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FICPI-UK

The British Association of The International
Federation of Intellectual Property Attorneys

European Patent Reform

Where Are We?

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European Patents

- Available since 1978 under EPC.
- Began with seven states, now 38.
- Drawback of costs, significantly addressed by the London Agreement with effect from 1 May 2008.
- Among main states, no translation (beyond claims into French and German) needed for FR, DE, GB, CH; claims only in DK, NL, SE; most important outsiders ES, IT, AT.

Drawbacks

- Drawback of post grant and post opposition action being at national level with only national effect.
- Occasional multi-jurisdictional actions, occasional divergence of outcome.

Is this serious?

- Over 30% of EPs validated in only 3 states
- Perhaps 7% in more than 10 states
- Average thought to be about 6.

Yes it is serious, but not very often.

EU Background

European Economic Community (“Common Market”) since 1957 (Rome Treaty); European Community since 1993 (Maastricht); European Union since 2009 (Lisbon).

In consolidated legislation we have The Treaty on European Union (TEU) and The Treaty on the Functioning of the European Union (TFEU).

Treaties

TEU Art 3(2)

- “The Union shall offer its citizens an area - -without internal frontiers - -”

Art 3(3)

- “The Union shall establish an internal market - -”

(Art 3(4) - by the way

- “The Union shall establish an economic and monetary union whose currency is the Euro).”

In TFEU we have

Art 26(2)

- “The internal market shall comprise an area in which the free movement of goods, services - - is ensured - -” .

Art 28 (concerning ‘Free Movement of Goods’)

“The Union shall comprise a customs union - - which shall involve the prohibition between member states of customs duties - - and of all charges having equivalent effect - -”

National patents have always been an awkward issue.

Previous Efforts

1. Community Patent Convention, (Luxembourg) signed December 1975 by the then EEC member states but not enough ratifications.
2. Agreement relating to Community Patents (Luxembourg) 1989, twelve states signed, only seven ratified.
3. Community Patent Regulation, from 2000 failed in 2004.
4. European Patent Litigation Agreement
This arose outside EEC/EU, at instigation of EPO, favourably regarded by the relevant Commissioner and patent judges, but legal services department of European Parliament advised, in 2007, that it was not compatible with EU Law, in that states were not competent to enter into such an agreement - "a minor but quite important disaster -"
(Nicholas Pumfrey)

5. 2009 proposal. EU would accede to EPC, involved Unitary Patent, separate “European and EU Patent Court” for all European patents.

Submission to Court of Justice, rejection in March 2011 (opinion 1/09) as incompatible with TEU and TFEU, as proposed Court would have exclusive jurisdiction to hear actions requiring interpretation of EU law.

Was That The End of It? No!

TFEU Art 118

- - - Parliament and Council - - shall establish measures for the creation of European IP rights to provide uniform protection - - throughout the Union and for setting up centralised coordination and supervision arrangements.”

Also “The Council - - shall establish - - language arrangements for European IP rights.”

How?

Given that early efforts have either been sunk by the European Union as they were not in charge, or by disagreement over language, location, costs and translation, what can be done?

Answer: “Enhanced cooperation”, i.e. Restrict the plan to EU states only and indeed leave reluctant ones out of it.

TEU Art 20 - some states can go ahead without the rest in certain circumstances, if authorised by Council “as a last resort”, and subject to TFEU Art 326

“- - cooperation not to undermine the internal market - -”
and so on.

Council did authorise, draft regulations appeared, and draft Agreement/Treaty, NOT an EU instrument, appeared setting up the “Unified Patent Court” (UPC).

The Plan

- The Court Agreement is only available to EU states (CH and others get left out)
- It emphasises its duty and signatory states' duty towards European Law and
- No need for the EU to accede to EPC
- EPs with Unitary Effect (EPUE) are to be available under the main Regulation (now 1257/2012) which does not cover ES,IT
- Translation arrangements under another Regulation (1260/2012)

Does This Work?

