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Navigating the options: Best practices for patent protection and agreements

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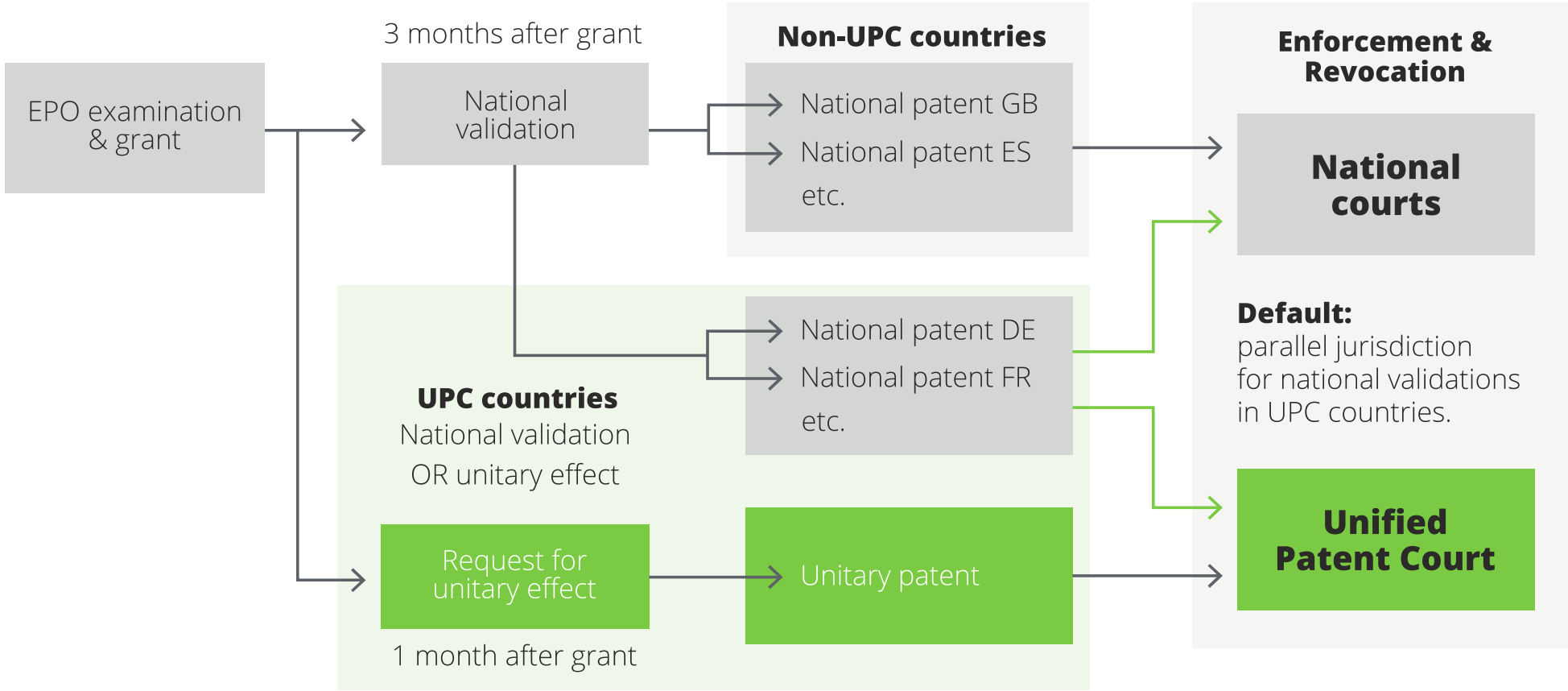
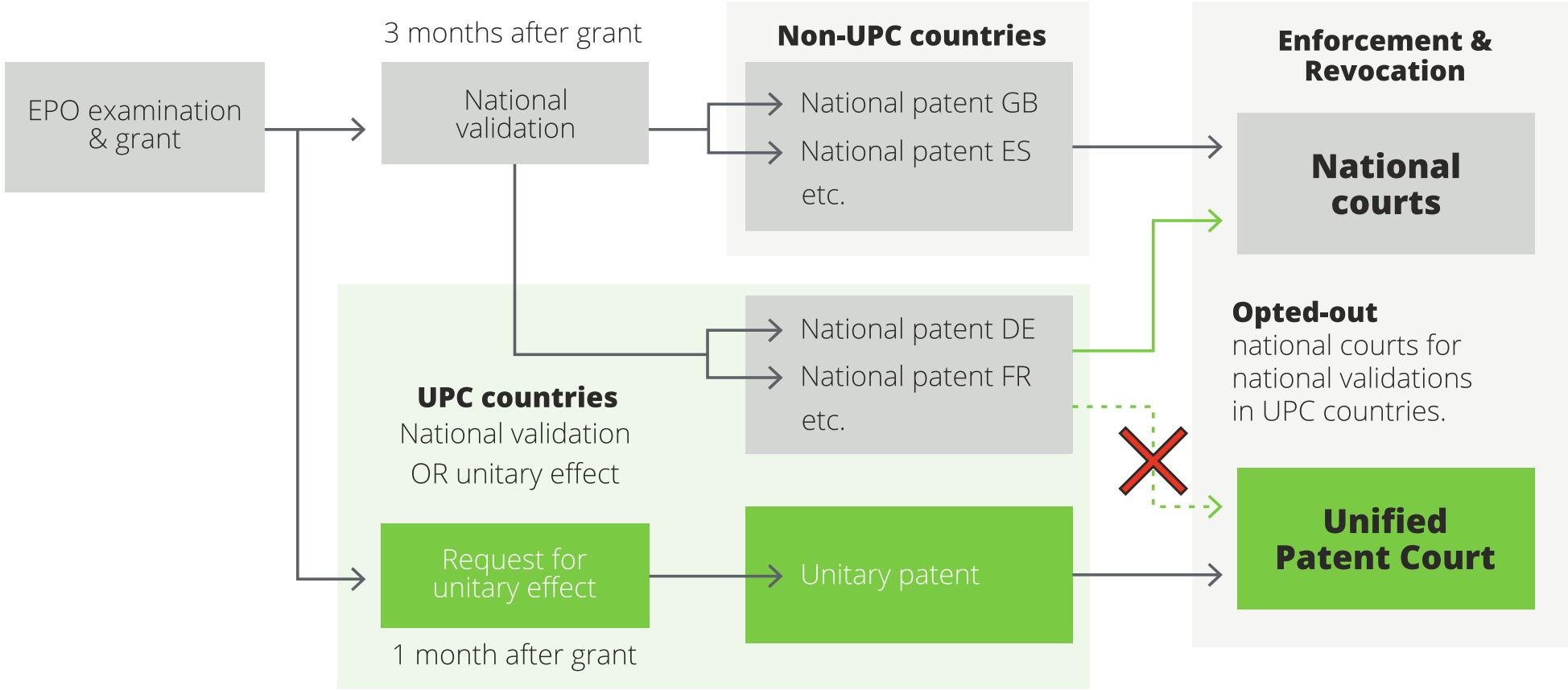
Introduction

