

SFIPLA Annual Seminar 2018

European IP update

22 September 2018

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Richard Howson

- European and UK Patent Attorney
- Managing Partner, UK
- President, SF liaison office
- 20 years private practice
- Specialist technical areas:
Aerospace | Automotive | Electric and Hybrid Vehicles



Freddy Thiel

- European Patent Attorney
- 13 years in-house, including 10 years at Orange harvesting inventions for the company's international labs
- Heading K&S liaison office in the Bay area
- Specialist technical areas:
IT & software | Mechanical products | GUI | Telecommunications | Capturing odd inventions | Inventor mentoring



Agenda

- Hot topics
 - EPO briefs
 - Brexit

- Litigation updates
 - Current litigation landscape
 - UPC (again!)

- Prosecution tips
 - Using PPH to save cost
 - Added matter
 - Avoiding unnecessary objections
 - Interacting with the EPO
 - How to avoid everything? Predrafting review

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**Hot topics:
What's new at
the EPO?**

What's new at the EPO

New EPO president

- Antonio Campinos, Franco – Portuguese is the new president since July 1st 2018. Got some work to do!

Early certainty

- Prosecution time has reduced and early certainty seems effective
- Consequences on amendments by Examiners to put the application in order for grant. Make sure they are supported!
- You can receive Summons to Oral Proceedings on first office action if answer to Written Opinion appears if amendments are insufficient to address crucial patentability issues

EPO as ISA: 730 million prior art records

- Access to standards and Asian prior art
- Patent translate collaboration with Google that covers 29 languages worldwide

IP5 program

- Applicants can request this from 1 July 2018 in PCT applications filed from this date (the request is filed with the application itself at one of the IP5 offices). This phase of the pilot will run until 1 June 2021.
- <http://www.epo.org/law-practice/legal-texts/official-journal/2018/05/a47.html>
- <https://www.fiveipoffices.org/activities/ws/pct/csepilot.html>

Did someone say AI?

- The gold standard is still a technical solution to a technical problem
- AI and ML inventions may appear as mathematical methods “per se” as based on computation models and algorithm for the purpose of classification, clustering, regression ...
- Technical character can come from AI and ML methods applied to *a specific technical implementation* or to *a field of technology*

PCT Direct

How does it work?

