



January 28, 2013

Mr. Jérôme Debrulle  
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*Via e-mail:* selectcommittee@epo.org

**RE: Unitary Patent Fees**

Dear Mr. Debrulle:

I am writing on behalf of the American Intellectual Property Law Association (AIPLA) regarding Unitary Patent fees.

AIPLA is a U.S.-based national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, government service, and the academic community. AIPLA represents a diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property, in the United States and in jurisdictions throughout the world.

AIPLA has a long-standing positive relationship with the European Patent Office (EPO), and we are aware of how effective the EPO has been as a steward of the European patent system. In fact, AIPLA members are themselves responsible for the filing, prosecution and maintenance of a significant number of EPO applications. As you may be aware, more patent applications are filed in the EPO by U.S.-based inventors, companies and organizations than those of any other country, about 25% of total EPO patent application filings per year.

AIPLA has also long been actively involved in representing the interests of users internationally and has an ever-growing membership of patent professionals worldwide. For example, AIPLA has participated in the Industry Trilateral and Industry IP5 groups since they were established, and in the US Bar – EPO Liaison Council since it was formed over 25 years ago. Further, since we represent significant users from outside of Europe, AIPLA's views could be considered to represent views of owners of European patents wherever they are located, as members of AIPLA include patent professionals from around the world.

AIPLA believes that a cost effective Europe-wide patent is in the best interest of all applicants seeking patents in Europe. Accordingly, we appreciate the decision of the European Union to establish a European Patent with unitary effect for participating EU member states, known as the “Unitary Patent,” provided, as set out below, that it will be implemented in a balanced and economical manner. In that way, the Unitary Patent could offer increased, valuable protection in Europe for patent owners from all countries, akin to the single U.S. patent covering the full market of the United States itself.

Despite significant progress made by EPO to date toward implementing the Unitary Patent system, AIPLA is concerned that patent owners will not validate a European Patent as a Unitary Patent as often as might be presently expected, if it appears to those patent owners *at the time of validation* that the cost over the whole life of the Unitary Patent would be higher than the cumulative amount which those patent owners would be paying for European Patents validated in selected individual member states. Many U.S. corporations that file for patent protection in Europe have fixed budgets for patent filing and maintenance, which cannot be easily increased. Patent owners may therefore be unlikely to be able to increase their budgets in response to the opportunity to obtain Unitary Patent protection in member states of the entire European Union which they would not otherwise have selected for individual validation. In addition, some patent owners may have concerns regarding possible central attack by a nullity action of the Unitary Patent or other counterclaim in the new Unified Patent Court.

We appreciate the fact that the latest draft rules that have come to our attention do not require payment of any fee for validation of a European Patent as a Unitary Patent, and we urge your committee to maintain that policy in the final rules as a valuable incentive for patent owners to move from validating European Patents in individual EU member states to validating a Unitary Patent for all participating EU member states.<sup>1</sup>

We understand that one alternative your committee may be now considering would be to set Unitary Patent annual maintenance fees to be comparable with the sum of fees for the average number of member states among the Unitary Patent participating states that are currently *initially* validated in individual member states upon grant of a European Patent (“sum of EP fees” approach). In principle, that should be acceptable to patent owners in the first few years. However, as discussed below, such initial acceptance is not likely to be equally acceptable in later years.

One characteristic of the current European Patent system is that patent owners have the option of individually validating those member states in which they want nationally enforceable patents, and thereafter selectively discontinuing maintenance in some member states in later years, to better match costs with benefits of retaining validation in any particular member state. That option will not be available with a Unitary Patent; therefore, patent owners will be very carefully

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<sup>1</sup> AIPLA also recognizes that there will continue to be a need for validation of European Patents into members of the European Patent Convention which are not members of the EU, plus the two EU member states which at the moment are not participating in the Unitary Patent. This will represent additional budgeting and cost/benefit considerations for users of the system.

considering their projected maintenance fees in the 10<sup>th</sup> through 20<sup>th</sup> years of patent life before initially validating a European Patent as a Unitary Patent. Specifically, patent owners given limited budgets will compare the Unitary Patent “bundled” fees with the sum of the individually validated member state fees, year-by-year, that they would expect to pay in accordance with their current practice with European Patents. This calculation often becomes a technology-by-technology, patent-by-patent decision analysis, with the result for each patent in each year of either irreversible abandonment or enforcement for another year and another cost/benefit decision in the next year.

In fact, if the “sum of EP fees” approach were applied in the 10<sup>th</sup> through 20<sup>th</sup> years, the cost to applicants for a Unitary Patent would be more than the cumulative costs of the European Patents that remain in force in a subset of member states. Applicants do choose abandonment in some member states from one year to the next as fees rise, if there is no compelling reason to maintain a patent in a particular member state. In other words, the “sum of EP fees” for a Unitary Patent being maintained in its last half of life will likely be at a greater cost than the aggregate of maintenance fees for a member-state-by-member-state annual decision under the longstanding EP framework. This could deter significant numbers of patent owners from validating a Unitary Patent at all due to its inability to reduce maintenance costs by abandonment of less desired member states as the patent ages toward 20 years and expiration, and maintenance costs per member state increase.

Moreover, even for those patentees who have chosen a Unitary Patent validation, such a “sum of EP fees” approach would be likely to induce a significant number of patent owners to abandon some of their Unitary Patents in an earlier year because the cost of continued protection outweighs the benefit of continued protection in those few remaining member states where continued protection is still valuable. The consequence of earlier Unitary Patent abandonment would be less maintenance fee income for the EPO and all others who would be sharing in that revenue.

Therefore, we suggest that a best solution for those deciding how to price the Unitary Patent, and most attractive for patent owners, would be to set the Unitary Patent maintenance fees for each of the 10<sup>th</sup> through 20<sup>th</sup> years at a level projected to produce approximately the same amount of cumulative revenue as is now received for an average of European Patents which are maintained in their second halves of life. This would result in validation of the Unitary Patent being a cost savings at the moment of validation, and a cost neutral alternative in later years of life.

The EPO is likely to possess data which can be analyzed to determine for patents reaching each year of life, from year 10 to year 20, what is the average number of member states having validated European Patents which have not lapsed for non-payment of maintenance fees. For example, if the average validated European Patent were to have 4 member states at year 10, but 3 member states at year 15, and then 2 member states by year 19, that pace of attrition, year over year, could be used to establish a Unitary Patent annual maintenance fee structure which would demonstrate to patent owners a revenue-neutral result for the average patent owner about to choose, *irreversibly*, between either:

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- a. a member-state-by-member-state approach using the European Patent, with some EPO member states selected, some of those perhaps later abandoned, and some member states not selected at all; or
- b. a “unitary” approach using the Unitary Patent, providing protection in all but two EU countries only (with no option for later selective abandonment), plus the need to designate European Patents in the remaining EPO member states of interest.

Since it is our belief that this decision will be made primarily on the basis of overall cost throughout the life of the patent, a revenue-neutral result will be critical to the success of the unitary patent system.

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AIPLA stands ready to offer further explanations, commentary to new deliberations, and other assistance in this very important task of the Select Committee.

Sincerely,



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