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The Unitary Patent System and Utility Models

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Since the Unified Patent Court (UPC) and the UP system officially entered into force on 1 June 2023, European patent law is experiencing a procedural and substantial regime shift. Before, only the prosecution of European Patents (EP) at the European Patent Office (EPO) was harmonised through a centralised procedure granting a "bundle of patents," designating various Member States. The post-grant litigation of European Patents, however, was exclusively dealt with by national law. This changed with the introduction of European patents with unitary effect, which are litigated within the UPC system. These exciting developments correspond with a trend of increasing harmonisation in the European Intellectual Property (IP) arena through various EU legal acts, which pertain to a broad range of other rights such as supplementary protection certificates (SPCs), regulatory exclusivities, trade secrets, trademarks, industrial designs and copyrights.

However, as the process leading up to the necessary national ratification of the Unified Patent Court Agreement (UPCA) has demonstrated, the speed, scope and degree of the much-coveted harmonisation is not straightforward, and there is still a patchwork of various interacting rights and national peculiarities that need to be carefully considered. Consequently, the UP system and alternative forms of protection do not only offer new promises and opportunities, but also persisting uncertainties, legal lacunae and perils that need to be navigated by all relevant stakeholders.

In that context, it is important to recall that patents do not offer the only pathway to protect technical solutions to technical problems through negative exclusionary rights for a limited period of time. Unless Inventors choose to keep their inventions secret or to rely on regulatory exclusivities, some jurisdictions still offer UM

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protection for (minor) inventions, also called "small patents," "utility patents," "innovation patents," "second-tier patents" and "short-term patents." In this chapter, we refer to this form of protection as utility models, or in short: UMs. Generally, the European Commission and IP offices stress that UMs are shorter, simpler, faster and cheaper protection methods compared to patents, but there are differences in how these features are implemented.[1] The differences between UMs and patents result in multidimensional sorting as economic agents choose within the IP menu in accordance with the specific differences in characteristics and outcomes of patents and UMs.[2] Strategic choices are complicated by the fact that various European and international jurisdictions display very different approaches with regard to UMs, that is, in terms of availability, procedure, scope, enforceability and how requirements are interpreted.[3] It is further important to note that UMs are also not *directly* covered by the UP system, and since earlier attempts towards a harmonised EU system for UMs have failed,[4] national rules and disparities remain applicable, despite their kinship to patents.

But how will the UPC interact with and affect the system for UM protection in Europe and vice-versa? This is an important question. It relates to both procedural dynamics and substantial effects in prosecution and litigation, which will, in turn, influence the stakeholder's choices and the different IP strategies that these may pursue. Within the patent context, stakeholders will have to consider, amongst other things, which forum to seek for litigation and, more specifically, if it would be better to "opt out" from the UPC system and, if having done so, when to withdraw from the "opt out."[5] On top of all this, they will have to consider if UMs should be part of their IP and innovation strategy, be it as a sole form of protection that is sought for a given jurisdiction from the start, or whether and when patent (applications) should be converted into UMs or branched off. This chapter attempts to shed some light on these issues, which are as relevant as they are elusive.

Specifically, it focuses on the delicate interplay between the new European Unitary Patent (UP) system and utility model (UM) protection. To set the stage and provide the necessary background, Section 17.1 will start out with a brief recap and overview of the relationship between the EU, the European Patent Convention (EPC),[6] and the UPCA. Section 17.2 will then elaborate on the differences among relevant jurisdictions with regard to the availability of UPs and UMs. This section will also deliver a brief description of the basic formal relationship between the EPC, the UPCA, the EU, UMs, the European Patent Office (EPO) and national

[1] Heikkilä 2023a; Utility Models and European harmonisation is discussed in more detail in Chapter 20.
[2] Ibid.
[3] For further details, see Björkwall 2009, 309; Ruse-Khan 2012.
[4] COM (95) 370; COM (97) 691; COM 1999, 309; 26 July 2001; SEC 2001, 1307.
[5] Minssen and Lundqvist 2014, 340–357.
[6] European Patent Convention 1973.

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granting authorities. Next, Sections 17.3–17.5 will explore how the changes brought about by the introduction of the UPC and UP into the existing patent-UM landscape may affect business strategies involving patents and UMs of businesses operating in Europe. Section 17.3 first examines the division of judicial competences now that the UPC has become operational, and Section 17.4 then scrutinizes the relationship between domestic courts and UPC divisions. This is followed by Section 17.5 which will start by digging deeper into the general reasons and strategic considerations that stakeholders might have for converting patents into UMs or for branching them off, and then considers the specific issues of how double patenting and the BOUM ("branched-off utility models") strategies might be affected post-UPC, as well as the cost of a UP. This provides the basis for Section 17.6, vis-á-vis strategic choices, followed by concluding remarks pointing towards unresolved issues and areas for future research in Section 17.7.

17.1 THE EU, THE EPC AND THE UPCA

From a patent law perspective, it is noteworthy that today's *EU patent with unitary effect* has been in the making since 1976.[7] Ever since the Treaty of Rome[8] entered into force in 1958, a project to establish an EU patent as a unitary right has been discussed. The EU Commission has published communications and reports and proposed several drafts for legislation for an EU patent.[9] Until 2023, the impact of EU law on patent law has been largely negligible.

The Treaty of Rome was silent on IPR issues, and simply stated in Article 295 (now Article 345 of the TFEU)[10] that it in no way prejudiced the rules of Member States governing the system of property ownership. However, the protection of IPRs was included in the original Treaty structure in a more indirect way. Article 36 of the Treaty (now Article 36 of the TFEU) did allow Member States to restrict the free movement of goods (one of the four major freedoms established by the Treaty of Rome) on specific grounds, which included "the protection of industrial and commercial property." Nevertheless, the European Court of Justice (now Court of Justice of the European Union, CJEU) did not allow all restrictions on free movement rights to be justified by national IP rights, and already in its early case law it was distinguishing between the *existence* of a right (Article 345) and the *exercise* of a right, therefore interpreting Article 36 as covering only the "*specific subject matter*" of the right.[11] Accordingly, the CJEU interpreted the provision as a requirement of non-discrimination in the granting and protection of IPRs in the

[7] European Patent Convention (76/76/EEC); and L/401/1 30 December 1989 (89/695/EØF).
[8] Rome Treaty 1957.
[9] COM 2000, 412; COM 2010, 790; COM 2011, 215.
[10] Lisbon Treaty 2016.
[11] Pila 2022, 538–539.

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Community.[12] It developed the doctrine of regional exhaustion of rights by the lawful placing of a product on the market in the Community.[13] Without direct treaty authority, the CJEU thus managed to develop a set of rules on patent law on the way to a non-discriminatory trade law.

The furthest point so far, at the treaty level, is Article 118 of the TFEU adopted by the Lisbon Treaty in 2009. It states that the European Parliament and the Council shall provide measures for the creation of European IP rights to provide uniform protection throughout the Union. In addition to this, Article 262 of the TFEU provides for conferral of jurisdiction on the Court of Justice of the European Union in disputes relating to IP rights. So far, uniform protection has been established for trademarks and designs.[14] Somehow patent protection slipped through the net, probably to some degree due to the entering into force of the 1973 European Patent Convention (EPC 1973).[15] Due to the EPC, which established the European Patent Organisation (EPOrg) in 1973, EPs reside outside the EU, and the number of contracting states to the EPC has increased during the years. Today, it has 39 members.[16] All EU Member States are also members of the EPOrg and, since a UP will start out as an application for an EP, the EPO will continue as an important player in the European patent landscape.

