UPC – FUTURE OF PATENT LITIGATION IN EUROPE

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**MAIN TOPICS**

What will happen?
- The Unified Patent Court (UPC) will change the landscape of patent litigation in Europe
- It is a front-loaded fast court system which can deal with infringement and validity at the same time

When will it happen?
- The timing is unclear due to UK and Germany
- A sunrise period will start before the UPC opens its doors

What do I need to do?
- Evaluate your patent portfolio
- Review license agreements
POLL QUESTION 1/2:

Have you ever litigated patents in Europe before?
- Yes
- No

Did the litigation spread over multiple countries?
- Yes
- No
OVERVIEW
THE EUROPEAN PATENT PACKAGE – OVERVIEW

Agreement on a Unified Patent Court (UPCA) (international treaty)

Regulation (EU) 1257/2012 on a unitary patent (enhanced cooperation)

Regulation (EU) 1260/2012 on translation arrangements (enhanced cooperation)

Rules of Procedure

Aggregation to one package is a political decision
AGREEMENT ON A UNIFIED PATENT COURT (UPCA)

UPCA applies to
- European Patents with Unitary Effect (EPUE)
- European Patents on the basis of the EPC

UPCA creates one unified court
- First European Court for civil matters
- Different approach as to designs and trademarks

UPCA includes
- Procedural Provisions
- Substantive Law
UNIFIED PATENT COURT (UPC)

Basic Structure

- Court of Appeal (Luxemburg)
  - Art. 9 UPCA
- Local Division
  - Art. 7 (3), (4) UPCA
- Regional Division
  - Art. 7 (5) UPCA
- Central Division
  - Art. 7 (2) UPCA
- Registry

Art. 8 (1) UPCA:
- 3 judges in Court of First Instance
- Consisting of different nationalities

UPC - Overview
LOCAL DIVISIONS

- Formed upon request of one Member State, Art. 7 (3) UPCA
- Member State determines the seat of the Local Divisions
- One additional Local Division for each 100 of patent infringement proceedings possible
- Maximum of 4 Local Divisions per Member State permitted, Art. 7 (4) S. 2 UPCA
UNIFIED PATENT COURT (UPC)

Regional Divisions

- Can be formed by a minimum of two Member States, Art. 7 (5) UPCA
- Can meet in different locations
- Already one regional division established between Sweden, Lithuania, Latvia and Estonia
COMPOSITION OF PANELS

Local Divisions > 50 cases and Regional Divisions

Pool of Judges

Technical Judges

Legal Judges
COMPOSITION OF PANELS

Local Divisions < 50 cases (Art. 8 (2) UPCA)

Pool of Judges

Technical Judges

Legal Judges
COMPOSITION OF PANELS

Central Division

Pool of Judges

Technical Judges

Legal Judges
COMPOSITION OF PANELS

Court of Appeal

➤ Seat in Luxemburg
➤ 5 judges per panel, Art. 9 (1) UPCA
  - 3 legally qualified judges
  - 2 technically qualified judges
  - From different member states

➤ Presidency by legally qualified judge
➤ Establishment of a „Grand Panel“, R 238A RoP
COMPETENCE OF THE COURT

General rule: for patent infringement and validity proceedings

Art. 32 (1) UPCA, including
- Injunctive relief, damage and compensation claims
- Provisional and protective measures and injunctions
- Action and counterclaim for revocation
- Actions against EPO decisions with regard to the unitary effect

Art. 32 (2) UPCA refers to national courts for not expressly mentioned competence of the UPC, thus e.g. no competence for
- Licensing disputes
- Disputes about ownership
COMPETENCE OF THE COURT

Local und Regional Divisions

- Infringement proceedings, including damages, compensation, costs
- Infringement proceedings with counterclaim for revocation
- Preliminary measures, e.g. injunctions, preservation of evidence and assets

- Lis pendens suspension according to Art. 33 (2) UPCA for Local and Regional Divisions regarding later filed actions
COMPETENCE OF THE COURT

