

## US patent owners, get ready for the UPC

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**The time is now for US filers of European patent applications to start formulating concrete strategies for navigating the unitary patent and Unified Patent Court framework. Jeremy Kriegel of Marshall, Gerstein & Borun reports.**

Most US patent practitioners and frequent US filers of European patent applications have heard the news that Europe is migrating to a Unified Patent Court (UPC) system. US patent counsels' attentiveness to the UPC has been tempered by the small number of EU member states that have ratified the UPC Agreement. Until more of the required minimum 13 countries ratify it, the likelihood of the UPC's implementation has not seemed high enough to bother clients.

In September Italy (previously a rumoured hold-out) joined the unitary patent system. Additionally, on October 1 the EU approved a protocol permitting early implementation of various logistical aspects of the UPC, with a view to opening the UPC in early 2017. These are signals that US applicants must start paying closer attention to the UPC.

So far eight EU member states (Austria, France, Sweden, Belgium, Denmark, Malta, Luxembourg, and Portugal) have provided notification of their ratification of the UPC Agreement. If, in addition to Italy, Germany and the UK ratify, then only two more EU states will be needed. The time is now for US filers of European patent applications and US owners of European patents to start formulating concrete strategies likely to be effective in a unified patent system framework.

While there are unknowns, such as the effectiveness and costs of a centralised patent enforcement system in Europe, US patent practitioners are not strangers to embarking on uncharted waters when it comes to protecting patent rights. The America Invents Act (AIA) introduced a new structure that seemed to turn the US patent world upside down. Faced with uncertainty about the effects of the new laws on their clients' patent rights, many rushed to file applications before the March 16, 2013 effective date so that the applications (and their descendants) would be grandfathered into the 'first-to-invent' pre-AIA system.

US patents issuing from pre-AIA applications, while subject to inter partes review (IPR) petitions, cannot be attacked using post grant review (PGR), which is available only against patents issuing from AIA applications. PGR provides more grounds to challenge patents than IPR petitions, which are limited to patents and printed prior art publications.

Not wanting to miss out on benefits that might accrue from treatment under the AIA, some applicants employed a hedging strategy. This involved filing a priority application before the March 16, 2013 date, and filing two separate applications on or after that date, one with claims that were fully supported by the priority application (and therefore would get pre-AIA treatment and immunisation against PGRs), and another with at least one claim supported by subject matter not found in the priority application, but introduced after March 15, 2013 (guaranteeing that application, and its descendants, the US version of 'first-to-file' treatment under the AIA).

## US patent owners, get ready for the UPC *(continued)*

07-10-2015

### Which system?

Analogous filing strategies might be employed to take advantage of pre-UPC and UPC systems. For instance, applicants seeking patent protection in Europe might pursue both direct national patent filings on some aspects of an invention, and European Patent Office filings on other aspects. If patents are obtained in both systems, the patent owner can test the waters with the European unified patent system while still having a patchwork approach afforded by the national filings.

As explained in an informative brochure titled “An Enhanced European Patent System”, prepared and endorsed by the select committee and preparatory committee of the UPC, there will be three routes to patent protection in Europe in the future: “It will still be possible to use the national route for those preferring to seek protection in individual member states and to validate a European patent in one or several member states. It will also be possible to combine the new system with the old one and have a European patent with unitary effect and in addition validate the patent as a classical European patent in other EPC contracting states.”

US owners of European patents and pending applications would also be well served to start identifying existing patents or pending applications they may wish to opt out of the UPC system. While opting out will likely have some associated costs, there may be European patents that the owner cannot afford to gamble in a single unified court, even with the appeal route provided under the UPC system (UPC decisions by the Court of First Instance, either in the central division in Paris, London, or Munich, or in a regional or local division, would be appealable to a Court of Appeal in Luxembourg, with certain questions of law referable to the Court of Justice of the European Union).

Validity concerns aside, patentees may benefit from the leverage afforded by the sheer number of patents in multiple European countries, as opposed to a unitary patent enforcement structure. A prospective licensee may regard royalty payments to the patent owner as more economical than the costs of defending multiple infringement actions, whereas the risk of defending only a single UPC action may embolden that party to opt against accepting a licence agreement.

Facing potentially extensive opt-out fees, owners of European patents who operate under tight intellectual property budgets may need to start planning whether to select only those European patents absolutely vital to opt out of the UPC. During a transition period (six to no more than 12 years from implementation), for English language patents that are not opted out of unitary patent protection, the patent owner will have to file a translation of the patent specification into one other official language of the EU. Therefore, opting out may ultimately be less costly than having unitary protection.

Notifications of opt-outs to the UPC registry will be publicly available. As a result, discrepancies between which patents are left in the unitary system and which a patentee elects to opt out of it may be recognised and exploited by competitors. For instance, if a patentee decides to opt only its most important patents out of the

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07-10-2015

UPC and leave its weaker patents in the unitary system, those non-opted-out patents might be targeted by the competitor. This might justify introducing some randomness or subterfuge in the identification of which patents to opt out for companies with a significant number of European patents in their portfolios.

### Unitary patent protection

Some lesser-known provisions of the unitary patent system are:

- Even after a European patentee opts out of the UPC, the opt-out can be withdrawn at any time during the life of the patent.
- During a transitional period (six to 12 years), the entire specification of an English-language European patent that is not opted out of the UPC will need to be translated into at least one additional official language of the EU.
- A US entity accused of infringing a European patent within the UPC will be subject to jurisdiction in a court of first instance in any country where the alleged infringement is occurring (provided a court of first instance sits in that country), or in the central division.
- Patent mediation and arbitration centres will be established in Ljubljana, Slovenia and Lisbon, Portugal.
- The UPC will have a high-tech interface (presumably allowing the public, or at least litigants, to monitor the progress of UPC proceedings and electronically file documents).
- European practitioners will need a European patent litigation certificate to appear before the UPC.

Italy's agreement to join the unitary patent signals a centralised patent enforcement system in much of Europe is more probable than ever before. Patent practitioners would be well served to consider what was learned from implementation of the AIA in helping clients navigate the various options that will be available under a European unitary patent system.

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