Unitary Patent and Unified Patent Court
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Introduction

 Whereas the unitary patent is a creation of the European Union, it is fundamentally different from the other industrial property titles of the EU, the Community trademark, the Community design and the Community plant variety: it is not granted by an EU agency but by the European Patent Office (EPO). The EPO is the executive organ of the European Patent Organisation which is an independent international organisation.
Various attempts to create a community patent, i.e. a patent of the Union which is self-contained in respect of grant and validity, have been made since the late fifties of the last century and turned out to be in vain. Over the decades, the main contested issues were a common court system and the language problem, which is always a delicate question in Europe, in the present context regarding the question into which languages the patent has to be translated.

Eventually two developments made it possible to overcome the obstacles on the way to a unitary patent for the Union:

first, the possibility of »enhanced cooperation« among a group of EU states, created by the Treaty of Amsterdam for situations in which not all EU states are prepared to cooperate. It makes progress possible, even if unanimity cannot be reached.

Second, the decision to connect the new EU-title in the simplest manner with the grant proceedings before the EPO and to design it as a mere option for the applicant.

1. The patent-reform package

1.1 Legal basis

The creation of the unitary patent required three legislative acts which constitute the patent-reform package, that is

– the Regulation on the unitary patent (hereinafter UPR),
– the Regulation on the language regime for the unitary patent (hereinafter UPTR),
– the Agreement on a Unified Patent Court (hereinafter UPCA).¹

The two Regulations were published on December 31, 2012.² The Agreement was signed by 24 of the then 27 EU States on February 19, 2013.³

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¹ OJ EPO 2013, 287.
³ Out of the 25 countries participating in the enhanced cooperation for the time being, Poland has not signed so far. Spain is not participating in the enhanced cooperation. Italy signed the Agreement, although it did not participate in the enhanced cooperation from the beginning.
The 38 EPO Member States and their participation in the patent-reform package:
24 EU Member States participating in the enhanced cooperation from the beginning have signed the UPCA:

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Germany, Denmark, Estonia, Finland, France, United Kingdom, Greece, Hungary, Ireland, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Portugal, Romania, Sweden, Slovenia, Slovakia.

Italy has signed the UPCA. After the CJEU dismissed the actions of Spain against the regulations on the unitary patent, Italy joined the unitary patent project and became the 26th member of the enhanced cooperation in September 2015.

One EU Member State participating in enhanced cooperation has not signed the UPCA: Poland.

One EU Member State has neither participated in the enhanced cooperation nor signed the UPCA: Spain.

Croatia has become an EU Member as of 1 July 2013. It is not yet sure whether Croatia will take part in the enhanced cooperation between the EU States.

10 EPO Member States – Albania, Switzerland/Liechtenstein4, Iceland, Monaco, Macedonia, Norway, Serbia, San Marino and Turkey – are not EU Member States.

The patent-reform package does not involve any change for non EU Member States. They stay with the European bundle patent and the jurisdiction of the national courts. Poland, participates in enhanced cooperation but has not signed the UPCA and has, at present, no intention to sign. The two regulations will not be applicable in Poland without entry into force of the UPCA (see in detail, pts. 1.4 and 4.1 below).

In its decision C-146/13, the CJEU did not address the argument in the Attorney General’s opinion that the participating states are obliged to ratify the UPCA in order to implement the enhanced cooperation.

1.2 Legislative objectives

The unitary patent is intended to foster scientific and technological advances and the functioning of the internal market

– by making access to the patent system easier, less costly and secure;
– by improving the way of enforcing and defending patents before a single court competent for deciding on the infringement of a unitary patent and on its validity with respect to all states in which it has taken effect.

4 Obligatory common designation under the EPC.
1.3 The legal instruments

1.3.1 The Regulation on the unitary patent (UPR)

The unitary patent system has been realized by three different legislative acts because there are different legislative competences for the different subjects.

The unitary patent regulation and the EPC are interlinked. Pursuant to Article 142 (1) EPC, a group of Contracting States may provide that European patents may only be granted jointly in respect of those States. In turn, Article 1 (2) UPR stipulates that the Regulation constitutes a special agreement within the meaning of Article 142 EPC.

The UPR governs in particular the creation, the validity and the effects of the unitary patent. Unitary patent protection is offered to the applicant as an option which is an alternative to the traditional and well established European bundle patent having the effect of a national patent in the designated Contracting States. This option can be chosen at the end of the grant proceedings. Thus, the course of procedure for applying for a patent and examination of the application remains exactly the same. After publication of the mention of the grant, the proprietor has one month within which to decide whether he wants to file a request for unitary effect. If such a request is not filed, the effect of the bundle patent persists.

The unitary patent shall have a unitary character. It can only be limited, transferred or revoked, or lapse, in respect of all the states in which it has taken effect. With respect to validity, the grounds for revocation pursuant to Article 138 (1) to (c) EPC apply which are identical to the grounds for opposition. However, different from opposition, can an action for revocation be based on a conflicting national application, i.e. an application filed before but published after the date of filing or priority of the unitary patent. So far, it has only been possible to rely on such state of the art, which is only relevant for assessing novelty, in national proceedings and at best with effect to the respective national branch of the bundle patent. As a consequence of the unitary character of the unitary patent, the novelty destroying effect of a prior national application will affect the unitary patent with respect to its whole territory if this problem is not solved before entry into force of the UPCA.

Notwithstanding the unitary character of the unitary patent, it may be licensed in respect of the whole or part of the states in which it has taken effect.

In order to maintain the unitary patent, renewal fees have to be paid to the EPO. The amounts are fixed by a Select Committee of the Administrative Council of the EPO in which the states participating in the enhanced cooperation are represented.
On the one hand the UPR stipulates that the unitary patent shall provide uniform protection and shall have equal effect in its whole territory, on the other hand the Regulation refers to national law in respect of the acts against which the patent provides protection. However, this «national» law is the law laid down in Article 25 et seq. UPCA which is again common to the participating states. As a supplement, the UPR confirms the principle of Union-wide exhaustion as developed by the CJEU. This means that the patentee cannot take action against the circulation of goods within the participating Member States which have been placed on the market in the Union by him or with his consent.