- ES, IT did not think Enhanced Cooperation should be used and challenged in Court the Council's decision. This failed, Judgment of 16 April 2013.
- But ES alone tries again, challenging (it assumed) the Regulations, but we have not seen the grounds yet. - Cases C-147/13 Spain v Council and C-146/13 Spain v Parliament and Council.
- The last case took 20 months, presumably this will too but we're carrying on with the preparatory work in the meantime.

More Exactly, Where Are We?

- The Regulations relating to the EPUE (1257/2012) and translation arrangements (1260/2012) were published in OJEU 31st December 2012, 'Entry into force' 20th January 2013
 - Not effective until Court Agreement enters into force, cover all EU states save ES, IT.
- Agreement relating to Unified Patent Court was signed on 19 February 2013 (25 states, ES, PL missing)
- Agreement will enter into force when it is ratified by 13 states including DE, FR, GB (not a certainty)
- Entry into force 1st January 2014, or 1st day of 4th month after 13th ratification, perhaps actually in 2015.

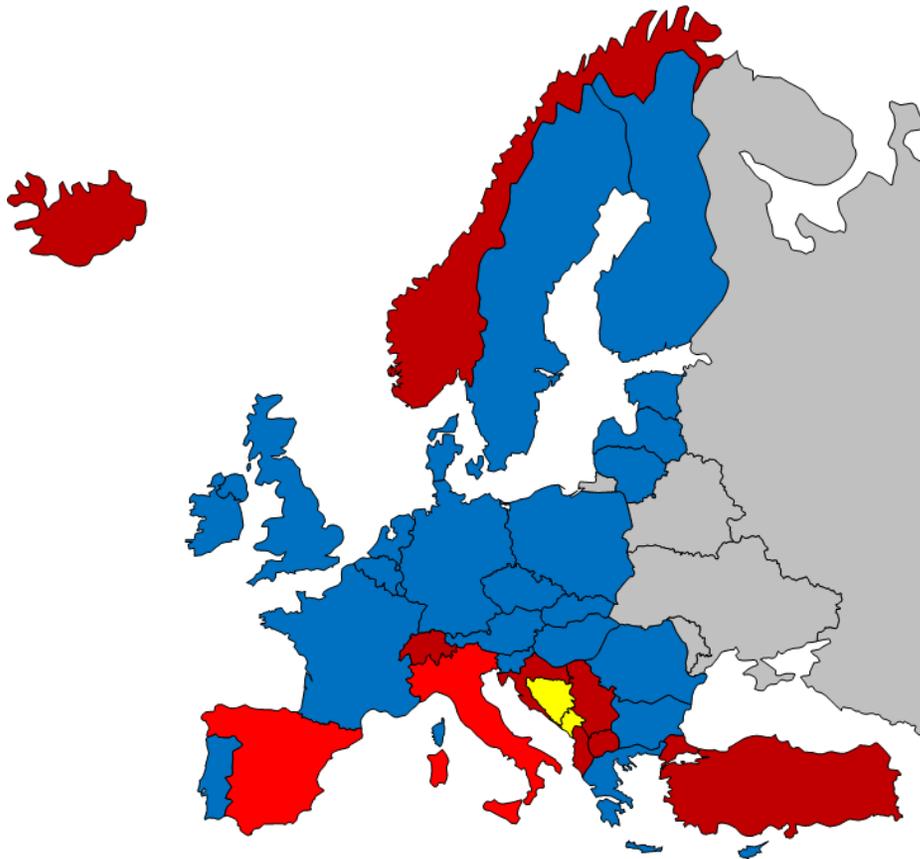
To-Do Lists

- At the international level the 'Preparatory Committee' which is the body which has the job of getting the Court Agreement to work, has met, appointed officers and has five working groups who are drawing road maps. It is their job to set court fees - very sensitive.
- The EPO has a 'Select Committee' to deal with the bits they have to do, in connection with Unitary Protection and opting out. It is busy appointing officers and also drawing road maps. Renewal fees fall into their sphere ("squaring the circle").
- The UK IPO's task force has to deal with ratification, domestic legislation changes and related matters.
- The Preparatory Committee will take over the work done hitherto by a UK led but international Rules group. A 15th draft has just been circulated.
- States need to work out whether to set up a Local Division of the First Instance Court, or join a Regional one or do neither.
- The Commission is expected soon to start work on amending the SPC Regulation and "Brussels 1" (which is Regulation 44/2001 of 22/12/2000 on recognition and enforcement of judgements, as amended).

