



The New European Unitary Patent System

1. Basic Facts

A new system for European Union (EU)-wide patent enforcement and invalidation is about to start. This will create the possibility for applicants to obtain *one patent for the whole EU* (or at least for most of the EU member states) after grant of a European patent (EP), obviating the need for nationalizing the granted patent in selected EU countries separately.

The “*European Patent with Unitary Effect*” (in short: Unitary Patent, UP) is one of two pillars of the new system established by the member states of the EU¹. The second pillar of the new system is the *European Unitary Patent Court* (UPC), having exclusive jurisdiction on UPs.

The new system will leave the application, examination and granting procedure for EPs at the European Patent Office (EPO), however, with the following post-grant differences:

- After grant of a EP, the proprietor may *request a UP within one month after publication of the mention of the grant* in the European Patent Bulletin. A UP will have *unitary effect in all member states of the new system* participating at the day of the grant of the patent. Accordingly, a separate traditional nationalization of a EP after grant in the countries participating in the new system will no longer be necessary. However, for a transitional period of at least 7 years, the patent holder may still nationalize a granted EP in one or more of the participating countries in the “traditional” way², i.e. separately in each of the desired countries, and not request a UP.

¹ See EU regulations No. 1257/2012 and No. 1260/2012, and Agreement on a Unified Patent Court (16315/12)

² We adopt the word “traditional” to distinguish bundles of national parts of European patents (also termed “European bundle patents”) from the new European patents with unitary effect (Unitary Patents, UPs).

- For *all UPs the new UPC will have exclusive jurisdiction*, meaning that infringement and invalidation concerning these patents will exclusively be handled by the UPC in a unitary procedure.
- The UPC will also automatically *have exclusive jurisdiction for all existing national parts* of traditional EP bundle patents (also for those which have been granted before the new system enters into force) in the countries participating in the new system, unless an “opt-out” was declared by the patent holder, thus leaving the competence for the traditional EP bundle with the national courts for the entire patent lifetime. Such an “opt-out” option or national court competence is not available for UPs.

As the new system was established by the European Union (EU), *all non-EU member states of the European Patent Convention (EPC)*, including the UK and further countries such as Switzerland, Norway and Turkey, *will not be participating*. Furthermore, Croatia, Poland and also Spain, although being member states of the EU, will not participate in the new system either. A UP may co-exist with national patents in the participating countries and with national parts of European patents in non-participating EPC member states.

As of March 2022, the following 17 EU member states of the EU will be participating as of the date the new system enters into force:

- Portugal
- France
- Belgium
- Netherlands
- Germany
- Austria
- Italy
- Denmark
- Sweden
- Finland
- Estonia
- Latvia
- Lithuania
- Bulgaria
- Malta
- Luxembourg
- Slovenia

Seven further EU countries are supposed to join at a later date (depending on when they ratify the UPC Agreement), which are:

- Cyprus
- Czech Republic
- Greece
- Hungary
- Ireland
- Romania
- Slovakia.

The geographical coverage provided by a UP once all 24 EU countries participate is illustrated by the following map:



2. Expected Entry into Force and Procedural Aspects

The new European Unitary patent system (also denoted as “UP-system) with the UP and the UPC will enter into force on the date the UPC Agreement enters into force, which, in turn, will be on the first day of the fourth month after Germany deposits its instrument of ratification of said Agreement. The date of Germany’s deposit will mark the expiry of the so-called “Provisional Application Period” (PAP) which already started with Austria’s deposit of its instrument of ratification on January 18, 2022. During the PAP, the preparatory work in establishing the UPC will be finalized, and it is deemed that the PAP will last about eight months. Thus, it can be expected that the PAP will end in autumn 2022, and the *new European Unitary patent system will enter into force early in 2023*.

As of said date, applicants/proprietors of a granted European patent may request a UP *within one month after the mentioning of the grant* has been published³. Note that this period is shorter than the period for “traditional” nationalization of a EP in separate countries (three months). Furthermore, the *one-month period is non-extendable*, and there is no regular legal remedy in case this term is missed. Existing EPs which have already been granted and nationalized in the traditional way cannot be converted into unitary patents. And even if a UP is requested, separate validation will in any case still be necessary for the EU countries that have not ratified the UPC agreement at the time of grant and, of course, for all non-EU countries if protection is desired in these countries.

