Composition of the Court

In terms of its judicial structure, the Court consists of two levels: The Court of First Instance and the Appeal Court.

Article 7 of the AUPC stipulates that the Court of First Instance will have Local Divisions (to be set up in a Contracting Member State upon its request), Regional Divisions (in case two or more Contracting Member States wish to share a common Division) and a Central Division, which has three different locations (London, Munich and Paris) according to the technical subject matter. The London seat shall be responsible for chemical, pharmaceutical and life science patents. The Munich section shall take care of mechanical engineering patents, whilst the Paris section (being the main seat of the Central Division) will deal with all other patents.⁹⁵ Notwithstanding the decentralized structure of the Court of First Instance⁹⁶, there is no hierarchical order between the aforementioned Divisions: all of them are active at the same level as a first instance court.⁹⁷ Furthermore, the Court of First Instance shall comprise panels, having a multinational composition and consisting of three judges.⁹⁸ In principle, Local and Regional Divisions consist of three legally qualified judges but a technically qualified judge might be added upon request by one of the parties or upon its own motion.⁹⁹ The Central Division on the other hand, will generally be composed of two legally qualified judges and one technically qualified judge.¹⁰⁰

The Court of Appeal shall have its seat in Luxemburg.¹⁰¹ According to Article 9 of the AUPC, any panel of the Court of Appeal shall sit in a multinational composition of five judges: three legally qualified judges being nationals of different Contracting Member

⁹⁵ This distribution based on the type of cases is founded on the WIPO International Patent Classification system <<http://www.wipo.int/classifications/en/>> Accessed 1 May 2015.

⁹⁶ Bently and Sherman (n 7) 394.

⁹⁷ Callens and Granata (n 1) 59.

⁹⁸ AUPC art 8 (1).

⁹⁹ AUPC art 8 (5).

¹⁰⁰ AUPC art 8 (6).

¹⁰¹ AUPC art 9.

States and two technically qualified judges with qualifications and experience in the field of technology concerned.

As to the Court's relationship with the CJEU, Article 21 of the AUPC makes it clear that the Court, which is to be considered as a national court under EU law, 'Shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, in accordance with Article 267 of the TFEU in particular'. Consequently, referrals for preliminary rulings will be made by the Unified Patent Court where there is a need to do so. However, an important question remains unanswered and is still unclear: are those questions directed to the CJEU limited to the matter of interpretation of EU law or do they include patent infringement cases?¹⁰² Some leading legal scholars, as discussed under point 2.1.1, are of the opinion –and I agree with them– that the CJEU will ultimately start interpreting the substantive patent law provisions (Articles 25-28) of the AUPC.¹⁰³ Finally, the AUPC does not comprise the establishment of an institution comparable to a Member State's "Supreme Court" which executes a final legal review.¹⁰⁴

2.2.2. Judges of the Court

The Court shall consist of both legally qualified and technically qualified judges, who will meet the highest standards of competence and have proven experience in the area of patent litigation.¹⁰⁵ The AUPC sets out different requirements for the appointment of legally qualified judges and for the appointment of technically qualified judges. The first category of judges must possess the qualifications required for appointment to judicial offices in a Contracting Member State.¹⁰⁶ Technically qualified judges must have a university degree, as well as proven experience relating to technology and must possess proven knowledge of civil law and procedure(s) relevant in the area of patent

¹⁰² Florence Hartmann-Vareilles, 'Intellectual property law and the Single Market: the way ahead' (2014) 15 ERA Forum 159, 163; A Dimoupolos, 'An Institutional Perspective II: The role of the CJEU in the Unitary Patent System' in J Pila and C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 57-58.

¹⁰³ See (n 68) and (n 69).

¹⁰⁴ Callens and Granata (n 1) 63.

¹⁰⁵ AUPC art 15.

¹⁰⁶ AUPC art 15 (2).

litigation.¹⁰⁷ The principles of judicial independence and impartiality are embedded in the AUPC.¹⁰⁸ Whilst the Advisory Committee shall make a list of the most suitable candidates to be appointed as judges, it is the Administrative Committee which shall deal with the actual appointment by common accord.¹⁰⁹ However, the composition of these committees is not yet decided and the criteria for appointment are not very detailed.¹¹⁰ In order to ensure the success, credibility and effectiveness of the new patent litigation system, the professional skills of both categories of judges and the overall quality of the Court's decisions are detrimental and decisive.¹¹¹ For example, inexperienced judges may issue too easily interim injunctions and harm the Court's reputation and standing.¹¹² Sir David Kitchin, Lord Justice of Appeal, Court of Appeal of England and Wales, who has substantial experience in intellectual property cases, wrote very recently on this issue and I fully concur with him:

The challenge will be to secure judges of the appropriate caliber and experience whilst not allowing the court to be dominated by judges from a few nations. Nor is the task made easier by the absence of any published proposals for the terms of their engagement.¹¹³

That is why both the AUPC and the Statute of the Unified patent Court, which constitutes annex 1 to the AUPC, provide for the training of judges within the so called "Training Framework" which intends to 'improve and increase available patent litigation expertise and to ensure a broad geographic distribution of such specific knowledge and experience.'¹¹⁴ In March 2014, the Training Centre for the UPC opened its doors in Budapest.¹¹⁵

¹⁰⁷ AUPC art 15 (3).

¹⁰⁸ AUPC art 17.

¹⁰⁹ AUPC art 16 (1) and (2).

¹¹⁰ D Kitchin, 'Introductory Remarks: A Judicial Perspective' in J Pila and C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 7.

¹¹¹ Callens and Granata (n 1) 81.

¹¹² Kitchin (n 110) 6-7.

¹¹³ Kitchin (n 110) 7.

¹¹⁴ AUPC art 19 (1) and Statute of the Unified Patent Court art 11.

¹¹⁵ Hartmann-Vareilles (n 102) 163.

2.2.3. Competence of the Court

The AUPC sets out in detail the categories of patents for which the Court shall be competent¹¹⁶ and the actions in respect of which the Court shall be competent.¹¹⁷ The Unified Patent Court will have exclusive competence and jurisdiction over classic European patents, European patents with unitary effect and supplementary protection certificates with regard to actual or threatened infringement actions, declarations for non-infringement actions as well as provisional and protective measures and injunctions, counterclaims for revocation and declarations of invalidity of supplementary protection certificates.¹¹⁸ Article 83 (1) however contains the so called ‘national jurisdiction exception’¹¹⁹ which stipulates that for traditional European Patents, the exclusive jurisdiction of the UPC will only start after the end of a transitional period of seven years after the entry into force of the Agreement. Consequently, during this period, which may be prolonged up to another seven years¹²⁰, patent holders may decide or choose, where to bring actions for revocation or infringement: before the national courts or before the UPC.¹²¹ Moreover, the AUPC contains an opt-out clause, which entitles European patent holders or applicants, as far as European patents granted or applied for prior to the end of the transitional period are concerned, to opt out from the exclusive jurisdiction of the UPC, unless an action before the Unified Patent Court is already pending.¹²² The opt-out needs to be notified to the Registry at least one month before the end of the transitional period.¹²³ Article 83 (4) enables patent proprietors to withdraw their opt-out at any moment in time: such withdrawal is definite.

As to the territorial competence of Court’s Divisions, the reading of Article 32 in conjunction with Article 33 makes it clear that, in general, independent revocation actions will be dealt with by the Central Division, whilst infringement actions will be brought before the Local or Regional Divisions, where the infringement took place or

¹¹⁶ AUPC art 3.

¹¹⁷ AUPC art 32.

¹¹⁸ AUPC art 32.

¹¹⁹ Winfried Tilmann, ‘The Transitional Period of the Agreement on a Unified Patent Court’ (n 9) 575.

¹²⁰ AUPC art 83 (5).

¹²¹ AUPC art 83 (1).

¹²² AUPC art 83 (3).

¹²³ AUPC art 83 (3).

where the defendant has (a) its residence (b) its principal place of business or (c) in the Regional Division in which the relevant Contracting State participates.¹²⁴ As to counterclaims for revocation¹²⁵, the AUPC provides for a system of so called “discretionary” bifurcation, which entails that Regional and Local Divisions may decide (i) to refer the entire case to the Central Division; (ii) proceed with the infringement action at the Local or Regional Division but send the revocation action to the Central Division or (iii) proceed with both actions at the Regional/Local division.¹²⁶ The bifurcation provided for by the AUPC is “discretionary”¹²⁷ as opposed to the strict bifurcation system, which can be found in Germany where separate courts for infringement and validity claims exist.¹²⁸ The criticisms surrounding the concept of bifurcation will be further dealt with in point 3.3.

2.2.4 Proceedings before the Court

The Court, in its formation, cannot have recourse to the existing procedural rules of the Member States: it must set up its own rules of procedure.¹²⁹ Firstly, the most detailed rules regarding the proceedings are to be found in the Rules of Procedure, and need to comply with the AUPC and the Statute Unified Patent Court.¹³⁰ Secondly, the AUPC itself also contains a considerable amount of general rules and principles relating to the proceedings, for example where it provides that the Court shall deal with litigation in ways which are proportionate to the importance and complexity thereof.¹³¹ However, no final version of the Rules of Procedure exists so far. On the 31st of October, the 17th draft was issued by the Legal Group of the Preparatory Committee. Since the topic of procedural rules is quite broad and the rules are not yet finalized, I will only briefly touch upon certain relevant features of the procedural rules, without being exhaustive.

¹²⁴ AUPC art 33; James Tumbridge, ‘Unified Patent Court: Harmonising Patent Law Throughout Europe?’ (2014) 15 (1) BLI 55, 60.

¹²⁵ AUPC art 32 (1) (e).

¹²⁶ AUPC 33 (3).

¹²⁷ Wadlow (n 54) 67.

¹²⁸ William Cornish, David Llewelyn and Tanya Aplin, *Patents, Copyright, Trademarks and Allied Rights* (8th edn, Sweet & Maxwell 2013) 139.

¹²⁹ R Hilty and others, ‘Comments on the preliminary set of provisions for the rules of procedure of the Unified Patent Court’ (2013) Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 13-16,2 <<http://ssrn.com/abstract=2337467>> accessed 23 April 2015.

¹³⁰ AUPC 41(1).

¹³¹ AUPC art 42 (1).

As to the parties, Article 47 of the AUPC states that the patent proprietor is in any way entitled to bring proceedings before the Court. So is the exclusive licensee who has given prior notice to the proprietor and whose license agreement does not provide otherwise. Also a non-exclusive licensee may be entitled to bring proceedings for infringement if he obtained the express consent of the proprietor. Parties need to be represented by lawyers authorised to practise before a court of a Contracting Member State.¹³²

The language of proceedings before a Local or Regional Division must be an official EU language, which is the official language of the Contracting State of the relevant Division dealing with the case.¹³³ Nonetheless, Contracting States may designate one or more of the official languages of the EPO as the language of proceedings.¹³⁴ Nevertheless, the exception contained in Article 49 (3) entitles parties to agree on the use of the language in which the patent was granted as the language of the proceedings, subject to approval by the competent panel.¹³⁵ Regarding proceedings at the Central Division, the language of proceedings will be the language in which the patent was granted.¹³⁶ Before the Court of Appeal, the language of proceedings is the one used before the Court of First Instance, unless the parties agree on the use of the language in which the patent was granted or where the Court of Appeal, in exceptional circumstances, decides on the use of another official language.¹³⁷

The AUPC determines that proceedings shall consist of written, interim and oral procedures.¹³⁸ Furthermore, Chapter IV of the AUPC sums up the potential powers and orders of the Court. Article 61 for example, tells us that the Court has freezing powers according to which it may order a party not to remove from its jurisdiction any assets located therein or not to deal in any assets, whether located within its jurisdiction or not. Article 62 allows the Court to order provisional and protective measures, such as interim injunctions. When granting such “temporary” injunctions the Court must balance the interests of the parties and take into account the potential harm, which might

¹³² AUPC art 48.