New European Patent System



New European Patent System



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1.

Patent Filing & Grant Strategies

Should you get a UP?

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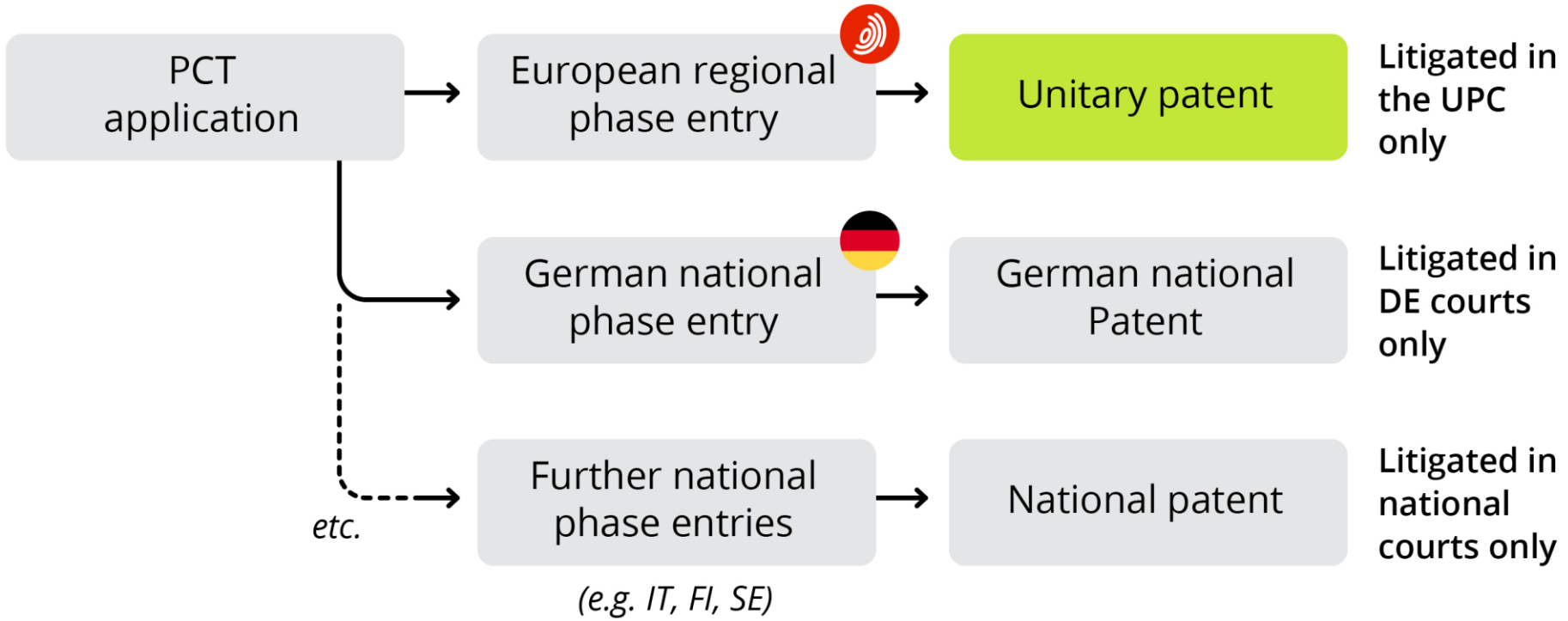
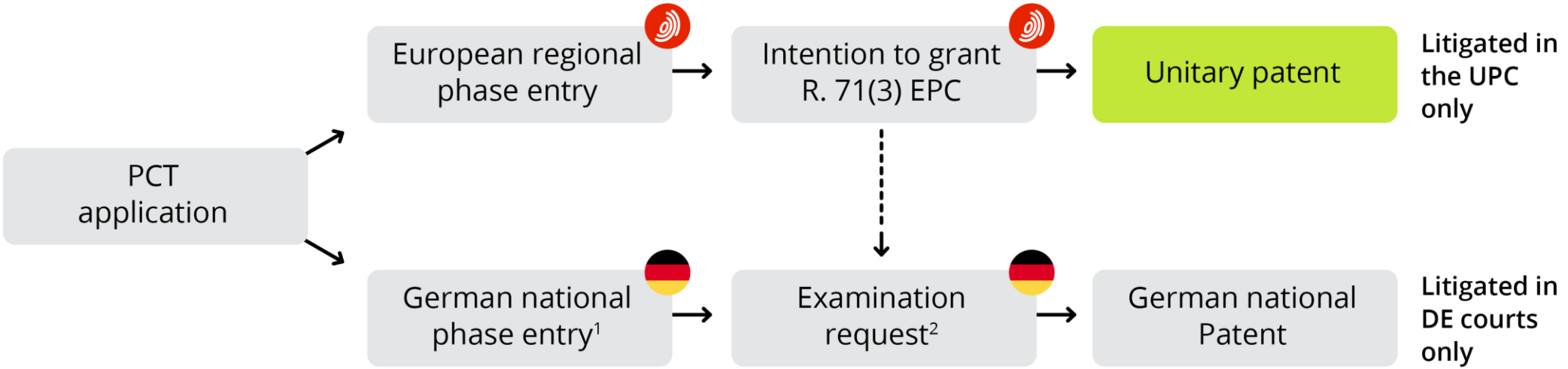
Pros	Cons
Broad geographical coverage (currently 18 EU Member States incl. DE, FR, NL, IT)	It is still cheaper to validate in DE, FR, GB – the most common combination
Low renewal fee compared to wide national validation	All or nothing – not possible to reduce renewal costs by dropping some countries
UPC provides a single forum for enforcement across geographical scope – simple and efficient process	UPC also provides a single forum for revocation across the entire geographical scope
UPC is fast – timeline for final decision approx. 1 year	Still early days at the UPC with many significant legal issues still unresolved/unpredictable
Provisional measures even faster, an injunction can be granted on the day it is applied for	
UPC judges very experienced (and gaining more experience rapidly)	

