

# A Unified Patent For Europe And A Unified Way of Enforcing It

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## Introduction

The European Union currently has 27 member countries. To protect their inventions in this market of just over 500m people, business has had no alternative other than to obtain 27 separate national patents, one for each European country, and then to enforce them separately on a country by country basis. In China, India and the US by contrast single patents cover populations of 1.34bn, 1.2bn and 312m respectively.

## The European Patent Convention

The position was ameliorated somewhat by the implementation of the European Patent Convention (EPC): since 1 June 1978 it has been possible to file a single patent application at the European Patent Office in Munich and to designate all EU states<sup>1</sup> in that application, with the result that, if granted, the application becomes a bundle of national patents ("EPC patents"), in all the countries designated in the application.

The European Patent Convention has been a huge success with over 200,000 EPC applications<sup>2</sup> now being filed annually. However patent protection in Europe is still expensive as on grant national EPC patents, flowing from an EPC application, have to be validated<sup>3</sup> in each country and thereafter renewed annually, on a country by country basis.

## The London Agreement

Before 1 May 2008 an EPC patent, on grant, had to be translated into the language of each country in which it was to become a granted patent within 3 months of the date of grant of the European patent or it would be deemed to be void ab initio in that country<sup>4</sup>. As the EPC countries speak more than 25 different languages, that led to very high translation costs, where broad geographical coverage was sought. In many cases it led patentees to focus on a smaller number of core countries<sup>5</sup> in which to pursue protection on grant.

The London Agreement<sup>6</sup> has, since 1 May 2008, now materially reduced translation costs in those countries which are signatories to it. Its key provisions are that:-

- (i) Countries that have English, German and French as their national language cannot require any translation of a granted EPC patent;
- (ii) Countries which do not have English, German or French as their national languages can only require the claims of an EPC patent to be translated into their national language, provided that the patent is in official language which the country concerned has designated as its official EPC language. In practice all such countries have nominated English as their official language so that if a EPC patent specification is in English only the claims will require translation into the local language.

Currently only 18 of the 38 EPC countries have signed up to the London Agreement. Italy and Spain have stated that they do not intend to ratify the London Agreement.

## Enforcement of European Patents

As if the costs of merely obtaining and maintaining patent protection in Europe were not bad enough, things get much more expensive (and uncertain) when it comes to enforcement.

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1 And 11 non-EU states including Turkey with a population of over 70m. A European patent application can also be extended to two non EPC countries - Herzegovina, Montenegro, making 40 countries in all.

2 This figure includes Patents Co-operation Treaty applications which designate the EPO as well as direct EPO filings.

3 This involves paying a national fee, complying with certain local requirements and providing translations of the patent or at least the claims, in accordance with the London Agreement.

4 Article 65(1) of the European Patent Convention.

5 An often favoured combination being the UK, France and Germany.

6 The Agreement on the application of Article 65 of the Convention on the Grant of European Patents, which came into effect on 1 May 2008.

Although a number of European countries (mostly notably Holland and Germany), have tried to grant injunctions against defendants within their jurisdictions in respect of infringements of parallel EPC patents outside their own jurisdictions, it is now clear that the infringement of national EPC patents will almost invariably have to be dealt with in the countries where those patents are registered<sup>7</sup>. Where validity of the patent is put in issue in infringement proceedings then the national court in the country where the patent is registered will always have exclusive jurisdiction<sup>8</sup>.

In practice this means that patent litigants in Europe will almost always end up suing in the national courts, where the EOC patent is registered. Where there are multiple infringements across several European countries, then such a multiplicity of actions can quickly become very expensive, enormously time-consuming and often just plain frustrating. In addition there have been a number of high profile cases where courts in different European countries have ruled differently on the meaning and effect of national EPC patents<sup>9</sup>.

### The Community Patent

The treaty that created the European Community (the forerunner of the European Union) was concluded by six signatory countries in 1957. It was soon realised that having separate patents for each European country would prove burdensome, expensive and could frustrate the economic integration of the countries in the EC. As far back as 1959 therefore a working group was set up to consider introducing a Europe wide patent. Its blue print for the European patent (the Haertel draft) was published as long ago as 1962.

As long ago as 1975 the Community Patents Convention (CPC) was signed by all the then 9 member states of the European Community. It envisaged a single unitary community wide patent being granted as the result of an application to the EPO as well as a number of national patents in countries that were signatories to the European Patent Convention but not members of the EC.

The CPC however never came into force as it was not ratified by enough of the signatory countries. An attempt to revive the Community Patent in 1989 was also not ratified. The issues that have dogged the project since the beginning have related to choice of language, choice of procedural rules for the courts that will be charged with enforcing a community wide patent and the choice of the physical location of the court itself.