¹³³ AUPC art 49 (1).

¹³⁴ AUPC art 49 (2).

¹³⁵ AUPC art 49 (3).

¹³⁶ AUPC art 49 (6).

¹³⁷ AUPC art 50 (2) and (3).

¹³⁸ AUPC art 52 (1).

arise from the granting or non- granting of the injunction.¹³⁹ In addition, the Agreement provides for possible defences¹⁴⁰ and potential remedies in case of infringement¹⁴¹ and a list of acts constituting an infringement¹⁴². Finally, it is interesting to mention that article 78 (2) of the AUPC, in line with the common law practice, empowers judges to express a dissenting opinion, separately from the judgment of the Court.

2.2.5 Financing the Court

The financing rules laid down in the AUPC set out that the budget of the Court shall be financed by the Court's own financial revenues and, at least in the transitional period and as necessary, by contributions from the Contracting Member States. The budget shall be balanced.¹⁴³ Thus, it is expected that the Unified Patent Court shall be self-financing after the transition period. The Court's own financial revenues shall comprise of court fees and other revenues.¹⁴⁴

As recently as May 11, 2015, the Preparatory Committee made the Court fee proposals public and launched a consultation procedure. Basically, the fee structure for the Unified Patent Court will be a combination of fixed fees for certain legal actions (e.g. revocation action, counterclaim for revocation or application for provisional measures) and an additional fee based on the value of the action (starting from 500.000€). This structure is supposed to accommodate the concerns of the Contracting Member States that the fees must be straight forward and predictable for the users.¹⁴⁵ The fee levels are –according to the Preparatory Committee- the lowest possible that will enable the sustainability of the Court.¹⁴⁶ The fee structure itself, is based on an ‘expected volume of activity, staff and operating costs (...) which at the end of the transitional period will need to ensure a self –financing state’.¹⁴⁷ Article 69 (1) determines that the successful

¹³⁹ AUPC art 62 (2).

¹⁴⁰ AUPC art 28-29.

¹⁴¹ AUPC art 63-68.

¹⁴² AUPC art 25.

¹⁴³ AUPC art 36 (1).

¹⁴⁴ AUPC art 36 (2).

¹⁴⁵ Unified Patent Court, ‘ Public Consultation on the Rules on Court fees and recoverable costs’ (11 May 2015) <<http://www.unified-patent-court.org/consultations/91-public-consultation-on-the-rules-on-court-fees-and-recoverable-costs>> accessed 4 June 2015.

¹⁴⁶ *ibid* 15.

¹⁴⁷ *ibid* 14.

party shall recover a reasonable part of its expenses, albeit limited to a scale of ceilings depending on the value of the action.

Article 36 (3) of the AUPC provides that access to the Unified Patent Court for SME's, natural persons, universities and non-profit organisations must be guaranteed. The current fee proposal provides for two scenarios to reach this goal. The first one focuses on stimulating a particular behavior, which is supposed to be appealing to these targeted groups, although also open for other groups, by providing rewards i.e. reimbursement of court fees for this 'particular behavior' such as withdrawal of actions, settlements or if the action is heard by a single judge. The reason behind this proposal being that if the Court has less work a reduction of court fees are justified.¹⁴⁸ The second proposal stipulates specific measures by reducing the court fees for SME's and alike.

It is still too early to comment on the level of the proposed fee level but one can certainly ask the following questions: (i) how will the value based fee be calculated and which methods shall be used to assess the financial value of a claim? This system is working in Germany but will work in other Member States;¹⁴⁹ (ii) SME's and alike may be more frightened by legal fees and representation costs than court fees of which only a part is recoverable for the successful party up to a ceiling.

Finally, the fact the Court's financing is based on income from court fees, may lead to special dynamics: in trying to secure a balanced budget, the Court may try to hear as many cases as possible. This behaviour will not be beneficial in terms of the system's quality and symmetry.¹⁵⁰ Sir David Kitchen, Lord Justice of Appeal, and a highly respected UK patent judge, argues –rightfully- that cost will be a critical element in the success of the Court in attracting patentees but also defendants. He continues by saying –and again rightfully- that access to justice must be secured also for SME's and natural persons and that the system provides for some legal aid but does not mention how this will be financed. It is feared that this will only increase the court fees, which will have to be high.¹⁵¹

¹⁴⁸ *ibid* 16-17.

¹⁴⁹ *ibid* 24.

¹⁵⁰ Hilty and others, 'Comments on the preliminary set of provisions for the rules of procedure of the Unified Patent Court' (n 129) 2.

¹⁵¹ Kitchen (n 110) 34.

3 Some critical issues regarding the workability of the Unitary Patent Package

Despite the UPP's promising objectives set out in part 1 (Economic rationale and operational objectives of the UPP), the upcoming system has its critics. Hereunder, I will assess the system's weaknesses and the main concerns which are raised regarding the system's workability.

3.1. An overly complex system

One of the UPP's weaknesses is that it amounts to complexity by means of fragmentation.¹⁵² The proposed regime leads- as a consequence of fragmentation- to a multi-layer structure of (i) patent protection, of (ii) judicial competence and (iii) applicable rules.¹⁵³

3.1.1 Multi-layer of territorial and substantive patent protection

It has been asserted that the UPP will, instead of unifying and consolidating European patent law, increase its territorial fragmentation as well as its substantive fragmentation.¹⁵⁴

In terms of territorial fragmentation, the protection offered by the unitary patent will not extend to the entire area of the European Internal Market: it will only include those Member States which ratify the AUPC.¹⁵⁵ Not having Italy and Spain on board constitutes a serious gap in the offered protection and is not in accordance with the purpose of consolidating European patent law.¹⁵⁶

¹⁵² Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (n 2) 1.

¹⁵³ *ibid* 1-2.

¹⁵⁴ *ibid* 1; Bently and Sherman (n 7) 396.

¹⁵⁵ Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (n 2) 1.

¹⁵⁶ *ibid*.

On the substantive level, four different levels of protection will coexist¹⁵⁷:

- (1) National patents;
- (2) Classical or conventional European Patents (granted by the EPO) and subject to the AUPC;
- (3) European patents with unitary effect;
- (4) Classical European Patents (granted by the EPO) which are not subject to the AUPC.¹⁵⁸

That the existence of a web of four separate levels of patent protection is not a mere benefit of the UPP, is very well described by Professor H. Ullrich where he writes that ‘It is only at first glance, that, like a toolbox, the availability of various forms of patent protection merely would allow applicants to optimize protection according to their individual needs.’¹⁵⁹ He continues by explaining that the distinction between those different forms of patent protection is not based on patentability requirements or on the term of protection but on the territorial extent of the patent.¹⁶⁰ Although territorially fragmented protection in itself might serve a legitimate goal –H. Ullrich rightfully ascertains- that territorially fragmented protection does not comply with the objective of achieving a “genuine Internal Market”.¹⁶¹

3.1.2 Multi-layer of jurisdiction

Under the upcoming system, the Unified Patent Court shares its competences in the field of European patent litigation with the following national courts¹⁶²:

- 1) Those of EU Member States not engaged in enhanced cooperation;
- 2) Those of non- EU countries which are parties to the EPC;

¹⁵⁷ *ibid*; Callens and Granata (n 1) 22.

¹⁵⁸ For example usage of the opt-out clause for exiting European patents and applications or non-ratification by Member States such as Italy and Spain.

¹⁵⁹ Ullrich, ‘Select from within the system: The European patent with unitary effect’ (n 18) 29.

¹⁶⁰ *ibid*.

¹⁶¹ *ibid*.

¹⁶² Hilty and others, ‘The Unitary Patent Package: Twelve Reasons for Concern’ (n 2) 2.

- 3) Those of EU Member States without a connection to the AUPC because they have not yet ratified the Agreement or because they chose not to participate (such as Spain and Italy);
- 4) In addition, the Courts of Contracting Member States during the provided transitional period of seven years (which may be extended with another seven years);
- 5) Finally, the courts of Contracting Member States in respect of European patents for which patent proprietors have relied upon the opt-out clause.

This diversity of jurisdictions dealing with patent litigation is certainly not simplifying or consolidating the judicial landscape.¹⁶³ The fact that both national courts and the Unified Patent Court(s) will be competent to deal with cases involving the same substantive law issues such as patentability and scope –which are identical for classical European patents and for European unitary patents- might lead to divergent court decisions on the same legal issues, although for different sorts of patents.¹⁶⁴ These decisions may have reciprocal effects on each other. It is very doubtful that this constellation would generate positive effects as to the harmonization of patent litigation and jurisprudence. There is no guarantee that competent national courts will adjust their jurisprudence to the Unified Patent Court's.¹⁶⁵ Moreover, their attitude towards the Unified Patent Court might even be of a competitive nature, since national courts also have the need to attract cases and business to justify their existence. The same applies mutandis mutatis for Local Divisions of the Unified Patent Court as there are minimum workload requirements and (self) financing rules after the transitional period¹⁶⁶ Eventually, this might result in “judicial competition” not only affecting matters of quality and efficiency, but also the achievement of harmonization of substantive patent law.¹⁶⁷

The issues and questions mentioned under this point 3.1.2 –and I fully agree- have as common concern that the proliferation of courts having competence in patent matters

¹⁶³ Bently and Sherman (n 7) 396; See also Haedicke and Timmann (n 40) 952.

¹⁶⁴ Hanns Ullrich, ‘The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda’ (2015) 46 IIC 1, 6.

¹⁶⁵ *ibid*

¹⁶⁶ *ibid*.

¹⁶⁷ *ibid*.

will not be in the interest of consolidation of jurisprudence but it will rather fragment it.¹⁶⁸

3.1.3 Multi-layer of applicable rules

Since the Unitary Patent Regulation, as well as the AUPC only provides for a rather limited number of substantive patent law rules, certain important aspects of patent protection remain subject to national laws of the Member States.¹⁶⁹ Recital 10 of the Preamble to the Unitary Patent Regulation dealing with compulsory licenses, prescribes the exclusive application of national law. So does Article 10 of the Unitary Patent Regulation in respect of the unitary patent as an object of property (e.g. ownership and related rights). The applicability of different national laws on these important issues (compulsory licensing and property aspects) may result in unwanted fragmentation, and does again not really contribute to the wanted uniformity.¹⁷⁰

3.2 A disproportionate system

Some critics contend that the unitary patent package entails certain imbalances, which may open the door for opportunistic behaviour¹⁷¹ and which may render the whole system of patent protection in the EU unstable.¹⁷² These imbalances relate to the absence of adequate countervailing rights such as prior user rights and compulsory licenses.¹⁷³ The latter can be described as rights that counterbalance the (absolute) exclusive exploitation rights of the patent holder and his right to prevent any other person or entity from exploiting these rights. This chapter addresses those criticisms.