Filing & Grant Strategy 1



Filing & Grant Strategy 1 (contd.)



[1] Without examination request

[2] Term for filing examination request: 7 years from filing date

Where is double protection allowed?

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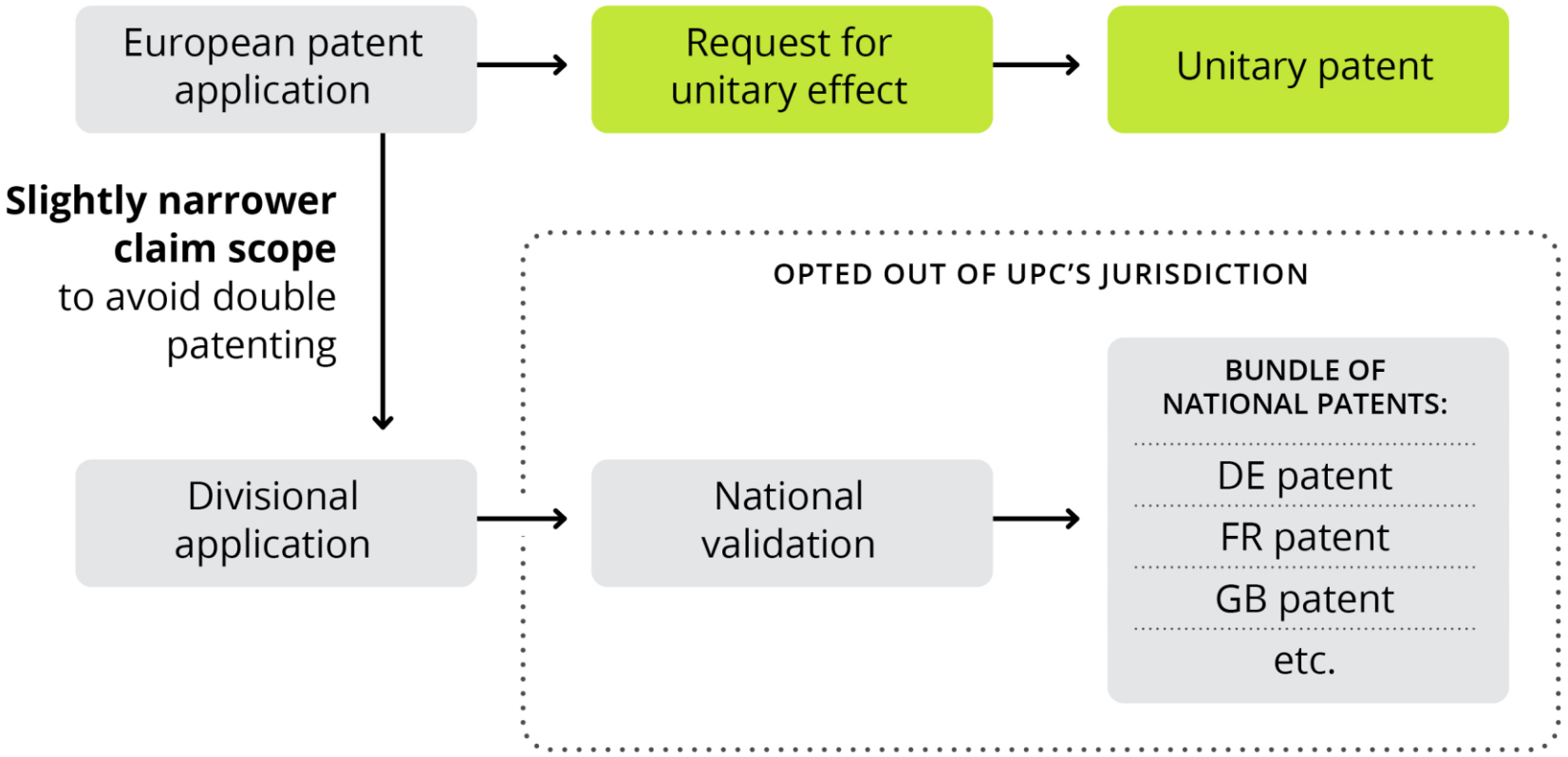
Austria	Yes
Belgium	No
Bulgaria	No
Denmark	Yes
Estonia	Yes
Finland	Yes
France	Yes
Germany	Yes
Italy	Yes
Latvia	No
Lithuania	No
Luxembourg	Yes (but changing)
Malta	Yes
Netherlands	No
Portugal	Yes
Slovenia	Yes (if national patent filed earlier)
Sweden	Yes