### Progress At Last: Most But Not All

From 1989 until 2009, little progress was made towards implementing any form of Europe wide post-grant patent system. A meeting of the EU Competitiveness Council in December 2009 however agreed a set of principles to implement a more integrated patent system for Europe. At its core were two fundamental elements:-

- (i) The creation of a unitary EU patent.
- (ii) The creation of a common patent litigation system with exclusive jurisdiction relating to both the infringement and the validity of the EU patent and for EPC patents.

Unfortunately the Competitiveness Council envisaged that the language/translation issues relating to the EU patent would require unanimity amongst all 27 Member States. That was never going to be easy to achieve. Spain and Italy in particular opposed any proposals which they saw as promoting an EU patent in English, German or French.

In December 2010, a number of member states, tired of the lack of progress, asked the European Commission to work with them to implement a unitary European patent - limited only to those countries that wanted to work together to achieve it (the "Unified Patent"). Such a coalition of the willing is permitted by European Union law, under what is known as the enhanced co-operation procedures<sup>10</sup>, which were introduced by the Treaty of Amsterdam in recognition of the fact that progress by some but not all on implementing certain kinds of objectives should not be held up merely because not every country could be brought on board.

The use of the enhanced co-operation procedure has turned out to be the turning point and since December 2010 progress has been rapid – many now say too rapid. In February 2011, the European Parliament voted in favour of the use of the enhanced co-operation procedure to introduce a Unified Patent and in March 2011, 25 out of 27 EU states formally agree to work towards a Unified Patent.

<sup>7</sup> See the CJEU decisions in *GAT v Luk* (C-4/03) and *Roche v Primus* (c-539/03)

<sup>8</sup> Article 22(4) of the Brussels Regulation 44/2001/EC.

<sup>9</sup> Most famously in *Improver v Remington Consumer Products* [1990] FSR 181.

<sup>10</sup> Now set out in Articles 326 – 334 of the Treaty on the Functioning of the European Union

## The Unified Patent

There will be two regulations<sup>11</sup> to implement the Unified Patent:-

- (i) the first regulation deals with, inter alia, how a Unified Patent is obtained;
- (ii) the second regulation deals with translation requirements.

Under the current proposals an applicant for patent protection under the EPC can, within a month of receiving notice that his EPC patent application is to proceed to grant, request that the application will have unitary effect across the 25 participating member states – i.e. will be a Unified Patent. He will still be able to validate, within 3 months, his existing national EPC patent applications in the usual way, in addition to having a Unified Patent.

An aspect of the current draft regulation on the Unified Patent that has proved particularly contentious is the inclusion of substantive provisions defining what amounts to infringement (article 6), indirect infringement (article 7) as well as various limitations on the rights of patent holders (article 8). The concern is that these provisions will be subject to review by the Court of Justice of the European Union (CJEU), which is fundamentally an administrative court rather than a specialist patent court. This is bound to lead to delays and uncertainty. The national EPC patents, flowing from the same EPC application which leads to the Unified Patent, will only be subject to the EPC, which is not subject to review by the CJEU, so inconsistencies about the effect of a Unified Patent and an EPC patent are bound to occur.

On the vexed question of languages and translations the current proposals envisage the following position:-

- (i) The Unified Patent will be filed in, examined and granted in either English, French or German. On grant as a Unified Patent, at least until good quality machine translations are available, a full English translation of the whole specification will be made available as well as a translation into either or both of German or French<sup>12</sup>. The publication will include translations of the claims into the other two EPO official languages.
- (ii) Where there is a dispute, the patentee will, at his own expense, have to translate the patent specification into the language of any legal proceedings in which the patent is being litigated.
- (iii) The EPO is to make available high quality machine translations of Unified Patents into all official languages of the contracting states.
- (iv) Certain categories of applicants for patents (SME's, individuals and not for profit bodies) will be able to file patent applications in their own language, even if it is not English, German or French and the costs of the translation into an EPO official language are to be subject to a reimbursement from the official filing fees.

Italy and Spain lodged a complaint with the Court of Justice of the European Union on 7 June 2011 seeking a declaration that the proposed language/translation agreements unfairly prejudice them. That challenge has yet to be heard by the Court of Justice.

## The Court System That Will Litigate The New Patents

One of the main drivers behind a Unified Patent is to avoid a multiplicity of separate national actions, one in each European country. To achieve that, the Council of the European Union has put forward a draft international agreement (the Agreement on a Unified Patent Court) to be entered into between member states, which proposes a court structure to deal with the litigation of the Unified Patent and also a conventional EPC patent. Some key features of the proposals are:-

- (i) There will be a two tier court system, comprising a Court of First Instance and the Court of Appeal.
- (ii) The Court of First Instance will have a central division as well as local and regional divisions. A local division of the Court of First Instance can be set up in a single member state. A regional division can be set up for two or more contracting states. The location of the central division has not yet been determined.
- (iii) The Court of First Instance will sit with three judges, drawn from an approved and suitably trained pool. At least one of the judges will be a national of the country in which the dispute is being litigated.
- (iv) The Court of Appeal will have a multinational composition of five judges. It will consist of three legally qualified judges who are nationals of different contracting states and two technically qualified judges with qualifications and experience in the field of technology concerned. The location of the Court of Appeal has yet to be determined.