¹⁶⁸ Bently and Sherman (n 7) 397.

¹⁶⁹ Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (n 1) 34.

¹⁷⁰ Ullrich, 'The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda' (n 164) 2.

¹⁷¹ Hilty and others (n 2) 2-3; Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 33-36.

¹⁷² Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 36.

¹⁷³ Hilty and others (n 2) 2-3.

3.2.1 Compulsory licenses

Although the United Patent Court's competence can be regarded as being very broad, it is limited at the same time.¹⁷⁴ The matter of compulsory licenses for example, as already mentioned under 3.1.3, is governed by national law only.

Generally, compulsory licenses will prevail over the patent owners' right of exclusivity and are granted in two different scenarios: (1) In case of a public interest, which so demands and (2) in case a patent proprietor refuses to grant a license to the holder of an improvement patent.¹⁷⁵ By leaving the subject of compulsory licenses to national law, owners of improvement patents are required to undergo up to 25 different national granting procedures, consisting of different rules, without having any security of the license being granted.¹⁷⁶ The consequence thereof will be a national and territorial fragmentation of compulsory licenses.¹⁷⁷ The fact that compulsory licenses will only be granted on the basis of national rules and conditions, whilst the patent owner's exclusive rights are set out in EU-terms, will lead to a first great imbalance¹⁷⁸: compulsory licenses 'will not be equally available throughout the area of enhanced cooperation'.¹⁷⁹ Although this may be evident in respect of public interest licensing, depending on the type and location of the interest concerned¹⁸⁰, it is certainly not approvable with regard to improvement patents.¹⁸¹ The latter make up a crucial component of the patent's property aspects¹⁸²: they aim to foster innovation by improvements and by defeating blocking situations.¹⁸³ Therefore, in order to enhance innovation and to secure the future of improvement patents, where a blocking situation is resolved by granting a compulsory license, the territorial effect thereof must be the same throughout the whole area of enhanced cooperation.¹⁸⁴ Moreover, the mere

¹⁷⁴ Callens and Granata (n 1) 88.

¹⁷⁵ Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 606.

¹⁷⁶ Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (n 1) 39.

¹⁷⁷ *ibid* 40.

¹⁷⁸ Hans Ullrich, 'Select from within the system: The European patent with unitary effect' (18) 34

¹⁷⁹ *ibid*.

¹⁸⁰ Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 606.

¹⁸¹ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 34.

¹⁸² Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (n 1) 38.

¹⁸³ *Ibid* 39; Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 34.

¹⁸⁴ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 34.

concept of national compulsory licenses would contradict the *raison-d'être* of market integration by enhanced cooperation.¹⁸⁵ Secondly, whilst the European unitary patent will safeguard the patent proprietor's interests in all Member States participating in the enhanced cooperation, the impact of a compulsory license, on the contrary, will be limited to the territory of the Member State granting the license, which constitutes another important imbalance.¹⁸⁶

In addition, one may rightfully state that the unavailability of Union-wide compulsory licenses are putting third parties, who are requesting compulsory licenses, in a quite disadvantageous position (they need to file requests for compulsory licenses in 25 countries) considered with the highly improved position of the European unitary patent holder, who receives patent protection in 25 countries.¹⁸⁷

Therefore, we can conclude and agree with H. Ullrich that 'the matter of compulsory licenses for unitary patents ought to be regulated on the level, on which the problem arises.'¹⁸⁸ which is the EU level. The power to grant such compulsory licenses should logically and ideally be delegated to the Unified Patent Court.

3.2.2. Prior user rights

Individuals or businesses may individually make an invention and may start using it without applying for patent protection whilst other firms, which came to the same invention, might take the decision to patent it.¹⁸⁹ In that particular case, the first firm which started using the invention before the application of the relevant patent may block the patent proprietor's exclusivity right.¹⁹⁰ This blocking right is commonly referred to

¹⁸⁵ Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (n 1) 40.

¹⁸⁶ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 34.

¹⁸⁷ Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (n 2) 3.

¹⁸⁸ Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (n 1) 41.

¹⁸⁹ Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 606.

¹⁹⁰ *ibid.*

as a prior user right. Together with compulsory licenses, they constitute countervailing rights in the patent system.¹⁹¹

The Unitary Patent Regulation itself does not address the matter of prior user rights. In accordance with Article 28 of the AUPC however, prior user rights will be governed by national law. H. Ullrich writes that by not dealing with this matter, the Unitary Patent Regulation only strengthens and benefits the patent proprietor's situation compared to national, as well as Unified Patent Court-type of patent protection.¹⁹² The result thereof is an unreasonable imbalance. However, there does not seem to be, rightfully, a valid explanation why prior user rights, in respect of a unitary patent, should possess a more limited territorial range than the unitary patent itself.¹⁹³ In addition, other arguments have been raised against the limited territorial scope of prior user rights. Firstly, questions arise as to whether the provided limitation complies with EU internal market law and more specifically with the rules regarding the free movement of goods and services.¹⁹⁴ Secondly, territorial limitation (or fragmentation in other words) of prior user rights mirrors a concept of competition on territorial separate markets within the European Union.¹⁹⁵ Such territorial limitation contradicts the principle of optimal geographic allocation of resources according to H. Ullrich.¹⁹⁶ I fully agree with his opinion -and would like to add- that this 'national definition' of prior user rights for a "European" unitary patent is conflicting with a truly open Single Market, because it fragments markets by imposing legal barriers, which contradict with the idea itself of a 'European' unitary patent, which is supposed to foster innovation and create growth throughout the whole EU.

3.2.3 Property aspects

Article 7 (1) of the Unitary Patent Regulation stipulates that with regard to the unitary patent as an object of property, only one national law will apply through the entire area

¹⁹¹ Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (n 2) 3.

¹⁹² Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 33.

¹⁹³ Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n18) 605.

¹⁹⁴ *ibid.*

¹⁹⁵ *ibid.*

¹⁹⁶ *ibid.*

of all Member States participating in the enhanced cooperation.¹⁹⁷ I have already explained under point 2.1.4 which national law will apply. As opposed to the preceding draft versions of the Unitary Patent Regulation, the actual Unitary Patent Regulation does not comprise rules dealing with the unitary patent as an object of property e.g. ownership rights, rules concerning transfer of title, succession of patents, granting licenses on a contractual basis and the unitary patent as a security or its status in insolvency proceedings licenses.¹⁹⁸ Instead, the Participating Member States decided to remove these provisions from the Unitary Patent Regulation.¹⁹⁹

In its Impact Assessment Paper of the UPP, the Commission pointed to the complexity and high costs relating to registering transfers and licenses of patents by transaction (e.g. sale, merger, transfer of title) or by operation of law (e.g. insolvency, compulsory licensing, succession of patents) and that this was one of the factors contributing to the high costs of patents in Europe.²⁰⁰ The cost reducing objective of the Commission is not realized in this matter.²⁰¹ Subjecting the property aspects of the unitary patent to the patent applicant's domestic law in principle only shifts those transactions costs to other market players.²⁰² Indeed, if the proprietor exploits his own patent, the diversity of applicable laws on the transfer of patents and licenses is not an issue for him, it becomes an issue for a third party which e.g. acquires the patent or becomes a licensee, this third party will have to carry these costs.²⁰³ Trade in the transfer of patents is becoming increasingly important in a technology driven economy and thus transaction costs are becoming increasingly more important and thus an extra financial barrier for trade in patents.

There are a few other concerns when property aspects are governed by national law:

1) National laws are not always easily accessible and clear. They are subject to changes and certain aspects will be spread over a variety of bodies of laws (e.g. succession,

¹⁹⁷ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 32.

¹⁹⁸ *ibid*; Callens and Granata (n 1) 32-33.

¹⁹⁹ Callens and Granata (n 1) 33.

²⁰⁰ Commission Staff Working Paper (n 27) 20-21; Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 32.

²⁰¹ Ullrich, 'Harmonizing Patent Law: the Untamable Union Patent' (n 1) 37.

²⁰² Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European integration' (n 18) 604.

²⁰³ Ullrich, 'Harmonizing Patent Law: the Untamable Union Patent' (n 1) 37.

insolvency, procedural and commercial law).²⁰⁴ Understandably, this is not a very advantageous position for non-national third parties, who want to acquire for instance such patents. However, it will offer those patentees having their residence or place of business within a Member State participating in enhanced cooperation, the considerable benefit of the application of their own domestic law.²⁰⁵ Moreover, this complex body of national laws will have to be applied by the Unified Patent Court and other courts in the event of disputes regarding property aspects.²⁰⁶

2) On the one hand, Article 7 (1) of the Unitary Patent Regulation declares ‘uniformity’ by stipulating the applicability of national law on property aspects of unitary patents through the whole ‘enhanced cooperation’ area.²⁰⁷ But on the other hand, this constructed “uniformity” has little practical significance because of the existence of 25 distinct national laws, each of them having their own meaning and interpretation.²⁰⁸ Research based companies –and the EU wants to be an innovative community– usually have and acquire patents from parties from different jurisdictions: these companies will have to deal with a diversity of national laws.²⁰⁹

3) A final but important remark relates to potential discriminatory effects of Article 7 (3) of the Unitary Patent Regulation.²¹⁰ This article states that for patent proprietors domiciled in a Member State, participating in enhanced cooperation, the property aspects of their unitary patent will be subject to their domestic law, whilst the property aspects of patents from proprietors, whose place of business or residence is in a non-participating Member States, will always be governed by foreign law (place of business in a participating Member State or German law).²¹¹ According to H. Ullrich, the possible infringement of Article 18 TFEU (non-discrimination) must be separately

²⁰⁴ Ullrich, ‘The property aspects of the European patent with unitary effect: a national perspective for a European prospect?’ (n 76) 8-9.

²⁰⁵ Ullrich, ‘Select from within the system: The European patent with unitary effect’ (n 18) 32.

²⁰⁶ Ibid.

²⁰⁷ Ullrich, ‘Harmonizing Patent Law: the Untamable Union Patent’ (n 1) 36.

²⁰⁸ Ibid; The property aspects of the European patent with unitary effect: a national perspective for a European prospect?’ (n 76) 9.

²⁰⁹ Ullrich, ‘The property aspects of the European patent with unitary effect: a national perspective for a European prospect?’ (n 76) 10-11.

²¹⁰ Discriminatory effect meaning the compliance or non-compliance with Article 18 of the TFEU (non-discrimination).