What is an EPUE?

- EPUE provides uniform protection and equal effect in all participating member states to which the scheme extends on Registration. (Main Reg Arts 3(2) and 5(2) and 18(2))
- Can be enforced by a single infringement action across all participating states (Art 5(1))
- Can be revoked only in its entirety, in a single action across all participating states, Art 3(2)
- is renewable or lapses only in its entirety Art 3(2) and Art (1).

Who's In and Who's Out?



- EPUE potentially effective in 25 EU participating states (blue)
- Spain and Italy (red) although members of EU are not participating
- EPUE can not be effective in non-EU states, which are in the EPC e.g. CH, TR, NO (dark red and yellow)
- Non-unitary European patents through EPO will remain available in participating EU states and of course in non-EU states.

Procedure

- Option to elect Unitary Effect available with ONE MONTH of mention of grant in EP Bulletin (Art 9(9)).
- Registration for UE will be available on grant of EPO applications which are pending when the new procedure starts.
- Registration for UE will be available on grant of EPO applications filed after the new procedure starts.
- Thus new procedure may potentially be used for applications being prosecuted in the EPO now if they designate all relevant states, and are not granted before the Regulations begin to apply - Main Reg Art 18(6) (i.e. when enough countries ratify the Agreement - see above).

Renewal Fees

- Single renewal fee payable (instead of separately in each state), you can only renew in respect of all states
- Level of fees to be set with the “aim of allowing all participating participating states to keep their current renewal fee income while at the same time ensuring that those participating states which currently have a low renewal fee income will significantly increase this income”
- Oh yes! A Christmas present.

Translation Requirements

These are governed by 1260/2012

- The eventual aim for the EPUE is that no further translations will be required beyond those required by the EPO before grant (Art 3)
- Transitional provisions will apply until high quality machine translations are available (Art 6)
- Transitional provisions lapse 12 years from commencement, or earlier if high quality machine translations are available for all official languages of the EU. (Art 6(3) - (5))
- When applying to register an EP for EPUE, a full translation of the patent specification into any other official language of an EU member state is required, where the EPO prosecution was in English (Art 6.1 (b))
- If the EPO prosecution was in French or German, a full translation of the patent specification into English is required (Art 6.1 (a))
- File translation when requesting registration for UE, i.e. within one month of mention of grant in EP Bulletin (Art 6.(1))

Is the CJEU involved?

- UK practitioners heartily distrust it after its work on TMs, SPCs etc.
- A big plus for the abandoned EPLA (slide 6/7 above) was that it was avoided.
- The draft Regulation initially defined infringement (Arts 6-8), therefore making it part of EU Law, even though the Court Agreement also defines infringement (Arts 25-27).
- UK, not alone, lobbied hard against it, and at a European Council meeting last summer Prime Minister insisted it be dropped (to fury of European Parliament and the Council (of EU), which is a different body.).

Is the CJEU Involved?

- In place of Articles 6-8 we now have Article 5 of Main Regulation (1257/2012) says (in effect) that infringing acts are defined by the law applied to EPUes in the Member State whose national law is applicable to the EP as an object of property. This “applicable national law” is determined by Article 7. All such laws are meant to be the same as they derive from the Agreement.

Article 7 - Which National Law Applies?

This article has the original purpose of specifying which national law should be used in questions of an EPUE as an object of property.

