Unitary Patent and Unified Patent Court
The Agreement on a Unified Patent Court (UPCA) was signed on February 19, 2013. Those responsible for the unitary patent system have always made very optimistic forecasts about the progress of its implementation. The original schedule of the EU Commission expected the first unitary patents to be become in force in spring 2014. However, there have been legal and political obstacles to the necessary ratifications, the last ones being the Brexit referendum and its consequences as well as the complaint before the German Constitutional Court (BVerfG) against the ratification Bill.

At present, expectations go into extremely different directions. Those anticipating an imminent decision of the BVerfG to dismiss the complaint expect that Germany will ratify before the Brexit becomes effective.
However, the German Constitutional Court has a long list of cases pending and its proceedings may be burdened with an additional problem not raised by the complainant but in other pending cases before the Court, namely that the judicial independence of the Boards of Appeal of the EPO, the last instance to decide on the validity of unitary patents in opposition proceedings, has been called into question. A ratification by Germany before the Brexit becomes effective may have the consequence that the apparent problems connected with the participation of the UK remain unresolved when the system becomes operative. Such problems include that the EU Regulations on the unitary patent cease to have effect in the UK after the Brexit. Furthermore, the UPCA presupposes that its member states are member states to the EU and acknowledge the supremacy of the Court of Justice of the EU (CJEU) in interpreting EU law.

However, the latter requirement is in conflict with clear and repeated statements of the British Prime Minister that the UK will not accept the jurisdiction of the CJEU. Nevertheless, the UK Government states in its Brexit White Paper that the UK intends to explore staying in the Unified Patent Court and unitary patent system after the UK leaves the EU.

Those offering solutions to the above problems concede that the UPCA would have to be amended. Even assuming that conclusive solutions to the problems might be found, the question remains whether conflicting national interests would make it possible to come to unanimous positions for revising the UPCA. So far, the history of implementing the unitary patent is full of surprises and the users of the European patent system have to be prepared for all alternatives.

1. The patent-reform package

Various attempts to create a community patent, i.e. a patent of the Union which is self-contained in respect of grant and validity, have been made since the late fifties of the last century and turned out to be in vain. Over the decades, the main contested issues were a common court system and the language problem, which is always a delicate question in Europe, in the present context regarding the question into which languages the patent has to be translated.

Eventually two developments made it possible to overcome obstacles on the way to a unitary patent for the Union:

First, the possibility of «enhanced cooperation» among a group of EU states, created by the Treaty of Amsterdam for situations in which not all EU states are prepared to cooperate. It makes progress possible, even if unanimity cannot be reached. Second, the decision to connect the new EU-title in the simplest manner with the grant proceedings before the EPO and to design it as a mere option for the applicant.
1.1 Legal basis

The creation of the unitary patent required three legislative acts which constitute the patent-reform package, that is:

- the Regulation on the unitary patent (hereinafter UPR),
- the Regulation on the language regime for the unitary patent (hereinafter UPTR),
- the Agreement on a Unified Patent Court (hereinafter UPCA).\(^1\)

The two Regulations were published on December 31, 2012.\(^2\) The Agreement was signed by 24 of the then 27 EU States on February 19, 2013.\(^3\)

24 EU Member States participating in the enhanced cooperation from the beginning have signed the UPCA:

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Germany, Denmark, Estonia, Finland, France, United Kingdom, Greece, Hungary\(^4\), Ireland, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Portugal, Romania, Sweden, Slovenia, Slovakia.

In addition, Italy has signed the UPCA. After the CJEU dismissed the actions of Spain against the regulations on the unitary patent, Italy joined the unitary patent project and became the 26th member of the enhanced cooperation in September 2015.

One EU Member State participating in enhanced cooperation has not signed the UPCA: Poland.

One EU Member State has neither participated in the enhanced cooperation nor signed the UPCA: Spain.

Croatia has become an EU Member as of 1 July 2013, i.e. after signature of the UPCA.

Whereas Spain and Poland have taken political decisions to stay outside the unitary patent system, there is no information on the intentions of Croatia. All three states can still join the system. Poland can simply ratify the UPCA. Spain and Croatia would have to join the enhanced cooperation before.

10 EPO Member States – Albania, Switzerland/Liechtenstein\(^5\), Iceland, Monaco, Macedonia, Norway, Serbia, San Marino and Turkey – are not EU Member States.

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\(^1\) OJ EPO 2013, 287.
\(^3\) Out of the 26 countries participating in the enhanced cooperation for the time being, Poland has not signed so far. Spain is not participating in the enhanced cooperation. Italy signed the Agreement, although it decided to participate in the enhanced cooperation only later on.
\(^4\) The Hungarian Constitutional Court found in June 2018 that the Hungarian Constitution has to be changed to properly implement the system (X/1514/2017).
\(^5\) Obligatory common designation under the EPC.
The 38 EPO Member States and their participation in the patent-reform package
1.2 Legislative objectives

The patent-reform package does not involve any change for non EU Member States. They stay with the European bundle patent and the jurisdiction of the national courts. Poland, participates in enhanced cooperation but has not signed the UPCA and has, at present, no intention to sign. The two regulations will not be applicable in Poland without entry into force of the UPCA (see in detail, pts. 1.4 and 4.1 below). In its decision C-146/13, the CJEU did not address the argument in the Attorney General’s opinion that the participating states are obliged to ratify the UPCA in order to implement the enhanced cooperation.

For the state of ratifications, see pts. 1.4 and 3.3.

1.3 The legal instruments

Whereas the unitary patent is a creation of the European Union, it is fundamentally different from the other industrial property titles of the EU, the Community trademark, the Community design and the Community plant variety: it is not granted by an EU agency but by the European Patent Office (EPO). The EPO is the executive organ of the European Patent Organisation which is an independent international organisation. The unitary patent system has been realized by three different legislative acts because there are different legislative competences for the different subjects.

1.3.1 The Regulation on the unitary patent (UPR)

The unitary patent regulation and the EPC are interlinked. Pursuant to Article 142 (1) EPC, a group of Contracting States may provide that European patents may only be granted jointly in respect of those States. In turn, Article 1 (2) UPR stipulates that the Regulation constitutes a special agreement within the meaning of Article 142 EPC.

The UPR governs in particular the creation, the validity and the effects of the unitary patent. Unitary patent protection is offered to the applicant as an option which is an alternative to the traditional and well established European bundle patent having the effect of a national patent in the designated Contracting States. This option can be chosen at the end of the
grant proceedings. Thus, the course of procedure for applying for a patent and examination of the application remains exactly the same. After publication of the mention of the grant, the proprietor has one month within which to decide whether he wants to file a request for unitary effect. If such a request is not filed, the effect of the bundle patent persists.