²¹¹ Ullrich ‘The property aspects of the European patent with unitary effect: a national perspective for a European prospect?’ (n 76) 11-12.

examined.²¹² Nevertheless, he stresses that Article 18 TFEU also prohibits indirect forms of discrimination such as those based on someone's domicile, which mostly corresponds with one's nationality.²¹³

The fundamental criticism –and I believe this is the crux of the matter- on subjecting the unitary patent as an object of property to 25 national laws, relates to the incompatibility of this diversity and multitude of applicable laws with the idea itself of a 'European' patent with unitary effect, which ought to ensure uniformity throughout the EU on all the different and fundamental aspects of a patent such as scope, patentability, infringement, limitations, countervailing rights and -indeed- also the property aspects of a patent-.²¹⁴

3.2.4 Room for opportunistic behaviour

The mentioned imbalances under points 3.2.1 and 3.3.2, including the lack of countervailing rights, may induce the patentee to opportunistic behavior or 'cherry picking'.²¹⁵ By way of illustration, a patent applicant may decide to protect only the fundamental characteristics of his invention by a European unitary patent in order to overcome countervailing rights of other firms and at the same time choose for national patent protection for non-key elements of his technology.²¹⁶ As a consequence, the European unitary patent may be relied on by patent applicants to impair the well-reasoned functionality of protection by national patents (prior user rights and compulsory licenses).²¹⁷ Therefore, we fully agree with the statement of H. Ullrich when he writes that 'the comparatively stronger European unitary patent may serve as a lever to put the entire system of patent protection in the EU out of its balance.'²¹⁸

²¹² *ibid.*

²¹³ Ullrich, 'Enhanced cooperation in the area of unitary patent protection and European' (n 18) 605.

²¹⁴ Ullrich 'The property aspects of the European patent with unitary effect: a national perspective for a European prospect?' (n 76) 16.

²¹⁵ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 34; Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (n 2) 3.

²¹⁶ Ullrich, 'Select from within the system: The European patent with unitary effect' (n 18) 36.

²¹⁷ *ibid.*

²¹⁸ *ibid.*

The myriad of courts, patent systems and applicable laws are in my opinion not really the playground of SME's but rather of large and multinational corporations, although SME's were supposed to be one of the prime beneficiaries of the UPP (see point 1.1.2).

3.3. Discretionary bifurcation

Under point 2.2.3 we explained the 'discretionary bifurcation' concept, which essentially means that if a counterclaim for revocation (requesting invalidity of the patent) is brought in an infringement proceeding, the competent Local or Regional Division may proceed with both actions or refer at its 'discretion' the counterclaim for revocation to the Central Division and continue with the case or suspend it, until a decision on the validity is rendered. Nevertheless, it is generally accepted that the Divisions' discretion is 'purpose-bound', meaning that the application thereof must be consistent with the purpose of the Divisions' legal power and the limits thereto.²¹⁹ This bifurcation system is inspired by the German "bifurcation system" where invalidity (revocation) and infringement claims are being dealt with independently by two separate courts.²²⁰

The future implementation of this discretionary bifurcation, based on Article 33 (3) AUPC, is –logically because not (well) known in most patent law systems- the topic of many discussions. On the 26th of September 2013, even large multinational corporations such as Samsung, Apple and Google expressed their concerns regarding the Court's Rules of Procedure dealing with bifurcation by writing an open letter in the New York Times.²²¹

One of the main concerns is that the different Divisions could exercise the discretion granted to them by Article 33 (3) AUPC in different ways e.g. the Local Division can refer the revocation claim to the Central Division and stay (suspend) the infringement

²¹⁹ Hilty and others, 'Comments on the preliminary set of provisions for the rules of procedure of the Unified Patent Court' (n 129) 4.

²²⁰ *ibid* 3.

²²¹ Ansley Merelle Ward, 'Apple, Samsung and Google unite in expressing industry's concerns on the UPC's Rules of Procedure' (The IPKAT, 26 September 2013) <<http://ipkitten.blogspot.co.at/2013/09/apple-samsung-and-google-unite-in.html>> accessed 23 May 2015.

proceedings or not.²²² Accordingly, the chances of success for the plaintiff to acquire a decision which can be enforced against an infringer might differ before Local and Regional Divisions.²²³ In addition, Local Divisions might as well refer counterclaims for revocation back to the Central Division and not stay the infringement claim proceedings and thus profiling themselves as being favourable towards patent proprietors. The latter may in that case indeed receive an injunction against an infringer, whilst it is possible that the patent will be invalidated later by the Central Division.²²⁴ For instance in this context, it has been argued that in Germany, proceedings before Local Divisions risk being more patent-proprietor or plaintiff ‘friendly’.²²⁵ The German professor and patent judge P. Meier-Beck goes further in his criticism on the bifurcation issue where he writes that ‘the principle of bifurcation has no future in proceedings before the Unified Patent Court.’²²⁶ He is of the opinion that the enforcement of the bifurcation principle will not be beneficial, neither from the plaintiff’s perspective, nor from a more general perspective.²²⁷ Since Central, Local and Regional Divisions have the same composition (technically and legally qualified judges) and apply the same procedural rules, he does not see how the proposed bifurcation would be advantageous.²²⁸ On the contrary, he argues that the implementation of the bifurcation principle will uphold the German bifurcation system’s downsides e.g. granting the plaintiff a procedural advantage by providing him with a decision on infringement, before the evaluation of the validity takes place and thereby creating a temporal gap between the injunction and the decision on the patent validity.²²⁹

A second concern relates to the fact that the Rules of Procedure, at least until now, do not contain any criteria, which might be used by the different Divisions when (i) deciding to split revocation and infringement proceedings on the basis of Article 33 (3)

²²² Peter Meier-Beck, ‘Quo vadis, iudicium unitarium?’ (2014) 9 JIPLP 241, 243; See also P Véron and N Bouche, ‘La Juridiction unifiée du brevet. Une révolution dans le contentieux européen’, 2 (2014) Cahiers de droit de l’entreprise 43, 49.

²²³ Meier-Beck (n 222) 243.

²²⁴ Tumbridge (n 124) 60.

²²⁵ *ibid.*

²²⁶ Meier-Beck (n 222) 243.

²²⁷ *ibid.*

²²⁸ *ibid.*

²²⁹ *Ibid.*

of the AUPC²³⁰ and (2) an unclear Rule of Procedure 37 when deciding to suspend or proceed the infringement action, if the revocation claim is referred to the Central Division, pursuant to Article 33 (3) (b) AUPC.²³¹ Rule 37 foresees that Local and Regional Divisions must suspend only if there is a “high likelihood” that the relevant claims of the patent will be held to be invalid. According to leading authors, this standard is too high and continuation of proceedings should only be possible if there is a high likelihood that the patent will remain valid.²³² Nevertheless, the same authors are convinced that modifying the current procedural rules by setting out both procedural and economic criteria to assist the Divisions, when exercising their purpose-bound discretion (suspend or proceed and splitting infringement claims from revocation claims) might undo the temporal gap created between the infringement and validity decision.²³³

The bifurcation principle, which is not known in the EU except in Germany and in Austria although there are differences, may work quite efficiently in Germany with its longstanding patent law tradition and characterized by a strict distinction between infringement and revocation claims and by different compositions of the respective courts. Nevertheless, I fully agree with P. Meier-Beck that it is not clear what the benefit will be from bifurcation in a Unified Patent Court system, where the Divisions have the same composition (technically and legally qualified judges) and need to follow the same procedural rules. This will create inefficiencies and furthermore does not create any benefits for the plaintiff or the patent system as a whole.²³⁴

3.4 The Translation Regulation and its effect on potential infringers

As previously mentioned under chapter 2.1.6, the Translation Regulation provides for the availability of free machine translations of patent applications -developed by the

²³⁰ Hilty and others, ‘Comments on the preliminary set of provisions for the rules of procedure of the Unified Patent Court’ (n 129) 4.

²³¹ *ibid* 5-6.

²³² *ibid*.

²³³ *ibid*, 4-6.

²³⁴ Meier-Beck (n 222) 243.

EPO in collaboration with Google.²³⁵ These translations will not have any legal effect and will be used for information purposes only.²³⁶ Regardless of the existence of such machine translations, critics believe that the current Translation Regulation is a cause for concern.²³⁷ Firstly, they are of the opinion that even though the Translation Regulation intends to decrease costs²³⁸, it will instead only transfer the responsibility for those costs from the patentee to potential infringers, because unitary patents, after being granted, are only accessible in one of the three official languages of the EPO.²³⁹ This could imply that even though the possibility of an automated and free translation system (Patent Translate) is or will be available at the EPO, it might still be difficult for third parties, who do not understand complex patent claims drafted in German, English or French, to determine whether they are about to infringe or not.²⁴⁰ Consequently, this might lead to additional translation costs and amount to legal uncertainty from a potential infringers' viewpoint.²⁴¹ But then, the Translation Regulation provides in Article 4 (4) that the courts will take into consideration, when determining damages if the infringer 'acted without knowing or without reasonable grounds for knowing that he was infringing' and 'whether the alleged infringer is a SME, a natural person or a non-profit organisation, a university or a public research organisation'. This might alleviate the lack of 100% watertight translations.²⁴²

Secondly, Article 4 (1) of the Translation Regulation stipulates that in the event of a dispute regarding an alleged infringement, the patent proprietor shall provide the alleged infringer a full translation of the patent. The question comes up as to the exact moment where this duty of the patentee emerges. The Regulation does not contain any definition on the timing of this duty.²⁴³ Moreover, since the Translation Regulation does not

²³⁵ Translation Regulation, Recital 11.

²³⁶ *ibid.*

²³⁷ Bently and Sherman (n 7) 393; Milosz Malaga, 'The European Patent with Unitary Effect: Incentive to Dominate?' (2014) 45 IIC 621, 627.

²³⁸ Bently and Sherman (n 7) 393.

²³⁹ Malaga (n 237) 627.

²⁴⁰ *ibid.*

²⁴¹ *ibid.*

²⁴² Bently and Sherman (n 7) 393.

²⁴³ Malaga (n 237) 627.

characterize such translation as an official patent document, patentees might be induced to deliver flawed translations.²⁴⁴

The translation issue will always be a difficult point to tackle in the multilingual EU, especially, if because of the non-understanding of certain languages, one might incur infringement liabilities. Hopefully, the high quality, automatic and free translations of the EPO will to some extent compensate and alleviate this problem, but on the other hand, making available twenty five authentic translations of a patent would be very costly and would definitely also create ‘interpretation’ problems. Some pragmatism is welcome.

3.5 The Transitional Regime: which law to be applied by national courts?

An important question has ensued from the legal consequences of the application of the national jurisdiction exception²⁴⁵ (Article 83 (1) AUPC) and the opt-out clause²⁴⁶ (Article 83 (3) AUPC): Should national courts, after a national forum choice is made for non-opted out European patents during the transitional period (e.g. in the event an infringement claim is brought for a national court on the basis of a classical European patent) or after the registration of an opt-out, apply national law or the substantive law contained in the AUPC?²⁴⁷ In other words, does the usage of abovementioned Articles only entail a (national) choice of forum rule and not a choice of material patent law which would imply that the substantive patent law provisions of the AUPC must be applied by the national courts. On the 29th of January 2014, the Preparatory Committee for the Unified Patent Court communicated an Interpretative Note on this matter.²⁴⁸ In that Note, the Committee was of the opinion that national courts should apply the

²⁴⁴ *ibid.*

²⁴⁵ See 2.2.3.

²⁴⁶ *ibid.*

²⁴⁷ Tilmann, ‘The Transitional Period of the Agreement on a Unified Patent Court’ (n 9) 575 and 581.