1. An EPUE as an object of property shall be treated ... in all the participating Member States as a national patent of the participating Member State ... in which, according to the European Patent Register:
 - (a) the applicant had his residence or principal place of business on the date of filing; or
 - (b) where point (a) does not apply, the applicant had a place of business on the date of filing

3. Where no applicant had his residence, principal place of business or place of business in a participating Member State ... the EPUE shall be treated ... as a national patent of the State where the European Patent Organisation has its headquarters in accordance with Article 6(1) of the EPC
 - German law will apply by default where the patentee had no EU domicile when the application was made
 - Infringement is defined in the Court Agreement
 - Under Art 69 EPC the scope of protection should be uniform

Jurisdiction of Unified Patent Court

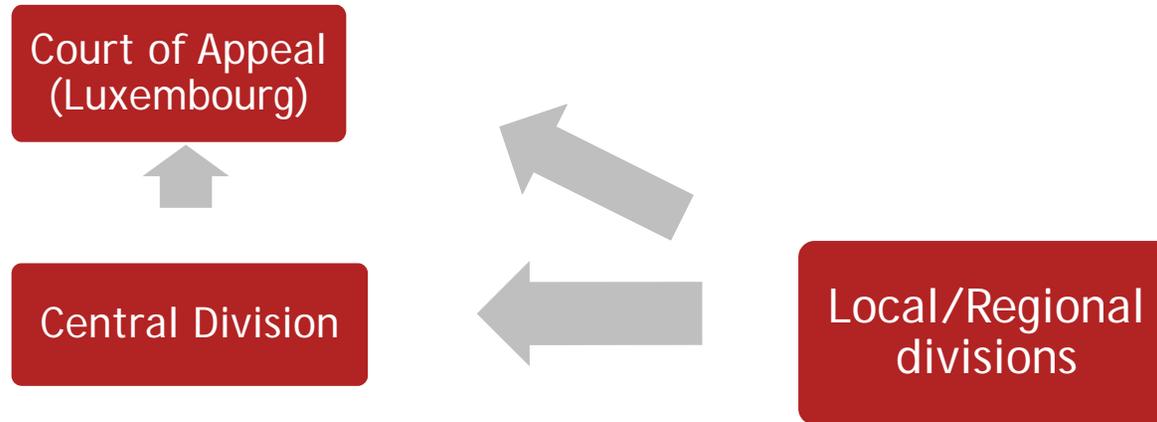
- Unified Patent Court will have exclusive competence for EPUEs as soon as they are registered (Art 32(1))
- Unified Patent Court will have non-exclusive jurisdiction for Non-Unitary Patents during a transitional period (at least 7 years, perhaps 14)
- During this transitional period infringement and revocation actions (only) can be brought in national courts (Art 83(1)).
- Unified Patent Court will have exclusive competence for Non-Unitary Patents after the transitional period

BUT - patentees and applicants for non unitary patents can “opt out” of the exclusive competences of the court - and we think this means they remain “opted-out” until they lapse or expire,

so - you could opt out cases filed near the end of the transitional period, potentially expiring 30 years away!

- Unified Patent Court will also have corresponding competence for SPCs.

The Court Structure (Article 6, Article 7.1)