Filing & Grant Strategy 2



2.

Agreements

SMEs and Patent Commercialization

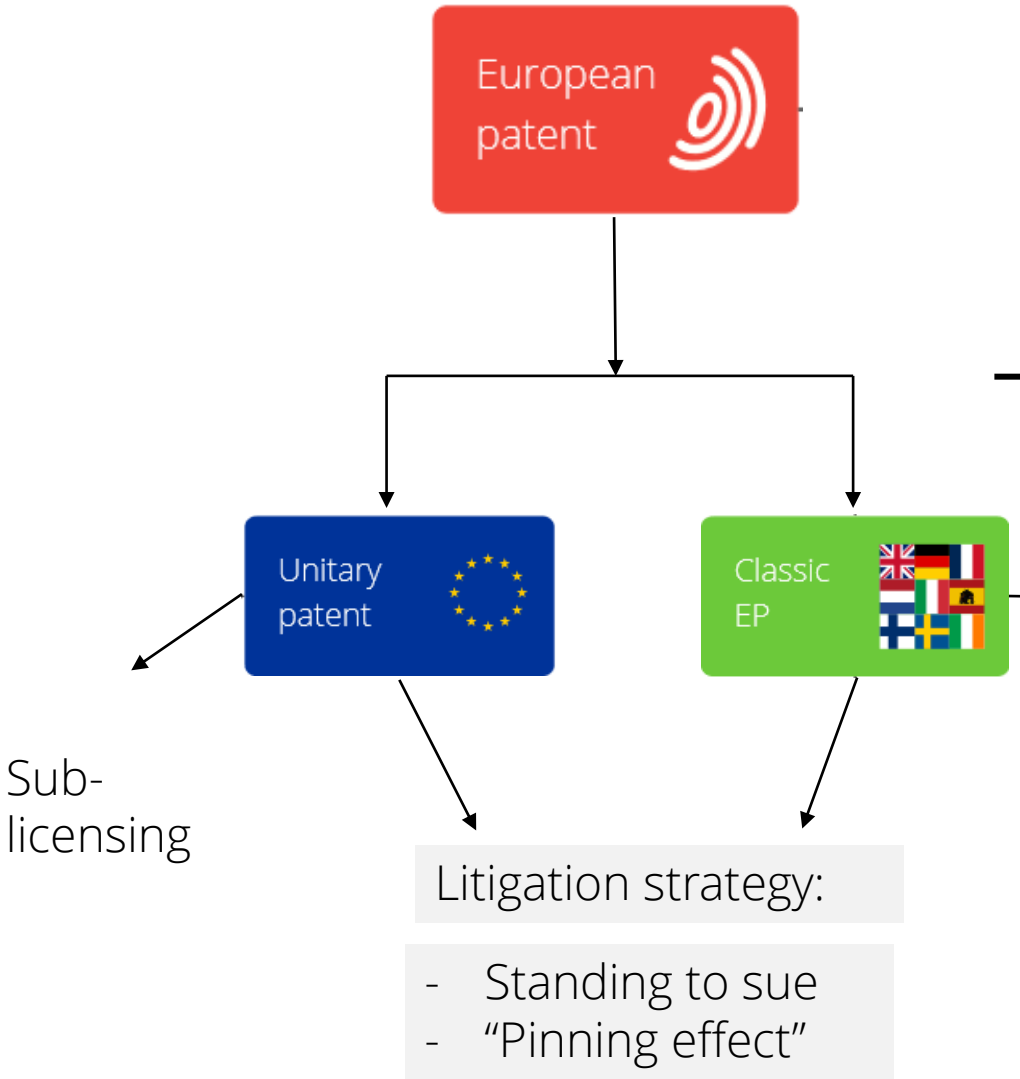
According to a recent survey, one third of the inventions for which SMEs have filed a patent application with the EPO are exploited through a collaboration with an external partner via:

- a licensing agreement (62% of the respondents)
- co-operation (49%) or
- spin-off (32%)
- cross-licensing (21%)

"Licensor and licensee making plans for the conquest of Europe."

* EPO, Market success for inventions - Patent commercialisation scoreboard: European SMEs, 2019

Decision-making tree for licensing



Who decides?

Under the UP&UPC provisions, the patent owner has the right to decide which type of patent will be granted, but are you sure that your license agreement does not say something different?

Opt-out?
Opt back in?

Who decides?

Under the UP&UPC provisions, only the patent owner can file a valid opt-out, but what does your license agreement say?

Choosing the type of patent

Example of a popular clause from an “old template”

«The licensee has the right to choose the countries where the patent application will be validated»

Issue: This clause does not make it clear that whether the licensee is also entitled to choose what type of patent will be requested (classical European Patent v. Unitary Patent)

“Licensor and licensee making plans for the conquest of Europe.”

Opt-out and opt back in

Example of a popular clause from an “old template”

«The Licensee has the right to bring actions against third party infringers […]»

Issue 1: This clause does not coordinate the right of the patent proprietor / licensor to choose to opt-out or to withdraw an opt-out * on one hand and the right of the Licensee to start a litigation on the other hand.

Issue 2: Beware of the “*pinning effect*”!

“Licensor and licensee enforcing their rights.”

* Only classical (nationally validated) European Patents can be opted out. Unitary Patents cannot be opted out

Opt-Out / Opt-in:
Beware the “Pinning Effect”

Once litigation before either the UPC or a national court has started, the forum is locked-in for the rest of the patent’s life.

NON-OPTED-OUT PATENT →  UPC → OPT-OUT

OPTED-OUT PATENT →  NATIONAL COURT* → OPT-IN

* IN A MATTER OVER WHICH THE UPC HAS JURISDICTION

Right to Sue (Art. 47 UPCA)

PROPRIETOR

The patent proprietor has the right to bring actions before the Unified Patent Court (UPC).

EXCLUSIVE LICENSEE

An exclusive licensee has the right to start an action autonomously at the UPC provided that the patent proprietor is given prior notice.

NON-EXCLUSIVE LICENSEE

A non-exclusive license does not have the right to start an action at the UPC unless expressly permitted by the license agreement.

