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PATENTS TRADE MARKS COPYRIGHT DESIGNS

UNITARY EUROPEAN PATENT PROPOSAL – AN UPDATE

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Background

The countries of the European Union (EU) have for over a decade tried to arrive at a Community patent system for granting patents that cover the entire EU. However, problems were consistently encountered with the issue of the languages to be used and the way in which such a patent could be litigated.

At the end of 2010, twelve European countries made a request for enhanced cooperation in the area of European unitary patent protection. This request was made under a special provision of EU law that allows agreement to be made between some but not all of the EU member countries and proposed that the countries in question should be able to set up a system for the granting of a unitary patent right covering all of those territories. Thirteen further countries agreed with the request, meaning that only Italy and Spain were not party to the proposal.

The European Parliament and the EU Council gave consent to progressing the enhanced cooperation proposal during Spring 2011. Having received this initial approval for a common system covering most but not all of the European Union countries, the European Commission prepared a draft wording for the necessary legislation. The Commission's proposals were generally supported by the 25 participating member countries and the Hungarian EU Presidency therefore put forward a revised version of the draft, which looked to address the concerns that had been highlighted.

On 27 June 2011 the Competitiveness Council unanimously agreed to move forward with the proposal. Poland then took over the EU Presidency from Hungary on 1 July 2011 and indicated that the progression of this matter was to be a priority during its six month term.

A major driving force behind the enhanced European system is the reduction of costs. Although the European Patent Office (EPO) is perceived to grant high quality patents, patentees are faced with a high cost burden once the EPO patent is granted, when they must bring that patent into force in the required European countries to give it the effect of a national patent right in each selected country. The local validation requirements can involve translations, official fees and formal filing requirements. If the validation requirements set out in the national law of a given country are not met, the EPO patent is deemed to have never taken effect in that country.

The London Agreement, which came into effect in May 2008, reduced the translation requirements at the validation stage for the signatory countries. However, there are only 16 countries signed up to this Agreement and for many of these countries the translation requirements are reduced rather than entirely removed. At present, the European Commission estimates that the average cost for validating an EPO patent in the 27 EU member countries is €32,000.

In addition, there is both a high cost and administrative burden on the patentee in relation to the payment of the required annual renewal fees to each local patent office post grant. The absolute deadline for payment of the renewal fee is not even the same in all countries, and the options available for payment of the fee to the national offices also vary.

Furthermore, although only low percentages of EPO patents are litigated, when there is a dispute over validity this is dealt with before each national court and there have been instances where the same EPO patent has been found valid in one European country and invalid in another. Each national country also has its own rules regarding how infringement proceedings are brought.

A final concern is the administrative complexity of registering assignments and licences in respect of an EPO patent post grant. The documentation required to record the transaction in the national patent register is not consistent across the European countries covered by an EPO patent.

A recent independent review of intellectual property and its growth in the UK, drawn up by Professor Ian Hargreaves, recommended that the UK “should attach the highest immediate priority to achieving a unified EU patent court and EU patent system which promises significant economic benefits to UK business”.

The Proposed System

The draft legislation proposes that a unitary patent right covering the participating EU countries would be obtained via the existing EPO patent system. Therefore there would not be a separate procedure for filing and prosecuting a European unitary patent. Instead, once an EPO patent is granted, the patentee may request that a unitary patent right for the participating EU countries is obtained in respect of that granted EPO patent. In effect, the EPO patent becomes validated as a unitary European patent, covering the participating EU countries.

It is important to note that the EPO system currently covers 38 countries, of which only 27 are EU countries and only 25 of these intend to participate in the proposed unitary system. The patentee may still bring a granted EPO patent into force in any of the EPO countries not covered by the unitary patent system, using the current validation system. However, the EPO patent may only be nationally validated in any countries participating in the unitary system in the event that the EPO patent is not validated as a unitary European patent. In other words, the patentee would not be able to have two sets of protection in one country from the same EPO patent, one via a national validation and one via a validation for the unitary European system.

The draft legislation indicates that the request for the granted EPO patent to take effect as a unitary European patent (in the participating EU countries) must be made in the language of the EPO proceedings and must be filed within one month of the publication of grant of the EPO patent. This deadline contrasts with the normal validation deadline of three months from the publication of grant. This shorter deadline may be off-putting for some patentees and it remains to be seen whether an amendment is made for consistency with the existing validation procedure for EPO patents.

Once the request for the unitary patent right based on the granted EPO patent has been made, the EPO register and the national registers of the participating countries will be updated to show the unitary right is in force in these participating countries.

As a unitary right, the patent will have identical legal effect in all of the participating countries. The only exception to this is if the EPO patent as granted included different claims for different participating countries. It is rare but permissible for the EPO to grant a patent that has different claims for different countries. Clearly, if the claims as granted are worded differently for different participating countries the unitary patent cannot automatically have an identical scope and legal effect in those countries.

The unitary patent can only be revoked with effect for all participating countries. Equally, if the patentee has obtained a unitary European patent and the patentee subsequently wishes to use the central limitation procedure provided by the EPO to voluntarily limit the scope of the granted patent, the same limitation must be made for all the participating countries of the unitary patent.