<sup>11</sup> Regulations are EU laws, that are directly effective and applicable without requiring individual member states to introduce laws to implement them.

<sup>12</sup> The current draft regulation appears to be unclear whether translation into either French or German is sufficient or whether both will be required.

- (v) Defendants can be sued for infringement in the local division where the infringement has occurred or may occur or in the local division where the defendant (or in the case of multiple defendants at least one of them) is resident or has a principal place of business.
- (vi) The Court of First Instance will have exclusive jurisdiction in relation to infringement and revocation proceedings for Unified Patents. For the first seven years after it comes into force, infringement and revocation proceedings for existing EPC patents may be brought in the existing court system of member states but after that seven year transitional period has expired the Court of First Instance will have exclusive jurisdiction in relation to such patents as well. The seven year transitional period may be extended for a further period of up to seven years.
- (vii) Holders of European patents granted or applied for before the date on which the court agreement comes into effect will be able to exercise a revocable opt out from the exclusive jurisdiction of the First Instance court. Given the uncertainties that surround the Court proposals this may become an important procedural step in practice.
- (viii) A particularly contentious aspect of the proposed arrangements is the interaction between revocation proceedings and infringement proceedings. In the UK historically infringement and revocation proceedings have been heard together, which makes it impossible for a patentee to argue different constructions for his patent in infringement and revocation proceedings. However in Germany infringement and revocation proceedings have historically been dealt with by different courts (a process called bifurcation).

The current proposals provide that where a revocation claim is made in the context of on-going infringement proceedings a local or regional division of the Court of First Instance can either (a) hear both the infringement and revocation proceedings together, (b) refer the counterclaim to the central division or (c) suspend or proceed with the infringement proceedings or (d) with the agreement of both parties refer the entire case (revocation and infringement) to the central division. A free standing revocation action has to be brought before the central division unless there are already existing infringement proceedings pending in a local or regional division of the Court of First Instance.

Numerous commentators have rightly suggested that these arrangements will potentially create a significant amount of uncertainty and material scope for tactical litigation. They may have the effect, for example, of encouraging a potential defendant to an infringement action to "get in first" by commencing a revocation action in the Central Division.

- (ix) The language of the proceedings of the Court of First Instance will be the official language or one of the official languages of the member state hosting the relevant local or regional division but there is scope for the contracting member states to designate one or more of the official languages of the European Patent Office as the language of their proceedings. The parties may also agree on the use of the language in which the patent was granted as the language to be used by the Court, subject to the approval of the panel of judges hearing the case.
- (x) The territorial effect of decisions of the Courts is extensive: for Unified Patents it will cover all contracting states and for EPC patents it will cover all the countries in which such a patent has taken effect.
- (xi) Rules of procedure – no detailed rules have been published and again this is a source of major concern as European countries have very different traditions of litigation procedure.
- (xii) The draft agreement also provides for the introduction of the same provisions relating to infringement, indirect infringement and limitations as does the draft regulation and again all of these will be subject to review by the CJEU.

## Next Steps

The Polish Presidency of the EU Council (which ends on 31 December 2011) is currently very keen that the court agreement will be signed by contracting member states before the end of December, although it has to be said that material and highly controversial issues such as the location of the central division of the Court of First Instance and the Court of Appeal remain to be determined.

The current draft of the Unified Patent regulation envisages that it will come into force on the later of 1 January 2014 or the date of entry into force of the Agreement on a Unified Patent Court.

Given the current political momentum behind the introduction of these measures and the use of the enhanced cooperation procedure in relation to the implementation of the Unified Patent it does now seem highly likely that the Unified Patent and the court to deal with it will become a reality in Europe within the next few years.

## How Should Business React To The Proposed Changes?

The introduction of a Unified Patent and a Court does have the potential to materially reduce patent prosecution, maintenance and enforcement costs within Europe but business should remain rightly concerned that the current proposals have gone through at such a pace and with so little time for proper scrutiny and feedback that numerous aspects of them may give rise to serious difficulties in implementation.

It is clear that the opt out from exclusivity of the Court of Instance jurisdiction is going to be very important in practice so as to avoid EPC patentees sleep walking into what could become an expensive and unpredictable system.

In the mean time Squire Sanders will be issuing regular updates on the implementation of both the Unified Patent and the Agreement on a Unified Patent Court.

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