The UPR stipulates in detail which administrative tasks are entrusted to the EPO. Among those are in particular administering the requests for unitary effect, keeping a Register for unitary patent protection as part of the European Patent Register and the collecting and distribution of renewal fees.

1.3.2 The Regulation on the translation arrangements for the unitary patent (UPTR)

A European patent application may be filed in any language. If it is not filed in one of the official languages of the EPO, i.e. English, French or German, a translation in one of these languages has to be filed. The language of the translation becomes the language of the proceedings, i.e. the language in which the proceedings are conducted and in which the patent is granted.

Before grant, translations of the claims in the two official languages other than the language of the proceedings have to be filed. This language regime remains the same for the unitary patent. In case of an infringement dispute, the patentee has to provide the alleged infringer at his request and choice a full translation of the unitary patent in the language of the state of the alleged infringement or the state of the alleged infringer’s domicile. In addition, the competent court may require a full translation in the language used in the proceedings before that court.

As a rule, no further translations are necessary; in particular not for validating the patent in the states in which the unitary patent has taken effect. However, for a transitional period, a full translation of the specification has to be filed with the request for unitary protection. If the patent was granted in German or French, the translation has to be in English, if the patent was granted in English, the translation may be filed in any other official language of the Union. The transitional period will be 6 to 12 years. After six years, an independent expert committee will carry out an evaluation of the availability of high quality machine translations of patent applications and patents into all official languages of the Union5, satisfying the public’s need for information, and make proposals to the EU Council for terminating the transitional period.

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5 Cf. the translation service for patent documents developed by the EPO and Google, www.epo.org → Searching for patents → Free online services → Patent translate.
1.3.3 The Agreement on a Unified Patent Court (UPCA)

The UPCA establishes the Unified Patent Court as a common court for the Member States to the Agreement comprising two instances. The Member States confer on the Court the exclusive competence for actions for infringement of the unitary patent (see in detail pt. 2 below).

1.4 Entry into force and application of the provisions

Both regulations, UPR and UPTR, entered into force on January 20, 2013. The entering into force of the UPCA depends on three conditions. Since the first and the third of these conditions have already been fulfilled, only the ratification by the required thirteen states is lacking for the entry into force of the UPCA.

Both regulations make a significant difference between entering into force and application. Whereas they have already entered into force, they are not applicable until the UPCA will have entered into force. This means that the patent-reform package will be applicable only as a whole.

Even after entry into force of the UPCA, the unitary effect of a unitary patent will be restricted to those Member States in which the Unified Patent Court has acquired jurisdiction at the date of registration of the unitary effect of the respective European patent. This means that there will be no unitary effect for states participating in the enhanced cooperation which have not yet ratified the UPCA after its entry into force. It cannot be assumed that all signatory states will ratify the UPCA at the same time. Thus, the patent-reform package will become applicable step-by-step, depending on the state of ratification of the UPCA, and at the outset only for the 13 states which are required for its entering into force.

It will enter into force:

— on January 1, 2014, or
— on the first day of the fourth month after ratification by 13 Member States, including Germany, France and the United Kingdom, or
— on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) Brussels I in order to adapt it to the UPCA,\(^6\) whichever is the latest.

2. The Unified Patent Court (UPC)

2.1 Organization

The Court of First Instance comprises three types of divisions:

- the central division,
- local divisions set up upon request of a Member State, and
- regional divisions set up upon request of two or more Member States

The seat of the central division was one of the most controversial political issues. Finally, a compromise was reached and the seat will be in Paris and two sections will be established in London and Munich. The cases will be distributed within the central division on the basis of the Sections of the International Patent Classification. Cases in Section A (human necessities) and Section C (chemistry) are allocated to London, cases in Section F (mechanical engineering, lighting, heating, weapons, blasting) are allocated to Munich and the other cases are to be handled in Paris.

It is up to the signatory states to decide in which states local and regional divisions will be set up. Not all states have finally made up their mind. In Germany, there will be four local divisions in Dusseldorf, Hamburg, Mannheim and Munich. Austria, Belgium, Denmark, Finland, France, Ireland, Italy, the Netherlands, and the United Kingdom each plan to set up one local division. Sweden, Estonia, Latvia and Lithuania have concluded an agreement on the creation of a Nordic-Baltic division having its seat in Stockholm. Further regional divisions may be set up for the Czech Republic and Slovakia as well as for Bulgaria, Cyprus, Greece and Romania.

The seat of the Court of Appeal is Luxembourg. A third instance dealing only with questions of law is not foreseen. Contested questions of the interpretation of EU law have to be clarified by preliminary rulings of the European Court of Justice (see below pt. 2.7).

2.2 Competence

The Member States confer on the UPC the exclusive jurisdiction for litigation in respect of European patents, i.e. not only in respect of unitary patents but also in respect of European bundle patents and supplementary protection certificates based on such patents. The main competence concerns infringement cases and the question of validity.

Within the Court of First Instance, the local or regional division of the state of the alleged infringement and those of the state of the residence of the defendant are competent. If there is no local or regional division for the respective Member State, or if the defendant has no residence within the Member States, also the central division is competent.

7 For the state of discussion in the member states, see epi Information 3/2015, 81.
2.3 The judges

2.3.1 Composition of the panels

As a rule, only the central division is competent for actions for revocation and for declaration of non-infringement.

A counterclaim for revocation may be raised before the division before which an infringement action is pending; this may be a local, a regional or the central division. Having heard the parties, a local or regional division may

- proceed with both the action for infringement and with the counterclaim for revocation;
- refer the counterclaim for revocation to the central division with the possibility of staying the proceedings; or
- with the agreement of the parties, refer the whole case to the central division.

If opposition or limitation proceedings are pending before the EPO, the Court may stay its proceedings, without being obliged to do this. This means that – different from German law – opposition proceedings do not block the possibility of filing an action for revocation.

2.3 The judges

2.3.1 Composition of the panels

Any panels of the UPC shall have a multinational composition and shall be chaired by a legally qualified judge.

As a rule, the panels of the local divisions sit in a composition of three legally qualified judges. Two of them have to be nationals of the state for which the division is set up if this state has 50 or more patent cases per year; otherwise there is only one judge from this state. The additional judges are allocated from the pool of judges. This applies to the regional divisions with the proviso that two judges always come from the region. Upon request of a party, any panel of a local or regional division requests the allocation of a technically qualified judge. It may make such a request of its own motion.