In a way, the EPC was a compromise, as the political landscape at the time of the adoption of the EPC did not allow for a unitary European Community Patent. Consequently, it was decided to follow a different pathway. According to its preamble, the EPC is a special agreement within the meaning of Article 19 of the Paris Convention[17] and a regional patent treaty pursuant to Article 45 of the Patent Cooperation Treaty (PCT).[18] Therefore, Article 1 of the EPC establishes a substantive and procedural European law for the grant of EPs as a "system of law, common to the Contracting States, for the grant of patents for invention" and it allows applicants either to obtain a bundle of patents designating various contracting states or to designate a single contracting state only.[19]

As for UMs, the EU Commission's endeavours to establish uniform UM protection have failed.[20] In March 2000, the Commission suspended its proposal due to

[12] Dashwood et al. 2011, 499ff.; and joint cases C-56/64 and 58/64 Établissements Consten S.à. R.L. and *Grundig-Verkaufs-GmbH* v *Commission of the European Economic Community*; and case C-15/74 *Centrafarm BV and Adriaan de Peijper* v *Sterling Drug Inc.*; Sommer et al. 2023.

[13] Case C-15/74 *Centrafarm* v *Sterling Drug*. See Cook 2010, 35; Pila 2022, 537ff.

[14] Regulation 2017/1001 on the European Union trade mark; and regulation 6/2002 on Community designs (the latter is currently under review for amendment, see COM 2022/666 final; and COM 2022/667 final).

[15] European Patent Convention 1973.

[16] European Patent Office 2023b.

[17] Paris Convention 1967.

[18] Patent Cooperation Treaty 1970.

[19] See Singer and Stauder 2003, Articles 1 and 3.

[20] COM 1995, 370; COM 1997, 691; COM 1999, 309; SEC 2001, 1307. The process has been discussed in: Beier et al. 1994; Kern 1994b. Finally in its communication COM 2005, 462, the

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difficulties in reaching consensus on its substance among Member States, and utility protection was abandoned in favour of unified patent protection.

By 1 June 2023 – 50 years after the foundation of the EPC and 65 years after the first attempt to adopt an EU patent – the "unitary patent package" entered into force and introduced a new concept, namely a "European patent with unitary effect" (UP), and the UPC emerged as the new patent judiciary for enforcement of EP with and without such unitary effect.[21] The unitary patent package consists of the UPCA,[22] the Unitary Patent Regulation (UPReg)[23] and the Translations Regulation (UPTReg).[24] The road to unitary patent protection was enabled in 2012 by enhanced cooperation, which is used when the EU as a whole cannot achieve the goals of cooperation in a particular field within a reasonable period. The outcome of this lack of coherence has been a rather atypical sort of EU harmonisation combining EU regulations, an international agreement – the UPCA – on the judiciary (in principle, the UPCA is placed outside the scope of the CJEU) with a granting authority – the EPO – disconnected from the EU. For contrast, the EU trademark and EU design right are genuine EU rights, granted by the EU Intellectual Property Office (EUIPO) and reviewed by its boards of appeal and the General Court and, on points of law, the CJEU.[25]

The "new" UPs must be registered by the EPO and will be effective in the 18 Member States which take part in the enhanced cooperation in the creation of unitary patent protection enacted by UPReg and which have ratified the UPCA. Both the EP and UP are granted by the EPO under the rules of the EPC, and there are no changes to the pre-grant phase or the EPC's substantive patent law in this regard. Only after the granting, the patent holder can request unitary effect, meaning uniform patent protection in 18 EU Member States.[26]

Article 3(1) of the UPReg states that a European patent granted with the same set of claims in respect of all the participating Member States shall benefit from unitary effect in all participating Member States; and in Article 4, that the unitary patent is effective on the date of publication in the European Patent Bulletin; implying that the participating Member States shall ensure that a European patent is deemed not to have taken effect as a national patent in their territory on the date of publication; and in Article 5(2) that the scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.

Commission has redrawn the proposal for utility model harmonisation. See Chapter 20 (European Harmonisation).

[21] Geiger et al. 2018; Schovsbo et al. 2015, 271–274; Van Dongen 2023, 359.

[22] UPCA 2013.

[23] UPReg 2012.

[24] UPTReg 2012.

[25] Article 58a of the Statute of the Court of Justice of the European Union.

[26] The UPReg, Article 9(1)(g) requires the applicant to request for unitary effect no later than one month after the grant of a European patent is published. See further European Patent Office 2022, B II, point 46.

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As it follows from Article 3(b) of the UPCA, the agreement also applies to SPCs. According to Article 30, a SPC shall confer the same rights as conferred by the patent and shall be subject to the same limitations and the same obligations. In two 2023 proposals for regulations on unitary supplementary certificates for medicinal products and for plant protection products, the EUIPO was named as the central examination authority, and its opinion would be binding upon the national offices of the designated Member State which remains the granting authority. Because UPs are granted by the EPO, combined with the fact that the EP, UP and SPCs are closely linked, this may add to the confusion in the patent landscape.[27] This confusion may increase when considering UMs, for which some of the Member States that are part of the unitary patent area also provide protection in their national systems. This will be further explored in the next section.

17.2 PROTECTING UMS IN (SOME) EU MEMBER STATES AND THE TENTATIVE BEGINNING OF THE UPC ARRANGEMENT

This section starts out by providing a brief overview of the differences among relevant jurisdictions with regard to their participation in the UPC, and the availability of UPs and UMs. Next follows a brief description of the basic formal relationship between the EPO, UPs and UMs, as well as the interplay between the EPO, UMs and national granting authorities.

17.2.1 *An Overview*

As mentioned above, only 18 EU Member States are currently taking part in the UPC arrangement.[28] Only 11 UPC participating EU Member States provide for UM protection: Austria, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Portugal, Romania and Slovenia; whereas Greece, Hungary, Ireland and Slovakia are Member States that have signed but not yet ratified the UPCA, and UM protection can be obtained in these Member States. Also, Croatia, Poland and Spain are EU Member States with UM protection, but these Member States are not participating in the UPCA. Due to the gap and diversity in the EU Member States towards the UP and the UPC as such, and since all EU Member States

[27] In 2023, the Commission has adopted proposals on *unitary* supplementary certificates for medicinal products and plant protection products, COM (2023) 231 and (2023) 223. In its proposal for a regulation on compulsory licensing for crises management (COM 2023(224)), Article 2, UMs are included in the scope of the Regulation and thus subject to a Union compulsory license of IP rights that are necessary for the supply of crisis-relevant products to the Member States in the context of a Union crisis or emergency mechanism.

[28] Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Portugal, Sweden and Slovenia.

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(including those with UM protection) are also Members of the EPO, the future UM landscape is rather blurred.

These numbers are summarised in Table 17.1.

TABLE 17.1 *European States and participation in European patent institutions*

Organisation/system	Number of Member States	Number of Member States with UM protection
European Union	27	18
Unified Patent Court Agreement (initial Signatory State)	24	15
Unitary Patent Area (completed ratification UPCA)	18	11
Non-participating Member States	3	3
European Patent Organisation	39	22

For inventors residing and/or operating in those EU Member States not yet part of the unitary patent area who can only obtain a EP, they may only opt for protection in the form of a bundle of national patents within and/or outside of the unitary patent area.

Despite the lack of coherence in the EU as to UM harmonisation and patent law harmonisation, some EU Member States, namely Germany, Spain, Italy, France and Poland are in the top 20 offices regarding the number of received UM applications, indicating a salience in the field of UM protection.[29] Thus, one cannot neglect the relevance of UM protection in the EU Member States.

17.2.2 *The EPC, the UPReg, the UPCA and How They Relate to UMs*

The EPOrg and the EU are two separate organisations, and so far EU legislation on substantive patent law has been minimal. However, the adoption of the first – and so far, the only – act on patentable subject matter in the EU, Directive 98/44/EC on biotechnological inventions (Biotech Directive),[30] has had an impact on the EPC. Its provisions on patentable subject matter were inserted into the Implementing Regulation of the EPC.[31] However, in the aftermath it was made clear that although the wording of the provisions is formulated similarly at different regulatory levels, their interpretations at the different levels are legally independent of each other.[32]

[29] WIPO 2023c, table A54.
[30] Biotech Directive.
[31] Implementing Regulations 2022, Chapter V, Rule 27–29.
[32] Case C-34/10 *Brüstle* v *Greenpeace*; Implementing Regulations Rule 28(c); Sommer 2013, 188; Sommer et al. 2023, 187–202.