Declaration of non infringement, Art. 33 (4), 32 (1) (b) UPCA

Isolated revocation actions, Art. 33 (4), 32 (1) (d) UPCA

Actions with regard to the unitary effect and their registration with the EPO,
Art. 33 (9), 32 (1) (i) UPCA

Relation of revocation actions and EPO oppositions
- Revocation actions and counterclaims can directly be brought to UPC, Art. 33 (8), 32 (1) (d) and (e) UPCA
- If an opposition is pending at the EPO, the court may suspend the proceedings in case that quick decision of the EPO is to be expected, Art. 33 (10) UPCA
THE LOCATIONS OF THE CENTRAL DIVISION

Distribution of cases follows WIPO’s International Patent Classification

Central Division

- Paris
  - Performing operations, transporting
  - Textiles, paper
  - Fixed constructions
  - Physics
  - Electronics

- London
  - Human necessities
  - Chemistry, metallurgy

- Munich
  - Mechanical engineering
  - Lighting
  - Heating
  - Weapons
  - Blasting
COUNTERCLAIM FOR REVOCATION

Options of the division

1. May deal with both:
   - Infringement action
   - Counterclaim for revocation

2. Or decides only:
   - Infringement action
   - ... or stays
   and refers:
   - Counterclaim for revocation

3. Or refers with consent of Parties:
   - Infringement action
   - Counterclaim for revocation

Similar to German bifurcation system
LOCAL JURISDICTION OF THE DIVISIONS

Competence of a local/regional division:

- Place of infringement
- Residence of the defendant
For all actions, if there are neither Local, nor Regional Divisions established at the forum, Art. 33 (1) sub-section 4 UPCA

Luxemburg and Malta decided neither to create a local division nor participate in a regional division

For all actions, if the defendant does not have his seat or an establishment in a participating Member State, Art. 33 (1) sub-section 3 UPCA
CURRENT STATUS
THE UPC ROLLERCOASTER
WHY CAN UK BE PART OF UPC?

UPC is not an EU institution

- UK still part of the EU until it leaves
  - It can ratify the UPC Agreement
- Provided Germany also ratifies
  - Leads to the UPC being established and up and running
- However, UK has to accept primacy of UPCA, EU-law and case law of CJEU in this area

- One question is what happens to the UK after it leaves the EU?
CAN UK REMAIN IN UPC POST BREXIT?

UPC up and running beginning of 2018

- Brexit not expected in this timeframe
- Agreement is an international treaty
- Agreement does not expressly require members to remain EU Member States
- No mechanism for expulsion
- Vienna Convention allows expulsion if
  - Repudiation of treaty or
  - Violation of provision essential to purpose of treaty
DO WE NOW (FINALLY) HAVE TO PREPARE FOR UPC?

Final steps

- Italy has ratified UPCA - 12th country
- When UK and DE have ratified - both governments have stated they will do in the next couple of months
  - (P) Constitutional complaint in Germany
- The preparatory committee planning for sunrise period to start in Fall 2017 with Court expected in early 2018
  - Delay of at least 6 months expected because of constitutional complaint in Germany
- DE predictions: first year 180 cases, after 10 years 1800-2200 cases (current number of cases in Europe)
COURSE OF PROCEEDINGS
POLL QUESTION 3:

How long did it take to get a first instance judgment in Europe?

- 1 Year
- 18 Months
- 2 Years
- More than two years
Course of infringement proceedings (first instance)

1. Written Procedure – 5 months +
2. Interim Procedure – 3 months
3. Oral Procedure – +2 months
4. Decision – +6 weeks
5. Information and damages
6. Cost of Proceedings

Proceedings in first instance should last ~ 1 year
WRITTEN PROCEDURE

Infringement action

- Complaint
- 1 month
- Preliminary opposition
- +2 months
- Statement of defence
- 1 month
- Reply
- +1 month
- Rejoinder