The central division sits in a composition of two legally qualified judges of different nationality and a technically qualified judge.
The Court of Appeal sits in a composition of three legally qualified and two technically qualified judges.

All legally and technically qualified judges of the Court of First Instance are members of the Pool of Judges. The technically qualified members of the Pool are also available to the Court of Appeal. The judges may be full-time or part-time judges. Both may exercise judicial functions at national level. The President of the Court of First Instance allocates the judges to the divisions of the Court of First Instance if they are not appointed as permanent member of the respective division.

The members of the Pool of judges are not yet appointed. Their qualification will be of decisive influence on the success of the unitary patent system as a whole.
2.3.2 Qualification and selection

The Administrative Committee foreseen in the UPCA decides on the appointment of the judges. It takes its decisions on the basis of a list of candidates established by an Advisory Committee comprising patent judges and practitioners experienced in patent law and patent litigation.

In respect of the eligibility criteria, the UPCA sets a high yardstick, at least at first glance. Judges shall ensure the highest standards of competence and shall have proven experience in the field of patent litigation. On closer inspection, the Draft Statute annexed to the Agreement puts this requirement into perspective: the necessary experience may be acquired by training foreseen in the Statute. In accordance with Article 19 UPCA, a training centre has been set up for this purpose at Budapest. As usual in EU institutions, the principle of geographical distribution is a very important selection criterion. Legally qualified judges shall possess the qualifications required by national law for appointment to judicial offices. Technically qualified judges have to have a university degree and proven expertise in a field of technology.

2.4 Procedure

2.4.1 Language of proceedings

As a rule, the language of proceedings before a local or regional division is the official language of the state hosting the division. The respective state may allow the use of additional languages. The majority of states will allow the use of English as an additional language. This takes into account that two thirds of the European patents are granted in English. With the agreement of the division, the parties may choose the language of the granted patent. If the Court disagrees, the parties may request that the case be referred to the central division. The language of the proceedings before the central division is the language of the granted patent.

Before the Court of Appeal, the language of the proceedings remains the same as in first-instance proceedings, unless the parties agree on the use of the language of the granted patent.

The Agreement allows for some flexibility if other language arrangements appear to be appropriate in particular situations.

2.4.2 Rules of Procedure

It is the task of the Administrative Committee to adopt the Rules of Procedure of the UPC on the basis of a broad consultation with the stakeholders. The 18th and final draft which has taken the results of a public consultation into account comprises some 382 Rules. *Inter alia*, they are dealing with the different types of actions, the different stages of the proceedings, the role of the judge rapporteur, the case management by the judge rapporteur and the chairman, the means of evidence, the conduct of oral proceedings, provisional measures, appeals and fees.
2.4.3 Representation

In proceedings before the UPC, parties have to be represented. Representation may be undertaken by lawyers entitled to act before a court of a member state or by European Patent Attorneys having appropriate qualifications such as a European Patent Litigation Certificate. A draft was provided in September 2015, defining the qualifications to be acquired by accredited courses. Transitional provisions allow that those having passed national courses may represent. Among such courses are the courses of the Fernuniversität Hagen in the framework of the preparation for the German examination as patent attorney.

2.5 Stages of the proceedings

2.5.1 First instance proceedings and timing

Proceedings before the Court of First Instance consist of several stages. As a rule, the final oral hearing should take place within one year. The first stage consists of written proceedings in which normally two briefs from each side are exchanged within a rather strict timetable. The pleadings are to be submitted in electronic form, unless this is not possible for any reason. For the online communication with the Court, a Case Management System has been developed which is accessible for test purposes. The written proceedings should normally not exceed eight to nine months. This stage is conducted by the judge rapporteur who may in reasoned cases allow exceptions from the given time schedule, e.g. allow extension for time limits.

The second stage is the interim procedure, also conducted by the judge rapporteur. Its aim is to comprehensively prepare the case for the oral hearing and to clarify the position of the parties in respect of the contested relevant main issues. To this end, the judge rapporteur may hold an interim conference which may take place as a telephone or video conference. This stage should be finished within three months.

As the next step, the judge rapporteur summons the parties to the oral hearing and informs the presiding judge of the closure of the interim procedure. From this point in time, the presiding judge takes over the management of the case. The oral hearing takes place before the panel and should be completed within one day. The decision on the merits of the case should be given as soon as possible after the oral hearing; in exceptional cases it may be pronounced immediately after the oral hearing. The written and reasoned decision on the merits should be issued within six weeks from the oral hearing.

2.5.2 Bifurcation

As set out at pt. 2.2, the local or regional division at which the action for infringement is pending may deal with the counterclaim for revocation, refer it to the central division or refer the whole case to the central division. The defendant has to include in his statement of counterclaim a
2.5.3 Evidence

In proceedings before the UPC any means of evidence may be relied on, in particular documents whether written or drawn, photographs, expert reports, affidavits, physical objects, and audio or video recordings. Evidence may also be obtained by hearing the parties or witnesses and party or court experts. The UPC may order a party to the proceedings and even a third party to produce evidence. Such an order may be requested by a party which has submitted reasonable and plausible evidence in support of its claims and has specified evidence which lies in the control of another party. If a party fails to comply with an order to produce evidence this has to be taken into account in the Court’s decision evaluating the evidence.

The UPC may order to preserve evidence, like the inspection of physical objects or premises and the taking of samples. It may also order provisional measures like the seizure of allegedly infringing goods and the materials for producing such goods, also freezing orders are possible. Under particular circumstances, such orders may be given without hearing the defendant. However, a US type pretrial discovery is not foreseen.

2.5.4 Appeal procedure – basic outline

All final decisions and orders of the Court of First Instance are subject to appeal. Any party may appeal if it is adversely affected, i.e. if its requests turned out to be unsuccessful. The
Court fees

In proceedings before the UPC, court fees have to be paid. The level of the fees has to be fixed by the Administrative Committee. The UPCA contains principles for fixing the fees. They will consist of a fixed fee, combined with a value-based fee. Micro and small enterprises are entitled to a 40% fee reduction.

