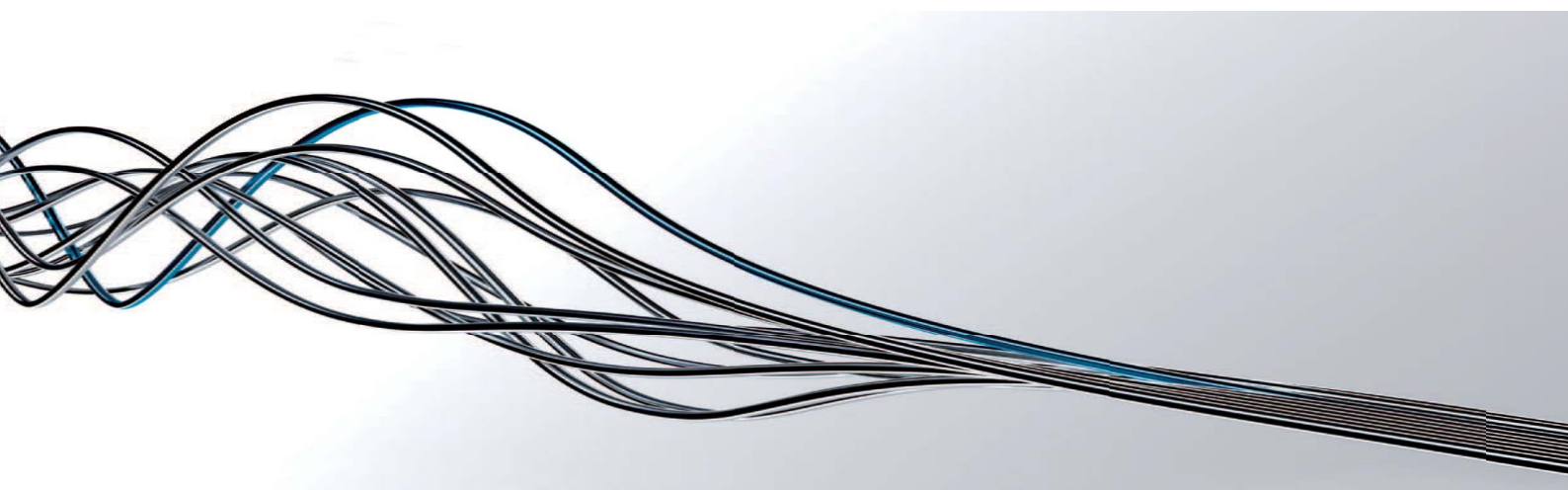




VOSSIUS & PARTNER
Patentanwälte Rechtsanwälte mbB

THE UNITARY PATENT SYSTEM

STATUS OF REFORMS



August 24, 2018

1. STATUS OF REFORMS

On December 11, 2012 the EU Parliament approved the implementation of the Unitary Patent System based on a Unitary Patent Regulation (Council Regulation (EU) No. 1257/2012 of December 17, 2012), a Translation Arrangements Regulation (Council Regulation (EU) No. 1260/2012 of December 17, 2012) and the Agreement on a Unified Patent Court signed by almost all Member States on February 19, 2013.

Entry into force of Unitary Patent System is linked to the ratification of the UPC Agreement in **at least 13 member** states, including UK, Germany and France. To date **16** countries (Austria, Belgium, Bulgaria, Denmark, Estonia, France, Italy, Lithuania, Luxembourg, Latvia, Malta, The Netherlands, Portugal, Sweden, Finland and the UK) have ratified.

On March 9, 2017 the German Bundestag passed two bills required for the UPC ratification. The Bundesrat also passed these two bills in its 956th sitting on March 31, 2017. The Protocol on Privileges and Immunities of the Unified Patent Court (PPI) was also unanimously passed by the Bundestag and Bundesrat.

At the end of March 2017 a constitutional challenge to the UPC legislation was filed with the German Constitutional Court, which put the final steps for ratification of the UPC Agreement on hold. The challenge asserts the following alleged breaches:

- Breach of the requirement derived from Arts. 23(1) and 79(2) Basic Law that the adoption of legislation amounting to a transfer of sovereign powers to European institutions must be decided by a qualified majority of two thirds of the Members of the Bundestag (German parliament) and the Bundesrat (Federal Council);
- Democratic and rule of law deficits with regard to the legislative powers of the organs of the UPC;
- Lack of independence and democratic legitimacy of the judges of the UPC; and
- Incompatibility of the UPC with EU law.

