How Much More Will the Unitary Patent Cost?

The European Parliament has widely lauded the agreement on the Unitary patent package, presenting it as a solution that will reduce the cost of obtaining a European patent in EU member states by up to 80%. However, this headline grabbing figure is based on an assumption, namely that all 25 participating EU member states would have been validated after grant of an existing European patent under the current European system.

This is rare. In fact, presently, most applicants only validate granted European patents in three or five European Patent Organisation states. Although some applicants validate in more states, validation rates in many smaller European countries have been gradually falling over the past two decades.

Is this because the costs of validating granted European patents more widely have been prohibitive, or simply that European patent applicants have become more savvy, and do not consider wider protection worth the additional investment? If so, what will this mean for the Unitary patent and the potential savings it offers?

Although the new Unitary patent offers a cost effective way of securing patent protection throughout the participating EU member states, it also comes with a disadvantage: specifically, its status as a single unitary right puts the patentee in a position of "all or nothing" for litigation. A Unitary patent is potentially more vulnerable to attack and revocation by a third party, for example, than would be the case for a corresponding bundle of national patents subject to differences in national law.

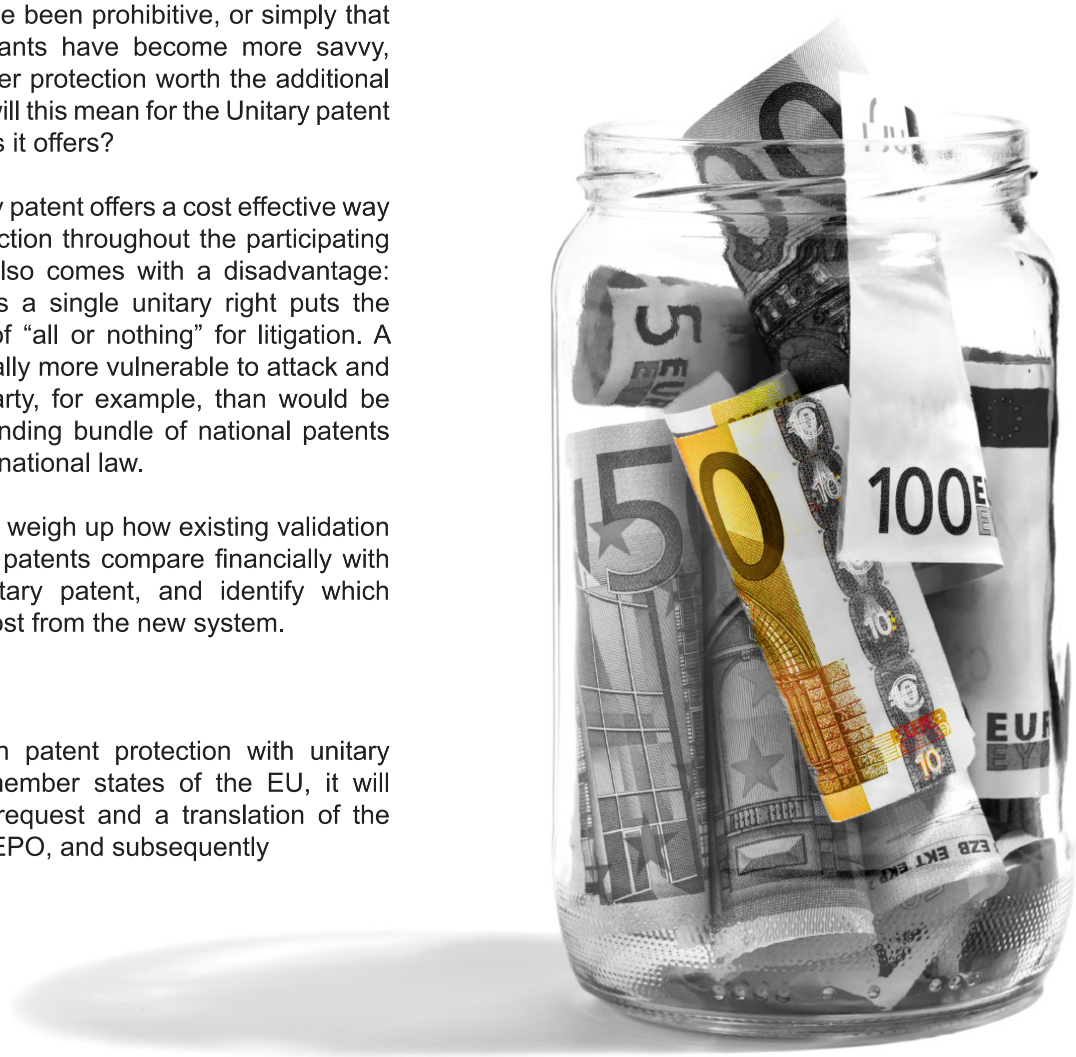
In this article, we try and weigh up how existing validation strategies for European patents compare financially with the proposed new Unitary patent, and identify which patentees will benefit most from the new system.