According to the final table of Court fees of February 2016, the fixed fee for the infringement action, the action for declaration of non-infringement and some other actions and applications is 11,000 €. It is supplemented by the value based fee which starts at 2,500 € for the value of action above 500,000 € and has its maximum amount of 325,000 € for the value of action above 50,000,000 €. The fixed fee for the revocation action is 20,000 €, for the counter-claim for revocation it is 11,000 €. In addition, the value based fee has to be paid, for the counter-claim for revocation only up to the ceiling of 20,000 €. The amount for the appeal fee is for most cases 11,000 €, plus value based fee. The proposed fees are intended to cover the Court’s budget after the transitional period.

Considering the overall financial burden of the parties, court fees are only one of several factors. In respect of the parties’ own expenses and the attorneys’ fees, the complexity of the proceedings is an essential factor. In this respect, it remains to be seen, to which extent streamlining of the proceedings, as aimed at by the Rules of Procedure, will be achieved in actual practice.

The table of fees provides for a ceiling for the costs to be paid by the losing party. The scale starts at recoverable costs up to 38,000 € for the value of action up to 250,000 € and ends at recoverable costs up to 2,000,000 € for the value of action above 50,000,000 €. The ceiling may be lowered if the amount of recoverable costs threatens the economic existence of a party.
2.7 The future role of the Court of Justice of the EU (CJEU)

UPR and UPTR are legal instruments of the legal order of the EU. It is the primary role of the CJEU to interpret the Union law. Therefore, the UPCA stipulates that the UPC is obliged, in the same way as a national court, to request preliminary rulings of the CJEU in order to clarify questions concerning the interpretation of EU law. The draft of the UPR contained in its Articles 6 to 8 definitions of the acts against which the patent provides protection. This resulted in concerns relating to the involvement of the CJEU in the interpretation of the substantive law on patent infringement. These were expressed by national patent judges and representatives of interested circles in view of the highly specialized character of this matter. This question was on the verge of letting the whole project fail at the very last minute, even after the Heads of State had come to an agreement. Neither the Parliament which wanted to maintain these provisions nor the Council of Ministers which wanted them to be deleted seemed prepared to give in.

Eventually, a compromise was found according to which Article 5 (3) UPR refers to the applicable national law in respect of the acts against which the patent provides protection. This «national law» is to be found for the Member States of the UPCA in Article 25 et seq. of the Agreement defining the privileged acts and their limitations. Whether or not this compromise can achieve its objective to keep the law of patent infringement separate from EU law is an open question considering Article 5 (3) UPR and its reference to common treaty law.

3. The course of implementation of the unitary patent

3.1 The Select Committee of the Administrative Council of the European Patent Organisation

For some time, the EPO has been in a position to make administrative preparations for fulfilling its tasks pursuant to Article 9 EPR. Within the Administrative Council of the European Patent Organisation, the 25 and meanwhile 26 states participating in enhanced cooperation established a Select Committee pursuant to Art 145 EPC which has to take the necessary legal and financial decisions. In particular, the Committee is competent for fixing and distributing the renewal fees.

In December 2015, the Select Committee adopted the Rules relating to Unitary Patent Protection comprising the procedural provisions for the unitary patent.8 The provisions are similar to corresponding provisions in the Implementing Regulations to the EPC, including means of redress as re-establishment of rights or late payment of renewal fees with surcharge in case of non-observance of time limits. It has to be emphasized that further prosecution is not at all available. This is particularly important for the request for unitary effect. Also in December

8 http://documents.epo.org/projects/babylon/eponet.nsf/0/uF967CqC422EF4Dc1257F230690Dtc0/$File/edsc1501.pdf
2015, the Select Committee adopted the Rules relating to Fees for Unitary Patent Protection, in particular containing the amounts for the renewal fees.

A Unitary Patent Protection Division is to be established which is responsible for carrying out the tasks entrusted to the EPO under the UPR. Decisions are taken by one legally qualified member. Certain aspects of the procedures may be entrusted to formalities officers. It is foreseen that the Unitary Patent Protection Division will be integrated into the existing structure of the Legal Department pursuant to Article 20 EPC.

Decisions of the Unitary Patent Protection Division are subject to appeal to the UPC. For opposition proceedings, the Opposition Divisions remain competent. Their decisions affecting the registered unitary patent are subject to appeal to the Boards of Appeal of the EPO. The CJEU has not addressed this point in its decision C-146/13 when dealing with the Spanish argument of lacking judicial review.

3.2 The Preparatory Committee of the Unified Patent Court

The UPCA has not yet entered into force, thus no final decisions can be taken. However, the signatory states of the UPCA have established a Preparatory Committee which takes preparatory measures for the committees foreseen in the Agreement, i.e. the Administrative Committee, the Budget Committee and the Advisory Committee. The Preparatory Committee has established five working groups. Already in 2013, the 15th Draft Rules of Procedure of the UPC were published for written public consultation. The 17th Draft was discussed in a public hearing in November, 2014.

In October 2015, the Preparatory Committee reached agreement on the 18th and final Draft of the Rules of Procedure of the UPC. It acceded to the German suggestion to provide for a partial admission of further languages. Pursuant to Rule 14 (2) c), the judges of the Court may use the official language of the member state in oral proceedings and for drafting the decision if a further language had been used.

The Preparatory Committee convened an expert panel comprising representatives from the users’ side for giving advice in its further work; the first meeting was held in September 2014.

For preparing the appointment of the judges, candidates were given the opportunity to express their interest. Some 1,300 applications were received. On this basis, a list of several hundred candidates deemed eligible as legally or technically qualified judges was established. New appointment proceedings on a new basis are envisaged for late spring 2016. In early 2015, the training of the future judges started in the training center in Budapest as foreseen in Article 19 UPCA for a first group of 19 judges. The training program comprises besides the training in Budapest internships with specialized patent courts in France, Germany, the Netherlands and...
the United Kingdom. At the outset, the majority of judges will act as part time judges.

Special efforts are necessary for the development of the IT-structure since the Rules provide that documents should be lodged electronically, where possible. A prototype has been made available which allows to file various briefs in an infringement action as test case.

The UPC has to be operational when the UPCA enters into force. Furthermore, proprietors of existing European bundle patents shall be given the opportunity to declare a valid opt-out during a sunrise period before actions can be filed at the UPC. Therefore, a Protocol on the provisional application of the institutional, organizational and financial provisions of the Agreement and its Statute for a period of some six months before its entry into force was signed in October. On its basis, the bodies established by the Agreement may make the preparations and decisions necessary for the operation of the UPC before the first actions can be lodged.