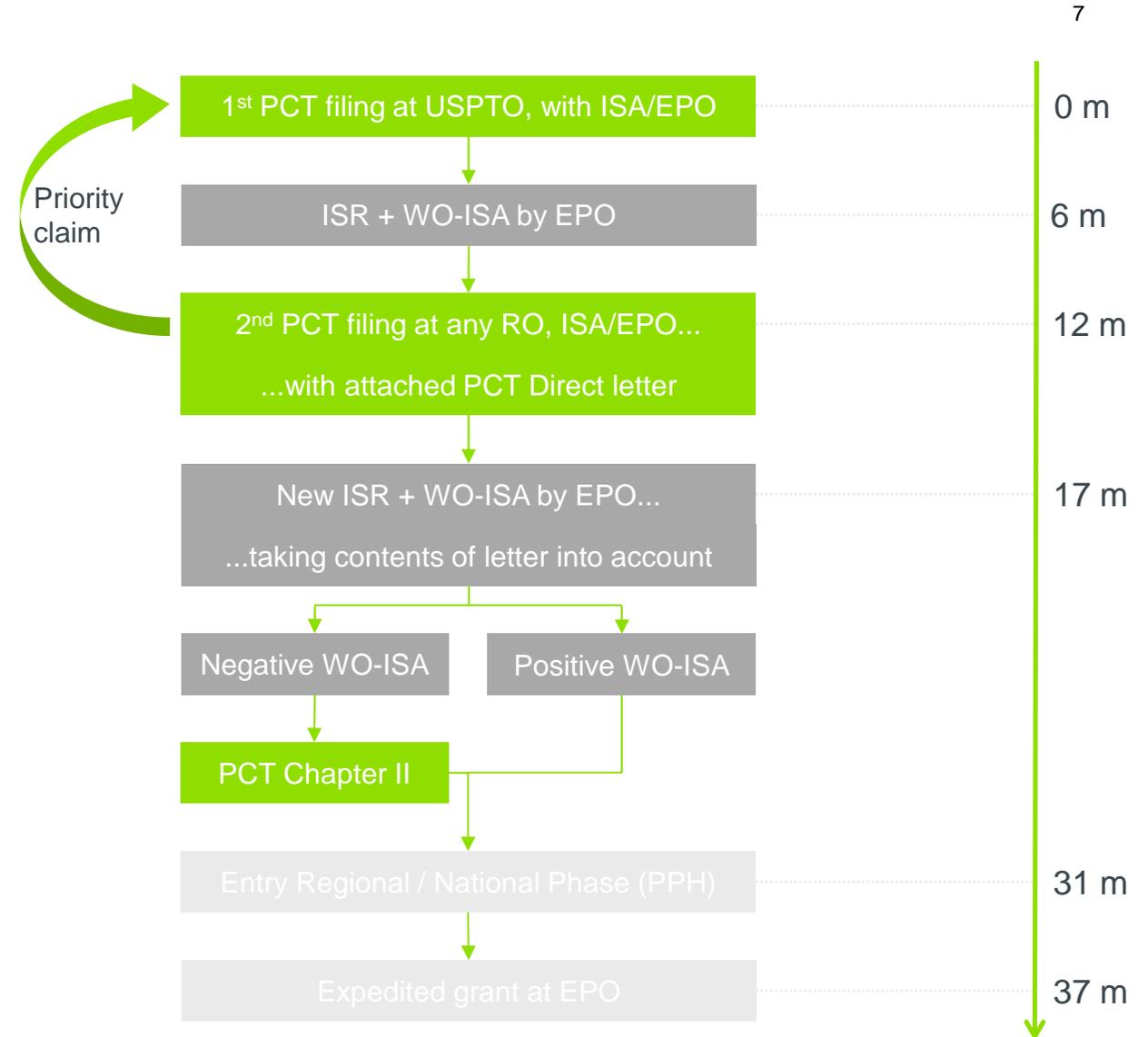
- First filing (PCT or EP or national) searched by the EPO with written opinion within 6 months
- Second filing (PCT), claiming priority and amended based on the written opinion, including a PCT direct letter explaining amendments and addressing any objections
- Second opinion issued in time for publication taking into account the letter, significantly more likely to be positive

interest

- Cost effective as second search reimbursed 100% if previous searched fully reused, and 25% if partially

Benefits

- Expedited prosecution by using PPH
- Enhanced legal certainty
- Cost savings



Brexit and EUTMs



When?

30 March 2019?

31 December 2020?

Leaving date

end of transition

Effect on EUTMS

no UK coverage

daughter registration

no re-examination

retain priority, filing dates

fee?

No fee

Use, reputation and revocation

Intention to use

Use in UK only?

Reputation in the EU

Use/Reputation in the EU for converted mark

Exhaustion



Dealings with European offices

EPO

UK attorneys

English

Actions to take now

Review portfolio

Double-up

Review agreements and licences

Revisit past obstacles

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Litigation:
UPC, oh really?

Main Features of European Patent Litigation Systems, in Comparison to the U.S.

Country	Average costs	Damages	Separate trial for damages	Average months to judgment	Preliminary Injunctions	Number of pending infringement proceedings (as of 1 Dec 2016)
France	50- 200k€	Low	No	18-24	Yes (+ saisie-contrefaçon)	44
Germany	50-250k€	Average	Yes	12-18	Yes but has to be obvious	57
Italy	200- 400k€	Low (capped)	No	24-36	Yes	41
Netherlands	60-200k€	Average	No	12	Yes	20
Spain	50-100k€	Low	No	12-18	Yes	47
UK	150- 1,500k€	High + limited punitive damages	Yes	24-36	Yes	27
USA	1,000- 10,000k€	Very High + punitive damages	No	18-42	Yes	-

Patent Litigation Across Europe

France

- Patent infringement and invalidity actions brought to same court.
- Damages awarded by French courts in infringement actions are low compared to other countries. The claimant is required to prove its own losses or lost profits, without regard to the infringer's profits
- Non technical judges
- Offers "saisie-contrefaçon"
 - A powerful way of obtaining pre-trial evidence, a bailiff or other court officer records the infringement in an ex parte proceeding.
 - Used in 80% of infringement cases.
 - A bailiff or other court officer records the infringement in an ex parte proceeding
 - Within a few weeks, the court may order a seizure at the alleged infringer's premises and, if sufficient evidence of infringement is found, a case on the merits must then be filed within twenty working days.

