

### Important Changes to European Patent Practice

#### Changes in Europe that are Critical for Patent Holders

After 45 years, the European Patent Office is replacing the existing regional patent system that has local enforcement with a new Unitary Patent (UP) system that has enforcement throughout Europe by a Unified Patent Court (UPC). Not only will Unitary Patents (UPs) be subject to the UPC, but existing European patents will also be subject to the UPC unless specific actions are taken.

This long-awaited change is significant and alters the landscape of patent protection in Europe. Not only will this new system affect future European patent applications, but can have a significant effect on pending European patent applications and even on European patents already granted under the old system. The good news is that the changes are anticipated to take effect at the start of 2023, allowing patent holders to plan for these effects and take action if they have existing European patent applications, are granted European patents, or will be filing new European patent applications.

#### Actions for Patent Holders

In particular, patent holders should decide whether to:

1. opt out of the jurisdiction of the UPC, preferably during a sunrise period; and
2. continue validating European patents in national countries or alternatively obtain UPs.

If no action is taken, existing European applications and patents will be defaulted into the UPC. With respect to the UPC, these factors principally balance the risk of a centralized invalidation attack versus the ease of enforcement over a large number of countries. With respect to the Unitary Patent, these factors may balance cost versus geographic coverage. It is also possible to mix choices for different patents.

Accordingly, it is prudent for patent holders to review their existing EP portfolio and decide which European patents and patent applications, if any, are to be opted out of the new UPC system. We are, of course, available to discuss an appropriate strategy for our clients' patent portfolio and for particular patents.

In the absence of instructions, we will continue to employ the conventional European patent route with validation into separate countries and will take no action to affirmatively opt-out of the UPC.

#### Background

Under the existing process, granted European patents are validated into separate national patents in any of the 38 EPC member states, including the United Kingdom (U.K.), which remains an EPC member state post-Brexit. Traditionally, these national patents are subject to renewal, enforcement, and invalidation on a country-by-country basis.

The UP is a single patent that covers all participating E.U. member states (notably excluding the U.K, Spain, and Poland). The UP will be renewed by payment of a single fee. Infringement actions for UPs will be brought at the UPC and will be subject to centralized invalidation attempts at the UPC rather than on a country-by-country basis. If a UP lapses or is invalidated, that lapse or invalidation extends automatically across all member states.

#### Unified Patent Court or National Courts for Infringement and Invalidity Actions



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#### Related Practice Areas

- Intellectual Property
- Patents

Both the UPC and the national courts will co-exist during a transitional period of at least seven years. The UPC and the national courts will each be competent to handle infringement and invalidity actions based on nationally-validated European patents unless a positive action is taken to opt-out of the UPC for:

- i. published European patent applications, and
- ii. nationally-validated European patents.

UPs will not have the option to opt out of the UPC. Eventually, only the UPC will have jurisdiction over such actions for the participating E.U. member states.

Opting out of the UPC may be preferred for various reasons. It is also possible to opt back in one time after opting out. Importantly, the opt-out must occur *before* action is brought in the UPC, or the opt-back-in must occur *before* action is brought in one of the national courts. With this respect, opting out can advantageously even be done during a sunrise period *before* the UPC comes into effect, eliminating any risk of being subjected to the UPC.

Some reasons for opting out include:

- having a core patent that covers an important product,
- having a patent that is considered vulnerable to revocation action and preventing a competitor from making a centralized attack on validity,
- avoiding the yet-untested UPC,
- competitor(s) operating in only a few select countries,
- avoiding what will likely be more extensive discovery as compared to discovery before the national courts, and
- potential for licensing revenue.

Some reasons for opting in include:

- lower cost in enforcing across multiple jurisdictions;
- likelihood of infringement in several different countries, and
- the possibility of avoiding split infringement situations for method claims where various acts of the method are performed in different EPC member countries.

## Unitary Patents

A UP will provide uniform patent protection in all participating E.U. member states via a single request to the EPO. Currently, all E.U. member states are participating *except* Spain, Poland, and Croatia. Importantly, a UP will *not* cover the U.K. or any other EPC member state that is not an E.U. member state (e.g., Switzerland or Turkey). For these countries, protection may be sought by directly filing in those countries. Once the UP takes effect, patent holders can no longer file a European Patent and designate the countries that are not part of the UP system.

A UP may be requested for any European patent granted on or after the agreement on a UPC enters into force. Thus, at the time of grant, the applicant can elect between the traditional European patent validation into separate countries or the UP. As noted above, jurisdiction for a UP lies with the UPC and cannot be opted out of at a later date.

The prosecution costs for a UP will be the same as for the conventional European patent. Renewal fees to maintain a UP will be substantially less expensive than the renewal fees to maintain a conventional European patent in aggregate across *all* participating member states (e.g., 75% less). However, the renewal fees would be higher than the renewal fees to maintain a conventional European patent in only a subset of countries (e.g., Germany, France, and Italy). Renewal fees for a UP are paid as a single renewal fee instead of as separate national fees, with the break-even at about the cost of four national renewal fees. However, for UPs, the renewal is a binary choice (*i.e.*, all in or all out). Thus, patent holders cannot later choose to reduce costs by selectively renewing in only a subset of countries as is commonly done under conventional practice.

Factors that may weigh in favor of employing the conventional European patent approach include:

- desire to avoid the UPC,
- effective protection can be obtained via validation in four or fewer countries, and

- desire to be able to later prune patent coverage by not paying annuity for select countries.

Factors that may weigh in favor of employing the UP can include:

- reduced cost if seeking protection in more than four countries,
  - reduced cost and ease of a single annuity fee as compared to validation in multiple countries, and
  - improved chance of effectively enforcing patents with method claims where different acts can be performed in different countries.
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