Together with the request for a UP *a full translation of the EP* must be filed. Where the patent was granted in English, a full translation of the specification of the EP into one other official language of the EU must be filed. Since Germany is the largest economy amongst the UPC member states, translation into German may be of advantage. Where the patent was granted in French or German, a full translation of the specification of the EP must be filed into English.

In order for applicants to benefit from the new system even if the grant of the patent could regularly be expected to take place before its entry into force, the EPO has implemented the possibility of *requesting a delay in issuing the decision to grant the patent* in response to a communication under Rule 71(3) EPC⁴.

Such requests for delayed grant may be filed as of the date of deposit of Germany's instrument of ratification of the UPC agreement (which will be approx. three months

³ see Rule 6(1) UPR; Article 9(1)(g) Regulation (EU) No 1257/2012; Article 97(3) EPC

⁴ for further detailed information see e.g. <https://www.epo.org/law-practice/legal-texts/official-journal/2022/01/a5.html>

before the entry into force of the new system) and for all EP applications in respect of which the applicant has been informed of the text intended for grant by a communication under Rule 71(3) EPC but which were not yet granted.

As the date of deposit of Germany's instrument of ratification of the UPC agreement is expected to take place only in autumn 2022, applicants interested in obtaining a UP for pending applications *may in the meantime consider using further means* (such as extensions of terms etc.) *to slow down the proceedings* and hence to defer grant of the patent until the new system has entered into force. For example, where a communication under Rule 71(3) EPC has already been issued and will have to be answered before entry into force of the new system, a reply could be filed requesting minor amendments to the proposed text in order to trigger issuance of a further Rule 71(3) EPC communication. Alternatively, or in addition, the term for a reply to the communication under Rule 71(3) EPC may intentionally be missed and, in reply to a consequently issued communication indicating a loss of rights, further processing of the application be requested.

Even after the start of the UP/UPC system, *it will still be possible to use the “traditional” route of nationalizing the granted European patent* separately in some or all of the countries participating in the new system (i.e. obtaining a European bundle patent) as an alternative to requesting a UP. Which option to choose will involve an analysis of the costs and strategical aspects, which are discussed in detail below.

It is also important to note that upon entry into force of the European Unitary patent system, the new court, the UPC, will also have exclusive jurisdiction to enforce and invalidate traditional European bundle patents with effect for any one of the participating member states. *Thus, the UPC will have competence for UPs but also for the national parts of a EP existing in one or more of the participating countries*, both for previously and newly nationalized EPs in the “traditional” way. Thus, it even applies for all national parts of EPs in the participating countries where the EP was *granted before the entry into force of the new system* (provided that it had a filing date of March 1, 2007, or later). However, for such traditional EPs, both granted before or after entry into force of the new system, *an “opt-out” from the exclusive jurisdiction of the UPC may be declared*, which is not possible for a UP (UPs are always subject to the jurisdiction of the UPC and cannot be opted-out).

For example, in case a EP granted in 2020 has been nationalized in France, Germany, Spain and the UK, the UPC will have exclusive jurisdiction over the French and German part as regards enforcement and invalidation upon entry into force of the new system, and will handle such procedures for both the French and German national part in a common procedure, unless an “opt-out” is declared, in which case the old

system with national court jurisdiction will apply. As both Spain and the UK are not participating, entry into force of the Unitary Patent system will not affect the separate national procedures for the Spanish and UK part of the EP.

To compensate for this change, holders of “traditional” European bundle patents which were granted before the new system comes into force, can make use of a *three-month “sunrise” period* prior to the date of entry into force, to opt-out of the UPC jurisdiction, if so desired.

For all EPs which were/are nationalized in the “traditional” way, regardless of whether granted before or after entry into force of the Unitary Patent system, *an “opt-out” may be declared at any time during the lifetime* of the national parts of the EP. However, declaration of an “opt-out” will no longer be possible as soon as an invalidation action against the patent has been brought before the UPC by a third party, or in case the patent is enforced at the UPC.