²⁴⁸ Preparatory Commission, ‘Interpretative Note’ (29 January 2014) (Note) <<http://www.unified-patent-court.org/news/71-interpretative-note-consequences-of-the-application-of-article-83-upca>> accessed 29 May 2015.

applicable substantive national law and not the substantive law of the AUPC.²⁴⁹ The Note sets out that it was not intended by the contracting states to harmonise national patent law or for the national courts to have jurisdiction in respect of the AUPC itself.²⁵⁰ Instead, the contracting parties wanted to ‘create a new jurisdiction in order for substantive patent law, to be interpreted by a court common to the contracting states exclusively.’²⁵¹ Another argument, in favor of this viewpoint, relates to the goal of the AUPC to secure the uniform interpretation of the rules that the Unified Patent Court must apply.²⁵² The national courts would not be able to realise this goal whereas there is no legal provision allowing them to refer questions to the Unified Patent Court.²⁵³ It must be noted that in practice, it will be up to the national courts to decide which law to apply, since the Note is not binding on them.²⁵⁴

The influential lawyer and Professor W. Tilmann holds a different opinion by stating that the arguments expressed in the Note are not logical. The goal of uniform interpretation of substantive patent law will be more easily achieved when national courts apply the material law contained in the AUPC, than where they apply substantive national law.²⁵⁵ In addition, he reasons that there is no evidence that the Contracting States ever had the intention of requiring national courts to apply national law.²⁵⁶ He thereby relies on Articles 31 and 32 of the Vienna Convention on the Law of Treaties, which set out methods for the interpretation of rules of international treaties (in this case Article 83 AUPC).²⁵⁷ These methods include looking at the wording, the context, object and purpose of the rule, whether there is a special meaning intended as well as looking at supplementary means of interpretation, if an interpretation under Article 31 is manifestly absurd or unreasonable.²⁵⁸ The consideration of all these factors leads him to the conclusion that Article 83 (1) and 83 (3) only contain a choice of forum rule, and

²⁴⁹ Note (n 242) para 19.

²⁵⁰ Note (n 242) para 16.

²⁵¹ *ibid.*

²⁵² Note (n 242) para 11-17; Tilmann, ‘The Transitional Period of the Agreement on a Unified Patent Court’ (n 9) 578.

²⁵³ Note (n 242) para 11-17.

²⁵⁴ Thorsten Bausch and Eitle Hoffman, ‘The Unified Patent Court and the Transitional Regime Controversies’ (Kluwer Patent Blog, 3 March 2014) < <http://kluwerpatentblog.com/2014/03/03/the-unified-patent-court-and-the-transitional-regime-controversies/> > accessed 23 May 2015.

²⁵⁵ Tilmann, ‘The Transitional Period’ (n 9) 578.

²⁵⁶ *ibid.*

²⁵⁷ *ibid.*, 576-578.

²⁵⁸ *ibid.*

not a choice of law rule, which implies that the national courts will have to apply AUPC law and not national law.²⁵⁹

Although, the Note is not binding upon national courts, the Preparatory Committee is composed of representatives of all Contracting States (being the 25 EU Member States), one might reasonably expect that the Interpretative Note of the Committee will prevail and will be upheld.

3.6 Judicial review of decisions regarding the grant or refusal of a patent

Once a European unitary patent is granted, the Unified Patent Court provides for the possibility of independent but also fair and full judicial review in respect of infringement and revocation actions of patents.²⁶⁰ Albeit, when it comes to the *preceding* granting phase or refusal of a patent by the EPO, there is no such review.²⁶¹ The Opposition Division of the EPO for example, will have competence in respect of European unitary patents since these patents are open to opposition based on article 99 ff of the EPC.²⁶² Although review of the Opposition Divisions' decisions is possible by an appeal to the Boards of Appeal, concerns exist as to the quality of this review due to the "mixed" position the Boards' members find themselves in.²⁶³ On the one side, they are independent whilst in their term of office, on the other side they stay members of the staff of the EPO.²⁶⁴ In respect thereof, the main issue appears to be that there is no institutional divide or separation within the EPO between its activities as to legal review and its administrative activities.²⁶⁵ The problems and consequences thereof can be seen in a case (R 0019/2) decided by the Enlarged Board of Appeal on April 25, 2014

²⁵⁹ *ibid* 577 and 582.

²⁶⁰ Ullrich, 'The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda' (n 164) 4.

²⁶¹ *ibid*.

²⁶² S Luginbuehl, 'An Institutional Perspective: The Role of the EPO in the Unitary (EU) Patent System' in J Pila & C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 52.

²⁶³ Ullrich, 'The European Patent and its Courts: An Uncertain Prospect and an Unfinished Agenda' (n 164) 5.

²⁶⁴ *ibid*.

²⁶⁵ *ibid*.

concerning a complaint involving the impartiality of its Chairman. In this particular case, the Enlarged Board of Appeal decided to replace the Chairman on grounds of suspected impartiality.²⁶⁶ Whilst the EPO's Boards of Appeal are considered as courts governed by legal decision-finding and making principles²⁶⁷, the Boards of Appeal of the Office of Harmonization for the Internal Market (Trade Marks and Designs OHIM) and the Community plant Variety office, who both also take appeals from their respective administrative sections/divisions are not regarded as courts by the CJEU, because they are subject to complete review by the General Court and by the European Court of Justice (for appeals).²⁶⁸

In respect thereof, H. Ullrich states that 'there is no reason why the grant or refusal of trademarks, designs or plant variety rights should benefit from a two-tier system of quasi-judicial and genuine judicial review, but the grant or refusal of patents not'.²⁶⁹ I go along with this statement.

Nevertheless, it is expected that the relationship between the EPO and the EU will probably evolve, as it is anticipated that CJEU will presumably render preliminary rulings on issues of substantive patent law, which both the EPO and the EU must apply.²⁷⁰ They will both become more and more intrinsically linked. In addition, because 28 Contracting States of EPO are EU Member States, the question will sooner or later arise whether the EPO and its Boards of appeal should not be integrated in the EU legal system.²⁷¹

²⁶⁶ EPO, 'Apprehension of Bias' (2015) 46 IIC 102, 102-116.

²⁶⁷ Ullrich, 'The European Patent and its Courts: An Uncertain Prospect and an Unfinished Agenda' (n 164) 6.

²⁶⁸ *ibid*; Thomas Jaeger, 'Back to Square one?- An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives' (2012) 43 IIC 286, 293.

²⁶⁹ Ullrich, 'The European Patent and its Courts: An Uncertain Prospect and an Unfinished Agenda' (n 164) 8.

²⁷⁰ Luginbuehl (n 262) 56.

²⁷¹ *ibid*.

3.7 Annulment actions of Spain against the Unitary Patent Package

Spain has challenged before the CJEU in two parallel annulment actions the two essential components of the UPP being the Unitary Patent Regulation and the Translation Regulation but also the Council Decision of 11 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection.²⁷² Obviously, these annulment actions were serious and grave legal obstacles –but also major political hurdles- for the implementation of these two regulations and the signing of the AUPC.

In two very recent decisions of the 5th of May 2015 the CJEU has dismissed these annulment actions of Spain.²⁷³ The way is now open for the UPP to become effective after ratification of the AUPC by the required number of Member States.

It is worthwhile highlighting to some extent but without being exhaustive the main arguments of Spain, as they are quite interesting.

Spain argued, among others, that the rule of law (art. 2 TEU) was not respected because the Unitary Patent Regulation provided for protection based on a European patent but the administrative procedure before the EPO not being subject to judicial review in order to guarantee the uniform application of EU law and protection of fundamental human rights, which is why the judicial review is not effective.²⁷⁴ The CJEU rejected the argument and replied ‘that the regulation merely (i) establishes the conditions under which a European patent previously granted by the EPO pursuant to the provisions of the EPC may, at the request of the patent proprietor, benefit from unitary effect and (ii) provides a definition of that unitary effect’.²⁷⁵

²⁷² Case C-146/13 [2013] OJ C 171/30) and Case C-147/13 [2013] OJ C 171/31); Council Decision 2011/167/EU authorising enhanced cooperation in the area of the creation of unitary patent protection [2011] OJ L76/53.

²⁷³ Case C-146/13 Spain v Parliament and Council [2015](Grand Chamber, 5 May 2015) and Case C-147/13 Spain v Parliament and Council [2015](Grand Chamber, 5 May 2015).

²⁷⁴ Case C-146/13 Spain v Parliament and Council [2015](Grand Chamber, 5 May 2015) para 24.

²⁷⁵ *ibid* para 31.

Another argument relates to the legal basis of the Unitary Patent Regulation. Spain stated that art 118 TFEU, which allows the EU to create European intellectual property rights to provide uniform protection throughout the Union, cannot be invoked rightfully as the legal basis, because it is not accompanied by measures providing for uniform protection of intellectual property rights throughout the Union nor does it bring about harmonisation of the laws of the Member States for that purpose.²⁷⁶ However, the CJEU decided that ‘unitary patent protection established by the contested regulation is apt to prevent divergences in terms of patent protection in the participating Member States and, accordingly, provides uniform protection within the meaning of the first paragraph of Article 118 TFEU.’²⁷⁷ Some level of harmonisation is required, e.g. preventing divergences, but not complete harmonisation throughout the Union.²⁷⁸

The Court also held, with regard to the expression ‘throughout the Union’ used within the context of enhanced cooperation that ‘the European intellectual property right so created and the uniform protection given by it must be in force, not in the Union in its entirety, but only in the territory of the participating Member States’.²⁷⁹ Thus a coalition of the willing, who want to further integrate in the intellectual property area is possible.

Concerning the Translation Regulation, Spain basically contended that the Translation Regulation did not respect the non-discrimination principle (art. 2 TEU), because it creates a language regime which is prejudicial to individuals whose language is not one of the official languages of the EPO and thus creates unequal treatment between people who understand the other language and people who are not able to do so and who must consequently translate at their own expenses.²⁸⁰ The CJEU held that this regime maintained the necessary balances between the various interests and that ‘to differentiate between the official languages of the European Union, and to choose only English, French and German, is appropriate and proportionate to the legitimate objective pursued by that regulation.’²⁸¹

²⁷⁶ *ibid* para 33.

²⁷⁷ *ibid* para 51.

²⁷⁸ *ibid* para 48.

²⁷⁹ *ibid* para 41.

²⁸⁰ Case C-147/13 *Spain v Parliament and Council* [2015] (Grand Chamber, 5 May 2015) para 22.

²⁸¹ *ibid* para 47.

4 Assessing the potential impact of the Siamese twin from a user's viewpoint

As the Siamese twin represents both a new kind of European patent and a new court system, the existence of uncertainties is quasi unavoidable.²⁸² Those uncertainties surrounding the Unitary Patent Package create –almost consequentially- concerns among the future users of the unitary patent system.²⁸³ In this point 4, I will address the most fundamental concerns from a user's viewpoint -and as we will see- go beyond uncertainties of pure procedural nature. However, despite the existence of uncertainties and concerns, one thing is certain: before the UPP is actually used and tested in practice in real court cases, it will remain unpredictable.²⁸⁴

4.1 Forum Shopping

A first concern relates to the fact that the upcoming system might give rise to possibilities of forum shopping thereby allowing patentees, to a considerable extent, to choose in which Division they will bring their infringement proceedings.²⁸⁵

This wide range of possible forums is triggered by the rather broad rules of Article 33 of the AUPC dealing with the competence of the Divisions of the Court of First Instance, which *inter alia* states that infringement actions will be brought before the Local or Regional Divisions, where the infringement took place. This means in practice that if a 'mock' purchase can be arranged in a certain country -and usually this is not too difficult- one can choose almost any Division to initiate infringement proceedings.²⁸⁶ Rightfully, the remark is made that the AUPC does not provide sufficient rules for

²⁸² Luke McDonagh, 'Exploring Perspectives of the Unified Patent Court and Unitary Patent Within the Business and Legal Communities' (Independent Report, UK Intellectual Property Office Independent 2014) 26

<https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/328035/UPC_Study.pdf> accessed 10 June 2015; Véron and Bouche (n 222) 48.