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The vulnerable point in European patent law is the increasingly mixed competences of the EPO and EU – now further confused by UPReg and the UPC. The UPReg is virtually deprived of substantive patent law,[33] whereas the UPCA's Chapter V forms the basis for future UPC jurisprudence.[34] Furthermore, the UPC must apply Union law and respect its primacy, as well as cooperate with the CJEU in accordance with Article 267 of the TFEU. Since EU law is almost silent on substantive patent law, it is hard to picture future CJEU involvement on a frequent scale concerning substantive patent law. Altogether, the CJEU's involvement seems rather limited, and the current frame is aimed at preventing the CJEU from becoming an appeal court for revocation and infringement while, at the same time, preserving its grip on Union law primacy. In other words, the UPC is a pretty isolated specialised court in European patent law. In this context, the UPC is likely to become a central policymaker in the future EU patent system despite its transnational character, as will be considered further in Section 17.5.[35]

Presently, the centre stage of the European patent system is taken by the EPO and its Boards of Appeal as developers of substantive patent law. The EPO has considerable autonomy towards granting, but subsequently limited judicial control. It is therefore possible to narrow down this section to focus on the EPO/EPC and UPC/UPCA. The EP (39 contracting states) and the UP (18 EU Member States) are both granted by the EPO under the rules of the EPC.

The EPC is the legal source for the pre-grant and granting procedure, only as such on patents and not on UMs. In other words, the unitary patent system and UMs are not clearly related, especially since the latter is not an EU or EPC harmonised right and falls outside the scope and competence of the UPC as such. However, as the EPC preamble clearly refers to the Paris Convention and PCT, it cannot contravene the provisions thereof. Article 1, subsection 2 of the Paris Convention states that the protection of industrial property has as its object patents, UMs and more. Therefore, in countries where UM protection is available, the general principles of the Paris Convention, such as national treatment and the right of priority, are also applicable to UMs. If an international patent application under the

[33] Included only in Article 6 and Article 8 on the exhaustion of rights and licenses of right.

[34] For completeness, the first provision of Chapter V, Article 24(1), refers to other sources of law, stating that "[i]n full compliance with Article 20 [on the primacy of EU law], when hearing a case brought before it under [the UPCA], the [UPC] shall base its decisions on: (a) Union law, including [the UPReg] and [UPTReg]; (b) [the UPCA]; (c) the EPC; (d) other international agreements applicable to patents and binding on all the Contracting Member States; and (e) national law." In addition, Article 5(3) of the UPReg conveys that "[t]he acts against which the [unitary] patent provides protection [...] and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7."

[35] Schovsbo et al. 2015, 272.

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PCT is filed, UMs are available at the national level in designated countries that have a UM system. Article 43 of the PCT provides the legal basis for an international applicant to obtain a UM instead of or in addition to a patent (in accordance with national law), cf. Article 4(3) and R 4.1 (b)(iii) of the PCT.

Further, despite the EPC being patent-centred, UMs are no stranger to the convention. Article 140 of the EPC (Part VIII Impact on national law), stipulates that Articles 66, 124, 135, 137 and 139 of the EPC shall apply to UMs and utility certificates (the latter is a French instrument (see Chapter 5), and to applications for UMs and utility certificates registered or deposited in the Contracting States whose laws make provision for such models or certificates.[36] This interface of patent applications and UM applications motivates us to consider whether decisions by the UPC may impact UM protection and prosecution in the Member States.

17.2.3 *The EPO, UMs and National Granting Authorities*

Article 140 of the EPC provides the basis for a European patent application to be converted into a national UM application while maintaining its priority claim, cf. Articles 66 and 135. It further follows from Article 87, subparagraph 1, of the EPC, that the right of priority according to the Paris Convention applies to UMs and utility certificates.[37] Pursuant to Article 124 of the EPC, the applicant on request of the EPO must inform the office of all states in which it has filed UMs and the reference number of these applications.[38] Articles 135 and 137 of the EPC allow the application to be converted into a national UM or certificate without any additional national formal requirements.

Article 140 of the EPC is only directed towards patent applications to be converted into national UM applications by a request from the applicant. By the time the patent is granted and published – with or without a further request for unitary effect according to Article 9 (1)(g) of the UPReg – it is no longer relevant.

The UPC has not been given jurisdiction over UM protection, and once a patent application has been converted into a national UM application, all future aspects concerning the UM application are left to the autonomy of the national patent authority. Nevertheless, we cannot disregard that the UPC can have a potential impact on, for example, EPO patent families which have a UM registered as well.

[36] By virtue of Article 140, the other provisions apply to utility models and certificates covering, respectively, equivalence, information on prior art, request for conversion of a European patent to a national patent (or utility model or certificate), the formal requirements for conversion, and priority.

[37] Suominen et al. 2023, 152; Singer and Stauder 2003, 573–574, 567.

[38] Ibid.388: "Article 124 requires an applicant to mention all states, i.e., not only contracting states, in which they have filed corresponding *patent* applications." Singer and Stauder 2003, 572: "There is no obligation to supply information on the filing of *utility model* applications in non-Contracting States, such as Japan."

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Thus, UPC case law might (indirectly) affect UM claim interpretation or undermine their validity given their potential overlap or connection to an EP or a UP.

17.3 DIVISION OF JUDICIAL COMPETENCES POST-UPC

As alluded to before, the UP and the UPC only form an extra layer in the existing patent landscape; they do not replace any type of patent or court.[39] However, this new patent and court are not created to form an isolated system either, which results in an interesting patchwork of jurisdiction in Europe. Moreover, it will both affect existing judicial relationships and create new ones. Directly or indirectly, such shifts may, in turn, bring about change in legal doctrine and who drives it for a given territory. It is improbable that these changes will be without some impact on business strategies involving patents and UMs of businesses operating in Europe. What the next part of this chapter contributes is a first exploration into some of the avenues that may effect change now that the UPC has become operational, starting with the division of jurisdiction.

17.3.1 *Jurisdiction on Non-national Patents*

What the creation of this new system means for the division of judicial competence on patents in Europe is as follows. According to the UPCA, the UPC will have exclusive competence on actions for revocation and enforcement of both classical EPs and UPs, as well as SPCs.[40] That is, after the expiration of the transitional period. The UPCA provides for a transitional regime for certain categories of patents during the first seven years (subject to a potential extension) of entry into force of the UPCA.[41] Until this regime lapses, disputes involving EPs and SPCs may also still be brought before national courts, resulting in shared competence between the UPC and national courts for such rights.

However, the UPCA also provides the option to formally opt out of the UPC's jurisdiction.[42] EPs and SPCs for which their proprietors have made use of the possibility to opt-out of the UPC's jurisdiction, remain the sole prerogative of the competent national courts within the territories in which they are valid even after the expiration of the transitional period. This point will not be pursued further, but it bears mentioning that the new UPC will thus essentially be competing with

[39] Van Dongen 2023, 359.

[40] UPCA 2013, Articles 3(a), (c) and 32(1)(a)–(f).

[41] As part of the transitional regime there is, however, the possibility for proprietors of European patents to opt out of the UPC's jurisdiction by means of notification to the Registry within seven years after the date the UPCA went into force, unless an action has been brought before the UPC concerning that patent before the proprietor's opt-out notification. Ibid Article 83. UPCA (2013), Article 83(1) and (5).

[42] UPCA 2013, Article 83(3), (4).

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domestic courts for the favour of patentees. The system will only succeed, if patentees are willing to use the system, either by obtaining a UP or by choosing not to opt out for their EP. Another important caveat here is that the UPC's decisions will not have the same territorial effect for UPs and EPs and SPCs without unitary effect. As already mentioned in Section 17.1, in the UPReg and UPCA, it is stated that the UPC's decisions on unitary patents shall have effect for the whole of the "unitary territory,"[43] whereas for EPs, the UPC's decisions will cover only "the territory of those Contracting Member States for which the European patent has effect."[44] It is certainly a positive development that the need to conduct parallel litigation in Europe for the same dispute is mitigated. This also seems to limit the pre-UPC possibilities for parties to commence in forum shopping, without completely foreclosing such opportunities.[45] Nevertheless, it should be noted that this also has its (potential) repercussions for, amongst other things, litigation costs, invalidation for the entire unitary patent area, being able to only focus on markets of consequence, the ability to recover from being enjoined and the attractiveness of designating European countries for a EP outside of the unitary patent area.