The unitary patent shall have a unitary character. It can only be limited, transferred or revoked, or lapse, in respect of all the states in which it has taken effect. With respect to validity, the grounds for revocation pursuant to Article 138 (1) a) to c) EPC apply which are identical to the grounds for opposition. However, different from opposition, can an action for revocation be based on a conflicting national application, i.e. an application filed before but published after the date of filing or priority of the unitary patent. So far, it has only been possible to rely on such state of the art, which is only relevant for assessing novelty, in national proceedings and at best with effect to the respective national branch of the bundle patent. As a consequence of the unitary character of the unitary patent, the novelty destroying effect of a prior national application will affect the unitary patent with respect to its whole territory if this problem is not solved before entry into force of the UPCA.

In order to maintain the unitary patent, renewal fees have to be paid to the EPO. The amounts are fixed by a Select Committee of the Administrative Council of the EPO in which the states participating in the enhanced cooperation are represented.

On the one hand the UPR stipulates that the unitary patent shall provide uniform protection and shall have equal effect in its whole territory, on the other hand the Regulation refers to national law in respect of the acts against which the patent provides protection. However, this »national« law is the law laid down in Article 25 et seq. UPCA which is again common to the participating states. As a supplement, the UPR confirms the principle of Union-wide exhaustion as developed by the CJEU. This means that the patentee cannot take action against the circulation of goods within the participating Member States which have been placed on the market in the Union by him or with his consent.

The UPR stipulates in detail which administrative tasks are entrusted to the EPO. Among those are in particular administering the requests for unitary effect, keeping a Register for unitary patent protection as part of the European Patent Register and the collecting and distribution of renewal fees.

Notwithstanding the unitary character of the unitary patent, it may be licensed in respect of the whole or part of the states in which it has taken effect.
1.3.2 The Regulation on the translation arrangements for the unitary patent (UPTR)

A European patent application may be filed in any language. If it is not filed in one of the official languages of the EPO, i.e. English, French or German, a translation in one of these languages has to be filed. The language of the translation becomes the language of the proceedings, i.e. the language in which the proceedings are conducted and in which the patent is granted. Before grant, translations of the claims in the two official languages other than the language of the proceedings have to be filed. This language regime remains the same for the unitary patent. In case of an infringement dispute, the patentee has to provide the alleged infringer at his request and choice a full translation of the unitary patent in the language of the state of the alleged infringement or the state of the alleged infringer’s domicile. In addition, the competent court may require a full translation in the language used in the proceedings before that court.

As a rule, no further translations are necessary at this stage, in particular not for validating the patent in the states in which the unitary patent has taken effect. However, for a transitional period, a full translation of the specification has to be filed with the request for unitary protection. If the patent was granted in German or French, the translation has to be in English, if the patent was granted in English, the translation may be filed in any other official language of the Union. The transitional period will be 6 to 12 years. After six years, an independent expert committee will carry out an evaluation of the availability of high quality machine translations of patent applications and patents into all official languages of the Union⁶, satisfying the public’s need for information, and make proposals for terminating the transitional period.

1.3.3 The Agreement on a Unified Patent Court (UPCA)

The UPCA establishes the Unified Patent Court as a common court for the Member States to the Agreement comprising two instances. The Member States confer on the Court the exclusive competence for actions for infringement of a European patent (see in detail pt. 2 below).

1.4 Entry into force and application of the provisions

Both regulations, UPR and UPTR, entered into force on January 20, 2013. The entering into force of the UPCA depends on three conditions.

⁶Cf. the translation service for patent documents developed by the EPO and Google, www.epo.org → Searching for patents → Helpful resources → Patent translate.
Since the first and the third of these conditions have already been fulfilled and the required number of 13 ratifications has already been achieved in 2017, only the ratification by the three obligatory thirteen states is lacking for the entry into force of the UPCA. France was the second state to ratify on March 14, 2014 and the UK deposited its instrument of ratification on April 26, 2018. Thus, only Germany is lacking where the ratification cannot be completed due to the challenge to the ratification bill before the German Constitutional Court.

Both regulations make a significant difference between entering into force and application. Whereas they have already entered into force, they are not applicable until the UPCA will have entered into force. This means that the patent-reform package will be applicable only as a whole.

Even after entry into force of the UPCA, the unitary effect of a unitary patent will be restricted to those Member States in which the Unified Patent Court has acquired jurisdiction at the date of registration of the unitary effect of the respective European patent. This means that there will be no unitary effect for states participating in the enhanced cooperation which have not yet ratified the UPCA after its entry into force. It cannot be assumed that all signatory states will ratify the UPCA at the same time. Thus, the patent-reform package will become applicable step-by-step, depending on the state of ratification of the UPCA, and at the outset only for the 17 states if Germany is the next state to ratify.

2. The Unified Patent Court (UPC)

2.1 Organization

The Court of First Instance comprises three types of divisions:

- the central division,
- local divisions set up upon request of a Member State, and
- regional divisions set up upon request of two or more Member States

The seat of the central division was one of the most controversial political issues. Finally, a compromise was reached and the seat will be in Paris and two sections will be established in

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London and Munich. The cases will be distributed within the central division on the basis of the Sections of the International Patent Classification. Cases in Section A (human necessities) and Section C (chemistry) are allocated to London, cases in Section F (mechanical engineering, lighting, heating, weapons, blasting) are allocated to Munich and the other cases are to be handled in Paris.

It is up to the signatory states to decide in which states local and regional divisions will be set up. Not all states have finally made up their mind. In Germany, there will be four local divisions in Dusseldorf, Hamburg, Mannheim and Munich. Austria, Belgium, Denmark, Finland, France, Ireland, Italy, the Netherlands, and the United Kingdom each plan to set up one local division.

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Sweden, Estonia, Latvia and Lithuania have concluded an agreement on the creation of a Nordic-Baltic division having its seat in Stockholm. Further local and regional divisions may be set up.

The seat of the Court of Appeal is Luxembourg. A third instance dealing only with questions of law is not foreseen. Contested questions of the interpretation of EU law have to be clarified by preliminary rulings of the European Court of Justice (see below pt. 2.7).

2.2 Competence

The Member States confer on the UPC the exclusive jurisdiction for litigation in respect of European patents, i.e. not only in respect of unitary patents but also in respect of European bundle patents and supplementary protection certificates based on such patents. The main competence concerns infringement cases and the question of validity.

Within the Court of First Instance, the local or regional division of the state of the alleged infringement and those of the state of the residence of the defendant are competent. If there is no local or regional division for the respective Member State, or if the defendant has no residence within the Member States, also the central division is competent.

As a rule, only the central division is competent for actions for revocation and for declaration of non-infringement. A counterclaim for revocation may be raised before the division before which an infringement action is pending; this may be a local, a regional or the central division.

Having heard the parties, a local or regional division may

- proceed with both the action for infringement and with the counterclaim for revocation;
- refer the counterclaim for revocation to the central division with the possibility of staying the proceedings; or
- with the agreement of the parties, refer the whole case to the central division.

If the local or regional division proceeds with the revocation case itself, it is enlarged by a technically qualified judge.

In case an action for revocation is pending before the central division, a local or regional division remains competent for a subsequent infringement case. In parallel, also the central division is competent. After an action for declaration of non-infringement before the central division, an action for infringement can be brought before a local or regional division with the consequence that the proceedings before the central division shall be stayed.