As to the ratifications by the Member States, the first optimistic expectations of the EU Commission have by far not become reality. They had envisaged the 13 ratifications by November 2013 in order to have the first unitary patents registered in the first half of the year 2014. Until the end of 2014, Austria, France, Sweden, Belgium, Denmark and Malta have deposited their instruments of ratification. In the first half of 2015 Luxembourg as well as Portugal and in January 2016 Finland completed its ratification.

In Germany, the first draft of a Bill had been initially announced for the second half of the year 2014. Eventually, two draft bills were published in February 2016: a bill for the ratification of the UPCA and a second one for adapting the national law. As to the United Kingdom, it may be expected that the anticipated referendum on EU membership, now scheduled for June 23, 2016 ("Brexit") will delay ratification. The Intellectual Property Act 2014 has entered into force. However, it has to be noted that even after entry into force of the Act, the deposit of the instrument of ratification requires a further parliamentary approval. Originally, ratification was foreseen for spring 2016, i.e. before the referendum on EU membership. In Denmark a referendum on the unitary patent was held together with the elections for the European Parliament; the ratification was adopted by a majority of 62.5%. The referendum necessary in Ireland will take place after the elections in April 2016.

Essential obstacles to the progress of ratifications have been removed. The CJEU has dismissed the actions of Spain against the Regulations on the unitary patent\(^{10}\) and the Select Committee of the Administrative Council has agreed on a structure for the renewal fees. The key for the distribution of the renewal fees is envisaged before the end of 2015. The contested issues of the level and the distribution of the renewal fees as well as the level of the Court fees and the recoverable costs have been resolved by the Preparatory Committee and the Select Committee.

\(^{10}\) C-146/13 and C-147/13, OJ EU C 213/5 of 29.06.2015.
Ratification may still be delayed by political objections, e.g. from interested circles which are not satisfied with the results or do not want to accept interferences with their established business. States may reassess their interests following the example of Poland which has participated in enhanced cooperation but not signed the UPCA, considering that as a whole the economic disadvantages for the country predominate. Similar considerations have become known from the Czech Republic and Slovakia. Both countries are not expected to make a final assessment before the system has become operational. The progress in the ratification process will influence the speed of the further preparatory work. Entering into force before 2017 cannot be expected.

It remains to be seen whether and how the Commission will try to influence the states which have so far not made any preparations for ratifying the Agreement. Participating in enhanced cooperation may be considered as an obligation to implement enhanced cooperation implying the ratification of the UPCA. Thus, not ratifying may be treated as a violation of a treaty obligation.

### 3.3 National Preparatory Work

The signatory states of the UPCA have to aim at a speedy ratification of the Agreement. Besides that, they have to do some preparatory work within their own area. The states hosting sections of the central division, local divisions or regional divisions have to provide in particular appropriate buildings with their facilities and the administrative staff. Paris, London and Munich will host sections of the central division as well as local divisions. At the present state of the preparations, the planning in Germany is performed separately by the Federal Republic and the Bavarian state. The Federal Republic plans to accommodate the section of the central division as a kind of subtenant in the building of the Federal Patent Court at Munich’s outskirts.

By contrast the Bavarian state has chosen a somewhat more central accommodation for the Munich local division. This course of action is neither commensurate with the importance of the Court nor can it meet functional and financial requirements. Considering that a completely new procedure is going to be established, it might be expected that at least at the same seat in Munich the preconditions for a harmonized administrative handling of the cases are created. It does not seem very economical to provide the necessary staff and to develop the IT-structures for two divisions of the same court at two different locations. The judges concerned may be forced to work at three different locations when appointed as part-time judges of the UPC.

### 4. Alternatives for the proprietor

Requests for unitary effect may be filed for all European patents granted after entry into force of the UPCA. Therefore, after that entry into force, the proprietor has to make speedy decisions as to which of the available alternatives to
choose. He has to balance which routes imply which advantages and disadvantages.

In this respect, simple and global answers cannot be given. Rather, the interests in the individual case have to be assessed, which may be different from patentee to patentee, and even for different patents of the same proprietor. In addition, the situation in the starting period for initially 13 Member States will be different from the full implementation of the system after the end of the transitional period and ratification by possibly all EU States.

A realistic assessment depends on the question of whether or not the unitary patent can achieve the legislative aims and thereby fulfill the expectations of the users.

4.1 Cost benefits of the unitary patent

For the last group of countries, the decisive point in time is the date of the entry into the register for unitary patent protection. The unitary effect arises only for those states in which the UPC has acquired jurisdiction as the consequence of the entry into force of the UPCA four months after deposit of the instrument of ratification. Entry into force of the UPCA at a later date for further states does not enlarge the territorial scope of the unitary patent.

For all three groups of states, only the traditional bundle patent remains applicable. Thus, no cost benefits can arise for these states. Switzerland and Spain belong to the first and second group, all of them with a high validation rate. The potential benefits for the third group are determined by the successive ratifications of the UPCA. At present, it is not apparent that Poland would be prepared to initiate ratification proceedings in the near future.

Admittedly, the participation of Italy has substantially increased the potential value of the unitary patent. On the other hand, the discussion about Brexit has created new uncertainties.

4.1.1 Renewal fees

For the sake of clarity, it has to be noted in advance that the European bundle patent will remain effective even if a request for unitary effect has been filed for

- the Contracting States of the EPC which are not EU Member States,
- the EU Member States which are not participating in the enhanced cooperation, and
- the participating Member States in which the UPCA has not yet entered into force.

It is apparent that the unitary patent will significantly simplify the payment of annuities. Presently, all Contracting States of the EPC require the annual payment of renewal fees. A wide range of formal requirements is applicable in each country and may often change, such as...
types of payment, accounts or amounts of fees or specific rules of representation for payments.

Thus, the payment of low amounts of fees may involve a disproportionate amount of administrative efforts for patent proprietors. Only a single renewal fee will be payable to the EPO for the unitary patent as it is already the case for pending European patent applications and each European patent attorney is well acquainted with the requirements for payment.

Regarding the amounts of the renewal fees for a unitary patent to be paid to the EPO after grant, it has to be kept in mind that the national patent offices have been relieved from the burden to administer granted patents.