17.3.2 *Jurisdiction on National Patents and UMs*

What has been discussed in the previous subsection does not apply to the last category of patents in Europe, namely national patents, nor does it apply to UMs. Both remain national rights within the exclusive competence of the relevant domestic courts. It is worth reiterating that, in contrast with national patents, the relationship of the UPC with UMs has not been formally addressed. The UPC has not been given jurisdiction on either national right but, again, UMs are not even mentioned in the instruments of the Unitary Patent Package (including the Rules of Procedure of the Unified Patent Court "RoP"). In fact, this omission is notable, as the failed instrument for a Community Patent did contain a provision declaring certain provisions applicable to UMs, as well.[46] However, the absence of references to such rights in the Unitary Patent Package does not mean that UMs will not be affected by

[43] UPReg, Article 5(2).

[44] UPCA 2013, Article 34.

[45] The UPCA contains limitations on where a case may be brought based on where the infringement took place and the defendants are based, with München as the fallback jurisdiction. For disputes with cross-border elements, e.g., the infringement took place in multiple states and/or the alleged infringer is based in multiple states, this does mean room remains within those perimeters for the rights holder to choose where to bring their claims. However, for certain counterclaims by the defendant, additional limitations exist for where those may be brought. Consequently, room for forum shopping persists, but a lot of different elements affect the margin in a given case.

[46] The Community Patent Convention stated in Article 84(1) that "Articles 37 [on national prior rights], 80 [prohibiting double patenting] and 81 [on exhaustion] shall apply to utility models and utility certificates and to applications for utility models and utility certificates in the Contracting States whose laws make provision for such models or certificates." To reiterate,

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the UPC's decisions due to their potential connections with patents (e.g., double patenting, branched-off UMs).

As pointed out above, another complicating factor in this respect is the patchwork of different types of legal instruments that may (indirectly) apply in a given case, particularly when combined with the varying national scope limitations on UMs. The influence of a particular instrument depends on, amongst other things: (a) whether a country is a member to a particular organisation and (b) the nationally determined scope of a UM. This has its implications for which granting and judicial bodies have some authority in the matter, and to what extent. The most dominant form of a UM appears to be a cheaper and more attainable patent, but there are variations between states such as in the patentability requirements and exclusions of subject matter.

A good example to explore this with is the EU's Biotech Directive.[47] Since an EU directive is not directly applicable, EU Member States had to transpose its mandatory provisions, and their courts (and the UPC[48]) must ensure that national law is interpreted and applied in compliance with this instrument. If we take a look at what this would mean for Germany and Italy, the Biotech Directive is relevant for their national patenting of biotechnological inventions, but both preclude UMs on that category of subject matter.[49] Consequently, there should logically not be any influence from the Biotech Directive upon their national UMs as far as their exclusion goes. This might be different for EU Member States which have chosen not to exclude biotechnological inventions from the subject matter of UMs, such as France and Denmark. In France, the patentability requirements and eligible subject matter are the same for UMs as for patents (see Chapter 5). What applies to patents in terms of biotechnological inventions, would thus generally be understood similarly for UMs. There are repercussions to the relevance of the Biotech Directive, such as some role for the CJEU as to what this instrument requires and inhibits within the Member States.

Another exclusion of note from the coverage of UMs is processes and methods (in general). This exclusion is adopted in, for example, Germany, Italy, Czechia and Denmark, whereas countries such as France and Austria allow it. This has ramifications for any potential overlap allowed between patents and UMs.[50] Under the EPO, the protection afforded by a process patent also covers the direct resulting product, as long as the product itself is also patentable and meets the requirements. Particularly, there is a whole range of inventions for which the line between process and product has arguably blurred, for example, product-by-process claims. Additionally, as

such a provision did not make it into the UPCA, nor into the other instruments part of the unitary patent package.

[47] Biotech Directive.

[48] UPCA 2013, Article 24(1)(a).

[49] Sec. 1(2) and (3) German Utility Model Act; Barbieri 2017, 1; Suthersanen 2019, 3.

[50] Prud'homme 2014, 26.

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explained on the EPO's website, "[f]or many inventions, claims in more than one category are needed for full protection."[51] Decisions by the EPO's bodies, including the Boards of Appeal, on the interpretation of concepts (also) relevant to process and use claims, as well as their validity, also have their bearing on UMs when subject to the same requirements and exclusions as patents in a given territory. As noted in Section 2.3, the EPC even contains some mandatory law applicable to UMs.[52]

Importantly, these examples predate the UPC becoming operational and the creation of the UP. It underscores that UMs and patents were already subject to a fragmented field of legal instruments and authorities even before the addition of the unitary patent and UPC. The chosen construct, of the EPO as the granting authority and the UPC as the main judicial authority, with the latter bound by EU law and thus the CJEU's decisions, alongside (and interacting with) pre-existing systems of granting and adjudicating pre-UPC categories of patent rights (including national rights), adds to that. Again, it is difficult to predict how this will affect the proprietors of patents and UMs. It is arguable that it will not necessarily make navigating this field post-UPC that much harder for aspiring proprietors of UMs within their home jurisdictions. It may get more complicated when there is a cross-border element or there is a connection between UMs and certain categories of patents. The introduction of the UPC and UP have certainly made the legal fragmentation more complex.

To explore this, the following section will look at how the UPC will operate vis-á-vis other authorities, and the implications thereof for, amongst other things, (new) occupants of this already fragmented field. This section will first lay some of the groundwork to reflect upon connections between patents and UMs post-UPC, starting with a procedural perspective on the relationship between domestic courts and the UPC.

17.4 THE RELATIONSHIP BETWEEN DOMESTIC COURTS AND UPC DIVISIONS

The relationship between the domestic courts in the EU and the UPC divisions heeds some further consideration given the partial overlap of competence and, more importantly, the exclusive competence of both courts over separate rights with potentially connected subject matter. More specifically, a brief closer look at their potential feedback loop is warranted. To this end, we will mostly leave UMs and patents aside for a moment to consider some of the practical aspects of the (indirect) working relationship between these different judicial bodies on a more abstract level. This is important to show the potential influence of the UPC, even on matters not directly within the UPC's jurisdiction. Hence, Section 17.4.1 will focus on

[51] European Patent Office 2024.
[52] European Patent Convention (1973), Articles 140, 66, 124, 135, 137 and 139.

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staying the proceedings and judicial dialogue, and Section 17.4.2 will contemplate the driving force of these courts to develop legal doctrine.

17.4.1 *The Working Relationship*

First, there is the possibility for both types of courts to stay their proceedings to await and consider the other's decision. The RoP offers a number of grounds upon which a UPC division may decide to stay its proceedings, some of which are mandatory or subject to additional requirements.[53] When it comes to proceedings on actions involving the same patent, SPC, or a related UM playing out before national authorities (including national courts), the RoP specify that the UPC *may* stay the proceedings.[54] The UPC has been awarded discretion in this respect and is not required to await the decisions of national courts to avoid any potential conflict in its decisions. However, in reference to opposition or limitation proceedings on a patent before a national court, the rule in question adds "where a decision in such proceedings may be expected to be given rapidly."[55] This signals that if there is doubt about the speediness of such a decision, the UPC should actually refrain from staying the proceedings. The importance placed on expedient proceedings is also stressed in the Preamble of the RoP: "[. . .] proceedings *shall* be conducted in a way which will normally allow the final oral hearing on the issues of infringement and validity at first instance to take place within one year whilst recognising that complex actions may require more time[. . .]."[56] Evidently, this limits the UPC's discretion in favour of preserving the speed of their own procedure.

