

Kluwer Patent Blog

‘Unitary Patent reforms are welcome, even though patent litigation in Europe has worked quite well’

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Although patent litigation in Europe is fragmented, businesses have been able to cope and a unitary system may not be strictly necessary for the patent system to function in Europe. However, the new UPC does represent an opportunity to improve the system via greater efficiency and consistency.

Dr Luke McDonagh of the Law School at City University London argues this in his book ‘European Patent Litigation in the Shadow of the Unified Patent Court’. Kluwer IP Law interviewed McDonagh.

You analysed the current state of patent litigation in the UK, Germany, France and the Netherlands. Could you shed a light on the results?

‘European patent litigation at the moment is very fragmented because it takes place at the national level. The UK’s courts possess a reputation for being thorough e.g. requiring broad disclosure and long oral hearings, but litigation tends to be expensive., the German courts are often commended for providing parties with relatively cost-effective and speedy infringement hearings, though some complain about bifurcation. The French courts are admired for the unique set of saisie procedures that enable a party to gain access to another company’s premises to speedily and efficiently collect evidence on allegedly infringing acts. And Dutch courts have been praised for the speed and cost-effectiveness of their proceedings, and the technical expertise of their judges.



Luke McDonagh

The major problem with the current system is the inconsistency of decision-making across borders. A European patent found valid and infringed in Germany might be found invalid, and thus incapable of being infringed, in the UK. Another issue is the backlog at the EPO – it can take 6 or 7 years for all the appeals on validity to be dealt with, and in the meantime national courts may have already made validity decisions concerning the same patents.

Perhaps the most surprising thing about the current system is that despite these problems, from the point of view of many patentees and users the system has worked to a reasonable extent – when I conducted interviews for the book project a common response from patentee companies was that by suing in one of the major EU markets businesses have been able to adequately interfere with the activities of infringers. In other words, a unified system may not be strictly necessary for the patent system to function in Europe. Another positive of the status quo is that the fragmented nature of the European litigation system may also have hindered so called ‘patent trolls’. Nonetheless, there’s no doubt that the current system is legally imperfect and unnecessarily fragmented and expensive. There are good reasons why reforms were thought necessary.’

Although delayed by the Brexit vote, Europe seems on its way to implementing the UPC system. Will this be an easier step in some countries than in others?

‘Implementation of the UPC will clearly be easier in the major current patent litigation territories of the UK, Germany, France and the Netherlands, along with Italy as the expertise is there. There is some patent litigation in Sweden, Belgium and a couple of other EU countries, but many EU member states have little experience of it. As a result some territories are not setting up local divisions at all.

What will be crucial, therefore, in countries like Slovakia and Bulgaria, is that SMEs and other businesses are given guidance about the fact that the UPC will have jurisdiction over their territories. For some businesses in such territories, this might require them to alter their business practices, as up to now it has been rare for patentees to validate patents in all EU member states.’

What problems do you expect for practitioners in the change to the UP system?

‘For filing of patents, not a great deal will change with the UP because the decision to obtain a European Patent with unitary effect comes post-grant. At this stage, patent attorneys will have to advise their clients as to whether the unitary protection is worthwhile, given the fees (set at the level of the Top 4 European patentee states) or whether use of the current EP, validated in only 1, 2 or 3 states (and subject only to the fees of those states), is more financially beneficial.

For would-be UPC practitioners who are used to their own national systems, there will be the challenge of adjusting to the new procedures at the UPC. For UK practitioners (assuming the UK participates) the change to a paper-based system with very short oral hearings will be a culture shock. For non-English speaking practitioners, the fact that English is likely to be the key working language of the court could necessitate some re-training.

But it must be remembered that the UPC will work in parallel with the national systems for at least seven years of the transition period so for the short and medium term there will still be a crucial role for national practitioners.’

The UP system has been criticized for being beneficial only for the big industry, rather than SMEs. Is this criticism justified?

Rather than a strict multinationals versus SMEs debate, it is worth pointing out that the wider UP coverage will be welcomed more by certain industries e.g. pharma, than others e.g. ICT, engineering – regardless of whether the company is a multinational or an SME. This is because pharma companies already tend to patent in all EU MS, whereas ICT and engineering companies have typically managed to get by only patenting in 3-4 MS (the big markets) or perhaps 7-8 at the maximum.

Having said that, there are reasons for SMEs to be particularly wary of the UPC's consequences. The major one is the scale of the risk involved. A UPC-wide injunction preventing the bringing out of a new product would hurt a multinational but it could kill an SME. Similarly, the UPC-wide revocation of a patent would severely damage the finances of an SME.

We should remember that SMEs have always struggled in litigation due to the asymmetry of resources and wealth between SMEs and multinationals. On a positive note what the UPC does better than any other litigation system I've studied is provide a well thought out system of fee and cost-capping, with special provisions for SMEs. So there are certainly reasons to be concerned about SMEs in the new system – but there are also reasons for optimism.'

How do you feel about the Brexit vote?

'I was on record as a 'Remain' supporter so obviously I'm disappointed. As an Irish citizen I was allowed to vote, but now it's not even certain that I'll be able to 'remain' in the UK, where I've lived for almost 10 years, given the fact the UK government has yet to guarantee this right, and has left it as a bargaining chip in the forthcoming negotiations.

Clearly, the vote has caused a huge amount of uncertainty. We do not know for certain if there is a way for the UK to legally continue to participate in the UPC if it leaves the EU quickly i.e. within the next 1-2 years. If it does not leave for many years then there is more scope for finding a solution. There is hope: the EPO wants to find a solution, the UK IPO seemingly does as well, as does CIPA and many UK-based law firms. As ever I'm an optimist, so I believe a solution can be found to keep the UK in the UPC. Without the UK, the UPC would be much less attractive as a venue because injunctions, revocations etc. would not be binding on the UK. Obviously, the London central division would move elsewhere, possibly to Amsterdam or Milan.

If the UK ultimately does not participate in the UPC, then UK law firms and patentees will miss out on the benefits of the UPC – wider jurisdiction, more efficient & less costly enforcement – but as a large market the UK will remain an important IP territory regardless of what happens.'

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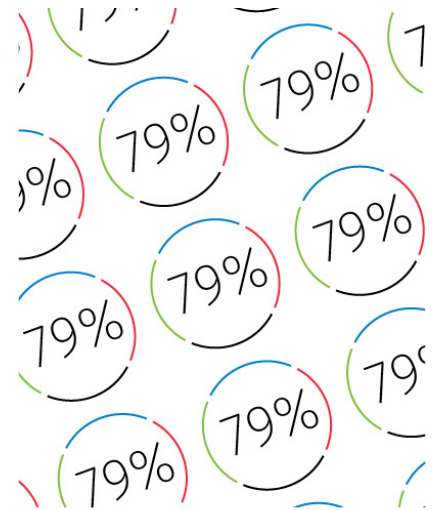
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