For this reason, one might expect that the justification for collecting fees at the national level is at least diminished. The EPC provides that the income from renewal fees for granted patents is split between the Contracting States and the European Patent Organisation and the share of the European Patent Organisation shall not exceed 75 %. The Contracting States had initially set the EPO’s share to 60 %. In 1985, it was further reduced to 50 %, which made the EPO more dependent on procedural fees – to the applicants’ detriment. This rate is now maintained for the unitary patent.

This has to have its consequences for the future revenue from renewal fees for unitary patents.

What this revenue is supposed to cover is meaningful for the future revenue. Pursuant to the UPR, these are the following items:

- the entire costs of the EPO for registering and managing unitary patent protection;
- a balanced budget of the European Patent Organisation together with procedural fees for the grant procedure;
- an increased share of the Member States having a different official language than the EPO;
- a minimum share of the Member States with low patent activity;
- an increased share of new Contracting States of the European Patent Organisation;
- a compensation system for compensating translation costs for filing in an EU language other than one of the official languages of the EPO for the benefit of small entities and further privileged proprietors.

Thus, the future revenue from renewal fees has to cover considerable additional expenditures. As a result, current beneficiaries of the revenue would have to forego earnings if the overall amount of revenues was to remain stable.

However, when the Member States participating in enhanced cooperation agreed on the patent-reform package, they decided that no state
should receive less from the revenue of renewal fees for unitary patents than hitherto from the revenue for the bundle patent.

Accordingly, it would have amounted to squaring the circle to arrive at amounts for the annuities for the unitary patent which were lower for the average proprietor than those to be paid for the European bundle patent. A cross-financing from the general budget of the EPO for bundle patents is expressly excluded in the UPR.

Eventually, the Select Committee, when fixing the level of renewal fees, may have been guided by the argument that the patent proprietor is granted comprehensive territorial protection for which he has to pay somewhat higher fees. Whether or not this argument will convince a high number of proprietors depends to a large degree on the question whether they have a serious interest in a broader territorial scope of protection.

The Select Committee, having considered model calculations for various scenarios, took a decision in favor of the »True Top 4« model. It is based on the principle that the renewal fees for the unitary patent should correspond to the total sum of renewal fees currently paid for the four most frequently validated countries (DE, FR, NL, UK). The amounts start at 35 € for the 2nd year, exceed the threshold of 1,000 € after the 9th year and end at 4,855 € for the 20th year. Over the whole term they sum up to 35,555 €. For the first ten years the total is 4,685 €.

**4.1.2 Validation**

The essential progress achieved by the European Patent Convention is the single examination and grant procedure. The applicant only has to deal with a single examination authority in a single language for obtaining a patent granted for all designated Member States of the EPC. At the grant stage, this uniformity comes to its end and the European patent splits into a bundle of national parts each having its individual fate which, after the opposition stage, is subject to national law, the only exception being the substantive criteria of patentability.

Currently, the patent proprietor incurs substantial costs for validating the European patent in its designated states, in particular for filing the necessary translations.

Regarding translation costs, a significant reduction was achieved by the London Agreement on the application of Article 65 EPC. This is to be kept in mind when comparing costs of the current European bundle patent and the new unitary patent, in particular for states which participate in the enhanced cooperation but which also joined the London Agreement.

This currently applies to 13 states out of the above explained total of 26 states participating in the enhanced cooperation for the unitary patent. Five of these 13 states share an official language with the EPO – Germany, France, the United Kingdom, Ireland and Luxem-

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31 For the amounts in detail, see the schedule of renewal fees in Art. 2 RFees for Unitary Patent Protection. 
4.1.3 The relevant comparison

Thus, the patentee has to ask himself two questions: in which countries can I achieve savings and for which countries do I need protection.

For the first question he has to look at the expenses for validation incurred hitherto and to follow the ratification status of the UPCA, for the other question he will be influenced by the validations made so far.

In this respect it is remarkable that according to an impact assessment of the EU Commission, 50% of granted European patents are only validated in up to three EU Member States. First of all, these will be the countries with the highest number of existing granted patents, that is Germany, France and the United Kingdom.

No translation is required for these countries pursuant to the London Agreement. However, for a unitary patent a translation has to be filed during the transitional period in all cases, as mentioned above. Thus, for patents validated in these countries, the unitary patent actually leads to an increase of the translation costs. For the sake of completeness, it is to be added that pursuant to Article 65 EPC, in addition to the five countries never requiring a translation, a translation is not necessary for Malta if the language of the proceedings is English, for Belgium if the language of the proceedings is French, and for Austria and Belgium if the language of the proceedings is German.

Pursuant to Article 1 (3) of the London Agreement, the remaining states of this group require a translation of the claims. They dispense with a translation of the description, some only if the patent was granted in English and the others irrespective of this requirement. The 13 states participating in enhanced cooperation which did not join the London Agreement presently require a full translation of the patent specification if the patent was not granted in one of their official languages. They represent the potential for substantial savings. In respect of savings resulting from the abandoned translation requirement, not only the cost of the translations as such has to be considered. Other costs have to be considered as well, e.g. for a national representative required in some countries or fees for filing the translation with the national office.

Pursuant to Article 6 UPTR, a full translation of the granted patent has to be filed with the EPO during the transitional period of at least six and no more than 12 years (see pt. 1.3.2).

If the language of the proceedings is German or French, an English translation has to be filed; if the language of the proceedings is English, the translation may be filed in any other official language of the EU.

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12 Denmark, Finland, Netherlands, Sweden and Hungary.
13 Latvia, Lithuania and Slovenia.
4.2 National jurisdiction or Unified Patent Court

The other extreme are about 1,000 patents which are – according to an estimation of the Commission – annually validated in all EU Member States. The Commission estimated the related validation costs to exceed EUR 32,000.

It is obvious that a proprietor who needs such a broad territorial protection will achieve great cost benefits with the unitary patent. This applies even at the outset, when the patent-reform package will only be applicable in 13 Member States.

Thus, whereas the cost assessment is rather clear for about half the granted European patents, the circumstances of the individual case have to be examined for the majority of the remaining ones, i.e. the individual interest in broad protection, the present requirements of translation in consideration of the London Agreement and the status of ratification of the UPCA.