Another aspect relevant here is that no official forum for dialogue appears to have been provided between national courts and UPC divisions that would allow for potential mitigation or avoidance of potential conflicts in judgments or misapplication of national law. The UPC is set to apply national law of the participating EU Member States, as the UP will be governed by the law of the Member State where the applicant had its residence or principal place of business or, if inapplicable, had a place of business, on the date of filing.[57] Therefore, at the time of writing, each unitary patent is governed by the national law of one out of 18 EU Member States currently part of the unitary patent area. However, which UPC division has competence to hear a case depends on the type of claims brought by parties,[58] as well as on

[53] Rules of Procedure (2022), Rule 295(a)-(l).
[54] Ibid. Rule 295(a) and (b). There are some mandatory exceptions to this, such as in case of the death of a party (stay mandatory until a successor has been determined) or insolvency (stay the proceedings up to three months, or sooner if, e.g., a decision has been made on the continuance or abandonment of the proceedings by the relevant/someone with authority to do so). Ibid. Rules 310(1) and 311(1).
[55] Rules of Procedure, Rule 295(a).
[56] Ibid. Preamble, recital 7. Emphasis (Italic) added by the authors.
[57] UPReg, Article 7(1)(a) and (b), respectively.
[58] UPCA, Article 32(1)(a)-(i).

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where the infringement occurred within the unitary territory or where defendants have their residence or (principal) place of business.[59] This means that a UPC division in Italy – where the infringement took place or the defendant resides – may have to decide a dispute on a unitary patent governed by Belgian law – the place of residence or business of the proprietor. What is more, there may be connected proceedings in a normal domestic court at the same time.

While there are certainly some mitigating factors (which will be considered below), there is some concern about the consistency and accuracy of the interpretation and application of all the different sets of national laws by judges not always familiar with them, particularly in the early days of the UPC. Moreover, the UPC judges will have to navigate the development of doctrine and (potentially connected) judgments in normal domestic courts and the EPOrg's Board of Appeals, as well as to observe EU law.[60] A forum for dialogue on national law – especially in the early years of the UPC's operation – may have been useful to ensure uniformity and legal certainty and avoid potential conflicts between the UPC's and domestic judgments. This is especially true considering that UPC divisions may have to apply national law foreign to them. Still, there are annual conferences which provide for a more informal forum at which judges can exchange insights.[61] Such forums were already popular pre-UPC, so these may continue to aid judges with the laws of different jurisdictions in this respect. Furthermore, many UPC judges are likely to maintain a domestic judicial position part time until the case load picks up enough to require their UPC appointment to be fulfilled full time, which may not ever occur for some divisions. Such judges will thus continue to be involved in the development of domestic case law and generally be more aware of local pending

[59] Ibid Article 33(1)(a) and (b).

[60] With regard to EU law, the UPC is under the same obligations as "normal" domestic courts of EU Member States, meaning the UPC is compelled to apply EU law and consult the CJEU through the preliminary reference procedure on questions concerning EU law. This procedure has its general limits, but more particularly in the patent law context because of the holes in EU legislation in patent law. As mentioned previously, EU patent law is at this stage quite limited, meaning preliminary questions referred to the CJEU by the UPC are likely to centre more on areas more firmly situated within the EU's competences, such as competition law (including the SEP context) and fundamental rights. There are, however, some examples of EU patent law over which the CJEU will retain its authority as the prime judicial interpreter. First, there is *lex generalis* applicable to patents, namely the IP Enforcement Directive. Then there is the *lex specialis* on biotechnological inventions, the Biotech Directive. Those two remain the main sources of EU patent law, next to the newer UPReg and the UPTReg. Additionally, there are some other instruments containing exceptions relevant to patent law, such as the SPC Regulation and the Veterinary Medicinal Products Directive. That means that all the CJEU's (pre-existing) case law based on these instruments combined with those exceptions applies to the patent context. However, there is also the emphasis on speed of the UPC's own proceedings to consider, and the CJEU's preliminary reference procedure is notorious for creating a delay. It remains to be seen how active a role the CJEU will play here.

[61] One example of such a conference is the annual WIPO Intellectual Property Judges Forum in Geneva, Switzerland. Additionally, there are IP-oriented conferences which are often frequented by national judges, too.

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cases. Another apt mitigating factor is that all of the UPC divisions have a multinational composition, meaning that each division will represent a perspective broader than a single national judicial experience. Other than such informal avenues, the UPC and "normal" domestic courts may be expected to talk to each other largely through their judgments.

17.4.2 *Driving the Doctrine*

Presumably, it will take some time for the new UPC and domestic courts to sort out their working relationship. It will also be interesting to see how the feedback loop develops and evolves between the national courts and the UPC, given the division of jurisdiction over different categories of patents, SPCs and UMs. However, this is further complicated as key matters for patent enforcement are spread out over several instruments of varied origin and impact. As noted in Section 17.3.2, some EU or international instruments may also be applicable to some extent to national UMs. National law, the UPReg (an EU regulation) and the UPCA (an intergovernmental treaty) all – in varying degrees – contain some substantive patent law, in addition to the EPC's provisions on matters such as inventiveness, sufficiency of disclosure and equivalence.

The rights conferred by the unitary patent and exceptions were dealt with in earlier drafts of the UPReg (Articles 6–8) but were ultimately moved to the UPCA.[62] According to the UPReg, national law determines the scope of protection in terms of the acts against which the UP protects, the limitations of the right and the exceptions available.[63] However, the UPCA also contains provisions which set forth acts of direct and indirect infringement, thereby creating two competing sources of law on the same matter. This is yet another example of the created confusion emanating from the chosen manner for introducing this new layer for a new patent and court system. As the UP is supposed to be governed by the law of a single Member State throughout the unitary patent area by virtue of an EU regulation, combined with the consideration that the UPC is bound by EU law, national law should presumably have priority here.[64] This invites the interpretation that, at least on this specific matter, the UPCA should be understood as the boundary within which to interpret and apply national law. This also seems likely considering the objective behind this

[62] Kaisi 2014, 172–173. One key factor driving this decision was that no agreement could be reached on the involvement of the CJEU. By moving certain provisions to a document outside of the CJEU's competence, proponents sought to isolate the Unified Patent Court from the CJEU's influence. The success and implications of this move will not be explored further here.

[63] UPCA 2013, Article 5(3). It says: "The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7."

[64] Van Dongen 2023, 377.

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project is to further European harmonisation towards an EU patent system. If this interpretation is correct, this emphasis on national law bestows a bigger role on domestic courts in driving the doctrine, both nationally and for the UPC to apply. Naturally, national courts are the judicial authorities on the interpretation and application of their respective national legal systems. However, the exact reliance on, and weight given to, these transnational instruments, particularly in relation to national law, is another aspect that will become clearer over time through the UPC's case law.

Regardless of the ultimate interaction and priority between these sources of patent law, some thought needs to be given to the impact that the decisions of UPC divisions will have in general. If the system proves successful, the UPC divisions will undoubtedly help develop the national system further and help evolve judicial doctrine, particularly states' local or regional divisions. What is more, this will inevitably lead to national patent systems moving closer to each other. Furthermore, the UPC will be capable of gaining a lot of experience within its field of specialisation in a short period of time thanks to the combined effect of its mandate and territorial reach, and the potential counterbalancing influence it may have as a result on the EPOrg's strong executive and administrative arms.[65] There is some reasonable expectation that the UPC, created by an intergovernmental treaty between some EU Member States and an even smaller portion of EPOrg members, will have greater ramifications for the EPC system. Due to the UPC's competence to review the validity of rights granted by the EPO for a larger geographical area, this court may interfere with the EPO on granting matters. This means that the UPC's decisions may quickly gain a lot of weight in the European patent arena, irrespective of which law it applies. The broader reach of the UPC's decisions makes for a stronger impact on the stability of both national and European patent law, as well as related areas of law. That also has its downside, as the broader reach of the UPC's decisions may increase the impact of conflicting decisions on the same or overlapping subject matter by the UPC and national courts, and misinterpretation and/or misapplication of national law by UPC divisions. Naturally, conflicting decisions issued by judges from different states occurred frequently pre-UPC, but these judges only decide for their respective territory;[66] the UPC's decision will have effect for the combined territory of states designated for a EP within the unitary patent area, be it a portion or the entirety of this area. This means the consequences thereof are more serious across the board, not just for the parties to the dispute, but also for specific third-party interests or the public interest

[65] For more on the latter point, see, for instance, Schovsbo et al. 2015, 271; Van Dongen 2023, 378–379.