²⁸³ Alan Johnson, 'Looking Forward: A User Perspective' in J Pila & C Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 179.

²⁸⁴ *ibid.*

²⁸⁵ *ibid* 184; Véron and Bouche (n 222) 48.

²⁸⁶ *ibid.*

appointing the ‘natural’ or ‘appropriate’ forum for the dispute.²⁸⁷ The mere thought that there might be opportunities for forum shopping within the Unified Patent Court system sounds quite unusual and unnatural when dealing with a *Unified Court*, established on the basis of a shared body of procedural rules and which has a shared Court of Appeal.²⁸⁸ One could assert that in case of a true unified court system, it should not matter for which Division parties choose to bring their claim and that therefore forum shopping would be useless.²⁸⁹ However, the choice for a certain Division does seem to matter. According to A. Johnson, a very experienced UK patent litigator and partner with Bristows LLP, this can be explained through the different judicial composition of the panels in the Local and Regional Divisions: although every panel will be multinational to a certain extent, some panels will be characterised by a majority of local judges.²⁹⁰ The Divisions might, therefore, start to behave differently corresponding to both their procedural and substantive national habits, practices and background.²⁹¹ In case of Local Divisions for example, who deal with more than sixty patent cases per year, two judges out of the panel of three judges shall be nationals of the hosting contracting Member State.²⁹² There is little doubt as to the fact that local traditions, particularly in the first years, will somehow affect those Divisions’ interpretation of the relevant rules.²⁹³ Obviously, if a patent proprietor ‘believes’ or ‘thinks’ that in a specific case, it is more advantageous to bring his infringement claim before the German Division instead of the French Division, he will definitely grasp this opportunity to “forum- shop”. A. Johnson has set out an interesting list of possible factors which patentees might take into consideration when deciding where to bring a claim, including e.g. the following²⁹⁴:

- Where he / she will be most likely to win;
- The speed- which Division is likely to work the fastest;

²⁸⁷ *ibid.*

²⁸⁸ Alan Johnson, ‘Unitary Patents and the Unified Patent Court- Part 3: forum shopping and jurisdictional battles’ [2013] CIPA 114, 114.

²⁸⁹ Johnson, ‘Looking Forward: A User Perspective’ (n 282) 184-185.

²⁹⁰ Johnson, ‘Unitary Patents and the Unified Patent Court- Part 3: forum shopping and jurisdictional battles’ 114.

²⁹¹ Johnson ‘Looking Forward: a User Perspective’ (n 282) 184.

²⁹² AUPC article 8 (3).

²⁹³ Johnson, ‘Unitary Patents and the Unified Patent Court- Part 3: forum shopping and jurisdictional battles’ 114.

²⁹⁴ Johnson, ‘Looking Forward: A User Perspective’ (n 282) 185.

- The Language- which language will be beneficial for me and which language; will be disadvantageous for the defendant;
- The attitude of the relevant Divisions towards bifurcation;
- The attitude towards the existence of an infringement or of a threat to infringe, if the defendant is in a pre-launch phase ;
- The attitude towards common law features (discovery, evidence, cross-examination);

Moreover, Regional and Local Divisions might start competing with each other in order to attract cases and thus business and might accordingly develop their own judicial practice, by behaving e.g. ‘patentee friendly’.²⁹⁵

Of course, one of the objectives of the Unified Patent Court system is that the Court of Appeal will eliminate different interpretations in procedural and substantive law between the Divisions, by coordinating them via the gradual appeal process and in due course.²⁹⁶ However, the speed of this intended harmonization will depend on the question whether only a first instance Division will be able to grant leave in procedural cases (in which case the speed of the intended harmonization process will be rather slow), or if also the Court of Appeal itself will be able to do so.²⁹⁷

Finally, despite the existing concerns, research performed by the Intellectual Property Office of the United Kingdom has shown that several interviewees, who are potential users of the European unitary patent, do not necessarily, consider forum shopping as a negative phenomenon.²⁹⁸ They are of the opinion that forum-shopping does not have to be problematic ‘*per se*’ and that competition between the different Divisions might turn out to advance the quality of the Unified Patent Court.²⁹⁹ The interviewees refer to the current bifurcation system in Germany, where the various German courts are competing with each other, where forum- shopping exists and does not cause serious issues but instead contributes to the system’s quality.³⁰⁰

²⁹⁵ McDonagh (n 281) 26; Ullrich, ‘The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda (n 164) 3.

²⁹⁶ Meier-Beck (n 222) 244; Johnson, ‘Looking Forward: A User Perspective’ (n 282) 185.

²⁹⁷ Johnson, ‘Looking Forward: A User Perspective’ (n 282) 185.

²⁹⁸ McDonagh (n 281) 39.

²⁹⁹ *ibid* 26.

³⁰⁰ *ibid*.

4.2 Opt-in and opt-out decisions

One of the most critical questions asked by potential users of the Unified Patent Court system deals with the patentee's possibility of opting-out of the system for classic European Patents during an 'initial' transitional 7 year period (which might be extended for 7 more years).³⁰¹ As long as no final draft of the Rules of Procedure and no final court fees details have been set out and affirmed, it is everything but easy for patent proprietors to decide whether to opt-in or to opt-out.³⁰² With respect to the Rules of Procedure, I have already explained under point 2.2.4 that these rules are not yet finalized and that on October 31, 2014 the 17th draft was issued for further consultation by the Preparatory Committee's Legal Group. As to the opt-out fee, the Preparatory Committee has recently (May 2015) published a consultation document regarding rules on Court fees and recoverable costs, which provides for an opt-out fee of 80€.³⁰³ These fees will finance the Unified Patent Court (see point 2.2.5). It has been contended that this opt-out fee is much too high, "wrong in principle" and even has a perverse effect – and I concur with this- by demanding the payment of a fee for choosing *not to use* the system.³⁰⁴ Currently there are about 600.000 patent families and on or about 70.000 new patent families are yearly filed. If a large part of these patent families are opted out (say 50%) then this would generate a very substantial income for the Unified Patent Court.³⁰⁵ Critics also emphasize that there should be a discount for bulk opt-outs (meaning multiple opt-outs).³⁰⁶ It is suggested –an again I concur- that the fees charged to compensate the administration costs of noting the opt-out in a Register, should not go beyond to the actual 'administration cost' thereof.³⁰⁷ Also, the study undertaken by the United Kingdom's Intellectual Property Office recommends that the opt-out fee should be set at an administrative level and that deciding on a significant fee, which intends to

³⁰¹ Hartmann-Vareilles (n 102) 164.

³⁰³ Unified Patent Court, 'Public Consultation on the Rules on Court fees and recoverable costs' (11 May 2015) < <http://www.unified-patent-court.org/consultations/91-public-consultation-on-the-rules-on-court-fees-and-recoverable-costs> > accessed 4 June 2015.

³⁰⁴ A Johnson, 'Opt-out fee for future Unified Patent Court is (unsurprisingly) much too high' (Kluwer Patent Blog, 15 May 2015) < <http://kluwerpatentblog.com/2015/05/15/opt-out-fee-for-future-unified-patent-court-is-unsurprisingly-much-too-high/> > accessed 10 June 2015.

³⁰⁵ *ibid.*

³⁰⁶ *ibid*; McDonagh (n 281) 38.

³⁰⁷ Johnson (n 303).

force patent proprietors into the Unified Patent Court system, will probably not lead to ‘goodwill’. On the other hand, the fees must not be too low because this would induce patentees to opt out and this cannot be the ultimate goal of the UPP.³⁰⁸ The same study also stresses, rightfully, that instead of providing for high opt-out fees, the Unified Patent Court should focus on representing a cost-effective and qualitative court system, thereby providing patent proprietors a positive reason to ‘opt-in’.³⁰⁹ The United Kingdom’s Intellectual Property Office further shows that the decision as to which particular patents to opt-out or opt-in will depend on the strength of the patents involved.³¹⁰ This is where parties will be taking strategic decisions. Firstly, most patent proprietors which were interviewed in the UK study will probably, at least in the beginning, choose to opt-out their most valuable patents whilst “trying and testing” the system with their low and mid-range patents.³¹¹ By selecting certain patents within a patentee’s portfolio for opting-out, whilst keeping others within the Unified Patent Court system, the central revocation-risk (invalidity action) is reduced.³¹² Secondly, some patentees might do the opposite and might decide to opt-in their strongest patents to avoid that the patent is seen as ‘weak’ by its competitors, since this might trigger a revocation attack by the latter.³¹³ Concerns also exist that such a mindset might create a situation where patents seen as being of “high quality” will be brought before the Unified Patent Court, whilst those patents thought of as being of “low quality” will be brought before national courts, thereby amounting to a “two-tier” patent litigation mechanism.³¹⁴

So far, we have discussed those factors which are likely to influence patentees when deciding to opt-in or opt-out of the Unified Patent Court system being: 1) the final Rules of Procedure; 2) the financial costs associated with the opt-out fee and 3) the strength of the patents within the patentee’s existing portfolio. However, as long as the Rules of Procedure and details on opt-out fees are not definite (which should happen as soon as

³⁰⁸ McDonagh (n 281) 38.

³⁰⁹ *ibid.*

³¹⁰ *ibid* 29-30.

³¹¹ *ibid* 30.

³¹² Johnson, ‘Looking Forward: A User Perspective’ (n 282) 186.

³¹³ McDonagh (n 281) 38.

³¹⁴ *ibid* 30.

possible in the interest of the overall success of the UPP), the uncertainty thereby created will enable most patentees to make a reasonable decision to opt-in or opt-out.³¹⁵

The influential German Professor W. Tillman looks at the opt-out/ opt-in decision from a different but interesting viewpoint and recommends not to use Article 83 (3) AUPC and its opt-out exception at all. He is of the opinion that the choice to opt-out entails certain major disadvantages for the European patent proprietor which cannot be compensated by the limited advantages for the latter of opting-out.³¹⁶ By deciding to opt-out, the patentee exposes himself to the following particular disadvantages³¹⁷:

- 1) Missing out on the fact that decisions made by the Unified Patent Court will cover the territory of all those Contracting Member States for which the European Patent has effect³¹⁸ and;
- 2) Missing out on the advantage contained in Article 82 of the AUPC according to which the Court's decisions are enforceable in every Contracting Member State and;
- 3) Not being able to benefit from the procedural advantages foreseen in the AUPC such as Article 62 which provides that provisional and protective measures (e.g. injunction) will have an all-territory effect and;
- 4) Being exposed to the danger of the 'opt-out trap' meaning that where an action has been initiated before a national court before or after the opt-out, this will block the way back for the proprietor, and would thus block a later opt-in.