Assumptions

To secure and maintain patent protection with unitary effect throughout the member states of the EU, it will be necessary to file a request and a translation of the European patent at the EPO, and subsequently pay annual renewal fees to keep the resulting Unitary patent in force.

The EPO has not yet confirmed whether there will be a fee for the request, and what the level of the annual renewal fees will be. However, Article 12(3) of the Council Regulation on the Unitary patent states that that level of renewal fees for the Unitary patent will be "equivalent to the level of the renewal fee to be paid for the average geographical coverage of current European patents".

According to statistics of the European Commission, around 2% of European patents are validated in all 27 European Union member states, 8% are validated in



Reddie & Grose LLP London: 16 Theobalds Road, London WC1X 8PL - Tel: 020 7242 0901 - Fax: 020 7242 3290
Reddie & Grose LLP Cambridge: Clarendon House, Clarendon Road, Cambridge CB2 8FH. - Tel: 01223 360350 - Fax: 01223 360280

13 or more states, with 40% or so validated in only 5 states, and half of all European Patents validated in only 3 states. The current geographical coverage of European Patents typically then extends to only 5 member states on average, implying that the renewal fees for the Unitary patent could be relatively low given the wider geographical protection offered.

For the purposes of this article, we have assumed that the renewal fees payable on a Unitary patent are equal to the average renewal fees for 5 European countries under the current system. This makes comparison with existing validation strategies straightforward.

Analysis

The table over the page offers a comparison of typical validation scenarios against the benefits offered by the new Unitary patent. The idea is to assume that all EPO states of real interest are chosen by the patentee for validation after the European patent is granted. On that basis, the table demonstrates how many states of interest (and which states of interest) are required before the likely costs savings begin to materialise.

If the patentee is truly interested in protection in all member states, the Unitary patent will clearly offer a substantial cost saving: a projected reduction from around €35,000 to around €5,000 for the validation stage with substantial year on year savings in the renewal fees (compared with the equivalent national fees for all states).

If the patentee is only really interested in protection in the top three validation states (the UK, France and Germany), the Unitary patent is not cost effective. Further, selecting a Unitary patent would automatically result in a single right rather than three separate rights under the national patent route. Although single litigation proceedings would likely be less expensive than separate proceedings in each country, this “eggs in one basket” scenario could be disadvantageous for patentees who would prefer to litigate in different jurisdictions and hedge against a single unfavourable outcome from the Unified Patents Court. Note that litigation on European patents validated in these three countries will also eventually also fall under the jurisdiction of the Unified Patents Court, meaning that only separately filed national patents will provide independent decisions and flexibility for later litigation.

If the patentee is interested in the top five European member states for validation (the UK, France and Germany, as well as Italy and Spain), the position remains the same. As Spain and Italy are not party to the Unitary patent, the benefit of the Unitary patent package is lost.

Finally, the tipping point between the cost of validations under the existing system and protection under the Unitary patent system would appear to come where the patentee is interested in five or more EU member states participating in the new Unitary package. For five or more member states, the Unitary patent should begin to offer a significant cost saving in both renewal fees and translation costs.

Conclusions

The Unitary patent will clearly benefit the 10% of existing patentees who validate in 13 or more European member states. However, for the other 90% of patentees, the position is less clear, and depends heavily on whether an increased geographical coverage for protection is likely to be of interest, as well as an understanding of where the patentee’s key markets are located. Further all of this also depends on the level of renewal fees set by the EPO. If the renewal fees are set slightly higher than is assumed to be the case above, then the number of validation states selected before the break even or tipping point is reached will also be higher.