2.2 Competence
If opposition or limitation proceedings are pending before the EPO, the Court may stay its proceedings, without being obliged to do this. This means that – different from German law – opposition proceedings do not block the possibility of filing an action for revocation.

2.3 The judges

2.3.1 Composition of the panels

Any panels of the UPC shall have a multinational composition and shall be chaired by a legally qualified judge.

As a rule, the panels of the local divisions sit in a composition of three legally qualified judges. Two of them have to be nationals of the state for which the division is set up if this state has 50 or more patent cases per year; otherwise there is only one judge from this state.

The additional judges are allocated from the pool of judges. This applies to the regional divisions with the proviso that two judges always come from the region. Upon request of a party, any panel of a local or regional division requests the allocation of a technically qualified judge. It may make such a request of its own motion.

The central division sits in a composition of two legally qualified judges of different nationality and a technically qualified judge.

The Court of Appeal sits in a composition of three legally qualified and two technically qualified judges.

All legally and technically qualified judges of the Court of First Instance are members of the Pool of Judges. The technically qualified members of the Pool are also available to the Court of Appeal. The judges may be full-time or part-time judges. Both may exercise judicial functions at national level. The President of the Court of First Instance allocates the judges to the divisions of the Court of First Instance if they are not appointed as permanent member of the respective division.

The members of the Pool of judges are not yet appointed. Their qualification will be of decisive influence on the success of the unitary patent system as a whole.

2.3.2 Qualification and selection

The Administrative Committee foreseen in the UPCA decides on the appointment of the judges. It takes its decisions on the basis of a list of candidates established by an Advisory Committee comprising patent judges and practitioners experienced in patent law and patent litigation.

In respect of the eligibility criteria, the UPCA sets a high yardstick, at least at first glance. Judges shall ensure the highest standards of competence and shall have proven experience in the field of patent litigation. On closer inspection, the Draft Statute annexed to the Agree-
ment puts this requirement into perspective: the necessary experience may be acquired by training foreseen in the Statute. In accordance with Article 19 UPCA, a training centre has been set up for this purpose at Budapest. As usual in EU institutions, the principle of geographical distribution is a very important selection criterion. Legally qualified judges shall possess the qualifications required by national law for appointment to judicial offices. Technically qualified judges have to have a university degree and proven expertise in a field of technology.

2.4 Procedure

2.4.1 Language of proceedings

As a rule, the language of proceedings before a local or regional division is the official language of the state hosting the division. The respective state may allow the use of additional languages. The majority of states will allow the use of English as an additional language, very likely also Germany. This takes into account that two thirds of the European patents are granted in English. With the agreement of the division, the parties may choose the language of the granted patent. If the Court disagrees, the parties may request that the case be referred to the central division. The language of the proceedings before the central division is the language of the granted patent.

Before the Court of Appeal, the language of the proceedings remains the same as in first instance proceedings, unless the parties agree on the use of the language of the granted patent. The Agreement allows for some flexibility if other language arrangements appear to be appropriate in particular situations.

2.4.2 Rules of Procedure

It is the task of the Administrative Committee to adopt the Rules of Procedure of the UPC on the basis of a broad consultation with the stakeholders. The 18th and final draft9 which has taken the results of a public consultation into account comprises some 382 Rules. Inter alia, they are dealing with the different types of actions, the different stages of the proceedings, the role of the judge rapporteur, the case management by the judge rapporteur and the chairman, the means of evidence, the conduct of oral proceedings, provisional measures, appeals and fees.

2.4.3 Representation

In proceedings before the UPC, parties have to be represented. Representation may be undertaken by lawyers entitled to act before a court of a member state or by European Patent Attorneys having appropriate qualifications such as a European Patent Litigation Certificate. A draft was provided in September 2015,10 defining the qualifications to be acquired by accredited courses. Transitional provisions allow that those having passed national courses may represent. Among such courses are the courses of the Fernuniversität Hagen in the framework of the preparation for the German examination as patent attorney.

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9 Last updated version: March 15, 2017
10 Last updated version: December 1, 2016
2.5 Stages of the proceedings

2.5.1 First instance proceedings and timing

Proceedings before the Court of First Instance consist of several stages. As a rule, the final oral hearing should take place within one year. The first stage consists of written proceedings in which normally two briefs from each side are exchanged within a rather strict timetable. The pleadings are to be submitted in electronic form, unless this is not possible for any reason. For the online communication with the Court, a Case Management System has been developed which is accessible for test purposes. The written proceedings should normally not exceed eight to nine months. This stage is conducted by the judge rapporteur who may in reasoned cases allow exceptions from the given time schedule, e.g. allow extension for time limits.

The second stage is the interim procedure, also conducted by the judge rapporteur. Its aim is to comprehensively prepare the case for the oral hearing and to clarify the position of the parties in respect of the contested relevant main issues. To this end, the judge rapporteur may hold an interim conference which may take place as a telephone or video conference. This stage should be finished within three months.

As the next step, the judge rapporteur summons the parties to the oral hearing and informs the presiding judge of the closure of the interim procedure. From this point in time, the presiding judge takes over the management of the case. The oral hearing takes place before the panel and should be completed within one day. The decision on the merits of the case should be given as soon as possible after the oral hearing; in exceptional cases it may be pronounced immediately after the oral hearing. The written and reasoned decision on the merits should be issued within six weeks from the oral hearing.

2.5.2 Bifurcation

As set out at pt. 2.2, the local or regional division at which the action for infringement is pending may deal with the counterclaim for revocation, refer it to the central division or refer the whole case to the central division. The defendant has to include in his statement of counterclaim a statement of his position in respect of these alternatives. In the same way, the plaintiff has to state his position in respect of these alternatives in his defence to the counterclaim. After the closure of the written procedure, the panel decides how to proceed with the case. An oral procedure is not foreseen for this purpose.

In case the division proceeds with infringement as well as with validity, the judge rapporteur requests the allocation of a technically qualified judge if this has not already been done. If the counterclaim for revocation is referred to the central division, the action for infringement is stayed, provided there is a high likelihood of invalidity. Otherwise, the decision on staying the infringement procedure is within the discretion
of the Court. If the action for infringement is not stayed, the Court may render its decision under the condition that the patent is not held invalid in parallel proceedings.

It is possible that, at least at the outset, divisions in different states or regions, as the case may be, will treat these questions differently. In Germany, there has been for a quite long time the tradition favoring the plaintiff to deal with infringement and validity in separate proceedings before the Civil Court and the Federal Patent Court. So far, infringement proceedings have only been stayed if the Civil Court has seen a high likelihood of revocation which has rarely been the case. Some comments of German judges indicate that referral to the central division might not become a very significant option.

2.5.3 Evidence

In proceedings before the UPC any means of evidence may be relied on, in particular documents whether written or drawn, photographs, expert reports, affidavits, physical objects, and audio or video recordings. Evidence may also be obtained by hearing the parties or witnesses and party or court experts. The UPC may order a party to the proceedings and even a third party to produce evidence. Such an order may be requested by a party which has submitted reasonable and plausible evidence in support of its claims and has specified evidence which lies in the control of another party. If a party fails to comply with an order to produce evidence this has to be taken into account in the Court’s decision evaluating the evidence.