As already mentioned earlier under this point 4.2, the decision to opt-out will reduce the central revocation risk for the European Patent proprietor. W. Tillman considers this possibility only as a limited advantage: although it might protect the proprietor against an 'all-territory' revocation by the UPC, it does not compensate for the many advantages of not option out.³¹⁹ He therefore concludes that the decision to opt-out should always be made on a case-by-case basis and only under special circumstances.³²⁰

³¹⁵ *ibid.*

³¹⁶ Tillmann, 'The Transitional Period' (n 9) 583.

³¹⁷ *ibid.*

³¹⁸ AUPC art 34.

³¹⁹ Tillmann, 'The Transitional Period' (n 9) 583.

³²⁰ *ibid.*

4.3 Potential threat of increasing patent troll litigation

Another concern pertains to the uncertainty –which is not abnormal- surrounding the new court system and which might lead to the prevalence of non- practicing entities (NPE) or patent trolls.³²¹ NPE's or patent trolls, broadly defined, will acquire a considerable amount of patents but they do not have to intention to develop the products described in the respective patent specifications. They will try to 'hide' their patents until they become economically relevant i.e. when the infringing products are (massively) on the market. Once that moment is there, they will require high licensing fees and threaten with high potential litigation costs and or file injunctions.³²² Furthermore it is not possible to countersue the NPE's as they are not selling or manufacturing products.³²³ Not only will patent trolls be attracted to the upcoming Unified Patent Court system because they like to operate in 'uncertainty', but especially the possibility of obtaining "pan-25 Member States injunctions" will be very appealing to them because NPE's frequently rely on the 'injunction threat' as a litigation strategy.³²⁴ This possibility of acquiring a pan-25 Member States injunction has been described as a "double-edged sword" because it does not only allow patent proprietors (which might be NPE's) to hit all their competitors with a single injunction, but it also subjects them, to an increasing extent, to invalidity actions by those competitors who will try to challenge to patent with the same single hit.³²⁵ Therefore, there is a risk that this "double-edged sword" might lead to multiple "patent wars" and more litigation.³²⁶ However, even though the present uncertainty and possibility of pan-25 Member States injunctions are quite favourable for patent trolls, the Unified Patent Court's costs recovery system which relies on the principle of the 'loser pays', is likely to discourage those same patent trolls.³²⁷ There is good reason to accept this argument because the absence of such a cost recovery system, meaning the lack of the possibility to recover costs against unsuccessful claimants, is exactly one of the characteristics of the US

³²¹ McDonagh (n 281) 26.

³²² Malaga (n 231) 641.

³²³ Johnson, 'Looking Forward: A User Perspective' (n 282) 179.

³²⁴ McDonagh (n 281) 26.

³²⁵ Malaga (n 237) 642.

³²⁶ *ibid.*

³²⁷ McDonagh (n 281) 27.

litigation system leading to a high prevalence of patent trolls in the USA.³²⁸ Despite the presence of rules concerning legal cost recovery under the Unified Patent Court system and the absence of a contingency fee system in Europe, there is still a high likelihood that these patent trolls will try to test the water by initiating proceedings in multiple Divisions.³²⁹ A. Johnson is of the opinion that all of this might lead to a divide between litigants, at least in the beginning of the Unified Patent Courts' existence, where claimants will probably be patent trolls testing the new system whilst trying to convince their opponents to agree on a settlement instead of dealing with an uncertain outcome or litigants who aim for a central revocation of a particular patent.³³⁰

4.4 Strategic decisions to be made

With the European unitary patent, patentees will have the choice between three different routes for obtaining patents in the European Union: (1) the national route; (2) the classical European patent route and validation in designated countries (2) and (3) the European patent with unitary effect, parties should think about appropriate patenting strategies to administer their patent portfolio.³³¹ Under this point 4.4, I will analyze the potential impact the upcoming unitary patent-route might have on the familiar national and European patent routes. I will also identify those factors which patentees should take into consideration when defining their patenting strategies.

It has been asserted that the unitary patent will not be that popular, at least in the short term, and that the majority of patentees will not make use of it because its most important benefits (being its broad territorial range and the possibility of central enforcement) are also available in case of classic European patents, which are not opted-

³²⁸ Johnson, 'Looking Forward: A User Perspective' (n 282) 179.

³²⁹ *ibid.*

³³⁰ *ibid* 180.

³³¹ Katharine Stephens, 'The European Unitary Patent System- How a Unitary Patent and a Unified Patent Court will change your EU patent strategy and what you can do now to prepare' (*Bird & Bird*, 19 September 2014) 11 < <http://www.twobirds.com/en/news/articles/2014/global/how-a-unitary-patent-and-a-unified-patent-court-will-change-your-eu-patent-strategy>> accessed on 10 June 2015.

out of the system.³³² The factors that, rightfully, really matters when making a strategic choice between the available patent routes are costs and flexibility.³³³

Firstly, as to costs which occur at the prosecution phase, there will not be any difference: the prosecution process for conventional European and unitary European patents is exactly the same at the EPO level.³³⁴ The difference in costs, however, relates to the granting phase where the unitary patent route will be cheap(er) because it is likely that there will not be no designation fee but more importantly, the translation costs - patent specification (claims) translated into another language- will be very limited (English for French and German language cases and into another official EU language for English cases).³³⁵ Nevertheless, it is only where the patentee has an interest in designating a large number of countries that the costs saved in the granting phase will be considerable. This is usually not the case, many patentees -50% of all European patents are only validated in three countries-³³⁶ limit their designation to two or three States and thus making the cost savings practically irrelevant.³³⁷ Another essential financial cost aspect relates to the renewal fees to be paid by the patentee. Under point 2.1.8 we have in some detail discussed the recent proposals of the EPO concerning the level of these renewal fees. From these proposals and the ensuing decision of June 24th 2015 of the Select Committee it is clear that the fees will be higher than the sum of all renewal fees in the three countries where patents are most frequently validated. (UK, DE, FR) and thus making the unitary patent more expensive than a classical European patent, which is only filed in those three countries or e.g. in one country. Nonetheless, I think it is too early to fully analyse and comprehend the economic/financial benefits of European patents with unitary effect over national patents and classical European patents.

Secondly, the choice for one or the other patenting strategy will certainly be influenced by the flexibility which characterizes conventional European patents.³³⁸ Most patentees will regularly ‘prune’ the different European patent validations within their portfolio,

³³² Johnson, ‘Looking Forward: A User Perspective’ (n 282) 187.

³³³ *ibid.*

³³⁴ *ibid.*

³³⁵ *ibid.*; see also point 2.1.6.

³³⁶ Commission Working Paper (n 27) 17.

³³⁷ Johnson, ‘Looking Forward: A User Perspective’ (n 282) 187.

³³⁸ *ibid.* 188.

meaning that they will evaluate whether validations in some countries are still commercially or strategically useful.³³⁹ If they are not, the patentee might decide to allow such validations to lapse, whilst only maintaining patent protection in e.g. the cheapest countries or in countries where the patents can be upheld against potential competitors and thus make economic sense.³⁴⁰ This ‘pruning’ is nothing more than a sound business decision based on financial concerns and commercial value with the objective of reducing payments for unnecessary renewal fees.³⁴¹ This method of selective ‘pruning’ is not possible in respect of European patents with unitary effect. They lack such flexibility because their “all or nothing” character only allows for the renewal of the unitary patent in its entirety and not for a specific country where the patent has become e.g. useless. This ‘all or nothing’ character might render the unitary patent unattractive for long term thinking patentees.³⁴²

Once the transitional period expires, opting-out is no longer possible and all European patents, except those opted out before the expiration of the transition period, fall within the Unified Patent Court’s Jurisdiction. The return to the national patent route comes then again in the picture. It is rightfully argued that hopefully by that time the new unitary patent system, including the Unified Patent Court, will have developed in a non-problematic and efficient way and that the ‘wrinkles’ in the system have been efficiently resolved.³⁴³ If not, the concern exist that patentees might be induced into turning back to the national route, although a massive return to the national route seems improbable due to the practical difficulties and the expensiveness thereof, especially when aiming to obtain validation in many jurisdictions.³⁴⁴ Nevertheless, for those patentees and especially SME’s who only want to file patents in one or two States such as Germany and the UK, walking away from the EPO is quite a plausible option.³⁴⁵ A return to the national system might also be attractive in case of patents concerning products, which are meant to have a wide-territorial range, but whose economic value is too significant

³³⁹ McDonagh (n 281) 23.

³⁴⁰ *ibid.*

³⁴¹ Johnson, ‘Looking Forward: A User Perspective’ (n 282) 237

³⁴² McDonagh (n 281) 23; Johnson, ‘Looking Forward: A User Perspective’ (n 282) 188.

³⁴³ McDonagh (n 281) 39; Johnson, ‘Looking Forward: A User Perspective’ (n 282) 188.

³⁴⁴ Johnson, ‘Looking Forward: A User Perspective’ (n 282) 188;

³⁴⁵ *ibid.*

to expose them to the risk of a central attack and thus EU-wide revocation (invalidity) by a single court decision.³⁴⁶

Preferring one patent route over another may also depend on the specific sector involved. Pharmaceutical companies for example, although they might fear a potential central revocation of their patent(s), typically have an interest in EU-wide protection. Therefore, once the transitional period comes to an end and both the classical European and European unitary patent fall under the Unified Patent Court's jurisdiction, pharmaceutical companies are likely to perceive the European unitary patent as a 'cost and simplification benefit'.³⁴⁷ The ICT sector, on the contrary, is less likely to profit from this benefit since they usually only protect their patents in 2 up to 4 jurisdictions. In addition the ICT sector is probably more vulnerable for attacks by patent trolls.³⁴⁸

In summary, it is fair to state that the costs (filing and court fees but also legal fees) of the upcoming Unified Patent Court and unitary patent system and its lack of flexibility (no selective abandoning of patents possible) in comparison with the existing European patent system are two factors which will definitely influence parties when setting out strategies to manage their patent portfolio. After the transitional period and lapse of the opt-out period, it is crucial that this new patent and court system has developed in such a way that it represents a high quality system at an acceptable cost, thereby avoiding a possible return to the national route. Finally, not every sector will benefit to the same extent of unitary patent protection: in some sectors, sufficient and meaningful protection can be achieved by validating a patent in only a few countries.

³⁴⁶ Stephens (n 330) 11.

³⁴⁷ McDonagh (n 281) 31; Johnson, 'Looking Forward: A User Perspective' (n 282) 189.

³⁴⁸ McDonagh (n 281) 31; Johnson, 'Looking Forward: A User Perspective' (n 282) 188.

5 Conclusion

When looking at the Unitary Patent Package's history, it is more than clear that its existence already represents a milestone in the long search for an EU-wide patent and a unified patent litigation system. Whilst all previous attempts such as the Community Patent Convention have failed or did never enter into force, the request from several Member States to the Commission to submit a proposal to the Council for enhanced cooperation in the area of unitary patent protection successfully resulted in the creation of the Siamese twin. All former attempts mainly failed due to language issues and differences of opinion on a unified litigation system. The Unitary Patent Package removed these obstacles. Moreover, it promises a reduction of the overall patent costs for an EU-wide patent protection in 25 different countries and therefore stimulating patent filing and fostering innovation.