Germany

- A dual system where infringement and validity are addressed in different courts.
- Technical judge
- The measure of damages is typically based on lost profits. However, if a basis for lost profits cannot be determined, the infringers' own profits or standard "market" license fees may be used as an alternative basis.

Italy

- Unusually lengthy and costly
- All patent matters (infringement and invalidity) are the exclusive province of a number of IP chambers created within twelve Courts of Appeal districts, 131 the largest being Milan where most patent cases in Italy are heard.
- Patentees may be awarded damages up to the limit of either the actual lost profits or a reasonable royalty.

UK

- Most patent cases in the UK are brought in London where the patent courts for England and Wales sit.
- The law requires that simple cases (or lower-value cases) be directed to the Patents County Court while more complex (or higher-value) cases go to the High Court. Both courts have jurisdiction over infringement and validity issues.
- Upon a showing of infringement at trial court, a second trial is required to assess damages to the plaintiff on the basis of damage suffered. In practice however, most cases settle between the parties once liability is determined.
- Interlocutory injunctions are relatively easily available at comparatively low cost.
- Probably due to high costs, a large number of English patent cases settle early in the proceedings, prior to the bulk of costs being incurred at trial.

Spain

- First instance patent matters can be brought to any commercial court in the country.
- Damages awarded to compensate for the real losses and lost profits incurred, and possibly also for the depreciation of the invention resulting from the infringing actions. Alternatively, the court may estimate the amount of damages on the basis of the infringer's profits or a normal royalty.

Netherlands

- All patent matters in the Netherlands must be brought exclusively before the courts in The Hague.
- Judges receive technical as well as legal education, and former members of the Dutch patent office may serve in the patent chamber.
- In compensation for infringement, the patentee may choose between an award of damages or an accounting of the infringer's profits earned from the infringement.
- To deal with urgent cases, the patent holder may obtain a preliminary decision by the judge at any point, and within a week or two win an injunction to stop any infringing activity.

UPC: States

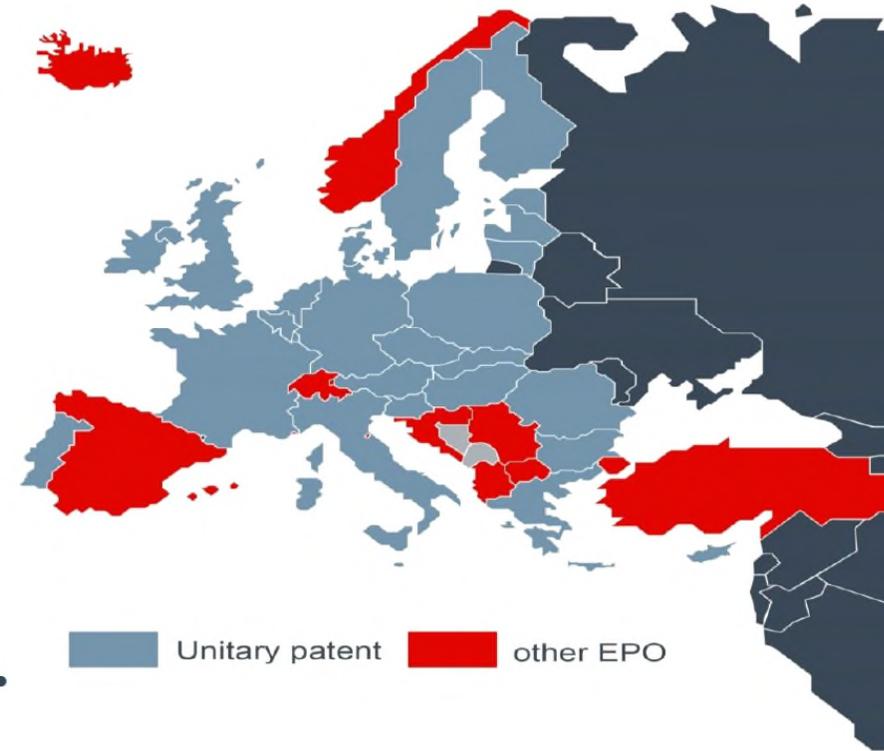
The unitary patent and the EPO member states