The UPC may order to preserve evidence, like the inspection of physical objects or premises and the taking of samples. It may also order provisional measures like the seizure of allegedly infringing goods and the materials for producing such goods, also freezing orders are possible. Under particular circumstances, such orders may be given without hearing the defendant. However, a US type pretrial discovery is not foreseen.

2.5.4 Appeal procedure – basic outline

All final decisions and orders of the Court of First Instance are subject to appeal. Any party may appeal if it is adversely affected, i.e. if its requests turned out to be unsuccessful. The statement of appeal against a final decision has to be filed within two months and the statement of grounds of appeal within four months of its notification. The appeal may be based on points of law and points of fact. New facts and evidence may only be introduced where the submission thereof could not reasonably have been expected during first instance proceedings. An appeal has no suspensive effect unless the Court of Appeal decides otherwise on a party’s request. In principle, the conduct of appeal proceedings is similar to first instance proceedings. Also in second instance the judge rapporteur prepares the case for the oral hearing. At the end of the proceedings, the Court of Appeal takes a decision on the merits of the case. In exceptional cases, the Court may refer the case back to the Court of First Instance.
According to the Rules of Procedure, certain procedural orders are always subject to appeal, others only if the Court of First Instance grants leave. If a request to grant leave is refused, a request for a discretionary review to the Court of Appeal is available.

2.6 Costs

In proceedings before the UPC, court fees have to be paid. The level of the fees has to be fixed by the Administrative Committee. The UPCA contains principles for fixing the fees. They will consist of a fixed fee, combined with a value-based fee. Micro and small enterprises are entitled to a 40% fee reduction.

According to the final draft of the table of Court fees of February 2016, the fixed fee for the infringement action, the action for declaration of non-infringement and some other actions and applications is 11,000 €. It is supplemented by the value-based fee which starts at 2,500 € for the value of action above 500,000 € and has its maximum amount of 325,000 € for the value of action above 50,000,000 €. For interim relief, including applications for an interim injunction, there is a fixed fee of 11,000 €. The fixed fee for the revocation action is 20,000 €, for the counterclaim for revocation it is 11,000 €. In addition, the value-based fee has to be paid, for the counterclaim for revocation only up to the ceiling of 20,000 €. The amount for the appeal fee is for most cases 11,000 €, plus the value-based fee. The proposed fees are intended to cover the Court’s budget after the transitional period.

Considering the overall financial burden of litigation before the UPC, court fees may be the minor factor. In accordance with Article 69 (1) UPCA, the losing party has to pay “reasonable and proportionate costs and other expenses incurred by the successful party, unless equity requires otherwise”. At the request of the winning party, the Court renders a cost decision. Different from the court fees, costs for parties’ own expenses and attorney’s fees are not calculated on the basis of the value of the action. The main part will be the bill of the successful party’s attorneys, in patent litigation usually based on hourly rates.

There are two limits: First, the costs must be reasonable and proportionate, and second, Article 69 (1) UPCA in conjunction with table for recoverable costs provides for a ceiling for the costs to be paid by the losing party for each instance of the Court proceedings. The scale starts at recoverable costs up to 38,000 € for the value of action up to 250,000 € and ends at recoverable costs up to 2,000,000 € for the value of action above 50,000,000 €. The ceiling may be lowered if the amount of recoverable costs threatens the economic existence of a party. Under special circumstances, such as the complexity of the case, it may also be raised. For a typical case of a value of action of 30,000,000 €, the regular ceiling of 1,200,000 € may be raised by 25%, i.e. the raised ceiling is 1,500,000 €. If the value of action exceeds 50,000,000, the ceiling can be raised up to 5,000,000 €. Whereas there is a large margin of discretion for the Court when deciding on the reimbursable costs, each party involved in litigation has to be prepared
for the worst-case scenario. This means that the litigation cost risk in the UPC system will be much higher than before most European national courts in national litigation.

2.7 The future role of the Court of Justice of the EU (CJEU)

UPR and UPTR are legal instruments of the legal order of the EU. It is the primary role of the CJEU to interpret the Union law. Therefore, the UPCA stipulates that the UPC is obliged, in the same way as a national court, to request preliminary rulings of the CJEU in order to clarify questions concerning the interpretation of EU law. The draft of the UPR contained in its Articles 6 to 8 definitions of the acts against which the patent provides protection. This resulted in concerns relating to the involvement of the CJEU in the interpretation of the substantive law on patent infringement. These were expressed by national patent judges and representatives of interested circles in view of the highly specialized character of this matter. This question was on the verge of letting the whole project fail at the very last minute, even after the Heads of State had come to an agreement. Neither the Parliament which wanted to maintain these provisions nor the Council of Ministers which wanted them to be deleted seemed prepared to give in.

Eventually, a compromise was found according to which Article 5 (3) UPR refers to the applicable national law in respect of the acts against which the patent provides protection. This »national law« is to be found for the Member States of the UPCA in Article 25 et seq. of the Agreement defining the privileged acts and their limitations. Whether or not this compromise can achieve its objective to keep the law of patent infringement separate from EU law is an open question considering Article 5 (3) UPR and its reference to common treaty law. In any case, the CJEU is competent to give preliminary rulings on the interpretation of the provisions of the EU Law like the Enforcement Directive or the Biotech Directive.

3. The course of implementation of the unitary patent

3.1 The Select Committee of the Administrative Council of the European Patent Organisation

For some time, the EPO has been in a position to make administrative preparations for fulfilling its tasks pursuant to Article 9 EPR. Within the Administrative Council of the European Patent Organisation, the 25 and meanwhile 26 states participating in enhanced cooperation established a Select Committee pursuant to Art 145 EPC which has to take the necessary legal and financial decisions. In particular, the Committee is competent for fixing and distributing the renewal fees.

In December 2015, the Select Committee adopted the Rules relating to Unitary Patent Protection comprising the procedural provisions for the unitary patent.11 The provisions are similar...
to corresponding provisions in the Implementing Regulations to the EPC, including means of redress as re-establishment of rights or late payment of renewal fees with surcharge in case of non-observance of time limits. It has to be emphasized that further prosecution is not at all available. This is particularly important for the request for unitary effect. Also in December 2015, the Select Committee adopted the Rules relating to Fees for Unitary Patent Protection,12 in particular containing the amounts for the renewal fees.

A Unitary Patent Protection Division is to be established which is responsible for carrying out the tasks entrusted to the EPO under the UPR. Decisions are taken by one legally qualified member. Certain aspects of the procedures may be entrusted to formalities officers. It is foreseen that the Unitary Patent Protection Division will be integrated into the existing structure of the Legal Department pursuant to Article 20 EPC. On its website, the EPO has published a “Unitary Patent Guide - Obtaining, maintaining and managing Unitary Patents”.