[66] Except, of course, in cases involving, e.g., cross-border injunctions in interlocutory proceedings.

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at large or, on a more abstract level, the stability and consistency of national or regional legal systems.

With regard to the latter, patent disputes are generally not isolated from other areas of law. Obvious examples of such areas are civil procedure, domestic contract law, and competition law, but also the different UM systems provided for by some of the participating countries. Naturally, the UPC cannot directly rule on UMs since such rights have not been placed within its jurisdiction. However, as discussed in this and the previous subsection, the potential of the UPC's (indirect) influence in Europe should not be underestimated. As will be discussed in the coming sections, there are strategies which were used by companies prior to the UPC that involved both patents and UMs, for example, branched-off UMs. Moreover, the UPReg has allowed for the possibility of double patenting in states where the law permits this. If disputes involving patents using such strategies make it before the UPC, the UPC's decisions could directly affect national rights and indirectly impact national legal doctrines in this particular field. This will be explored further in the next section.

17.5 CONVERTING, DOUBLE PATENTING AND BRANCHING OFF (BOUM)

Again, while it is not possible within the scope of this research and the instruments at our disposal to say something more meaningful about the exact impact and likelihood, it is possible to observe where the new system may limit or enhance the potential of pre-UPC strategies combining different types of patent rights. The analyses in the next subsection will thus first focus on pre-existing conversion and BOUM strategies, followed by a subsection on the room for double patenting and branched-off UMs strategies post-UPC, and last, by a third subsection which briefly considers the costs of a UP, particularly given territorial limitations.

17.5.1 *Reasons for Converting Patents into UMs or for Branching Them Off (Pre-UPC)*

In addition to offering the possibility of seeking UM protection from the start, many countries allow the conversion of a patent application into a UM application. If a patent application has a very low chance of being granted, for example, due to prior art that is close to the claimed invention, converting the patent application into a UM might offer an attractive option. However, in some countries there is a time limit for doing so.[67] If a patent application is refused, some countries allow the

[67] See European Commission's IP Helpdesk 2024.

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patent application to be converted into a UM within a certain period after the refusal.[68]

Moreover, in some countries, such as Germany and Denmark,[69] UMs can be branched off (also called "split off") from a pending international, European or national patent application by claiming the filing date or priority date of the first filing. A branch-off is possible in Germany, for example, until up to two months after granting a patent or withdrawing or rejecting the patent application.[70]

In light of these procedural options, several – often interrelated – factors may make UMs an attractive strategic option for small and medium-sized entities (SMEs), as well as larger institutions or companies.[71] For example, UMs usually have a faster registration process compared to the lengthy patent prosecution procedures. This can be a huge advantage in fast-paced industries, such as software or telecommunications, where swift market approval and product adoption is critical. By converting a patent into a UM or branching it off as a separate UM, inventors can expedite the registration process and secure faster protection for their inventions.[72] In terms of strategic timing, a German branched-off UM is also well suited to stop infringement activities during grant proceedings in Germany.[73]

Moreover, cost-effectiveness is an important consideration for many stakeholders, and in particular for SMEs. UMs are generally less expensive to register and to maintain compared to national and European patents.[74] Obtaining UM protection instead of a patent may be the preferred option when a patent is not generating – or expected to generate – any more substantial revenue. This is particularly relevant when the cost of maintaining a patent outweighs its economic benefits. The same reasoning applies to branch-offs: a German branched-off UM, for example, is an alternative to a costly divisional application.[75]

The limited lifespan of UMs, which typically ranges from 6 to 10 years, can also entail strategic benefits, for example, in fast-paced technologies with shorter

[68] Ibid.

[69] § 12 the Danish Consolidate Utility Model Act (*Branching-Off*). The Danish Ministerial Order on examination, Section 13: "A patent application for Denmark may be used in whole or in parts as a basis for the utility model application relating to the same creation for up to ten years from the date of filing the patent application or from the date which is deemed to be the date of filing. A patent application for Denmark shall mean: A European patent application designating Denmark and a European patent application converted into a Danish patent application as well as an international application proceeded with in Denmark and finally a Danish patent application."

[70] Wittmann 2024. Concerning the procedure in Germany, see German Patent and Trademark Office (2021).

[71] Radauer et al. 2019.

[72] Heikkilä and Lorenz 2018.

[73] Wittmann 2024. In 2023 the Danish Maritime and Commercial High Court ruled that the DKPTO is not obligated to consider ex officio the risk of double patenting for UMs, cf. U 2023.2178 SHR.

[74] Heikkilä and Verba 2018, 694 ff.

[75] Wittmann 2024.

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commercial lifespans. In some fast-moving and highly dynamic industries, such as in software, energy storage or telecommunications, converting a patent into a UM or branching it off as a UM allows the inventor to align the duration of protection with the expected commercial viability of the invention. In such cases the cost-benefit ratio of UM protection is more beneficial and attractive in comparison to patents, which typically have a longer lifespan, usually 20 years from the filing date.

Furthermore, regional considerations and IP strategies will also be considered by inventors. Seeking UM protection can be particularly beneficial when aiming to expand the protection of an invention in a specific market, while seeking to reduce the costs and time that would need to be spent when filing separate patent applications in multiple jurisdictions.[76] Even under the new UP system, patent laws and regulations will continue to differ across various jurisdictions. For example, an inventor might prefer UM protection for the aforementioned reasons, but also hold patents in countries without any available UM protection, such as the United Kingdom or Sweden. If that patentee prefers to protect the invention as a UM in another country where UMs are recognised, such as Germany, converting the patent into a UM or branching it off as a UM can provide a cost-effective local protection in that jurisdiction.

Last, but not least, the scope of protection is another important consideration that might motivate stakeholders to pursue UM protection instead of – or in addition to – patents. In many innovative technologies, UMs typically provide narrower protection compared to patents. By converting the patent into a UM or branching it off as a UM, inventors can obtain additional protection for those specific features or improvements of an invention that are not covered by the existing patent claims.[77] Provided that such features are not automatically excluded from UM protection, which can be the case in some areas of health and life science inventions, such strategies can be particularly useful when there are incremental improvements or variations with a considerable commercial value that may not meet the more restrictive novelty or inventive step thresholds for a patent.

Before the UPC system became operational, the possibility to simultaneously apply for and convert a UM, a national patent, and/or a EP – now with or without unitary effect – was thus already widely available. There is nothing to suggest that such opportunities would cease post-UPC. Indeed, the expected dominance of German law for governing UPs would make this very likely to subsist as a common business strategy, as their system for branched-off UMs appears to be thriving.[78] This will be further explored in the next section, focusing predominantly on the possibility for double patenting post-UPC.

[76] Cahoy and Oswald 2021, 525–526, and 578.
[77] Janis 1999, 156ff. See also Prud'homme 2017a.
[78] Montañá 2023; Neuhaus et al. 2023; Van Dongen (2024).

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17.5.2 *National Examples of Double Patenting within the Unitary Patent Area*

The UPReg specifically addresses the possibility of double patenting. Article 4, second paragraph, requires that

> [t]he participating Member States shall take the necessary measures to ensure that, where the unitary effect of a European patent has been registered and extends to their territory, that European patent is deemed not to have taken effect as a national patent in their territory on the date of publication of the mention of the grant in the European Patent Bulletin.

This is similarly stressed in Recital 8, last sentence, of the UPReg for national patents when an EP is granted. Put simply, it inhibits double patenting. Since the possibility of the simultaneous protection by a UM is not mentioned, this possibility may arguably depend on the existence of a national law preclusion.