Unitary patent states

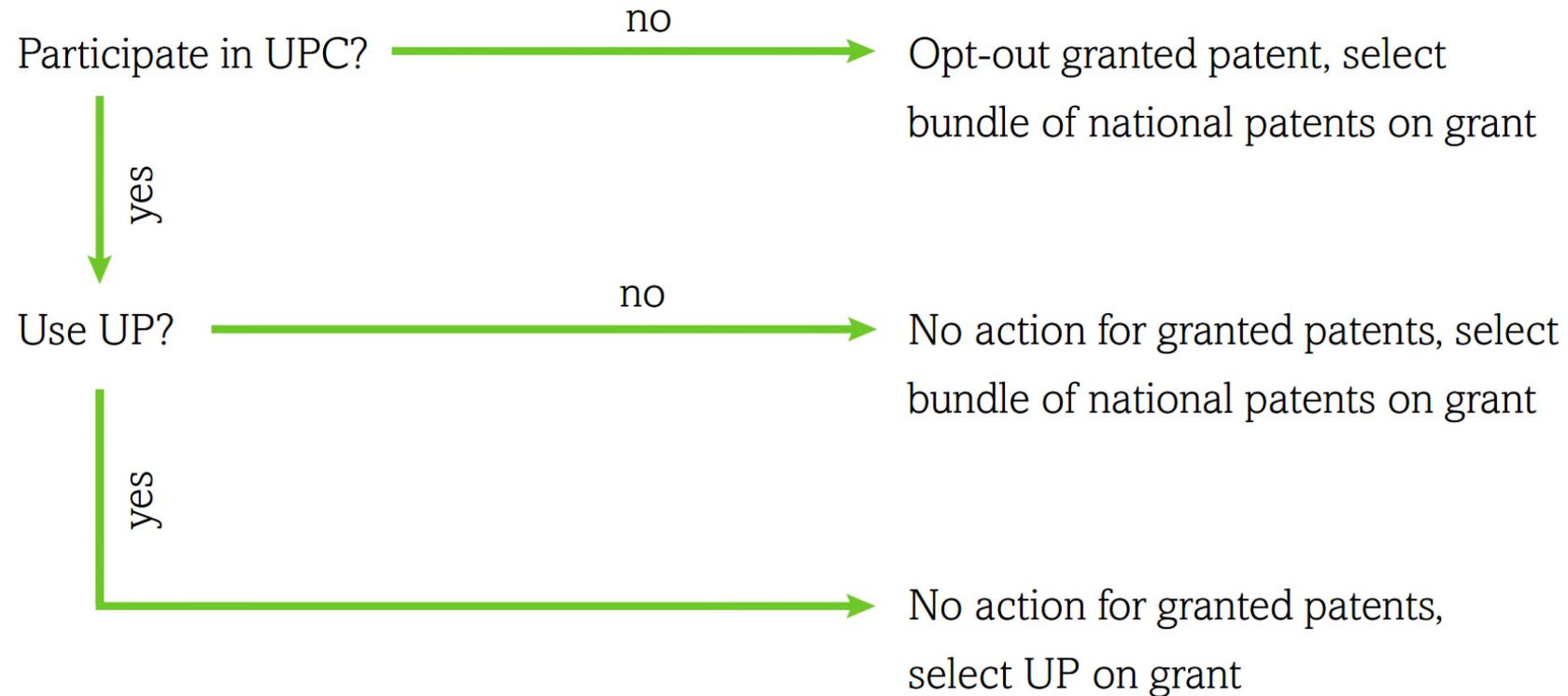
Austria • Belgium • Bulgaria • Cyprus • Czech Republic • Denmark • Estonia • Finland • France • Germany • Greece • Hungary • Ireland • Italy • Latvia • Lithuania • Luxembourg • Malta • Netherlands • Poland • Portugal • Romania • Slovakia • Slovenia • Sweden • United Kingdom

Other EPO member states

Spain • Iceland • Switzerland • Norway • Turkey • Monaco • San Marino • Liechtenstein • Croatia • Serbia • Albania • Macedonia



UPC: key questions



One fit all approach?