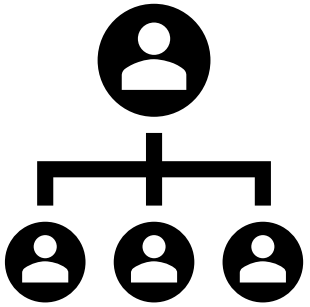
For exclusive licensees, by default, the patent owner's prior consent is not required!

These are default provisions that can be changed by the parties in the license agreement

Grant and Termination of Sub-licenses

Under certain UPC Member States law:

- The exclusive and the sole licensee has the right to grant sub-licenses
- The sub-licenses may remain in force even if the main license is terminated



Licensing Checklist

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	What to consider (case by case)
Patent Grant Procedure	Confirm who has the right to choose which type of patent will be requested: Unitary Patent or classic European Patent
Patent Grant Procedure	Confirm who has the right to choose to opt-out and to withdraw an opt out
Litigation	Confirm whether a licensee is entitled to start a litigation at the UPC
Litigation	Confirm whether a licensee should obtain the patent owner's / licensor's prior consent before bringing an action before the UPC (or a national court)
Sub-licensing	Confirm whether a licensee has the power to sub-license. If so, make clear what should happen with respect to sub-licenses after the termination of the main license

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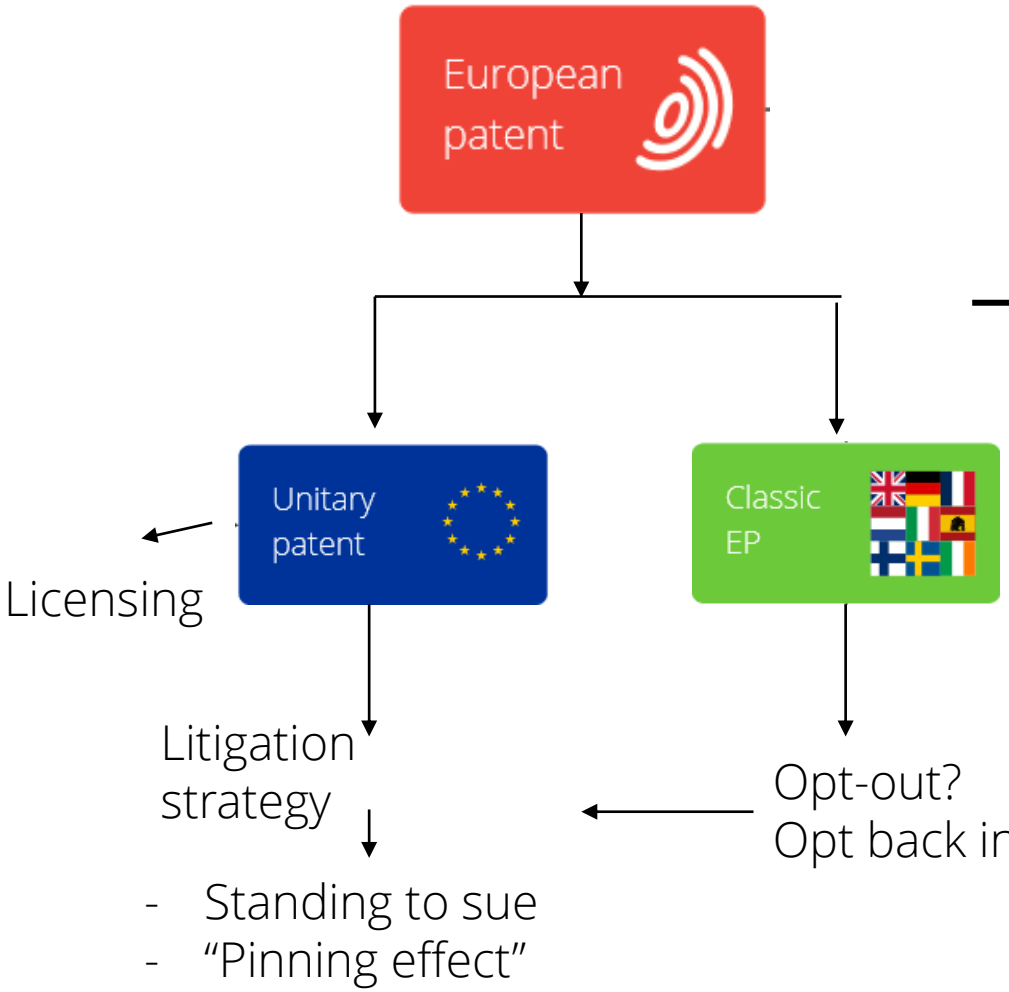
Decision-Making Process for Co-Ownership