The Constitutional Court invited Stakeholders (incl. the German Government, German Ministry of Justice, The German Bar Association, AIPPI, EPLAW etc.) to comment on the complaint in course of 2018. The Federal Constitutional Court does not want to rush case and may wait until a BREXIT-deal between the EU and the UK is negotiated (expected to be completed in March 2019).

In the UK the ratification process was initially held up following the BREXIT-Referendum of June 2017. On April 26, 2018 the UK ratified the UPCA.

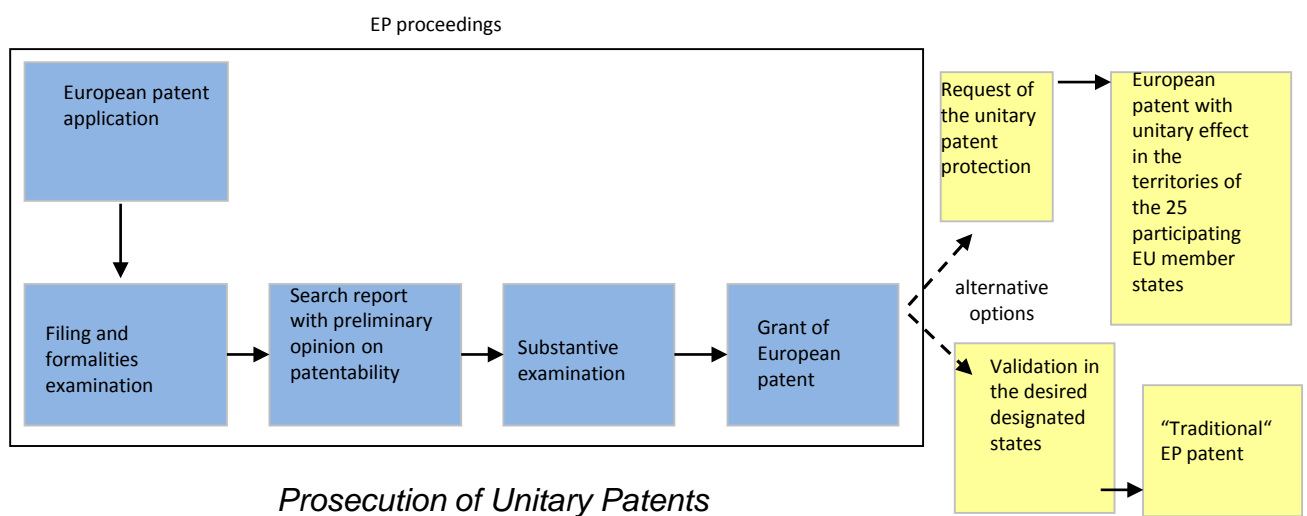
On July 12, 2018 the UK's Department for Exiting the European Union published a White Paper for the future relationship between the UK and the EU. The Paper confirms the UK's intention to explore options to stay in the UPC and the unitary patent.

However, the UK's future relationship with the UPC will be subject to negotiation with the European partners as the UK will leave the EU in March 2019.

Although Germany’s completion of the procedure is currently on hold due to the complaint lodged in the Constitutional Court, it is still hoped for a start of the Provisional Application Phase and the sunrise period for opting out in early 2019.

2. PROSECUTION OF UNITARY PATENTS

It is foreseen to have one single application and examination procedure for UPs and traditional EPs (European Patents). The patentee can decide within one month after grant whether they would like a UP or would prefer a EP. If a corresponding request is not filed, then they may validate the EP patent in the respective designated states according to the current procedures.

