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European update: The Unified Patent Court – The Essential Facts

The Unified Patent Court Agreement (UPCA) has been signed by 25 of the 28 Member States of the European Union (EU) and was expected to come into force by way of EU Regulations 1257/2012 and 1260/2012 in the first half of 2017.

The Preparatory Committee of the Unified Patent Court (UPC) has signalled that the UPC could become operational as of 1st December this year.

The UPC will be an entirely new transnational court, including a Court of First Instance and a Court of Appeals, which will eventually take the place of national courts in Europe on all questions concerning infringement and validity of patents granted by the European Patent Office which cover the EU countries that have ratified the UPCA, eventually 25 countries, but initially the first 13 countries which have ratified. These countries are called “participating EU Member States”. The UPC will also have exclusive jurisdiction over all “Unitary Patents” (see our separate Briefing Note on Unitary Patents) as well as classical European “Bundle” Patents which have been validated in the participating EU Member States.

In order for the UPC agreement to come into force in 2017, a minimum of 13 EU Member States must have ratified the agreement, including the three EU Member States having the highest number of EP validations in 2012, the year prior to the signing of the UPCA. These latter three necessary EU Member States are UK, France and Germany, and of these only France has signed to date. The Netherlands and Italy are the most recent countries to ratify, bringing to 12, the number of countries that have ratified to date.

Further countries likely to ratify soon after entry into force in 2017 include Lithuania, Estonia and Romania. Latvia, Cyprus, Czech Republic, Slovakia, Greece, and Ireland, which must hold a referendum, are likely to take longer. Spain, Croatia and Poland have not signed the UPC agreement. However, on March 7th 2017, Spain has signaled that it is re-considering its position and will now debate whether to participate in the UPC system.

Competence of the UPC

- Actions for actual and threatened infringement of patents and of Supplementary Protection Certificates;
- Counterclaims for revocation;
- Revocation actions;
- Actions for provisional and protective measures and injunctions; and
- Actions against decisions of the EPO relating to Unitary Patents.

Opt Out

For an initial transitional period of 7 years, which may be extended, it will be possible to remove a European “Bundle” Patent which has been validated in a participating EU Member State from the exclusive jurisdiction of the UPC by registering an “opt-out” at the UPC Registry, at any time after grant. In those cases that are opted out, infringement and validity will continue to be decided by the respective national court of any of the Bundle of European Patents that has been validated separately in the EU Member States that are participating in the UPC. In the cases that are not opted out, the UPC will automatically have jurisdiction. Any national patents not granted by the EPO but granted by

the national patent offices in EU Member States that are participating in the UPC will continue as at present to be under the jurisdiction of the national courts.

An “opt out” must be registered for individual granted European patents with the Unified Patent Court (not the EPO), which will keep a Register (automatically covering whatever EU Member States participating in the UPC where they have been validated). This will be a simple process and will not involve any official fees.

Sunrise Period

A “sunrise period” will be announced in the run-up to commencement of the UPC, allowing Patentees to register opt-outs of pre-existing European patents before the UPC begins. If not, by default, any existing patent granted for a participating EU Member State will be under the UPC jurisdiction.

With a start date of December 1st 2017 now appearing to be possible, the “Sunrise period” for filing such opt outs would be expected to start from September 1st 2017. Patent owners will need to start devising strategies for patent portfolios and considering the filing of such opt outs in good time before September 1st 2017. Please contact one of our Patent Attorneys at Hanna Moore + Curley for further advice and assistance in devising strategies in preparation for the commencement of the UPC.

However, the Preparatory Committee noted that the indicated timeline for the UPC to become operational is “conditional” and that there are “a number of factors that will dictate whether it is achievable”, mainly the timing of the completion of ratification by the UK and Germany. The UPC will automatically become operational on the first day of the month, four months after the 13th country has ratified the UPCA.

Considerations for Opting Out or Opting In

Most Patentees are expected to adopt a “wait and see” approach, regarding opt-outs, but many will no doubt register opt outs of valuable patents or the “crown jewels” of their portfolio, not wishing to subject these to the jurisdiction of a court which is largely an unknown. Whilst every effort has been made to recruit and train highly qualified technical and non-technical judges of the highest calibre, the jurisprudence and precedent of the UPC will obviously take years to develop.

Once an opt out has been registered, in later years, there is always the possibility to opt back in, or cancel the initial opt out registration in individual cases.

It is to be expected that many invalidation “test cases” will be filed initially to see how the court will decide questions of patent validity. Once proceedings of this sort are pending, or if infringement proceedings are pending, there is no possibility of then filing an opt out. The cautious approach at the beginning will therefore be to file opt-outs for all valuable and important cases, preferably during the sunrise period.

Structure of the Unified Patent Court

The Unified Patent Court will be constituted of a Court of First Instance having a Central division, with a seat split between Paris, London and Munich, local divisions spread over most of the participating EU Member States, and some regional divisions covering smaller groups of countries, and a Court of Appeal. Any further appeal to the Court of Justice of the European Union can only be in matters relating to the application of EU law by the UPC.