1. **Risk aversion**: this is the biggest driver, considering the lack of precedents and so many uncertainties. Pharma companies are likely to stay out (opt out) as too risky for them, while software industries want to shape the decisions in their favor.
2. **Territorial coverage**: obviously, the more countries you need, the more interesting the UP gets. Provided of course that there is a strong enough overlap between these countries and the ones that have ratified the UPC,
3. **Budget**: the new system was designed to be cost effective for granting and litigating patents across participating states. And opting-out can be costly ...
4. **Patent strength**: with the central revocation, you need to be sure of the solidity of your granted patent with any existing prior art,
5. **Patent value**: how important is the patent for the owner? This is different than the strength and related to protecting existing products or SEPs. Pharma industry is obviously sensitive to that factor.

Possible approaches

80/20 rule



Value/strength matrix

Higher value	OUT protect value	OUT wait and see
Lower value	IN focus budget	IN take a punt
	Weaker	Stronger

A refine approach requires a knowledge of a portfolio that not all companies have, especially for a massive one.

- ❑ **80/20 rule:** most of the value (say 80%) in a patent portfolio may lie within a small fraction (say 20%) of the patents. From a value standpoint, it is safe to opt out the 20% (provided once again that they are clearly identified),
- ❑ **Value/strength matrix:** both patent value (favoring opt-out) and strength (favoring staying in) are by definition patent specific. With a deep knowledge of the portfolio, one can determine for instance, that low value/weak patents should stay in for obvious budget reasons, and low value/strong patents should be in to shape the decisions.

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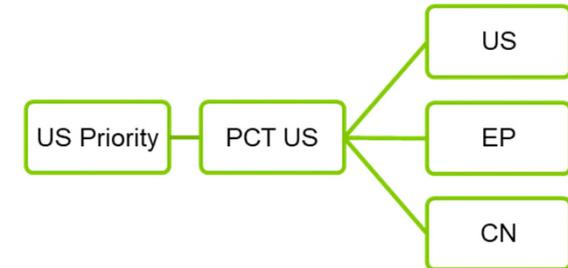
**5 tips for better navigating
EPO procedures and
reducing your costs**

3.1 Filing strategies using PPH: could a US applicant save money?

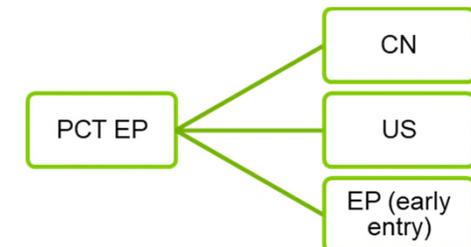
- Some US applicants choose to file US priority applications, then file PCTs with the USPTO as the ISA. They enter then the EP, US and CN national phases.
- An EPO work product is respected by patent offices around the world, meaning that using PPH based on an EPO work product can reduce the number of Office Actions which are issued in other jurisdictions.
- An aim of the EPO's new 'early certainty' programme is to complete examination in 12 months or less, making it possible to obtain an EPO positive work product quicker than ever before.
- An alternative filing strategy focused on quickly obtaining a positive EPO work product to use as the basis of a PPH request could save HPE money.

Some rough maths suggests a US applicant could **save between 11,000 and 13,800 USD per application** by using these filing strategies.