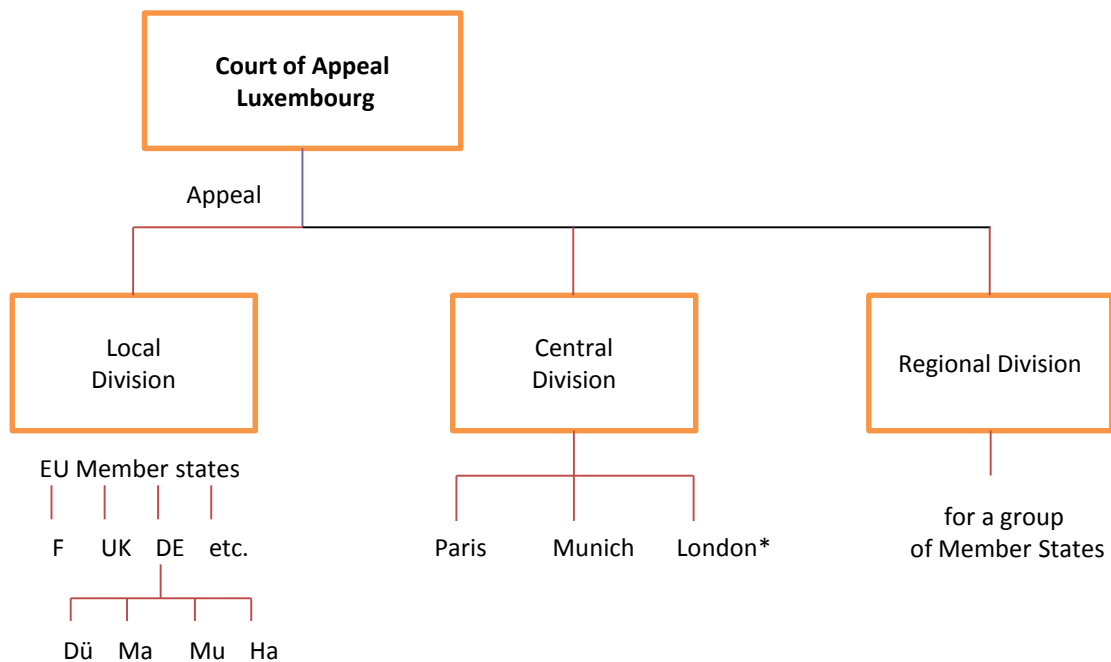


The applicant can file the application under the existing EPO language regime based on the three official languages English, German or French. During a transitional period, after grant the applicant has to provide a translation of the specification into English if the language of proceedings is French or German, or – if the language of proceedings is English – into one other official language of the EU. After the transitional period – which ends once high-quality machine translation is available for all official languages of the Member States or after 12 years – no further translations shall be required for unitary patent protection.

The amount of registration and renewal fees will be in the range of the fees for four national validations in Germany, the UK, France and the Netherlands. The amount to be paid for maintaining a patent over the full 20-year term adds up to a total of EUR 35,555.

3. COURT SYSTEM

The Unified Patent Court (UPC) will have a first instance with local divisions in the participating Member States, regional divisions for groups of Member States which do not have a local division and a central division located in Paris with branches in Munich (for mechanical engineering) and London (for chemistry, pharmaceuticals and human necessities). The local divisions in Germany will be in Düsseldorf, Mannheim, Hamburg and Munich. The second instance with a common Court of Appeal is to be located in Luxembourg. Court proceedings will be governed by the Rules of Procedure of the UPC. These have been adopted in their final form by the Administrative Committee on October 28, 2015.