Whilst there can be no doubt as to the Unitary Patent Package's importance, its success and proficiency is a different matter and will mainly depend on the following factors: financial cost and procedural rules in conjunction with the quality of the judges of the Unified Patent Court.

As to the cost aspect, it is obvious that the patent filing fees will be drastically reduced if one used to file in many countries, because of the reduction of translation and validation costs. Currently, only few companies validate their patents EU-wide. However, as emphasized more than once, the financial burden of renewal fees is also a crucial and essential part of the 'global patent cost'. The reduction thereof was one of the Siamese twins' core operational objectives. Renewal fees are expected to be one of the main factors patentees will take into account when choosing for the national route, the EPO route or the European unitary patent one. The recent decision of the Select Committee regarding the renewal fee level gives rise to some serious concerns: for 50 % of all present EPO applicants, who only validate their patent in three countries, the renewal fee level would substantially increase if they choose to follow the unitary patent route. This might render the upcoming renewal fee system unattractive. Moreover, selective abandonment of patent applications in some countries is no longer possible: if one does not pay the renewal fees, the unitary patent lapses in its entirety. On the other

hand, companies interested in EU-wide validation –a small minority of applicants- would financially benefit from the proposals as well in terms of filing costs as renewal fees.

When it comes to the procedural rules, it is imperative that they are finalized as soon as possible in order to create confidence and procedural certainty with the potential users. The same applies for the court fees. Especially, the rules dealing with bifurcation might prove to be problematic: different Divisions of the Unified Patent Court might use their bifurcation discretion diversely. In view of the fact that some participating Member States (e.g. Germany) are more familiar with bifurcation, Germany's Local Divisions might be more tempted to bifurcate than other Local Divisions and thus to split between infringement and revocation actions and become therefore a more patentee 'friendly' legal forum. The concerns regarding bifurcation, taken together with the fact that there will be a majority of local judges in some important – in terms of cases- Local Divisions (Germany, UK, France), who might start deciding differently according to their own procedural traditions, might bring the UPP to miss its goal of establishing a uniform, reliable and high quality patent litigation system. The achievement of this objective will depend on another decisive element for the success of the UPP: the professional skills and the overall quality and caliber of both legal and technical judges of the Unified Patent Court. Training the judges, as provided for in the UPAC, will be essential.

Apart from the cost and procedurally related aspects, there are other stumbling blocks which might affect the UPP's success and effectiveness. The absence of countervailing rights is a good example thereof. Both compulsory licenses and prior user rights will remain governed by national law. Definitely, this 'national definition' of countervailing rights is not in line with the idea of creating a truly unitary patent, characterized by one common substantive law and one set of procedural rules. The same applies *mutatis mutandis* for the unitary patent's property related aspects, which will also remain subjected to national law.

Although SME's were intended to be one of the main beneficiaries of the UPP, the real extent to which they will benefit from the new system remains unknown. SME's usually validate in a very limited number of Member States –maybe one, two or three, which

means that the costs they would save by using the unitary patent route are negligible or even non-existent because the filing costs for a unitary patent will be higher. On the contrary, for pharmaceutical companies, which usually designate EU-wide, there will be substantial cost savings on filing and renewal fees.

Overall, the existing uncertainties in terms of fees and procedural rules do not allow yet evaluating the UPP's success and proficiency, which will remain unpredictable as long as it has not been tested in practice. We should, however, stay positive and hope for the establishment of a high-quality patent litigation court system. The discussed criticisms will not necessarily prevent the unitary patent, together with its twin brother the Unified Patent Court, from establishing their common purpose.

I sincerely thank all readers of this thesis.

Emilie Claes

Vienna July 1, 2015

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Annex 1 English Abstract

Abstract

The Unitary Patent Package ('UPP') is the result of a long search for an EU-wide patent and a unified patent litigation system. Since the unitary patent (first part of the UPP) will only be applicable when the Unified Patent Court (second part of the UPP) enters into effect and since the Unified Patent Court would never have emerged if there was no unitary patent, this combination is referred to as Siamese twins.

This thesis starts by examining the economic relevance and importance of the UPP by looking at its economic rationale and operational objectives, as set out by the European Commission. It continues by describing the main features and principles of the European unitary patent and the Unified Patent Court. After the reader has obtained a good understanding of these features, he will find a critical analysis of several legal issues and concerns in respect of the UPP's workability and an assessment of the potential impact in practice of the UPP from a user's perspective.

The main question which arises is whether the objectives of the UPP, taking into account the existing concerns, will be met. This question relates to the success and proficiency of the Package, which will mainly depend on two elements (1) the costs of the system and (2) the final procedural rules in conjunction with last but not least the quality and caliber and merits of the judges of the Unified Patent Court.

The UPP aims at decreasing 'the global patent' cost in respect of filing and renewal fees. The filing fees are definitely reduced but the proposals concerning the crucial renewal fees, risk to be cost increasing for 50% of all EPO patent applicants, who do not file EU-wide but only in a few countries.

The final procedural rules and court fees must be finalised as soon as possible. The lack thereof increases insecurity amongst potential users. The major 'procedural' concerns are focusing on the establishing of a truly uniform patent litigation system and can be described as follows: 1) the discretionary 'bifurcation' possibility between infringement and invalidity claims might be used differently by the different Divisions and 2) some

Divisions will be composed of a majority of local judges and thus be more induced to behave and decide in compliance with their own procedural and substantive law traditions. Such concerns may be removed by establishing a high-quality patent court system, which attracts, appoints and trains high calibre legal as well as the technical judges.

Other factors such as the absence of countervailing rights, which are important for achieving the UPP's objectives, are also discussed. The fact that these rights (compulsory licenses, prior user rights and property aspects) remain governed by national law is not in line with the goal of a true unitary patent, which ought to be subject to one substantive patent law and one set of procedural rules. The absence of these rights adds complexity and fragmentation the European patent system.

The thesis concludes that the question whether or not the UPP's objectives will be achieved cannot be adequately answered until the system has been tested and tried out. Clearly, certain industry sectors (pharmaceutical industry) are likely to benefit more from the UPP than others. Not every sector "needs" the UPP. Despite the existing concerns, we have every reason to be optimistic, and trust in the creation of a high-quality patent and patent court litigation system, which will undo itself of its criticisms, as time passes.

Annex 2 German Abstract

Das 'Einheitspatent Package' (kurz 'EPP') ist das Resultat einer langen Suche nach einem EU-weiten Patent und einem einheitlichen Gerichtsverfahren in Patentsachen. Weil das Einheitspatent (als erster Teil des EPP) nur anwendbar ist, wenn das Einheitliche Patentgericht (zweiter Teil des EPP) in Kraft tritt, und weil das Einheitliche Patentgericht nicht erst entstanden wäre, gäbe es kein einheitliches Patent, wird diese Kombination häufig als 'Siamesische Zwillinge' bezeichnet.

Die vorliegende Thesis beginnt mit der Untersuchung der wirtschaftlichen Bedeutung des EPP. Sie wirft dafür einen Blick auf die wirtschaftlich rationalen und funktionsfähigen Zwecke des EPP, welche von der Europäischen Kommission vorgegeben werden. Des weiteren beschreibt sie die Hauptmerkmale und Prinzipien des Einheitspatents und des Einheitlichen Patentgerichts.

Nach einem groben Überblick über diese Hauptmerkmale, werden dem Leser eine kritische Analyse verschiedener Rechtsfragen und Vorbehalte bezüglich der Durchführbarkeit des EPP sowie eine Einschätzung der potentiellen Auswirkungen des EPP auf den Verbraucher in der Praxis vorgelegt. Insoweit besteht eines der wesentlichsten Anliegen darin herauszufinden, ob die Ziele des EPP, unter Berücksichtigung bestehender Vorbehalte, erreicht wurden.

Diese Frage steht im Zusammenhang mit dem Erfolg und der Leistung des Package, welche hauptsächlich von zwei Komponenten abhängen, nämlich (1) den Kosten des Verfahrens und (2) den endgültigen Verfahrensregeln i. V. m. mit der Qualifikation der Richter des Einheitlichen Patentgerichts.

Das EPP hat sich die Reduzierung der Kosten des 'globalen Patents' bezüglich der Anmelde- und Verlängerungsgebühren zum Ziel gesetzt. Die Anmeldegebühren sind zweifelsohne vermindert worden, doch die Vorschläge bezüglich der äußerst wichtigen Verlängerungsgebühren drohen die Kosten mancher Antragsteller um 50% zu erhöhen. Betroffen sind vor allem jene Antragsteller, welche ihren Antrag beim Europäischen Patentamt (in Englisch: 'EPO'), nicht für ein EU-weites Patent einreichen, sondern lediglich für ein Patent in einigen bestimmten Ländern.

Die endgültigen Verfahrensregeln und Gerichtskosten sollten jedenfalls so schnell wie möglich klargestellt werden. Anderenfalls erhöht sich die Verunsicherung potentieller Anwender.

Die wichtigsten 'verfahrenstechnischen' Vorbehalte befassen sich mit der Einrichtung eines einheitlichen Gerichtsverfahrens in Patentsachen und können wie folgt beschrieben werden:

1) Von der im Ermessen der Gerichte liegenden 'Zweiteilung' von Verletzungsklagen und Nichtigkeitsklagen kann von den verschiedenen Abteilungen des Gerichts unterschiedlich Gebrauch gemacht werden. 2) Einige Abteilungen werden mehrheitlich aus lokalen Richtern bestehen, und werden diese deshalb eher zu einem Verhalten tendieren, welches mit ihren eigenen Traditionen in Bezug auf das Verfahren und das Verständnis des materiellen Rechts übereinstimmt. Diese Vorbehalte sollten durch die Einführung eines Patentgerichtsverfahrens von hoher Qualität und eine anspruchsvolle Schulung des rechtlichen und technischen Richterpersonals konterkarriert werden.

Herausgearbeitet werden in der vorliegenden Arbeit auch weitere negative Faktoren wie etwa das Fehlen einheitlicher ausgleichender Vorschriften, die für das Erreichen der Zielsetzung des EPP von großer Bedeutung sind. So werden solche ausgleichenden Vorschriften wie Zwangslizenzen, Vorbenutzungsrechte und eigentumsrechtliche Aspekte (Recht auf das Patent) weiterhin vom nationalen Recht bestimmt, was mit der Zielsetzung eines einheitlichen Patents nicht in Einklang steht. Denn ein solches sollte in materieller und verfahrensrechtlicher Hinsicht in den wesentlichen Fragen auf einheitlichen Regeln aufbauen. Das Fehlen solcher durchgehend einheitlichen Regeln erschwert und fragmentiert das europäische Patentverfahren zusätzlich.

Abschliessend kommt die vorliegende Thesis zu dem Ergebnis, dass die Frage nach dem Erreichen der artikulierten Ziele solange nicht eindeutig beantwortet werden kann, als sich das Verfahren nicht auf dem Prüfstand der Praxis bewährt hat. Fest steht, dass bestimmte industrielle Bereiche wie z.B. die Pharmaindustrie mehr von dem EPP profitieren werden als andere. Nicht jeder Bereich 'braucht' zudem ein EPP. Ungeachtet der bestehenden Vorbehalten sollte man jedoch optimistisch sein und an das europäische Patent mit einheitlicher Wirkung und ein Patengericht von hoher Qualität glauben.

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