Further, note that an “opt-out” has to be declared for every EP individually, e.g. it will not be possible to declare an “opt-out” for all EPs of one patentee with a single declaration. However, the IT team of the UPC confirmed that the batch option to opt-out for more than one patent with the same request will be possible with the Case Management System. There is also no need to notify opt-out separately for the relevant contracting member states. In case the patent holder after having opted-out changes his mind, he may “opt-in” again (i.e. withdraw the opt-out declaration). However, withdrawal of an “opt-out” is barred if an action relating to one of the national parts of the bundle patent has been brought before a national court. Moreover, after having opted-in again, a second “opt-out” is not possible.

The EPO has compiled further information on obtaining, maintaining, and managing the unitary patent in a helpful guide⁵.

3. Cost Aspects

First, the costs for filing and prosecuting of a EP up to grant will remain the same, as the Unitary Patent system will not change the existing application, examination and grant procedures. However, by requesting a UP instead of performing a separate nationalization in the participating countries after grant of a EP, *a (very) significant cost reduction can be obtained*, depending on the selection of countries, where protection is desired.

⁵ <https://www.epo.org/law-practice/unitary/unitary-patent/unitary-patent-guide.html>

For example, nationalization of a granted European patent in the “traditional” way separately in all 17 member states participating in the new UP system from the start may amount to costs in the order of EURO 20,000 to 40,000 for an average case (including typical IP agency fees, official fees and translation costs, which may vary considerably depending on the length of the text).

Obtaining a *UP instead of a traditional nationalization* in all the participating countries for the same average case may cost only about EURO 2,000 to 4,000 (including IP agency and translation costs) so that a huge cost reduction through the UP will be achieved in this scenario, which will even be larger when all 24 participating countries (see above) have joined the new system.

If, on the other hand, for a granted EP protection is desired (only) in the UK, DE and FR and Spain then the patent will have to be nationalized in the “traditional” way in the UK and Spain anyway (as these countries are not participating in the new system) so that there are no costs savings possible through requesting a UP. Secondly, the costs for “traditional” nationalization in DE and FR may be around or even below EURO 1,000 (as no translation has to be filed), whereas applying for a UP (which covers, i.a., DE and FR) may amount to EURO 2,000 to 4,000 for an average case, due to the necessary translation costs.

As a rule of thumb, it can be said that wherever *protection in at least 4 countries participating in the UP system is desired*, obtaining a Unitary patent (which then will extend protection to all 17 participating states, or even 24 in the future) will be more cost effective than a separate nationalization in those countries in the “traditional” way. Of course, the cost advantage will be higher, the more UPC-participating countries there are, for which protection is desired.

A further important cost aspect are the maintenance fees. Contrary to the national parts of a traditional EP, for which maintenance fees have to be paid to each of the national patent offices separately, *only a single annual renewal fee must be paid centrally to the EPO* for a UP. This, apart from possible savings in official fees, also facilitates monitoring of the maintenance fee deadlines and payment procedures which usually also entail costs.

The amount of the official renewal fees for a European Unitary patent has been fixed to the sum of the maintenance fees payable to the national offices of the four EU countries in which most of the EPs were traditionally nationalized (DE, UK, FR, NL). At the date of fixation of the fees, the UK was still amongst these four countries, but the

amounts fixed were maintained after Brexit. Accordingly, the official maintenance fees for a UP range from e.g. EURO 475 in year 6 to 4855 in year 20⁶.

The total fees payable to the national offices of the 17 countries participating from the start of the new system (or even the 24 participating countries once the system is fully extended) for a “traditional” European bundle patent, assuming that the patent is to be maintained in all of these countries, is much higher. It has been calculated by the EPO to be EURO 3,250 for the 6th year to EURO 19,227 for 25 countries. The calculations of the EPO still include the UK, but even on subtracting the UK maintenance fee, it is clear that *the renewal fees for an UP will be much lower than the sum of the fees for the separate countries covered by an UP.*

A further aspect is that, in practice, there will be additional IP agency costs for monitoring and paying of maintenance fees, which will, of course, become due only once for a UP, whereas these costs will have to be multiplied by the number of countries for a traditional European bundle patent.