Decisions of the Unitary Patent Protection Division are subject to appeal to the UPC. For opposition proceedings, the Opposition Divisions remain competent. Their decisions on the validity of the registered unitary patent are subject to appeal to the Boards of Appeal of the EPO. The CJEU has not addressed this point in its decision C-146/13 when dealing with the Spanish argument of lacking judicial review. It may become a question to be considered in the cases pending at the German Constitutional Court.

3.2 The Preparatory Committee of the Unified Patent Court

The UPC has not yet entered into force, thus no final decisions can be taken. However, the signatory states of the UPC have established a Preparatory Committee which takes preparatory measures for the committees foreseen in the Agreement, i.e. the Administrative Committee, the Budget Committee and the Advisory Committee. The Preparatory Committee has established five working groups. Already in 2013, the 15th Draft Rules of Procedure of the UPC were published for written public consultation. The 17th Draft was discussed in a public hearing in November, 2014.

In October 2015, the Preparatory Committee reached agreement on the 18th Draft of the Rules of Procedure of the UPC. It acceded to the German suggestion to provide for a partial admission of further languages. Pursuant to Rule 14 (2) c), the judges of the Court may use the official language of the member state in oral proceedings and for drafting the decision if a further language had been used.

The Preparatory Committee convened an expert panel comprising representatives from the users’ side for giving advice in its further work; the first meeting was held in September 2014.

12 OJ EPO 2016, A 40
For preparing the appointment of the judges, candidates were given the opportunity to express their interest. In 2013, some 1,300 applications were received. On this basis, a list of several hundred candidates deemed eligible as legally or technically qualified judges was established. Considering the time lapsed since then, new appointment proceedings on a new basis are envisaged. In early 2015, the training of the future judges started in the training center in Budapest as foreseen in Article 19 UPCA for a first group of 19 judges. The training program comprises besides the training in Budapest internships with specialized patent courts in France, Germany, the Netherlands and the United Kingdom. At the outset, the majority of judges will act as part time judges.

Special efforts are necessary for the development of the IT-structure since the Rules provide that documents should be lodged electronically, where possible. A prototype has been made available which allows to file various briefs in an infringement action as test case.

The UPC has to be operational when the UPCA enters into force. Furthermore, proprietors of existing European bundle patents shall be given the opportunity to declare a valid opt-out during a sunrise period before actions can be filed at the UPC. Therefore, a Protocol on the provisional application of the institutional, organizational and financial provisions of the Agreement and its Statute for a period of some six months before its entry into force was signed in October 2015. On its basis, the bodies established by the Agreement may make the preparations and decisions necessary for the operation of the UPC before the first actions can be lodged.

3.3 Ratifications of the UPCA

Essential obstacles to the progress of ratifications have been removed. The CJEU has dismissed the actions of Spain against the Regulations on the unitary patent\(^{13}\) and the Select Committee of the Administrative Council has agreed on a structure for the renewal fees and the key for the distribution of the renewal fees. The contested issues of the the level of the Court fees and the recoverable costs have been resolved by the Preparatory Committee.

As to the ratifications by the Member States, the first optimistic expectations of the EU Commission have by far not become reality. They had envisaged the 13 ratifications by November 2013 in order to have the first unitary patents registered in the first half of the year 2014. Until the end of 2014, Austria, France, Sweden, Belgium, Denmark and Malta deposited their instruments of ratification. In 2015 Luxembourg as well as Portugal, in 2016 Finland, Bulgaria as well as the Netherlands, in 2017 Italy, Estonia as well as Lithuania, and in January 2018 Latvia completed the ratification.

\(^{13}\) C-146/13 and C-147/13, OJEU C 213/5 of 29.06.2015.
already ratified AT, BE, BG, DK, EE, FI, FR, IT, LT, LU, LV, MT, NL, PT, SE, UK
in the process of ratifying GR, SI, RO
decided not to ratify/ outside enhanced cooperation ES, PL, HR
no steps for ratifying CY, CZ, SK
legal obstacles DE, HU, IE
EPO member states outside EU
In the United Kingdom, after entry into force of the Intellectual Property Act 2014, ratification was foreseen for spring 2016, i.e. before the referendum on EU membership. After the Brexit referendum, the UK Government announced that it would continue to fulfil its obligations as an EU member as long as it was a member. However, the necessary parliamentary steps were delayed as a consequence of the Government’s decision to call for general elections in June 2017. The newly elected Parliament completed these steps and the instrument of ratification was deposited on April 26, 2018. The legal implications of the due date for leaving the EU in March 2019 were not ignored, but the responsible Minister stated that “(t)he unique nature of the proposed court means that the UK’s future relationship with the Unified Patent Court will be subject to negotiation with European partners as we leave the EU.”

In Germany, the first draft of a Bill had been initially announced for the second half of the year 2014. Eventually, two bills, a bill for the ratification of the UPCA and a second one for adapting the necessary national law, were approved by the second chamber of Parliament in March 2017. The Laws ought to have been signed by the German Federal President, published and ultimately entered into force. However, immediately after the Parliament’s approval, a constitutional complaint was filed against the ratification by German patent attorney Ingve Stjerna. At the request of the Federal Constitutional Court, the Office of the Federal President agreed on April 4, 2017 to suspend the ratification process until a decision on the merits will have been made. This is a common practice of the court about requests for interim measures against the execution of legislative acts which it deems to be not obviously unfounded. Where as the case is on the Court’s time schedule for 2018, this does not allow any predictions when a decision can be expected.

In Slovenia, a Ratification Bill was adopted in 2016 and Romania has been said to ratify soon. In Greece, the Government has prepared a draft Ratification Bill.

In Ireland, a referendum which is necessary for constitutional reasons has not yet been scheduled and in Hungary, the Constitutional Court recently ruled that an amendment to the Constitution is necessary before Hungary can proceed to ratify.

As to the remaining EU-member states, Cyprus, the Czech Republic, and Slovakia have not yet taken steps to initiate ratification of either the UPCA or the Protocol on its provisional application.

Ratification may still be delayed by political objections, e.g. from interested circles which are not satisfied with the results or do not want to accept interferences with their established business. States may reassess their interests following the example of Poland which has participated in enhanced cooperation but not signed the UPCA, considering that as a whole the economic disadvantages for the country pre-
dominate. Similar considerations have become known from the Czech Republic and Slovakia.

It remains to be seen whether and how the Commission will try to influence the states which have so far not made any preparations for ratifying the Agreement. Participating in enhanced cooperation may be considered as an obligation to implement enhanced cooperation implying the ratification of the UPCA. Thus, not ratifying may be treated as a violation of a treaty obligation.

3.4 National Preparatory Work

The signatory states of the UPCA have to aim at a speedy ratification of the Agreement. Besides that, they have to do some preparatory work within their own area. The states hosting sections of the central division, local divisions or regional divisions have to provide in particular appropriate buildings with their facilities and the administrative staff. Paris, London and Munich will host sections of the central division as well as local divisions. The planning in Germany was performed separately by the Federal Republic and the Bavarian state. The Federal Republic plans to accommodate the section of the central division as a kind of subtenant in the building of the Federal Patent Court at Munich’s southern outskirts.