Who decides?

If you are not the only owner, what does your co-ownership agreement say? Make sure your co-ownership agreement adresses this.

Who decides?

Under the UP&UPC provisions, the consent of ALL co-owners is required. Make sure your co-ownership agreement addresses this.

Impact on Patent Filing & Grant Management Clauses

Example of a critical clause in a Co-Ownership Agreement:

"Patent Prosecution. The Parties will be jointly responsible for the filing, payment, prosecution and maintenance of the Patent …"

Issue: At the patent grant the consent of both co-owners is necessary to decide what type of patent will be requested - a classic European Patent or a Unitary Patent – and who decides on it. Be sure to address this in your co-ownership agreement.

Opt-out by Co-Owners

UPC case law already confirms that

"a valid opt out application requires that it is lodged by or on behalf of all proprietors of all national parts of a European patent"

→ All co-owners must consent to opt-out application or file one

For details, see Neo Wireless GmbH & Co KG vs Toyota Motor Europe NV/SA (UPC_CoA_79/2924, 4 June 2024)

Impact on Patent Litigation Management Clauses

Example of a critical clause in a Co-Ownership Agreement:

"Patent Infringement. [...] In the event a Party does not agree to bring an infringement action, the other Party shall have the right to commence proceedings at its own expenses [...]."

Issue: In the event the patent at issue is a "classic" validated European Patent, the choice of one co-owner to commence an infringement action before a national court or the UPC will "pin" the patent in that court system.

The Unitary Patent as an Object of Property

Examples of issues related to a patent as an object of property: validity of the agreement, right to grant licenses, rights of the joint applicants (e.g., the right to assign its share of the patent, etc.)

A Unitary Patent as an object of property will be treated as a national patent of the participating member state in which:

1) **the applicant** has **residence or** principal **place of business** (or, if not, where the applicant has a place of business) OR
2) **the joint applicant indicated first in the European Patent Register** has **residence or principal place of business** (if none, then the joint applicant indicated first has "a place of business") OR
3) **the EPO has its headquarters** (→ German law), if none of the applicants has its residence or principal place of business or a place of business in a participating member state

Grant of Licenses by Co-Owners

Under certain UPC Member States´ law, a co-owner:

- may not transfer or grant a license for the entire right to a Unitary Patent

However, a co-owner:

- may transfer its share of the patent without the consent of the other co-owners
- may grant a license to use the patent in place of the co-owner/licensor

Co-ownership Agreement Checklist

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Keep in mind that a co-ownership agreement should be made prior to filing a first application to an invention!

	What to consider (case by case)?
Unitary Patent as an object of property – choice of law	When filing a European Patent Application, consider carefully, who should be listed as the first applicant (which national laws shall apply to a UP as an object of property). This can not be changed later
Patent Filing & Grant management	Agree on who has a right to file an application, make decisions during different stages of patenting procedure and decide on whether to request unitary effect or validate nationally
Rights to use, exploit and license	Agree on how the co-owners can use, exploit and license the patent/invention
Litigation & disputes	Agree on how the co-owners must act in patent infringement and revocation matters

The information above is for educational purpose and does not constitute legal advice and does not substitute for a full legal analysis.

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For more information:

LESI Article of the Month (November 2024)

Navigating the New European Patent System Through Properly Drafted Agreements – Licensing Executives Society International

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Thank you!