The EPO will centrally manage the maintenance of the unitary patent until it lapses. Annual renewal fees will be payable to the EPO to maintain the unitary patent in force; if the fee is not paid then the right will lapse for all participating countries of the unitary patent. A grace period for late payment of the renewal fee with surcharge will be provided. The cost of the renewal fees will increase over the term of the patent but the exact fee values have yet to be determined. However, the aim is that, when the fee is set, this is on the basis of the annual renewal fee for the unitary patent being similar to the cost of local renewal fees for an average EPO patent.

There has been significant discussion and need for compromise regarding the renewal fees. The current proposal is that 50% of these fees will go to the EPO and the other half will be distributed by an EPO select committee to the participating countries, with the precise division between these EU countries being based on factors which focus on the relative size of the market and the number of patent applications, as well as providing compensation for countries that have a non-EPO official language, have recently joined the EPO or that have a disproportionately low level of patenting activity. The Commission's original proposal had included a criterion relating to population size that was rejected by smaller countries, which voiced fears about not being able to cover their costs.

The EPO will also deal with recordal of any changes in respect of the unitary right, such as assignments, licences or changes of name for the patentee. The unitary patent right can only be transferred in a unitary manner, i.e. for all the participating countries. However, the current draft does permit the right to be licensed on a country-by-country basis, instead of only for all participating countries.

Translation Requirements

EPO patents are granted in English, French or German, with the claims being translated into the remaining two languages as part of the grant procedure. This will be unchanged.

The intention is that, in the long term, the validation of an EPO patent as a unitary European patent will not require any further translations. However, the current proposal involves a transitional provision under which one translation of the EPO patent will be required as part of the request for the EPO patent to take effect as a unitary European patent. Specifically, if the EPO patent granted in French or German, a full translation into English will be required, whilst if the EPO patent granted in English, a full translation into any other official EU language must be filed. Therefore all EPO patents that take effect as a unitary European patent will be in English plus one other language.

The draft legislation indicates that the translation must be provided "together with" the request for the unitary patent right based on the granted EPO patent. Therefore, based on the current wording, this would seem to be required within one month of the publication of grant. However, this is in apparent conflict with EPO law which provides that any EPO country requiring a translation as part of the validation proceedings must set a period for supplying the translation of at least three months. There may therefore need to be some revision of the draft proposal to permit the translation to be provided later than the request for validating the granted EPO patent as a unitary patent.

The translation provided as part of the validation has no legal effect, but must not be a machine translation. These translations will be published by the EPO for information purposes. It is understood that part of the desire for these translations to be provided, in a transitional period, is to better train the machine translation software that is being developed by the EPO, because the software will then be provided with a regular source of full patent documents in two languages.

The transitional provision on translations will last for a maximum of 12 years from the unitary European patent system coming into effect. It will be reviewed after six years, and every two years after that. The intention is that the transitional provision will be terminated if it is determined that the quality of the EPO machine translations is sufficiently high. It is believed that by the end of the 12 year transition period the machine translation software will be well enough progressed for it to be relied upon and therefore the transitional provisions will definitely end after 12 years.

The proposed system would require that a translation of the patent is provided in the situation where there is an alleged infringement. In that scenario, the patentee is obliged to provide the alleged infringer with a translation of the full patent into an official language of the EU country where the alleged infringement occurred or the alleged infringer is domiciled. In addition, if court proceedings are initiated then the court will have the right to request a full translation of the patent into the official language of the court, if it is not already available in that language. These translations must be obtained at the patentee's expense. Further, damages in relation to any infringement that took place before the infringer had been provided with a translation into his local languages may be reduced if the court believes that the infringer was acting in good faith at that time.

Enforcement of the Unitary Patent

The question of how to achieve a legislative framework under which the patent rights could be enforced or have their validity challenged was complicated in March 2011 by a decision of the EU Court of Justice in relation to a December 2009 proposal to create a European and EU Patent Court.

This proposed supra-national court was outside the institutional and jurisdictional framework of the EU, and so was found to be non-compliant with existing EU law. A national court of an EU country is bound by various provisions of EU law, including a requirement to compensate a party that comes before the court and suffers damage as a result of any breach of EU law and an obligation to refer questions on the correct interpretation of EU law to the EU Court of Justice. The proposed court would take the place of national courts in relation to patent judgements, but there would be no sanctions if it did not meet EU law.

As an alternative to this system, consideration was given to litigating unitary European patent rights in a similar manner to EU Community Registered Designs. Litigation of a Community Registered Design by default takes place in the national court of the country in which the defendant is domiciled or has a place of business. If the defendant is not based in an EU country, then the litigation occurs in the national court of the country in which the plaintiff is domiciled or has a place of business. If neither the defendant nor the plaintiff is based in an EU country, then the litigation occurs in Spain, as this is where the Community Registered Designs Office is based.

However, a downside of this nationally-based system is that patentees may be concerned that their unitary patent protection could be invalidated by a national court with almost no experience of patents. In addition, there could be a reluctance to bring an infringement action against infringers based in certain countries if their national courts are perceived negatively, e.g. if they are seen as inexperienced, or slow, or overly expensive.