However, similar to the nationalization costs, the potential cost advantage regarding maintenance fees of an UP *strongly depends on the number and nature of the countries in which the patent is to be maintained.* If, for example, a EP is to be maintained only in DE, FR, UK and Spain, there will, firstly, be the national maintenance fees in the UK and Spain which are not affected by the new system and will therefore have to be paid anyway. Secondly, there will be the fees payable for Germany and France, which for a European bundle patent nationalized only in DE and FR, will have to be paid separately to the national offices, or in case of a UP (which, i.a. covers DE and FR) to the EPO.

The sum of the national maintenance fees for DE and FR, e.g. for year 6 is EURO 206 and for year 20 is EURO 2740, whereas year 6 and year 20 fees for a UP amount to EURO 475 and EURO 4855, respectively. Even if further fees for monitoring and paying the renewals are taken into account (which will be about twice as high for the DE/FR bundle patent vs. the UP), it is clear that *in this scenario the national maintenance costs are significantly lower than the maintenance fees for the UP.*

Consequently, as far as the renewal fees are concerned, a comparison of the costs for paying maintenance fees to the national offices for a European bundle patent with the costs for UP renewals reveals that, wherever it is *desired to maintain the European patent in at least 3 or 4 countries participating in the Unitary patent system, maintaining an UP will be more cost effective* than maintaining a European bundle patent in the

⁶ A list of the UP annuity fees for all years is given at: <https://www.epo.org/law-practice/unitary/unitary-patent/cost.html>

same countries nationally. The cost advantage will of course increase the higher the number of participating countries is in which maintenance of the EP is desired. Finally, however, if an UP is chosen, the patent holder cannot selectively let states lapse during the patent lifetime to reduce renewal costs.

4. The Unitary Patent Court (UPC)

The UPC is the *second pillar* of the new European Unitary Patent system and was established by the Agreement on the UPC⁷. It will be an international court common to the participating member states and will have *exclusive jurisdiction as regards infringement and invalidation* over UPs, and in principle, also over national parts of “traditional” European bundle patents valid in the participating member states.

However, during a transitional period of 7 years (which may be prolonged for another 7 years), it will be *possible for patent holders to “opt-out” of the UPC’s jurisdiction for traditional European bundle patents*, as discussed above (see item 2). For example, if a EP has been nationalized “traditionally” in Germany, France, Spain and the UK, the UPC will have exclusive jurisdiction over the German and French part, and for both infringement and invalidation there will only be one common procedure, unless an “opt-out” is declared by the patent holder. This can be done at any time during the transitional period and, for traditional EPs which have been granted before entry into force of the UP system, also during the “sunrise” period of about 3 months before the UP system enters into force.

Wherever the UPC has exclusive jurisdiction over a EP, a decision by the UPC *will have unitary effect in all participating member states* where the relevant UP or “traditional” bundle EP is in force.

Moreover, during a transitional period of 7 years after the date of entry into force of the new UP system, an infringement action based on a “traditional” European bundle patent or an invalidation action against such a patent may still be brought before national courts or other competent national authorities, even if no “opt-out” of the new system has been declared by the patent holder, and if an opt-out has been requested, the national courts will continue to have competence for bundle EPs throughout their remaining lifetime.

The *first instance of the UPC will include several local and regional divisions* spread over the participating member states and will encompass a central division located in Paris and Munich. Generally, the local and regional divisions will deal with infringement

⁷ Agreement on a Unified Patent Court of 19 February 2013 (UPCA); see e.g. <https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf>

actions while the central division will have exclusive jurisdiction over declarations of non-infringement and invalidation actions. The *second instance („court of appeals“)* will be located in Luxembourg.