Current Filing Strategy

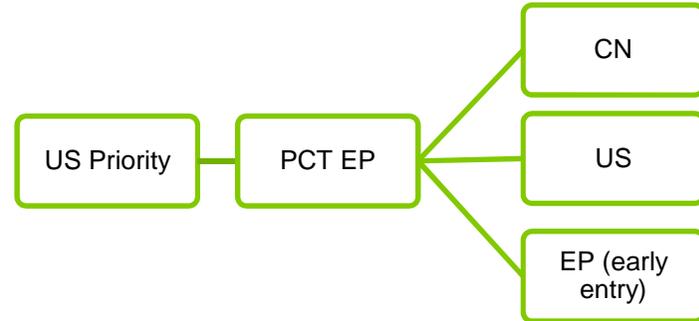


Example New Filing Strategy

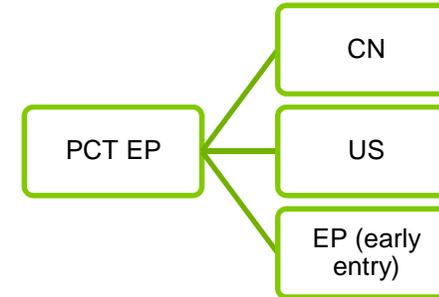


Potential filing strategies

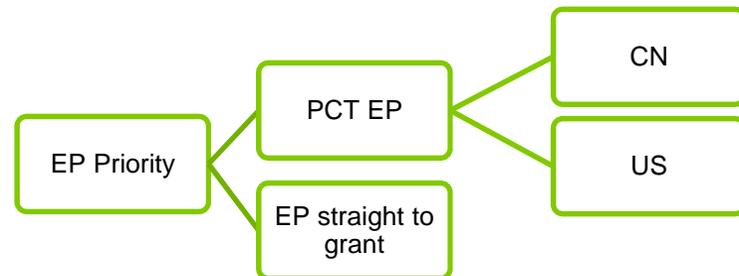
Option 1 – US first filing



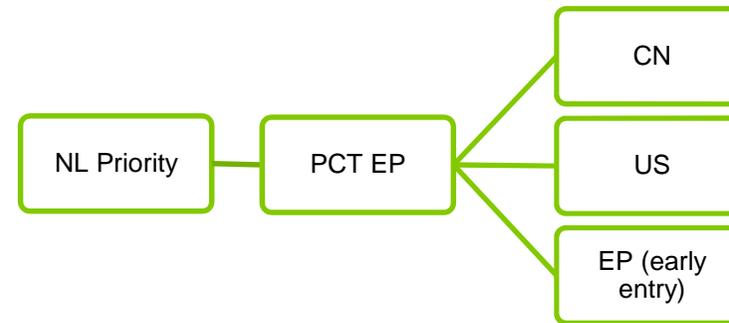
Option 2 – direct PCT(EP)



Option 3 – EP first filing



Option 4 – NL first filing



Assumptions and comments

- US priority filings are provisional filings
- Office action (OA) response charges
 - Include local attorney fees only.
 - We've estimated £1750 per response, with 3 OAs being issued before grant except in those jurisdictions where the patent office has already searched in the international phase, in which case we have estimated 2 OAs before grant
 - In fact the estimated number of OAs is on the low side, in reality there are likely to be more, so even greater savings may be possible!
- We've assumed a 'best-case scenario' with PPH – the EPO issues a positive opinion before an OA is issued elsewhere, resulting in immediate acceptance at US/CN office.
- Several types of costs not included where the fees would be incurred regardless of filing strategy, e.g. translation costs, agent charges for filing applications / entering national/regional phases.

Comparison

- **Traditional filing scheme** costs **29,000 USD**
- **Option 1** saves **12,200 USD**
- **Option 2** saves **12,500 USD**
- **Option 3** saves **11,000 USD**
- **Option 4** saves **13,800 USD**

3.2 Dealing with Added Matter or the “Boring Legal Slide”

- the “Gold Standard” for assessing Added Matter (BOA case law G1/16)
 - strict approach of “direct and unambiguous disclosure”: “no information added” test
- removal of a limitation to fix the issue post-grant not possible due to absolute prohibition against claim broadening post-grant
 - Added matter is strict and **high risk** at the EPO
- practical tips
 - Use words from the description wherever possible
 - Basis from drawings
 - Intermediate generalisations
 - Combining features from different embodiments

3.3 Avoiding unnecessary objections

- Auxiliary requests
- Attending to the formal requirements sooner
- Provide support for amendments
- 1 independent claim per category (device, system, method, CRM)
- Features inconsistent across independent claims

3.4 Interact with the EPO

- Examiner interviews
- Gather a batch of same class cases together and request a meeting at the EPO
- Bunching Oral Proceedings for different cases
- Invite the EPO examiners over

3.5 Pre-filing review – What to do and why?

- Add technical effects where possible (what, why and how)
- Single dependencies → Multiple dependencies
- One independent claim per category
- Most important independent claims → first in the claims
- Structural limitations → functional limitations in the description
- Explicit basis for CRM claim

Thank you

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