However, this prohibition on double patenting is undercut by Recital 26 of the same instrument, which provides that this does not affect "the right of the participating Member States to grant national patents and should not replace the participating Member States' laws on patents." This suggests that, if a state allows for double patenting (e.g., the same matter protected by both a national patent and a EP), this should remain possible. This interpretation, that Recital 26 allows for double patenting, is one settled upon by important patent jurisdictions in Europe such as Germany, France and Italy, which have all amended their laws to this effect *after* the adoption of the UPReg. Their systems are discussed elsewhere in this volume in more detail, but it is useful to mention these specific changes briefly to consider their implications for the UPC-context.

Specifically, Germany technically allowed for some form of double patenting previously, as it was possible to maintain a national patent and EP on the same invention in Germany.[79] However, Article II, section 8, of the German Act on International Patent Conventions ("Gesetz über internationale Patentübereinkommen"[80]) undercut the usefulness of maintaining the national patent. It provided that a defendant against which the patent was asserted in court proceedings could object to its effect because it was already covered in Germany by a EP. As for France, before 2018, a French patent would lose its effect upon conclusion of opposition proceedings or after the expiration of the period to initiate such proceedings.[81] The same was true in Italy. All three countries have amended their respective patent laws to allow for some form of double patenting, but there is a striking difference in the Italian approach.

First, the undercutting German provision has been amended in 2017 – so after the UPReg was adopted – for the "no-effect" limitation to only apply to a EP valid in

[79] Mertzlufft-Paufler and Yip 2022.
[80] Old Gesetz über internationale Patentübereinkommen, Teil II Nr. 32, Artikel II(8).
[81] According to the old Articles L. 614-13 and L. 614-14 of the French Intellectual Property Code.

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Germany for which its proprietor has successfully opted out of the UPC's jurisdiction.[82] Put differently, it means that defendants would no longer be able to challenge the national patent's effect when it is covered by a corresponding UP or EP valid in Germany falling within the UPC's jurisdiction. France has essentially done the same in response to the UPReg with their 2018 amendment.[83] A French national patent will only lose its effect if it concerns a corresponding EP valid in France for which the proprietor has chosen to opt-out of the jurisdiction of the UPC. The result is that there is a possibility for double patenting in cases where there is a clear separation of jurisdiction between the "normal" German/French domestic courts and UPC divisions.

Interestingly, the same applies to the Italian national patent, but without a very important caveat: it has been reported by several sources that the Italian version does not limit this possibility for double patenting in case of EPs in Italy to those instances of a successful opt-out.[84] This means that non-opted-out European patents could coexist with Italian national patents, resulting in a shared competence between UPC divisions and "normal" Italian domestic courts on – albeit it being different types of – patents with the same subject matter. It would seem that, so far, the Italian legislator has not yet provided any mechanisms or limitations for the domestic courts in case of parallel proceedings on the same subject matter before the UPC.

Whether businesses will make use of these new avenues for double patenting that some states have created in response to the UPCA remains to be seen. Businesses will presumably continue to base their patenting and UM strategies in Europe on, inter alia, which markets are most important to them, the costs of applying for and maintaining such rights in a given jurisdiction, and where enforcement mechanisms are most attainable and effective. Over the years, this has led to a shift in focus from applications for national patents at national patent offices to designating the states of choice through an application at the EPO. Now, businesses can opt to apply at the EPO for a UP instead, meaning that, if granted, the UP is valid in all states part of the unitary patent area. For businesses, the potential of combining an EP or UP with a national patent (or UM) within the same territory will hinge on whether the national right would likely form a substantial asset on top.

17.5.3 *The Cost of the Unitary Patent Area: A Boost for Other Rights?*

It is prudent to explore next when a UP might be an attractive alternative to preexisting options, and under what circumstances it may make national patents or UMs more advantageous for (aspiring) right holders, be it as a supplement or an

[82] New Gesetz über internationale Patentübereinkommen, Teil II Nr. 32, Artikel II, §8(1).
[83] Franceschelli and Trabucco 2023; Maureau 2023.
[84] Article 59 of the Italian Intellectual Property Code. Ercoli 2023; Franceschelli and Trabucco 2023; Marchesoni 2023.

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alternative. Cost is one of the key factors for deciding whether or not to apply for a UP instead of opting for pre-existing patenting or UM strategies. Cost-saving and procedural streamlining were important factors for the uptick in applications for the EP at the expense of national patents. Lower cost and ease are also cited by proponents of UMs, irrespective of whether this is demonstrated to be the case in practice.[85] One of the key objectives stressed in favour of the UP is also cost-saving. A closer look at the cost of opting for a UP is thus warranted. This section will briefly explore this issue based on the application and renewal costs of a UP, and relevant territorial limitations.

Generally, applying for a UP and maintaining it is less costly than applying for a EP designating all states that are part of the unitary patent area. According to the EPO's website, the annual fees for the entire area "[correspond] to the combined renewal fees due in the four countries where European patents were most often validated in 2015, when the fee level was agreed by the Select Committee."[86] Consequently, the UP could make for a cost-effective option should a business be interested in obtaining a patent in those particular four states or, alternatively, if interested in a selection of countries within the unitary patent area that would amount to the same total of renewal fees or surpass it. However, if this is not the case, the UP may cost more than the traditional routes. Notably, even if a business were interested in obtaining protection in those four states that are part of the unitary patent area or, alternatively, if interested in a selection of countries within the unitary patent area that would amount to the same total of renewal fees or surpass it, the cost of obtaining a UP may be infeasible for many businesses.

For some businesses, it may be more cost-effective to opt for a more selective approach in designating states for a EP or national rights, or a combination thereof. This is especially true when additional rights would have to be obtained by a business for jurisdictions of note outside of the unitary patent area. As discussed in Section 17.2.1, there are currently six EU Member States which are not yet part of the unitary patent area. That means that businesses from those states would automatically lose out on the possibility to have a UP covering their home state. The same is true for businesses originating from the other 12 states which are part of the EPO, but not members of the EU. Obtaining additional protection outside of the unitary patent area would amount to an additional set of costs, on top of those for the UP.

This may be a more potent issue than just the omission of the home state, as one key patent jurisdiction in Europe is not part of the unitary patent area as a result of BREXIT, namely the United Kingdom. If there is need and/or value in obtaining a patent in the United Kingdom, this must be done separately from the application for a UP, or via its designation in an application for a EP. As a result, obtaining a UP

[85] Radauer et al. 2019, 771; Suthersanen 2019.
[86] European Patent Organisation 2024.

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may prove to be too costly for a lot of businesses, even without factoring in other aspects such as the risk of invalidation for a larger territory or, conversely, the rewards of enforcement in this larger territory.

This may affect business strategies towards patents and UMs, both within and outside this area, but this is not a given. For many businesses, the UP may simply be too costly or not attractive for other reasons. They will presumably continue to rely on pre-UPC strategies encompassing EPs, national patents or UMs, or a combination thereof (e.g., BOUM). The only additional considerations for such companies are whether or not to make use of the more recent room for double patenting created in some jurisdictions, and whether opting out of the UPC's jurisdiction is a relevant and desirable option (and if/when to opt back in).

Businesses for which a UP is worthwhile and feasible would need to determine whether additional protection outside of the unitary patent area is necessary and cost-effective. Because obtaining a UP is already quite pricy, for those jurisdictions important to a company's business falling outside of this territory, a UM may be an interesting alternative if it provides for equivalent protection to patents. However, if a business can afford a UP and a jurisdiction outside of the unitary patent area really is an important market, this may still move a business to apply for a patent instead. Yet, there may still be companies which may abandon any efforts towards additional protection in Europe outside of the unitary patent area. It remains, for example, to be seen whether the United Kingdom is able to retain its notable importance in the European patent area, that is, what number of applicants for UPs will make a separate application for this jurisdiction, or whether this will affect whether aspiring patentees will choose a UP over an EP.

Be that as it may, many more questions on the potential relationship of the UPC with UMs remain open. The next section will discuss some of the implications of the more important factors that we have considered so far, along with the limits of what can be concluded and some more food for thought. More specifically, it considers all the previously discussed factors and other grounds bearing on the decision on whether or not to opt out of the UPC system, before circling back to when UMs are a good alternative or addition to the IP strategy.