The central division will have general jurisdiction, including jurisdiction over parties not resident in Europe. The central division can take decisions on infringement and validity in unified proceedings. Cases will be allocated by technology (according to EPO classification) to judges sitting in the three different locations. The central division main seat will be in Paris which will handle cases in most technologies, including electronics. The central division in London will handle medical device and pharmaceutical cases. There is however doubt as to whether the central division can retain its seat in London after the UK has left the EU. The central division in Munich will handle cases primarily relating to mechanical engineering.

The local divisions will have primary jurisdiction to handle European patent infringement actions instead of the central division. An action can be brought before a local division hosted by a Member State where the actual or threatened infringement has occurred or may occur, or where the defendant has its residence. This will allow for a limited degree of forum shopping, in particular cases. Local divisions are to be established in Austria, Belgium, Denmark, France, Finland, Germany, Ireland, The Netherlands and, as in the UPCA, the UK.

Regional divisions may be established jointly by at least two Contracting Member States covering their territory instead of separate local divisions, at the request of those states. They will have jurisdiction similar to that of local

divisions. Already a Nordic-Baltic regional division has been established in Stockholm which will cover Sweden, Estonia, Latvia and Lithuania.

The UPC Court of Appeal will have its seat in Luxembourg.

Regarding Appeal proceedings, there will be a “fast” appeal proceedings for any dispute concerning a decision of the EPO, for example, where a request for a Unitary Patent is rejected. This should allow an Appeal decision to be reached within the 3 month period after grant for validation of the European Patent and hence enable the patentee to still validate the patent if the request for a Unitary Patent is rejected. All other Appeal cases will run on “normal” timeline appeal proceedings.

A Patent Mediation and Arbitration Centre will be located in Lisbon and Ljubljana. It will help finding alternative dispute resolution via mediation and arbitration relating to U.P. and European Patents falling under the jurisdiction of the UPC.