In this exercise, the interest in the territorial scope of protection should not be put on the same level with validations made in the past. Two aspects have to be considered. First, it may be assumed that the continuing integration within the internal market results in an increasing interest in protection for more countries. Second, there is a windfall gain in the border area of the cost comparison: if the patentee can obtain with moderate additional expenditure protection in say 15 instead of four countries, such additional investment may appear rewarding.

For the renewal fees too, it has to be taken into account that the European patent has been validated in some 50% of the cases only in up to three countries, whereas the proprietor of the unitary patent has to pay the equivalent for four countries. In this respect, the question arises whether the users of the European patent system attribute an added value to the unitary patent and whether they are willing to pay more for it (see below pt. 5).

Finally, the proprietor’s obligation to pay the full single renewal fee for the whole life of the unitary patent has to be taken into account, whereas the bundle patent allows decreasing the financial burden during the term of the patent by allowing it to lapse in individual designated states.

4.2 National jurisdiction or Unified Patent Court

It will be a key question for the success of the unitary patent to which degree patentees are prepared to place confidence in the new court system. In this respect, the principle derived from experience may apply that the known even with its weaknesses appears more trustworthy than the unknown. In particular, patentees in countries with experienced and established patent courts may be inclined to follow such tendency.

For the patentee, the route to the UPC has the advantage that he can enforce the unitary patent
and the European bundle patent in one single procedure with effect in all states for which the UPCA has entered into force. Whereas this increases the economic impact of the patent, it implies at the same time the indispensable risk that the patent may be invalidated in one single procedure for its whole territory, be it in isolated revocation proceedings, be it in infringement proceedings in which a counterclaim for revocation has been raised. After revocation, there is still a second chance in appeal proceedings before the Court of Appeal in Luxembourg. However, different from the present situation, there is no chance to save the patent in another country before another court.

Establishing local and regional divisions serves the purpose of integrating existing systems. According to an enquiry of the Commission preceding the work on the unitary patent, more than 90 % of the then estimated 1.500 – 2.000 patent cases in the Union were litigated before courts in Germany, England, France and the Netherlands. This means on the one hand that in the majority of countries there were no courts with judges experienced in patent matters, and on the other hand that there are human resources primarily in the said four countries which can be deployed for a common court, the majority in Germany. These resources are especially used by the provision in the UPCA according to which local divisions in a country with more than 50 patent cases per year sit in a composition with two judges from this country and one judge from another country.

To a large extent, it is within the control of the patentee before which local division litigation takes place. He has the choice between the residence of the defendant and the place of infringement. Even if the alleged infringer files an action for declaration of non-infringement at the central division, the patentee may have the case treated at a local or regional division by filing an action for infringement at the competent division of his choice himself. This possibility also exists if the alleged infringer files an action for revocation at the central division. Whereas it is within the discretion of the local or regional division to refer a revocation case to the central division, it cannot refer the infringement action to the central division, unless both parties agree.

The plaintiff can hardly expect to have judges coming from his national jurisdiction with which he is familiar attend the central division. At the central division, the principle of geographical distribution of staff will have a significant effect because it can be applied to the local and regional division only to a limited extent. In the latter divisions, there will be a majority of judges from countries with experienced national patent courts. This will have the consequence that more judges from other countries will sit in the central division.

In this respect, it has to be noted that according to the UPCA a regional division has to refer the case to the central division at the defendant’s request if the alleged infringement has occurred in the territories of three or more regional divisions. This may make the regional divisions less attractive and have the consequence that
4.3 The bundle patent – opt-out and opt-in

The local divisions are preferred for infringement actions.

4.3 The bundle patent – opt-out and opt-in

A transitional arrangement which only applies to bundle patents and not to unitary patents is intended to increase acceptance by the users. During the transitional period, there is a concurrent jurisdiction of the national courts. In addition, the applicant or patent proprietor may exclude the exclusive jurisdiction of the UPC up to one month before the end of a transitional period (opt-out). The declaration is to be submitted to the Registry of the Court and is entered into the Register of the Court. The UPCA does not explicitly exclude that the UPC retains concurrent jurisdiction after an opt-out; however, this may be concluded from the purpose of provision. The declaration may also be withdrawn (opt-in).

Attention has to be drawn to the fact that the jurisdiction of the UPC is not limited to European bundle patents granted after the entry into force of the UPCA. Rather, it also comprises patents granted before and valid for the States in which UPCA has become effective. Thus, at the entry into force of the UPC, the patentee has to check his whole portfolio of European patents whether he wants to exclude the jurisdiction of the UPC. Previous drafts of the Rules of Procedure required the payment of an opt-out fee. Obviously, the purpose of such a fee is to cover the administrative expense. An intention behind the fee may also be to deter applicants and patentees from opting-out. In this way those not willing to use the UPC system would have had to raise its start-up funding. Users have submitted their political and legal concerns about this requirement. This may have resulted in eventually deleting the fee requirement.

An opt-out declaration can be submitted within a transitional period of seven years which can be extended up to 14 years.

Both, opt-out and opt-in, are subject to the requirement that no action has been filed yet at the court which had jurisdiction until the relevant declaration. Accordingly, a patent proprietor may file a declaration of opt-out for the time being, assuming that he can withdraw this declaration if he eventually comes to the conclusion that he wants to make use of the advantages resulting from the enforcement of the patent before the UPC with effect to all UPCA states. However, an alleged infringer may file an action for revocation or for declaration of non-infringement at a national court before the proprietor declares an opt-in.

The transitional regime laid down in Article 83 UPCA raises a number of open questions for which the Agreement has not the clear answers one would wish to have. One of them is the question whether an opt-out only excludes the exclusive competence of the UPC or the application of the Agreement as a whole. Whereas the Preparatory Committee has taken the position
that the competence of the UPC is a precondi-
that for applying the Agreement, in literature
the opinion has been voiced that the provi-
sions of the UPCA on infringement have to be applied
in a contracting state of the Agreement even
if the national court has to decide as a conse-
quence of an opt-out.