17.6 DISCUSSION OF FINDINGS AND STAKEHOLDER CHOICES

Patent protection has always been at the top of the agenda in the EU to achieve a fully harmonised IP system, whereas an EU-wide approach to UM protection became a subordinated goal. Now, with the UPC having become operational on 1 June 2023, European patent law has been subject to a regime-change involving a new transnational institution and an unusual combination of EU and transnational law outside the scope of traditional EU harmonisation. Yet, as we have explored in the previous sections, the chosen route towards a harmonised patent in the EU is not without its complications for the European patent arena, nor for UMs. A lot of

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literature has already been dedicated to such complications on different aspects and types of patents, but the implications for UMs are generally overlooked. How this long-awaited achievement will impact UMs remains to be seen, but the establishment of the UPC and UPs necessitates reflections on UM protection as such. On this background, we have asked if the troublesome way to a transnational regime has left the protection of UMs behind. Based on our explorations in the previous sections, this section will highlight some of the implications for inventors and companies.

To reiterate, our starting point is that UM protection is a national matter only, but for several reasons it can be linked to either an EP, SPC (European, EU or otherwise) or to a UP. As we have discussed in Section 17.2, the unitary patent area (18 Member States) overlaps with UM systems in 11 EU Member States. The granting of EPs and UPs are subject to EPO's authority, and the granting of UMs and national patents are subject to national authority. In a current Commission proposal on a Regulation on SPC's it is suggested that the (new) unitary SPC's are to be granted by the national authorities with the EUIPO as the central examination authority.[87] Thus, stakeholders will then have to involve three different authorities to protect and arrange for a broader IP portfolio, let alone consider the territorial implications and the interplay of different types and sources of law that may have their bearing on (parts of) their portfolio.

Then there is the matter of authorities in the post-granting phase. It is mostly the establishment of the UPC as a transnational patent court which we expect to have an impact on the future UM landscape in Europe. If a UP is declared void by the UPC, such a ruling may have spill-over effects on (connected) UMs in one or more of the 11 UPC participating Member States with UM systems. What is more is that the decision may have an impact on the non-participating UPC Member States who have UM protection as well. Domestic courts within those jurisdictions are not in any way bound to follow the UPC's decisions relevant to disputes pertaining to their own jurisdiction, particularly when it comes to national rights such as UMs. There is the additional aspect of meaningful legislative differences in their national UM model to patents that may warrant a different approach or outcome, even if the normal domestic court considers the UPC's findings. However, as we have argued, there are several reasons not to underestimate the UPC's authority and territorial reach. If the UPC succeeds, its harmonising force is likely to affect EU Member States currently not part of the unitary patent area. That may not be on the forefront for all companies when planning their IP strategies, but the decision of whether or not to choose a route which would lead to the involvement of the UPC has to be made early on in most cases.

That said, when considering the uncertainties and risks associated with interpreting Article 83 of the UPCA and its subsections (1), (3) and (4) on opting out, it is challenging to determine the best course of action. This concerns in particular the

[87] COM 2023, 231; 2023, 223.

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benefits and risks of opting out. Each option has its own strengths, weaknesses, opportunities and threats. The suitability of each approach must be evaluated on a case-by-case basis, taking into account the invention, patent claims and business strategy.[88] And this will also have to include the consideration of opting for UM protection, i.e., either from the start, by conversion or by "branching off."

When it comes to the "opt-out" question for European patents, two basic criteria should be carefully considered when making strategic decisions for relevant portfolios. First, the strength of the patent(s) and their enforceability in infringement and invalidation proceedings should be evaluated. Second, estimating the importance of the patent(s) to the relevant business and technology is also crucial. In general, the larger the patent portfolio, the more difficult it becomes to find a clear solution to minimize risks. The strategies that need to be employed become more complex.[89] It is crucial to remain in control and anticipate potential actions by licensees, infringers or as a claimant. Additionally, future filing strategies should be anticipated, tailored and diversified. In specific cases concerning EP applications, this may involve considering the use of divisionals or branching off UM protection in different systems. If available, UM protection can be useful for establishing priority for future patent applications.[90]

If the patent claims are strong and enforceable, it might generally be advisable not to opt out, convert claims into UM or branch off during the transitional period to take full advantage of the benefits and choices offered by the new system. The higher the likelihood that an important and strong patent will be upheld within the UPC system, the less reason there is to pay significant opt-out fees and risk competitors initiating national proceedings, which would eliminate the option to "withdraw the opt-out" under Article 83(4) of the UPCA and proceed at the UPC. However, if a patent is very important but includes claims that are at high risk of not surviving a central challenge within the UPC system, opting out, converting it into a UM or branching off certain claims as UMs to defend them on a country-by-country basis may make sense. In other words, opting out or UM protection could be helpful to avoid the risk of the patent being invalidated in one proceeding across Europe.[91] If a patent is not very relevant, however, spending money on a substantial opt-out fee might not make any sense. Patent holders should consider letting it expire, or converting it into a UM, which is also cheaper to maintain.[92]

17.7 CONCLUDING REMARKS AND OPEN QUESTIONS

Given the pre-UPC fragmentation of the law and institutions for patents and UMs, the attempt towards harmonisation in the former field is, on its face, progress. Since the latter was not included, this raised the question how the UPC will interact with

[88] Minssen and Lundqvist 2014.
[89] Minssen and Lundqvist 2014.
[90] Minssen and Lundqvist 2014.
[91] Minssen and Lundqvist 2014.
[92] Minssen and Lundqvist 2014.

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and affect the system for UM protection in Europe and vice versa. The progress towards establishing a unified patent system in the EU has (almost) achieved its first objectives, but what the impact on UM protection and their strategic use will be remains to be seen. As our chapter has demonstrated, the direct consequences and wider implications of the latest UPC and UP developments raise numerous questions, not only about the interplay between the patent system and UM protection, but also on the role of UMs in today's innovation systems and their underlying rationales as such. Given this backdrop, it is pertinent to question whether the arduous journey towards harmonising IPR in the EU has overlooked the protection of UMs.

In this chapter, we have outlined some of the forthcoming considerations that the IP system is likely to confront with regards to UMs in Europe. The fragmentation in European patent law and UMs is exacerbated by the introduction of the UPC and UP, an odd repercussion for an (at least partially successful) attempt at harmonisation. In the coming years, it will be important to monitor the implications of this and, if necessary, to mitigate them. However, too little is currently known to make recommendations on this. In fact, it is clear that much more research is necessary on both the value of legal harmonisation in the IP space in general,[93] and on the benefits and drawbacks of European UMs in a highly competitive global economy, in particular.[94] Ultimately, this also entails the question whether the distinct European national frameworks for UM protection should be harmonised and introduced into the legislative system of all EU Member States by EU legislation, or if the European IP and innovation landscape would be best served and "harmonised" simply by getting rid of UM protection. Both may simplify matters, both may make them worse. The empirical research on the value of UMs is not unequivocal. Moreover, there are EU Member States in which the system is quite widely used, and taking away rights – particularly types of property rights – is tricky, to say the least.

Unfortunately, tackling this provocative question would also mean that we would have to confront an elusive and technology-specific "elephant in the room," which is still extraordinarily difficult to study: the strategic use of trade secrets as an alternative. There is always the consideration that, if some form of protection is not offered, businesses may resort to secrecy instead. Not all types of UMs would lend themselves to reliance on secrecy, such as those on improvements in the shape of a product. Such improvements may generally be unearthed by third parties without relative difficulty upon studying the product. Yet, in those jurisdictions where the UM takes on a more patent-like nature with the same eligible subject matter, this may indeed be a concern. Would we lose out on knowledge, on innovative progress, should we abandon UMs? If so, is it concerning *enough* to provide for UM protection? We are convinced that unpacking, analysing and understanding these intricate dynamics will be one of the more important research tasks of the future.

[93] Cahoy and Oswald 2021, 525–526, and 578.
[94] Suthersanen 2019.

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