By contrast the Bavarian state has chosen a somewhat more central accommodation for the Munich local division in the North of downtown. This course of action is neither commensurate with the importance of the Court nor can it meet functional and financial requirements. Considering that a completely new procedure is going to be established, it might have been expected that at least at the same seat in Munich the preconditions for a harmonized administrative handling of the cases are created. It does not seem very economical to provide the necessary staff and to develop the IT-structures for two divisions of the same court at two different locations. The judges concerned may be forced to work at three different locations when appointed as part-time judges of the UPC.

4. Alternatives for the proprietor

Requests for unitary effect may be filed for all European patents granted after entry into force of the UPCA. Therefore, after that entry into force, the proprietor has to make speedy decisions as to which of the available alternatives to choose. He has to balance which routes imply which advantages and disadvantages.

In this respect, simple and global answers cannot be given. Rather, the interests in the individual case have to be assessed, which may be different from patentee to patentee, and even for different patents of the same proprietor. In addition, the situation in the starting period for initially 17 Member States will be different from the full implementation of the system after the end of the transitional period and ratification by possibly all EU States.
4.1 Cost benefits of the unitary patent

A realistic assessment depends on the question of whether or not the unitary patent can achieve the legislative aims and thereby fulfill the expectations of the users.

4.1.1 Renewal fees

It is apparent that the unitary patent will significantly simplify the payment of annuities. Presently, all Contracting States of the EPC require the annual payment of renewal fees. A wide range of formal requirements is applicable in each country and may often change, such as types of payment, accounts or amounts of fees or specific rules of representation for payments.

Thus, the payment of low amounts of fees may involve a disproportionate amount of administrative efforts for patent proprietors. Only a single renewal fee will be payable to the EPO for the unitary patent as it is already the case for pending European patent applications and each European patent attorney is well acquainted with the requirements for payment.
Regarding the amounts of the renewal fees for a unitary patent to be paid to the EPO after grant, it has to be kept in mind that the national patent offices have been relieved from the burden to administer granted patents.

For this reason, one might expect that the justification for collecting fees at the national level is at least diminished. The EPC provides that the income from renewal fees for granted patents is split between the Contracting States and the European Patent Organisation and the share of the European Patent Organisation shall not exceed 75%. The Contracting States had initially set the EPO’s share to 60%. In 1985, it was further reduced to 50%, which made the EPO more dependent on procedural fees – to the applicants’ detriment. This rate is now maintained for the unitary patent.

This has to have its consequences for the future revenue from renewal fees for unitary patents.

What this revenue is supposed to cover is meaningful for the future revenue. Pursuant to the UPR, these are the following items:

- the entire costs of the EPO for registering and managing unitary patent protection;
- a balanced budget of the European Patent Organisation together with procedural fees for the grant procedure;
- an increased share of the Member States having a different official language than the EPO;
- a minimum share of the Member States with low patent activity;
- an increased share of new Contracting States of the European Patent Organisation;
- a compensation system for compensating translation costs for filing in an EU language other than one of the official languages of the EPO for the benefit of small entities and further privileged proprietors.

Thus, the future revenue from renewal fees has to cover considerable additional expenditures. As a result, current beneficiaries of the revenue would have to forego earnings if the overall amount of revenues was to remain stable.

However, when the Member States participating in enhanced cooperation agreed on the patent-reform package, they decided that no state
should receive less from the revenue of renewal fees for unitary patents than hitherto from the revenue for the bundle patent.

Accordingly, it would have amounted to squaring the circle to arrive at amounts for the annuities for the unitary patent which were lower for the average proprietor than those to be paid for the European bundle patent. A cross-financing from the general budget of the EPO for bundle patents is expressly excluded in the UPR.

Eventually, the Select Committee, when fixing the level of renewal fees, may have been guided by the argument that the patent proprietor is granted comprehensive territorial protection for which he has to pay somewhat higher fees. Whether or not this argument will convince a high number of proprietors depends to a large degree on the question whether they have a serious interest in a broader territorial scope of protection.

The Select Committee, having considered model calculations for various scenarios, took a decision in favor of the »True Top 4« model.\(^\text{14}\) It is based on the principle that the renewal fees for the unitary patent should correspond to the total sum of renewal fees currently paid for the four most frequently validated countries (DE, FR, NL, UK). So far, the Brexit has not yet been considered as a reason for recalculating the renewal fees. The amounts start at 35 € for the 2nd year, exceed the threshold of 1,000 € after the 9th year and end at 4,855 € for the 20th year. Over the whole term they sum up to 35,555 €. For the first ten years the total is 4,685 €.

### 4.1.2 Validation

The essential progress achieved by the European Patent Convention is the single examination and grant procedure. The applicant only has to deal with a single examination authority in a single language for obtaining a patent granted for all designated Member States of the EPC. At the grant stage, this uniformity comes to its end and the European patent splits into a bundle of national parts each having its individual fate which, after the opposition stage, is subject to national law, the only exception being the substantive criteria of patentability.

Currently, the patent proprietor incurs substantial costs for validating the European patent in its designated states, in particular for filing the necessary translations.

Regarding translation costs, a significant reduction was achieved by the London Agreement on the application of Article 65 EPC. This is to be kept in mind when comparing costs of the current European bundle patent and the new unitary patent, in particular for states which participate in the enhanced cooperation but which also joined the London Agreement.

This currently applies to 13 states out of the above explained total of 26 states participating in the enhanced cooperation for the unitary patent, the UK still being included. Five of these 13 states share an

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\(^{14}\) For the amounts in detail, see the schedule of renewal fees in Art. 2 RFees for Unitary Patent Protection, OJ EPO 2016, A.40
4.1.3 The relevant comparison

Thus, the patentee has to ask himself two questions: in which countries can I achieve savings and for which countries do I need protection.

For the first question he has to look at the expenses for validation incurred hitherto and to follow the ratification status of the UPCA, for the other question he will be influenced by the validations made so far.

In this respect it is remarkable that according to an impact assessment of the EU Commission, undertaken when preparing the work on the unitary patent, 50% of granted European patents are only validated in up to three EU Member States. First of all, these will be the countries with the highest number of existing granted patents, that is Germany, France and the United Kingdom.

No translation is required for these countries pursuant to the London Agreement. However, for a unitary patent a translation has to be filed during the transitional period in all cases, as mentioned above. Thus, for patents validated in these countries, the unitary patent actually leads to an increase of the translation costs. For the sake of completeness, it is to be added that pursuant to Article 65 EPC, in addition to the five countries never requiring a translation, a translation is not necessary for Malta if the language of the proceedings is English and for Austria if the language of the proceedings is German.

Pursuant to Article 6 UPTR, a full translation of the granted patent has to be filed with the EPO during the transitional period of at least six and no more than 12 years (see pt. 1.3.2).

If the language of the proceedings is German or French, an English translation has to be filed; if the language of the proceedings is English, the translation may be filed in any other official language of the EU.