The local jurisdiction of the UPC will be divided as follows:

- Infringement actions can be brought in local/regional divisions where the infringement occurs or in the local/regional division where the defendant has its residence, or principal place of business, or in the absence of residence or principal place of business, its place of business.
- Invalidation actions must be brought before the central division unless brought as a counterclaim when they can be heard with the infringement action or transferred to the central division by the panel hearing the infringement action.
- Declarations of non-infringement must be brought before the central division.

The UPC invalidation action is a procedure which for the first time allows *requests for revocation of an entire European patent* (for all of the Unitary patent participating countries) *at any time during the lifetime of the patent*. At present, central revocation of a EP is only possible via the EPO opposition procedure (but then for all parts of the EP, including all UPC-participating countries and non-UPC countries). However, this procedure must be initiated within nine months of grant of the patent. After expiry of the opposition period, to date the only procedure available to attack a EP is to initiate separate national revocation actions against the bundle parts. However, these are only effective for one country, and usually are time-consuming and expensive if several revocation actions are to be run in different countries.

Compared to multiple national invalidation actions, the UPC invalidation procedure may be initiated with comparatively moderate costs. Also, in the case of an unsuccessful attack, the reimbursement amount of the patent holder's legal costs is capped, albeit at a relatively high level. Accordingly, *it will be easier and more attractive for other parties to attack a European patent* if the opposition period has been missed or if an opposition at the EPO was unsuccessful.

The UPC must base its decisions on the law of the EU, the UPC Agreement, the EPC, other applicable international agreements binding on all member states, and the national law of the participating countries. It is to be expected that the *UPC in invalidation actions will closely adhere to the Case Law developed by the Boards of Appeal of the European Patent Office* as far as the formal and substantial issues of patentability are concerned.

Decisions of the UPC regarding infringement actions will certainly take into account and be oriented at existing national case law (such as the established German national case law). As infringement case law varies to a certain extent between the countries which will participate in the UP system, *the UPC will have to find ways to harmonize the existing case law of the participating countries* so that it may take some time until clarity is reached on the UPC's exact path in infringement matters.

Furthermore, the *UPC must co-operate with the Court of Justice of the European Union (CJEU)*. In particular, it can file requests with the CJEU to give preliminary rulings on the interpretation of EU treaties and the validity and interpretation of acts of Union institutions, bodies, offices or agencies. Decisions of the CJEU are binding on the UPC.

The *cost structure for proceedings at the UPC* has been modeled closely after German infringement/invalidation proceedings. To initiate infringement proceedings at the UPC, a court fee must be paid to the UPC which is calculated by taking a fixed portion (EUR 11,000) plus a variable portion depending on the so-called *value in dispute* (VID) of the proceedings, which lies between EUR 0 (VID up to EUR 500,000) and EUR 325,000 (VID about EUR 50 Mill.).

For an average patent at the German Federal Patent Court the VID may be estimated to be between EUR 500,000 and 1 Mill. so that, given that the UPC will usually decide on infringement for more than one country, the VID before the UPC may be estimated to be higher, e.g. between EUR 1 Mill. and 4 Mill. for an average case. This would bring the variable portion of the court fees to lie between EUR 4,000 (VID 1 Mill.) and EUR 26,000 (VID 4 Mill.) and, accordingly, the total of the *court fees to EUR 15,000 to 37,000 for average infringement cases*. For invalidation proceedings only a fixed or maximum amount (EUR 11,000 for an action for invalidation and max. EUR 20,000 for a counterclaim for invalidation) will have to be paid as court fees without an VID based portion.

Similar to the German system, also *in UPC proceedings, the successful party is entitled to a refund of its costs* (court fees and costs relating to representation, such as attorney's fees). For the representation costs, there is a maximum recoverable amount depending on the VID. However, this maximum limit is still quite high (for example the limit for a VID of EUR 1 Mill. is EUR 112.000 and for a VID of EUR 4 Mill. EUR is 400.000) so that usually the representation costs of a party should be well covered.

The figures given for both the court fees and the representation costs apply for one instance. For the full two instances (Court of First Instance and Court of Appeal) the costs are approximately twice those amounts.