Furthermore, Article 83 (3) UPCA defines the
effect of an opt-out. It stipulates that the propri-
eter may opt out from the exclusive competence
of the UPCA. This wording gives the impression
that the UPC continues to have a concurring
competence during the transitional period.
However, this does not make sense because the
UPC has even without an opt-out only a con-
curring during this period. Therefore, one can
assume with the Preparatory Committee that an
opt-out excludes any competence of the UPC. In
addition, the text of the provision does not make
clear whether the concurring competence of the
national courts comprises only the infringement
and revocation actions indicated in Article 83
(1) EPC or all actions within the competence of
the UPC in accordance with Article 32 UPCA.
Here too, the Preparatory Committee has good
reasons to assume that the provision covers all
actions.

In addition, there is disagreement whether the
effect of an opt-out is restricted to the tran-
sitional period or remains applicable during
the whole term of the patent for which it was
declared. The Preparatory Committee is of the
opinion that an opt-out excludes the com-
petence of the UPC even after the end of the
transitional period. However, this is not clearly
expressed in the UPCA. According to its provi-
sions, the parallel jurisdiction of the national
courts exists only for actions filed until the end
of the transitional period and Article 83 (1)
UPCA does not confer on them jurisdiction after
this period.

The Preparatory Committee argues for its opin-
ion that an application for opt-out may be filed
until the end of the transitional period. Accord-
ing to the Committee, this does not make sense
if its effect is limited to the same period. Howev-
er, this argument does not appear very convinc-
ing. If there is a conflict between competitors at
the end of the transitional period, the proprietor
may have an urgent interest in excluding an ac-
tion of his adversary at the UPC even for a very
short period, while he is preparing his action
which he wants to file at the national court.

These and other ambiguities in the transitional
regime have led to a proposal from the users’
side, that the contested points be clarified in a
protocol on the interpretation of the Agreement
to be considered by binding the courts compe-
tent for applying the provision. This would have
given the users the legal certainty required for
basing the decision which route to take on a re-
liable basis. However, the proposal has not been
taken up by the Preparatory Committee.

5. Conclusions

In order to come to a final political agreement
many compromises had to be accepted. Not all
of them can contribute to a convincing result. For example, the splitting of the central division will result in additional costs and may have the consequence that a different manner of conducting the procedure develops at the three different places.

The fundamental controversy concerning the common or separate treating of infringement and validity has resulted in a system giving the court the discretion whether or not to treat the validity question. This may have the consequence that plaintiffs prefer divisions separately treating infringement and validity and staying proceedings only in case of a high likelihood of revocation, as it has been hitherto the practice of German courts.

As to the language problem, traditional and national reservations have precluded the most simple and cost-efficient solution: English only. On the other hand, it was a success that the complicated multiplicity of the language regime of the EU could be avoided. As a result, Spain has remained outside the system. For the transitional period, the obligatory translation has to be accepted as a flaw.

In respect of the costs to be expected, the fog lifted in the first half of 2015. The states were realistic enough to conclude that renewal fees corresponding to the fees to be paid in five national systems would have made the system attractive only for a small minority of users. To this extent can the agreement on the True Top 4 level be regarded as a compromise between the political demand that no state should eventually get less than under the system of the bundle patent and the aim to make the unitary patent system a success. From this perspective, it is not wrong to speak of a business-friendly fee pattern.

On the other hand, it was an express political aim of the project, to achieve a radical drop of the costs for obtaining patent protection within the EU in order to foster innovation and increase the competitiveness of European industry. In this respect, it would have been desirable that the Select Committee kept in mind what the European industry’s competitors have to pay for obtaining patent protection in their home markets: in the US for example, annuities of 12,600 US Dollar have to be paid for the whole term of the patent. By contrast, the renewal fees for Germany alone for the same term amount to 13,170 €. For the unitary patent annuities sum up to 35,555 €. In the US renewal fees are charged in order to cover the cost of grant proceedings as far as these are not covered by procedural fees. Formerly, the same was true for the European national patent systems.

In the European patent system, the situation is different, because the national share of the renewal fees for European patents is not available for covering the cost of the operation of the EPO. Rather, it serves to cover the costs of national patent offices, and to a substantial part it goes into the general national budgets. Thus, the unitary patent does not at all change the situation that the proprietor of a European patent has to pay, economically seen, a tax for
Patent protection. This fact remains although the historical justification for the national share, i.e. the administration of the national branch of the European bundle patent disappears.

For half of the proprietors having maintained their patents hitherto in up to three participating member states, the renewal fees to be paid for the full term of a unitary patent increase by over 37.5% in comparison to a bundle patent granted in the 5th year based on the amounts to be paid in France, Germany and the United Kingdom. However, the picture changes if a European patent granted in its 5th year is taken for a comparison for which renewal fees are paid up to the 10th year. In this case, the total for the unitary patent is 6,005 € which means additional costs of only 8%. In comparison to patents granted by the national offices in these countries, the increase is more than 41% for the full term. In addition, the financial burden of the unitary patent cannot be reduced by allowing the patent to lapse in individual countries. Towards the end of the term this is of particular relevance, considering the higher amounts.

Patentees choosing the unitary patent with the obligatory exclusive jurisdiction of the UPC who don’t want to dispense with any access to national courts may consider filing utility models in Germany. They offer cost-efficient protection which can be obtained quickly, within a few weeks from filing at present. Parallel protection by a utility model can be requested before and to a certain extent even after grant of a European patent. The applicant may use the text intended for grant by the Examining Division of the EPO for filing the application for a utility model. However, utility models are only available for products, not for processes. In the field of biotechnology, utility models are expressly excluded.

Several contracting states have made use of the possibility foreseen in the EPC to forbid parallel European and national patent protection in respect of the same invention. In Germany, the bill for adapting the bill adapting the national law stipulates a kind of intermediate solution. Double protection is not forbidden per se. However, the alleged infringer shall be protected against being sued on the basis of a German patent after an action based on a corresponding
unitary patent. To this end, the defendant in German infringement proceedings is given a procedural defence. It presupposes that the parties to the proceedings, the protected invention and the allegedly infringing embodiments are the same.

In the United Kingdom the positions of the users in respect of double protection were equally divided. Thus, the legislator did not see any reason to lift the ban on double protection.

The ban on double protection has anyway no effect if the claims in the national application are directed to modified subject-matter.

This also applies if the applicant proceeds double track on the European way by filing a divisional application and chooses the unitary patent once and the other time the bundle patent declaring an opt-out. Evidently, the latter approach is the most expensive one.
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