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15 Denmark, Finland, Netherlands, Sweden and Hungary.
16 Latvia, Lithuania and Slovenia.
The other extreme are about 1,000 patents which are – according to an estimation of the Commission – annually validated in all EU Member States. The Commission estimated the related validation costs to exceed EUR 32,000.

It is obvious that a proprietor who needs such a broad territorial protection will achieve great cost benefits with the unitary patent. This applies even at the outset, when the patent-reform package will only be applicable in 17 Member States at the outset.

Thus, whereas the cost assessment is rather clear for about half the granted European patents, the circumstances of the individual case have to be examined for the majority of the remaining ones, i.e. the individual interest in broad protection, the present requirements of translation in consideration of the London Agreement and the status of ratification of the UPCA.

In this exercise, the interest in the territorial scope of protection should not be put on the same level with validations made in the past. Two aspects have to be considered. First, it may be assumed that the continuing integration within the internal market results in an increasing interest in protection for more countries. Second, there is a windfall gain in the border area of the cost comparison: if the patentee can obtain with moderate additional expenditure protection in say 17 instead of four countries, such additional investment may appear rewarding.

For the renewal fees too, it has to be taken into account that the European patent has been validated in some 50 % of the cases only in up to three countries, whereas the proprietor of the unitary patent has to pay the equivalent for four countries. In this respect, the question arises whether the users of the European patent system attribute an added value to the unitary patent and whether they are willing to pay more for it (see below pt. 5).

Finally, the proprietor’s obligation to pay the full single renewal fee for the whole life of the unitary patent has to be taken into account, whereas the bundle patent allows decreasing the financial burden during the term of the patent by allowing it to lapse in individual designated states.

4.2 National jurisdiction or Unified Patent Court

It will be a key question for the success of the unitary patent to which degree patentees are prepared to place confidence in the new court system. In this respect, the principle derived from experience may apply that the known even with its weaknesses appears more trustworthy than the unknown. In particular, patentees in countries with experienced and established patent courts may be inclined to follow such tendency.

For the patentee, the route to the UPC has the advantage that he can enforce the unitary patent and the European bundle patent in one single
procedure with effect in all states for which the UPCA has entered into force. Whereas this increases the economic impact of the patent, it implies at the same time the indispensable risk that the patent may be invalidated in one single procedure for its whole territory, be it in isolated revocation proceedings, be it in infringement proceedings in which a counterclaim for revocation has been raised. After revocation, there is still a second chance in appeal proceedings before the Court of Appeal in Luxembourg. However, different from the present situation, there is no chance to save the patent in another country before another court. This argument ("all eggs in one basket") was also used after entry into force of the EPC. It seems, however, not to have deterred users from applying for European patents.

Establishing local and regional divisions serves the purpose of integrating existing systems. According to an enquiry of the Commission preceding the work on the unitary patent, more than 90% of the then estimated 1,500 – 2,000 patent cases in the Union were litigated before courts in Germany, England, France and the Netherlands. This means on the one hand that in the majority of countries there were no courts with judges experienced in patent matters, and on the other hand that there are human resources primarily in the said four countries which can be deployed for a common court, the majority in Germany. These resources are especially used by the provision in the UPCA according to which local divisions in a country with more than 50 patent cases per year sit in a composition with two judges from this country and one judge from another country. To a large extent, it is within the control of the patentee before which local division litigation takes place. He has the choice between the residence of the defendant and the place of infringement. Even if the alleged infringer files an action for declaration of non-infringement at the central division, the patentee may have the case treated at a local or regional division by filing an action for infringement at the competent division of his choice himself. This possibility also exists if the alleged infringer files an action for revocation at the central division. Whereas it is within the discretion of the local or regional division to refer a revocation case to the central division, it cannot refer the infringement action to the central division, unless both parties agree.

The plaintiff can hardly expect to have judges coming from his national jurisdiction with which he is familiar attend the central division. At the central division, the principle of geographical distribution of staff will have a significant effect because it can be applied to the local and regional division only to a limited extent. In the latter divisions, there will be a majority of judges from countries with experienced national patent courts. This may have the consequence that more judges from other countries will sit in the central division.

In this respect, it has to be noted that according to the UPCA a regional division has to refer the case to the central division at the defendant’s request if the alleged infringement has occurred in the territories of three or more regional
4.3 The bundle patent – opt-out and opt-in

A transitional arrangement which only applies to bundle patents and not to unitary patents is intended to increase acceptance by the users. During the transitional period, there is a concurring jurisdiction of the national courts. In addition, the applicant or patent proprietor may exclude the exclusive jurisdiction of the UPC up to one month before the end of a transitional period (opt-out). The declaration is to be submitted to the Registry of the Court and is entered into the Register of the Court. The UPCA does not explicitly exclude that the UPC retains concurrent jurisdiction after an opt-out; however, this may be concluded from the purpose of provision. The declaration may also be withdrawn (opt-in).

Attention has to be drawn to the fact that the jurisdiction of the UPC is not limited to European bundle patents granted after the entry into force of the UPCA. Rather, it also comprises patents granted before and valid for the States in which UPCA has become effective. Thus, at the entry into force of the UPC, the patentee has to check his whole portfolio of European patents whether he wants to exclude the jurisdiction of the UPC. Previous drafts of the Rules of Procedure required the payment of an opt-out fee. Obviously, the purpose of such a fee is to cover the administrative expense. An intention behind the fee might also have been to deter applicants and patentees from opting-out. In this way those not willing to use the UPC system would have had to raise its start-up funding. Users have submitted their political and legal concerns about this requirement. This may have resulted in eventually deleting the fee requirement.

An opt-out declaration can be submitted within a transitional period of seven years which can be extended up to 14 years.

Both, opt-out and opt-in, are subject to the requirement that no action has been filed yet at the court which had jurisdiction until the relevant declaration. Accordingly, a patent proprietor may file a declaration of opt-out for the time being, assuming that he can withdraw this declaration if he eventually comes to the conclusion that he wants to make use of the advantages resulting from the enforcement of the patent before the UPC with effect to all UPCA states. However, an alleged infringer may file an action for revocation or for declaration of non-infringement at a national court before the proprietor declares an opt-in.

The transitional regime laid down in Article 83 UPCA raises a number of open questions for which the Agreement has not the clear answers one would wish to have. One of them is the question whether an opt-out only excludes the exclusive competence of the UPC or the application of the Agreement as a whole. Whereas the
Preparatory Committee has taken the position that the competence of the UPC is a precondition for applying the Agreement, in literature the opinion has been voiced that the provisions of the UPCA on infringement have to be applied in a contracting state of the Agreement even if the national court has to decide as a consequence of an opt-out.

Furthermore, Article 83 (3) UPCA defines the effect of an opt-out. It stipulates that the proprietor may opt out from the exclusive competence of the UPC. This wording gives the impression that the UPC continues to have a concurring competence during the transitional period. However, this does not make sense because the UPC has even without an opt-out only a concurring during this period. Therefore, one can assume with the Preparatory Committee that an opt-out excludes any competence of the UPC. In addition, the text of the provision does not make clear whether the concurring competence of the national courts comprises only the infringement and revocation actions indicated in Article 83 (1) EPC or all actions within the competence of the UPC in accordance with Article 32 UPCA.