Further detailed information on all aspects of the UPC may, for example, be taken from <https://www.unified-patent-court.org/>⁸.

4. Pros and Cons of the European Unitary Patent System

Here are the most important considerations in view of the upcoming entry into force of the UP system:

- For EPs granted before the date of entry into force of the UP system (and hence having been nationalized in the “traditional” way): *Should an “opt-out” of the new system be declared* and hence exclusive jurisdiction of the UPC be avoided?
- For EPs granted as of the date of entry into force of the UP system:
 - *Should a UP be requested* or should the patent rather be nationalized in selected participating member states “traditionally”?
 - If the patent is nationalized in selected participating member states: *should an “opt-out” of the UP system be declared?*
- For EP applications pending to be granted soon:
 - Should the *grant be postponed* in order to benefit from the UP system?

The answers to these questions involve costs aspects and strategic considerations.

The costs aspects concern mainly the question whether, as soon as available, a *UP should be obtained rather than a “traditional” European bundle patent*, i.e. rather than a nationalization of the EP separately in selected member states of the EPC. For deciding the question on whether or not to “opt-out” of the UPC-system (which anyway is possible only for a “traditional” European bundle patent and not for a UP) cost aspects should not play a large role because *opting-out can be declared by a simple declaration for which no official fee will fall due*.

The costs aspects have been discussed in detail above (see item 3.) and include both the costs for obtaining the unitary patent/bundle patent and the maintenance fees. In brief, both as regards the costs for obtaining protection and for the maintenance fees, a UP will be less expensive if protection is desired in at least 3 to 4 of the UPC-participating countries.

⁸ For example, as regards the costs aspects see: https://www.unified-patent-court.org/sites/default/files/agreed_and_final_r370_subject_to_legal_scrubbing_to_secretariat.pdf

The strategic considerations mainly concern the question *whether or not exclusive jurisdiction of the UPC is desirable for a EP*. As discussed above, for all non “opted-out” traditionally nationalized EPs and, of course, for all UPs, the UPC will have exclusive jurisdiction both as regards infringement and invalidation proceedings. For patent holders, the first is probably more of an advantage because if an infringement occurs there is no need to initiate separate infringement proceedings in each of the national countries concerned (which is certainly costly and laborious), but rather infringement can be stopped and damages recovered in all UPC-participating countries “in one go”, provided, of course, that the proceedings are successful.

This advantage for patent holders in UPC infringement proceedings is of course of higher importance in industry fields where infringement proceedings are rather common, such as in the fields of engineering or electronics, and may be less of an advantage where such proceedings are less common, as e.g. in the chemical industry.

As regards *invalidation proceedings, the exclusive jurisdiction of the UPC may be more of a disadvantage for patent holders*, because other parties can attack the patent in all UPC-participating countries in one single action (one-shot invalidation with unitary effect). This was hitherto only possible in opposition proceedings against a EP (but then for all countries potentially covered by a EP including, e.g., the UK). Such an attack at the UPC is possible at any time during the lifetime of the patent and even after an opposition procedure has successfully been terminated. Thus, especially where individual patents have become highly valuable, the UPC invalidation procedure is an attractive tool which can be expected to be used by competitors.

A further consideration may be the *“strength” of the patent* concerned. Where it is known from prosecution or other parallel family patents that no relevant prior art exists against a patent, this will speak for using the new UPC system as then the advantages of the UPC infringement proceedings will outweigh the potential disadvantages in the invalidation action.

Finally, whereas in most UPC-participating countries a body of case law for both infringement and invalidation proceedings has been established, this is, of course, not yet the case for UPC proceedings. Although it can be expected that the *UPC case law as regards invalidation will closely adhere to the case law of the EPO*, there is some uncertainty on how it will develop in infringement proceedings, and it remains to be seen whether it will be “patent holder friendly” as it traditionally is, for example, in Germany.

All in all, a thorough weighing-up of the mentioned cost aspects and strategic considerations will be necessary to reach a conclusion on whether the new UPC system should be used for a EP or whether it should rather be avoided by refraining from requesting unitary protection and by opting-out for a granted EP.

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