Therefore there is a strong desire to move forward with a central court that could deal with all cases of infringement and validity relating to the unitary patent rights. This would ensure consistency in how these rights are dealt with and would build up a wealth of experience of the relevant issues in a single court, as well as reducing the existing costs and complexity resulting from parallel litigation in several national courts.

When preparing its revised draft legislation, the Hungarian EU Presidency therefore included a specific provision for a unified patent litigation system to be set up and setting out a requirement for the treaty establishing this litigation system to be in force before the legislation on the unitary patent can take effect. It is therefore clear that there is a strong political desire for the issue of the litigation system to be resolved, rather than potentially left to one side whilst the details on the system for obtaining the unitary patent right are finalised.

The Commission presented a new proposal for a litigation system to address the Court of Justice's concerns and the EU Presidency drew up draft litigation, reflecting this proposal, on 14 June 2011. The proposal is for a patent court to be set up by the EU member countries only, with the participation of any other countries or organisations, including the EU itself, being specifically excluded. Therefore, for example, countries that belong to the EPO system but which are not EU countries would not be involved.

The intention is that the patent court would fall directly within the judicial system of the EU, in a similar manner to the long-established Benelux Court. Since the Benelux Court is a court for Belgium, the Netherlands and Luxembourg, which are all EU countries, it falls squarely within the judicial system of the EU and its decisions are subject to the mechanisms capable of ensuring the full effectiveness of the rules of the EU.

In many respects the draft legislation is based on the December 2009 proposal to create a European and EU Patent Court, although in the new text the court is called the Unified Patent Court. The Unified Patent Court would be able to consider infringement and validity for EPO patents brought into effect in EU countries on a “classical” national basis as well as EPO patents brought into effect as an EU unitary patent right. The draft includes new sections covering the primacy of EU law, the requirement to make referrals to the Court of Justice on EU law issues, and how the signatory countries take responsibility for compensation towards an adversely affected party if the Unified Patent Court gets EU law wrong. Interestingly, the Court of Justice would not have jurisdiction to interpret the legislation setting up the Unified Patent Court because the EU will not be party to this treaty.

The draft text indicates that the treaty would enter into force when a set number of EU countries have ratified the agreement. This raises the prospect that the Unified Patent Court could come into existence without agreement of all of the EU countries (or even all of the countries participating in the unitary patent system), although of course the court would only have jurisdiction over signatory countries. This is significant in the context of making progress on the unitary patent system within a reasonable timescale, given that the current intention is that the unitary patent cannot be operational until the litigation treaty enters into force. The required number of signatories has yet to be set, but the draft indicates that there must be ratification by the three countries with the biggest number of European patents (currently Germany, the UK and France).

There does appear to be a degree of optimism that this proposal could be taken forward. A recent Presidency Note issued by the Polish EU Presidency expresses a determination to continue work on creation of a unified patent litigation system alongside creation of unitary patent protection “with a view to reaching an overall political agreement within the Council at the end of this year”.

Challenge from Spain and Italy

Italy and Spain retain a firm opposition to the proposal for a unitary patent right. Not only did these countries choose to not vote on the proposed legislation at the Competitiveness Council meeting, they also have submitted formal legal challenges to the system. In this regard, both countries have filed cases with the EU Court of Justice that seek annulment of the EU Council decision authorising the enhanced cooperation proposal relating to unitary patent protection. These cases were notified to the General Secretariat of the Council on 17 June 2011.

It is not surprising that this legal challenge has been mounted, as both countries have long argued that if any EU patent proposal permits the use of multiple languages, rather than restricting to the use of English only, then Spanish and Italian should be included as options.

The countries argue that providing a system for a unitary patent that excludes them would put them at a competitive disadvantage, contrary to EU law.

In particular, the reasons set out in the two legal challenges assert that

- the EU has no competence to establish an enhanced cooperation for the creation of a new intellectual property title;
- the proposal for enhanced cooperation does not aim to further the objectives of the EU and is a mis-use of powers;
- the essential requirements necessary to use the enhanced cooperation procedures are not met, because it is not yet genuinely a last resort scenario where it has proved impossible to obtain consent from all EU countries in a reasonable period; and
- the proposed system does not provide for uniform protection of intellectual property rights throughout the EU and hinders the functioning of the internal market, since it creates obstacles to trade between EU countries and distorts competition.

Although the current opinion seems to be that the challenge can be overcome, it remains to be seen how much of a delay to progress is caused by this issue.

Next Steps

The EU Parliament will now review the proposal and this is due to take place in November 2011. The EU Presidency hopes to conclude an agreement between the Council and MEPs at the December 2011 Competitiveness Council.

The legislation, if approved, will be published in the Official Journal of the European Union and will then come into force on the twentieth day after publication, subject to the legislation on the creation of a unified patent court having been brought into force. A request for a unitary patent for all participating EU countries will then be able to be made for any EPO patent that grants on or after that date.

The Internal Market Commissioner Michel Barnier has indicated that he feels the objective of common protection in the participating countries is now achievable and there are hopes that the EU unitary patent will become a reality within two years.

Yvonne Johnson