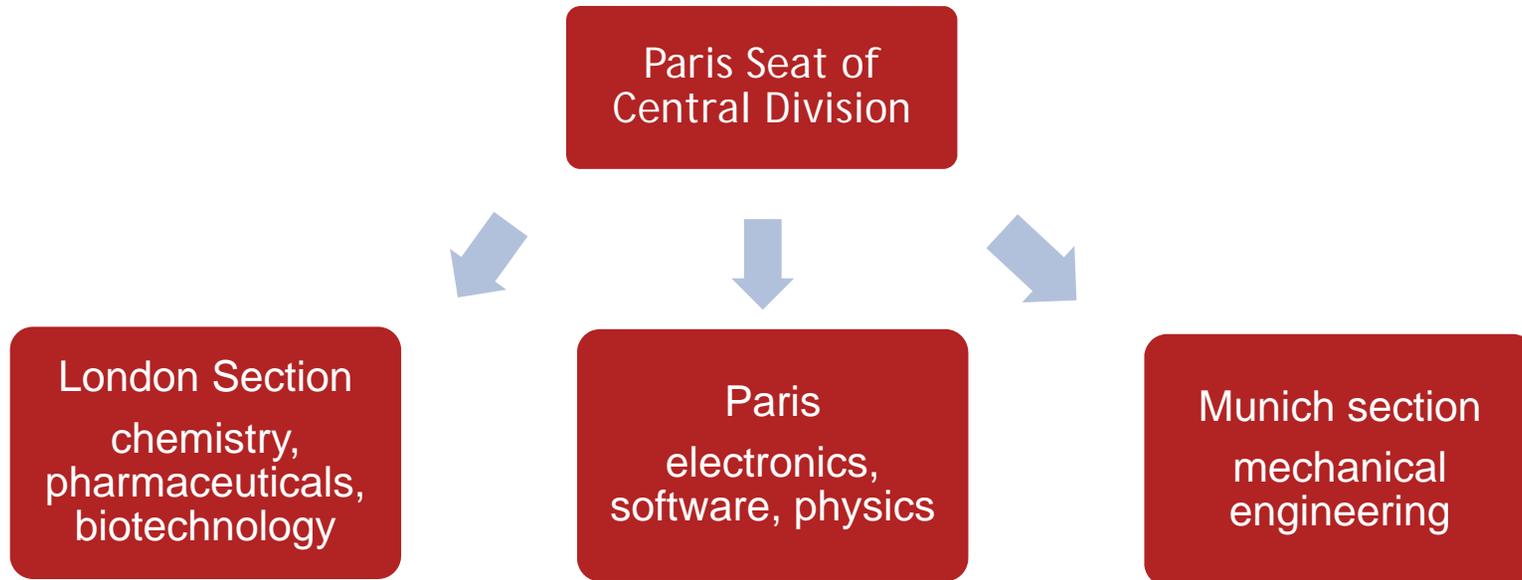


FIRST INSTANCE

Local/Regional Divisions

- Will consider infringement issues (Art 33(1))
- May consider counterclaim for revocation or may refer it (or the entire case) to the Central Division (Art 33(3))
- Will operate in the local language - not that easy! Art 49(1)-(5)

The Central Division



Central Division will be concerned primarily with matters of validity rather than infringement

Actions for declaration of non infringement or for revocation shall be brought in the central division (Article 33(4))

In some circumstances may hear infringement e.g. a regional division (but not a local one) can refer an infringement action to central (Art 33(2))

Will operate in the language of the patent

Actions for Infringement

- Actions for infringement shall in general be brought before the Local (or Regional) Division where the infringement has occurred, or where the defendant has his residence or place of business
- Forum shopping - where there has been alleged infringement in more than one EU state, a patentee claimant is likely to have a choice of Local (or Regional) Divisions where he can proceed
- In some circumstances, actions may be brought before the Central Division.

Other Actions

- Actions for revocation or a declaration of non-infringement shall be brought before the Central Division 33(4)
- If a counterclaim for revocation is brought in an infringement action before the Local (or Regional) Division, the Court shall have discretion to:
 - (a) hear both the infringement and revocation together (as is the case in many EU states); 33(3)(a) or
 - (b) refer the revocation counterclaim to the Central Division and suspend or proceed with the infringement proceedings (as currently happens in Germany and Austria) 33(3)(b)
- With the agreement of the parties the whole case (both infringement and validity) can also be referred to the Central Division. 33(3)(c)

Languages (Article 49)

First instance

49(1) - - language of the state hosting the division - -

49(2) - - states may designate a language of the EPO

49(3) - - parties may agree to use the language of proceedings - -

49(4) - - the panel can decide to use the language of proceedings - -

etc etc

Central division

49(6) - - language in which patent was granted

Court of Appeal

Art 50(1) - - uses language of first instance, though parties can agree to language of grant.