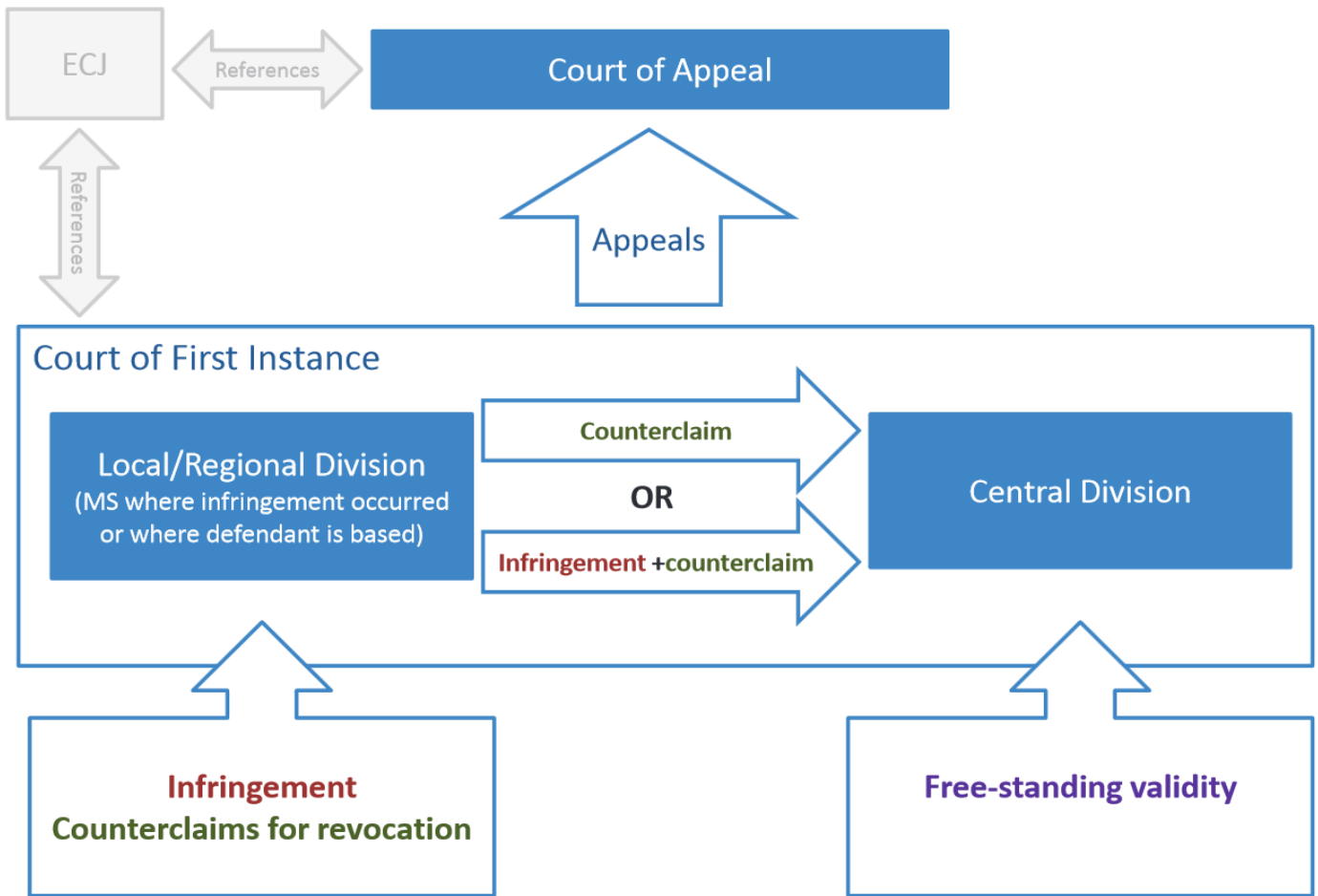


Diagram: Preparatory Committee of the Unified Patent Court

Invalidation Actions and “Bifurcation”

In the case of an infringement claim filed with a local or regional division, if the defendant files an invalidation action, the local or regional division has the discretion either to (a) proceed with both the action for infringement and with the counterclaim for revocation and request the President of the Court of First Instance to allocate from the Pool of Judges a technically qualified judge with qualifications and experience in the field of technology concerned, (no “bifurcation”) or (b) refer the counterclaim for revocation for decision to the central division, and suspend or proceed with the action for infringement (“bifurcation”); or (c) with the agreement of the parties, refer the case for decision to the Central division.

Counterclaim for infringement Actions and “Bifurcation”

In the case of a revocation action filed at the central division, if the defendant files a counterclaim for infringement at a local or regional division, the central division will stay the revocation action until the local or regional division has decided on the three options a, b or c mentioned above.

Languages

The default provision for cases at the central division is to use the language in which the European Patent in dispute was granted (English, French or German).

The default provision for cases at any local or regional division is one or more official language(s) of Contracting Member State(s) participating in the division, designated by the participating state(s). However, those states also may designate one or more of the official languages of the European Patent Office (English, French or German) for use in their local or regional division.

If the parties in a local or regional division case and the competent panel agree, the language in which the patent was granted may be used as the language of proceedings. If the panel does not approve the parties' choice, the parties may request that the case be referred to the central division. The President of the Court of First Instance also has authority to require the use of the language in which the patent was granted, at the request of one of the parties and after having heard the other parties and the competent panel.

The language of cases before the Court of Appeal normally shall be the language of proceedings before the Court of First Instance; however, the parties may agree on the use of the language in which the patent was granted as the language of proceedings or, with the agreement of the parties, the Court of Appeal may decide to use another official language of a Contracting Member State for all or part of the case. As a practical matter, it appears likely that most of the UPC proceedings will be conducted in English because a majority of European Patents are granted in English, because the common language of the judges on the panels (which must be multinational) is likely to be English and because many Contracting Member State(s) participating in local or regional divisions have announced that their division will permit or require the use of English.

So, in summary, in the First Instance:

At local and regional divisions

- Official language of hosting state of local division
- Official language designated by states of regional division
- Optionally, a designated EPO language (English, French or German)
- If parties and panel agree, language in which patent was granted.

At central division:

- Language in which patent was granted.

Representation before the UPC

Representation will be by either lawyers authorised to practise before national courts; or European Patent Attorneys with a Litigation Certificate. Hanna Moore + Curley already has European Patent Attorneys with the required Litigation Certificate to represent clients before the UPC.

Governance

The UPC will be governed by and in accordance with the UPC Agreement (UPCA) and Rules of Procedure. An Administrative Committee, created by the UPCA, may revise the Agreement to improve the functioning of the court, based on user consultation and an opinion of the court. Preparations for establishment of the UPC by a Preparatory Committee of the participating states has been proceeding for a number of years in parallel with ratification of the UPCA.

UPC Court Fees

The operation of the UPC will be funded entirely by court fees, although participating member states are expected to pay at least some of initial costs for establishing the court. There will be both fixed based fees and, for certain actions, an additional value based fee, similar to the system used in Germany.

Brexit impact

Despite the decision of the UK to leave the EU, the UK had already completed most of the work necessary to ratify the UPC Agreement. A [further statutory instrument](#) will be required on Privileges and Immunities and the UK Government is then expected to be in a position to ratify by May 2017. Of course, any delays in the introduction of the UK statutory instrument will impact on this timeline.

As well as UK ratification, it will also be necessary for Germany to complete its ratification procedure before the UPC system can come into force.

Further Advice

This information is given by way of guidance only. If you have specific queries or would like any further advice please contact the author, Marie Walsh, or your usual Hanna Moore + Curley attorney.



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