Here too, the Preparatory Committee has good reasons to assume that the provision covers all actions.

In addition, there is disagreement whether the effect of an opt-out is restricted to the transitional period or remains applicable during the whole term of the patent for which it was declared. The Preparatory Committee is of the opinion that an opt-out excludes the competence of the UPC even after the end of the transitional period. However, this is not clearly expressed in the UPCA. According to its provisions, the parallel jurisdiction of the national courts exists only for actions filed until the end of the transitional period and Article 83 (1) UPCA does not confer on them jurisdiction after this period.

The Preparatory Committee argues for its opinion that an application for opt-out may be filed until the end of the transitional period. According to the Committee, this does not make sense if its effect is limited to the same period. However, this argument does not appear very convincing. If there is a conflict between competitors at the end of the transitional period, the proprietor may have an urgent interest in excluding an action of his adversary at the UPC even for a very short period, while he is preparing his action which he wants to file at the national court.

These and other ambiguities in the transitional regime have led to a proposal from the users’ side, that the contested points be clarified in a protocol on the interpretation of the Agreement to be considered by binding the courts competent for applying the provision. This would have given the users the legal certainty required for basing the decision which route to take on a reliable basis. However, the proposal has not been taken up by the Preparatory Committee.
5. Conclusions

In order to come to a final political agreement many compromises had to be accepted. Not all of them can contribute to a convincing result. For example, the splitting of the central division will result in additional costs and may have the consequence that a different manner of conducting the procedure develops at the three different places.

The fundamental controversy concerning the common or separate treating of infringement and validity has resulted in a system giving the court the discretion whether or not to treat the validity question. This may have the consequence that plaintiffs prefer divisions separately treating infringement and validity and staying proceedings only in case of a high likelihood of revocation, as it has been hitherto the practice of German courts.

As to the language problem, traditional and national reservations have precluded the most simple and cost-efficient solution: English only. On the other hand, it was a success that the complicated multiplicity of the language regime of the EU could be avoided. As a result, Spain has remained outside the system. For the transitional period, the obligatory translation has to be accepted as a flaw.

On the other hand, it was an express political aim of the project, to achieve a radical drop of the costs for obtaining patent protection within the EU in order to foster innovation and increase the competitiveness of European industry. In this respect, it would have been desirable that the Select Committee kept in mind what the European industry’s competitors have to pay for obtaining patent protection in their home markets: in the US for example, annuities of 12.600 US Dollar have to be paid for the whole term of the patent. By contrast, the renewal fees for Germany alone for the same term amount to 13.170 €. For the unitary patent annuities sum up to 35.555 €. In the US renewal fees are charged in order to cover the cost of grant proceedings as far as these are not covered by procedural fees. Formerly, the same was true for the European national patent systems.

In the European patent system, the situation is different, because the national share of the renewal fees for European patents is not available for covering the cost of the operation of the EPO. Rather, it serves to cover the costs of national patent offices, and to a substantial
part it goes into the general national budgets. Thus, the unitary patent does not at all change the situation that the proprietor of a European patent has to pay, economically seen, a tax for patent protection. This fact remains although the historical justification for the national share, i.e. the administration of the national branch of the European bundle patent disappears.

For half of the proprietors having maintained their patents hitherto in up to three participating member states, the renewal fees to be paid for the full term of a unitary patent increase by over 37.5 % in comparison to a bundle patent granted in the 5th year based on the amounts to be paid in France, Germany and the United Kingdom. However, the picture changes if a European patent granted in its 5th year is taken for a comparison for which renewal fees are paid up to the 10th year. In this case, the total for the unitary patent is 6,005 € which means additional costs of only 8 %. In comparison to patents granted by the national offices in these countries, the increase is more than 41 % for the full term. In addition, the financial burden of the unitary patent cannot be reduced by allowing the patent to lapse in individual countries. Towards the end of the term this is of particular relevance, considering the higher amounts.

As a consequence of the Brexit, users have to face the situation that the unitary patent will have no effect in the UK. Thus, it no longer covers the three EPC member states with the highest number of validations. It is true that Italy changed its position and ratified the UPCA. However so far, the number of IT validations has only been some 35 % of UK validations and for this reason Italy as an additional state is not an equivalent compensation for the loss of UK. An applicant who needs protection in the UK has to bear the validation costs in the UK. Whereas he needs no translation, he has to pay renewal fees which sum up from the 5th to the 10th year to GBP 720, from the 5th to 15th year to GBP 2,050 and from the 5th year to the lapse of the patent GBP 4,640. This means that the Brexit substantially reduces the benefits for the applicant in terms of renewal fees. The fact that the UK will receive no share from the renewal fees for the unitary patent but collect its own renewal fees for the UK part of the bundle patent should be reason enough to reconsider the “True top 4” model.

Patentees considering the unitary patent as not (yet) attractive in respect of the renewal fees and the obligatory translation have to consider how to react to the jurisdiction of the UPC for bundle patents. A further possibility in addition to opt-out – is escaping the UPC by filing national applications. In this context, a remarkable increase of German patent applications filed in recent years by Japanese and US applicants may be noted. This may be interpreted as an indication of a renaissance of the national patent systems.

However, it has to be taken into account that a definite decision between the alternatives of a national patent and the national court on the one hand and a European patent and the UPC
on the other hand is not necessary before the transitional period has lapsed and an opt-out is no longer possible.

Patentees choosing the unitary patent with the obligatory exclusive jurisdiction of the UPC who don’t want to dispense with any access to national courts may consider filing utility models in Germany. They offer cost-efficient protection which can be obtained quickly, within a few weeks from filing at present. Parallel protection by a utility model can be requested before and to a certain extent even after grant of a European patent. The applicant may use the text intended for grant by the Examining Division of the EPO for filing the application for a utility model. However, utility models are only available for products, not for processes. In the field of biotechnology, utility models are expressly excluded. The shorter term of utility models is of different relevance, depending on the different life cycles of products in different technical fields.

Several contracting states have made use of the possibility foreseen in the EPC to forbid parallel European and national patent protection in respect of the same invention. In Germany, the bill adapting the national law stipulates a kind of intermediate solution. Double protection is not forbidden per se. However, the alleged infringer shall be protected against being sued on the basis of a German patent after an action based on a corresponding unitary patent. To this end, the defendant in German infringement proceedings is given a procedural defence.

It presupposes that the parties to the proceedings, the protected invention and the allegedly infringing embodiments are the same.

In the United Kingdom the positions of the users in respect of double protection were equally divided. Thus, the legislator did not see any reason to lift the ban on double protection. The ban on double protection has anyway no effect if the claims in the national application are directed to modified subject-matter.

This also applies if the applicant proceeds double track on the European way by filing a divisional application and chooses the unitary patent once and the other time the bundle patent declaring an opt-out. Evidently, the latter approach is the most expensive one.