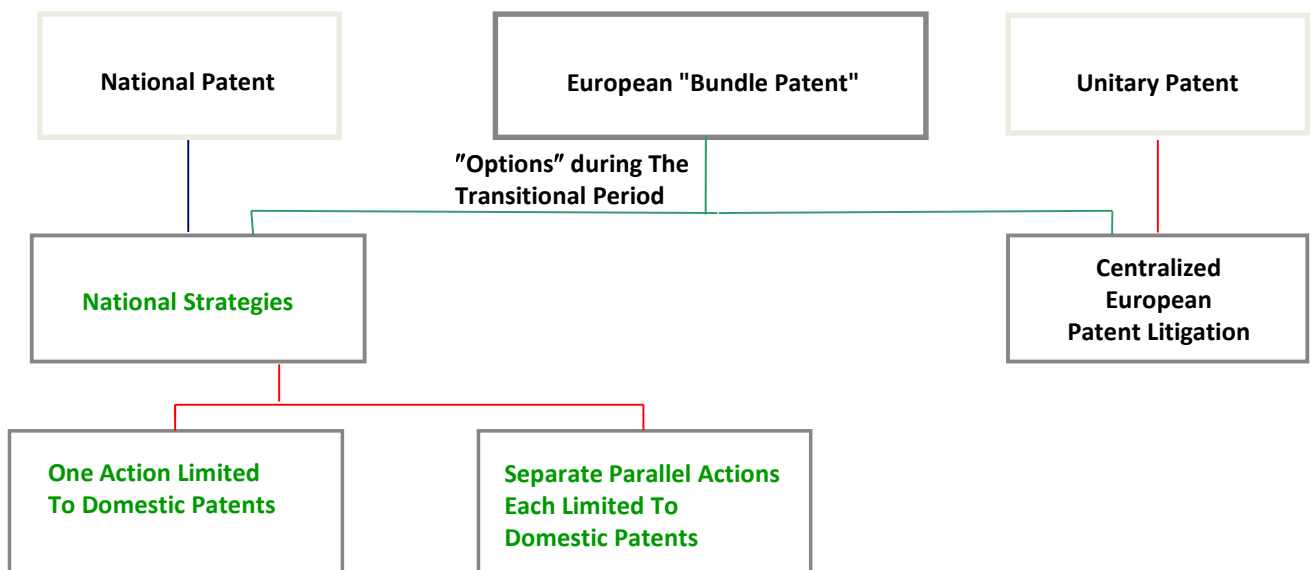
Unitary Patent Court

4. ENFORCEMENT OF UNITARY PATENTS

The UPC will have exclusive jurisdiction in respect of infringement suits, licensing matters, requests for preliminary injunctions, declarations of non-infringement and actions or counterclaims for revocation. A suit based on the new UP can be filed in every local division where the allegedly infringing product is used or where the defendant is located. In case of EU-wide offering and distribution of allegedly infringing products, the holder of the UP can choose between the available local or regional divisions in the EU Member States. Revocation actions shall be brought before the central division. Counterclaims for nullity filed as response to an infringement suit will, however, be handled by local divisions. They can either decide on claim and counterclaim, refer the case for decision to the central division (upon agreement of the parties) or stay infringement proceedings and refer the revocation matter to the central division.

The first instance proceedings can be conducted in an official language of the respective Member State, an official language designated by that state or the language of the patent if agreed by parties and approved by the panel. The language of the patent will be used before the central division and the language of first-instance proceedings or, if the parties agree, the language of the patent, can be used in the appeal proceedings.

The infringement decisions of the UPC will have unitary effect for all countries which have ratified the respective UPC agreement. Revocation of the unitary patent results in invalidation in the entire European Union.



Enforcement Strategies

5. TRANSITIONAL PERIOD FOR EUROPEAN PATENTS (EPs)

Traditional EPs are governed by the exclusive competence of the UPC. However, within a transitional period of at least seven years (extendable for another seven years), proceedings for infringement and/or revocation concerning traditional EPs may still be initiated before the national courts. After the transitional period, EPs have to be enforced before the UPC which has exclusive competence.

Within the transitional period, applicants have the possibility to enforce their EPs either before national courts or – with effect for all designated states – before the UPC (Art. 83 (1) UPCA). Within the transitional period, applicants also have the possibility to exclude the exclusive competence of the UPC by an “opt out” declaration to be filed with the Registry of the UPC (Art. 83 (3) UPCA).

Upon its entry into the register the Agreement on a Unified Patent Court shall not apply to those EPs which are granted or applied for prior to the end of the transitional period unless proceedings before the UPC have already commenced. Revocation and enforcement of traditional EPs for which an “opt out” motion is filed is limited to the existing system of national courts which decide with effect to the national territory. The plaintiff may confine himself to a single national assertion of such patent rights and file one action in one country or may file in parallel several separate patent infringement actions before the respective competent national courts of the states in which the European patent has been validated.

Unless an action has already been brought before a national court, proprietors of EPs shall be entitled to withdraw their “opt out” and “opt in” at any moment with the consequence that centralized actions for revocation and/or infringement can again be initiated before the UPC.

6. JUDGES AND ATTORNEYS

It is foreseen to have a multinational composition of the UPC. The local division will consist of three lawyers with the possibility of allocating a technical judge, whereas the central division comprises two lawyers and one technical judge. The Court of Appeal consists of three lawyers and two technical judges. Attorneys-at-law as well as patent attorneys with an additional qualification are entitled to act as professional representatives before the UPC. UPC judges are currently being recruited and will receive training before the introduction of the system.



The patent attorneys and the attorneys-at-law of VOSSIUS & PARTNER will be admitted before all European local divisions as well as the central division in Munich, Paris and London and before the Court of Appeal in Luxembourg.

Please do not hesitate to contact us if you have any further questions relating to the new Unitary Patent System. We will also be glad to assist you in devising the optimum strategy for prosecuting and enforcing your patent applications and patents, particularly in the upcoming transitional period.

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