The litigation question adds further complexity. Although litigation of a Unitary patent before the Unified Patents Court should always incur lower legal fees than separate litigation before multiple national courts, the potential benefit of commencing parallel litigation in different national courts and hedging against an unfavourable court outcome will be lost. An unsuccessful patentee who secures neither damages nor an injunction in the one-shot-plus-appeal of the Unified Patent Court system could take the view that the Unitary patent has proved to be significantly more ‘expensive’ than they thought.

Lastly, despite the enthusiasm for the new system to offer a real benefit to SMEs it would seem that the largest costs savings will only be realised by larger entities with budgets that allow them to routinely validate in five countries or more. Of course, while SMEs are unlikely to see cost savings for validation strategies based on securing protection in a small number of member states, the Unitary patent will provide a more affordable route to achieving protection in the majority of EU member states if this is of interest to them.

Much detail is yet to be agreed upon, and the answers to these questions will become clearer in future.

Existing Validation Scenario*	Unitary Patent Comparison
1) European Patent validated only in GB, FR and DE. *50% of granted European patents are typically validated in only 3 member states or less.	■ Renewal fees for the Unitary patent will be higher (as they are expected to be based on 5 EU states not 3). ■ Cost saving on validations, as GB, FR and DE attorney fees will not be payable. ■ A translation of the patent into one other language is still required. This is expected to be of a similar magnitude to the cost saving on validations. **Cost outcome: the Unitary patent will quickly be more expensive owing to higher renewal fees.**
2) European Patent validated in GB, FR, DE, IT and ES European Patents validated in 5 member states are more often than not validated in Spain and Italy, two countries that are not participating in the new European Unitary patent. Spain and Italy are the 4th and 5th most popular for validations. *40% of granted European patents are typically validated in 5 member states. GB, FR, DE, IT and ES are the most popular.	■ Patent protection is not available via the Unitary patent for Spain and Italy, so validation in these two countries would still be necessary under the current European Patent system. Essentially the European patent would be converted into a unitary part, and a non-unitary part for Spain and Italy. ■ Cost saving on validations for the unitary part, as GB, FR and DE attorney fees will not be payable. ■ A further efficiency on the unitary part as the translation already required for Spain or Italy may be filed as the translation for the Unitary patent. ■ The renewal fees for the combination of the Unitary patent and the non-Unitary patent would be higher (essentially 7 member states – 5 for the Unitary patent, plus Italy and Spain – rather than 5 now). **Cost outcome: the Unitary patent will quickly become more expensive owing to the inefficiency on renewal fees.**
3) European Patent validated in five participating member states, such as GB, FR, DE, NL and BE *40% of granted European patents are typically granted in 5 member states. The most popular member states are shown in scenario 2). Validations frequently occur in Netherlands and Belgium after the top 5 listed in scenario 2. Switzerland (a non EU and therefore non-participating country is often also validated at this point).	■ Significant cost saving on validations as GB, FR, DE, NL and BE attorney fees will not be payable. ■ Renewal fees for the Unitary patent will be comparable (as they are expected to be based on those for 5 EU states). ■ A translation is required but is unlikely to be a significant cost. Belgium is not in the London Agreement, and so would have required a full translation. The French translation previously required for Belgium could be used as the translation of the Unitary patent (for example). **Cost outcome: As intended the Unitary patent should offer substantial savings on validations and translation fees.**
4) 5 or more Participating member states **Assuming the selected states for validation represent the only real markets of interest for the Patentee*	■ Significant cost saving on validations as local attorney fees will not be payable. ■ Significant cost saving on translations as only one translation will be necessary. ■ Significant cost savings on renewal fees compared with comparable national renewal fees. **Cost outcome: As intended the Unitary patent should offer substantial savings on validations and translation fees.**

Reddie & Grose LLP London: 16 Theobalds Road, London WC1X 8PL - Tel: 020 7242 0901 - Fax: 020 7242 3290
Reddie & Grose LLP Cambridge: Clarendon House, Clarendon Road, Cambridge CB2 8FH. - Tel: 01223 360350 - Fax: 01223 360280