

Kluwer Patent Blog

Philips sees no reason to opt-out patents from the Unified Patent Court

Kluwer Patent blogger · Tuesday, January 20th, 2015

The Dutch company Philips is among the top-10 Patent Cooperation Treaty (PCT) applicants and the top-3 European Patent Convention (EPC) applicants. Owning about 64,000 patents and filing approximately 1,500 patent applications each year (with a strong focus on the growth areas of health and well-being), much is at stake for the company with the introduction of a Unified Patent Court (UPC) and the Unitary Patent (UP). Philips' principal IP Counsel Leo Steenbeek told Kluwer IP Law in an interview he hopes financial demands of UP member states won't lead to unrealistic high renewal fees. Philips won't opt-out patents when the UPC starts functioning.



Does Philips usually validate patents in all European Patent Organization (EPO) countries or only in the most important markets?

It often suffices to validate in Germany, France, United Kingdom (all to be covered by the UP) plus Turkey (not an EU Member State and thus outside the UP). As regards the number of validations in states participating in the UP, Philips corresponds nicely to the median of all applicants, which is three states.

Do you think the UPC system will help Philips protect its patents better?

Better protection of our innovations may very well result from the one-stop-shop advantage offered by the UPC.

However, we are concerned by the lack of clarity on the issue whether infringers of our patents will indeed be stopped by the UPC, while this is the normal outcome of national infringement proceedings. This lack of clarity on the basic usefulness of the UPC system has an impact on deciding whether to use the UP, since it will not be possible to go to national courts, while for bundle patents national courts are still an alternative. We are in no way in favor of Europe following the US Supreme Court in its [eBay decision](#).



We are also concerned by the language-inflexibility of the UPC system in comparison to the EPC system. Judges and lawyers who insist on only having to deal with one single language are apparently less internationally oriented than European Patent Office (EPO) employees and European patent attorneys. It is important to stress that EU law requires

Philips IP Counsel Leo Steenbeek

that documents are served in a language that is understood, rather than just sticking to a local language. It is therefore important for the UPC to base its requirements on whether a language (e.g. English) is sufficiently understood, rather than just insisting on the use of a particular language just because the rules allow to require translations, since language-inflexibility will result in substantial and unnecessary costs.

Will Philips opt-out many patents when the UPC starts functioning?

No, we currently see no reason to do so. If somebody files a central invalidity attack against one of our patents, we will respond by filing a pan-European infringement suit. If we win the revocation action filed against us, this somebody will have done us the favor of proving – on a pan-European scale – that our patent is perfectly valid. Also, the UPC Agreement has a ‘loser pays’ provision, so this somebody will have to pay our litigation costs if he loses.

We only see a potential need for opt-outs at the end of the transitional period, so only seven (or fourteen) years from 2016 (the year we expect the UPC to start functioning), if it appears that the UPC is a failure. Let’s hope that this worst-case scenario does not become a reality, as that would be very bad for Europe.

Would you like the UPC or EPO to create a procedure for easily opting out hundreds (or thousands) of patents at a time?

Basically, we agree with the European Commission in its [2014 Technology Transfer Block Exemption Regulation Guidelines](#) (item 134) that “In the interest of undistorted competition and in accordance with the principles underlying the protection of intellectual property, invalid intellectual property rights should be eliminated. Invalid intellectual property stifles innovation rather than promoting it.”

Therefore, it shouldn’t be made easy to make it impossible for a pan-European court to weed out invalid patents, and the opt-out fee should not be set at a low level.

The level of the renewal fees under the UP system is currently under debate at the EPO. What should the level be like, according to Philips?

The fees should not be too high, otherwise the UP system will not be used. For example, as far as the UP states are concerned, Philips currently often pays for just Germany, France and United Kingdom, with no translation of the description being necessary. If the UP were to be much more expensive, then we would really have to think whether the increased territorial application is worth the additional costs of both a full-text manual translation into one other EU language plus the higher renewal fees.



On the other hand, we are well aware that post-grant renewal fees are an important source of income for the EPO: about 1/3 of the EPO’s budget is funded by post-grant renewal fees. If the renewal fees for the UP result in less income for the EPO than the renewal fees for the bundle patent for the participating states, the EPO will be forced to increase the pre-grant fees, and that does not strike us as a desirable option either. To avoid an increase of the EPO’s pre-grant fees, it is also important that the UP states fully comply with Article 146 EPC and pay all costs of the UP system (including the translation subsidy), without trying to make the EPO pay half of those costs as some states try to achieve.

It is not helpful that the UP states have deviated from the EPC by fixing a 50-50 split of the renewal fees in the UP regulation, instead of leaving this up to the Administrative Council. With a higher share for the EPO, it would have been easier to obtain both UP renewal fees that are not too high and an EPO income from post-grant renewal fees that is not too low to fund its budget.



Does Philips, as an important player in the European IP intensive industry, and do businesses overall have enough influence in the negotiations on the renewal fees?

Although Dutch industry (via the employers' organization VNO-NCW) is represented on an advisory committee to the Dutch Ministry of Economic Affairs, this matter is highly political and will be decided by the states behind closed doors. Nevertheless, it is very easy: with unrealistic high renewal fees, the system will not be used. The statistics will demonstrate whether states have been too greedy.

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This entry was posted on Tuesday, January 20th, 2015 at 8:23 pm and is filed under [European Union, UPC](#)

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