Judges (Article 8)

All panels at first instance will be multinational with three judges.

How many “home” judges you are allowed in a “local division” depends on how many cases you have. In a “regional division” you have two judges from the region and another from outside. In “central division” you have two, legally qualified, from different States, plus a “technically qualified” one.

Court of Appeal sits in panels of 5.

Bifurcation

- Possibility for 'bifurcation' in which a Local (or Regional) Division of the Court hears infringement and the Central Division hears revocation
- Potentially these Divisions could hear these issues in different languages
- E.g. if an action is brought in a German local division on a patent in English, then infringement will be heard in German in the German Local Division and validity in English at the Central Division
- Concern that local division applies EU wide injunction before validity is properly tested.

Should You Select UE?

- Cheaper on renewals and translation if you want many states.
- More expensive on renewals if you want few states.
- Renew for all states or none, no list pruning.
- Central one-shot litigation throughout the states.
- On the other hand central invalidation throughout the states, compare EPO oppositions.
- Take advantage of possible “bifurcation”?
- Risk of getting before inexperienced court.
- Litigation will probably be complicated and expensive; three judges per panel, complicated language provisions, complicated transfer provisions.
- Economics likely to determine.
- And what competitors do.

Should You Beware of EPUEs?

Yes, if you are potential third party

- being shut down throughout Europe
- remote court (keen to make its mark?)
- language issues
- Bifurcation
- expense

Relocate to Switzerland?

European Patents Which Do Not Have U.E. (see also slide 22)

- UPC will have jurisdiction for non-unitary patents - initially non-exclusive but later exclusive Art 83(1)
- Under Art 83 transitional period of 7 years (which may be extended by a further 7 years) from commencement
- During transitional period an action for revocation or infringement may be brought before national courts (Art 83(1))
- During transitional period patentees (and applicants) may file an opt out from the 'exclusive competence' of the Unified Patent Court. (Art 83(3))
- We think this lasts the life of the patent
- An opt out can be revoked later Art 83(4)
- UPC definitely has exclusive competence for EPs filed after the transitional period, as they can not be opted out.

Revocation Actions for Non Unitary Effect EPs

- An action for revocation would be heard by the Central Division. What would its effect be?
- Compare with opposition proceedings
- Art 34 says Decisions shall cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect
- Ultimately the only way to avoid the jurisdiction of the Unified Patent Court will be to file patent applications through national patent offices rather than the EPO
- Increasingly, applicants are doing this to avoid cost and uncertainty of EPUE.

Should You Opt Out?

The question arises for

- Pre-existing EPs.
- Any EPs granted in the transitional period after the system starts on which you do not seek UE.
- Applications pending during the transitional period.

Some points are:-

- Uncertainty of new Court
- Danger of important patent knocked-out by inexperienced court in early stages
- Expense and complexity of new court
- You can opt back in

On the other hand

- Expenses, possibly of opting out
- Forego central infringement action

In practice, many concerns are expecting to opt out their cases.

What To Do

- If you want an EP with Unitary Effect from a pending or future EPA slow down prosecution so that grant occurs after the system starts.
- If you have a pending EPA and want a conventional EP without Unitary Effect, grant date doesn't matter, but consider whether you want to opt out of the Unitary Court and, if you do, get ready so to do, or indeed just do it. (Registration of the opt-out is what counts, an existing court action prevents the opt out from occurring).
- In respect of all your granted EPs, consider which to opt out and, if wish to, get ready to act when the system begins.
- For future filings, to avoid the EPC altogether you need only national cases. But perhaps file a national where you think litigation most likely (and desirable), and a conventional EP for the other states you want - which will fall into the Unitary Court unless in the transitional period, you opt out.
- Remember FR can only be obtained via EPO ex PCT.

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Any Questions?

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