Revocation action

- Complaint
- 3 months
- Statement of defense
- 2 months
- Reply
- 1 month
- Rejoinder
WRITTEN PROCEDURE

Infringement + revocation action without changes

Complaint
1 month
Preliminary opposition
+ 2 month
Statement of defense
Counterclaim for revocation
2 month
Reply
+1 month
Rejoinder
1 month
Reply to counterclaim for revocation
Rejoinder regarding counterclaim for revocation

Infringement + revocation action with changes

Complaint
1 month
Preliminary opposition
+ 2 month
Statement of defense
Counterclaim for revocation
2 month
Reply
Reply including claim amendments
2 month
Rejoinder
1 month
Reply regarding claim amendments
Rejoinder regarding claim amendments
Rejoinder claim amendments
Further reply i.a. regarding claim amendments
UPC - Overview
Kather-Augenstein Rechtsanwälte
INTERIM PROCEDURE

- Duration: normally 3 month, R 101.3 RoP
- Judge Rapporteur (“Case Manager”)
- Highest possible flexibility for rapporteur who might ask the parties to
  - Provide further clarification or produce evidence, R 103.a RoP
  - Answer to questions, R 103.b RoP
- Fair, orderly and efficient procedure, R 101.2 RoP
- Aim: Specify main issues in dispute to prepare the oral proceeding, R 104 RoP
ORAL PROCEDURE

Duration

➢ Normally not longer than 1 day, R 113.1 RoP
➢ Time limit to right to speak of the parties, R 113.1 RoP

➢ Audio recording of the oral hearing, R 115 RoP
  - Accessible for parties and representatives at place of court, R 115.3 RoP
COMPENSATION PROCEEDINGS

Timing and procedural steps

- Within 1 year after notification of final decision, R 126
  - Decision in “main case regarding infringement and legal portfolio”
    - If proceedings are separated, the deadline starts with the latest final decision
  - Consequences if deadline was not met?

- Separate proceedings, with own costs, R 123, 133 RoP
- Unclear, if it can be claimed together with principal proceedings, see e.g. R 141 RoP regarding request to lay open books
APPEAL

Appeal against decision on the merits
- Appeal period: 2 month from delivery, Art. 73 (1) UPC
- Substantiation: 4 month from delivery, R 224.2 (a) RoP

Appeal against
- Decision regarding language of proceedings, Art. 49 (5) UPC
- Preliminary actions according to art. 59, 60, 61, 62 und 67 UPC
- Cost decision
  - Appeal period: 15 days from delivery, art. 73 (2) UPC
  - Substantiation: 15 days from delivery (= appeal period!), R 224.2 (b) RoP
What will litigation in the UPC cost?

- Fewer cases per dispute?
  - No need for same patent to be in more than one court (but parallel national cases on other opted out patents cases still possible)
- Importance of one case will be greater
  - One injunction for 400m+ consumer market - incentive for thoroughness as in US
- Procedure is very fast
- Fee shifting based on value scale of dispute
UNIFIED PATENT COURT - COSTS

Court fees

- Art. 36 (3) UPCA: Value based fees similar to German system
- Starts at €11,000 up to €325,000

- A fixed amount based on order, listed in R 370.2 (a) RoP
  - With complaint proof of payment, R 371.1,2 RoP
  - Without payment: Complaint is classified as not pending, R 15.2 RoP

- An amount depending on amount in dispute
  - Payment within 10 days after determination of amount in dispute, R 371.4 RoP
  - Judgement by default after deadline possible, R 355.1 RoP
UNIFIED PATENT COURT - COSTS

Costs of the parties

Art. 69 UPCA
- Have to be paid by the underlying party, up to an amount according to the rules of procedure
- If both parties win to some extent, costs will be split according to fairness or cost cancelation,
  Art. 69 (2) UPCA
- Cost decision together with main proceeding decision, R 118.5 RoP
TRANSITIONAL PERIOD
THE EUROPEAN PATENT SYSTEM IN TRANSITION

Parallel Linked Systems

- Patent Application
  - National Patent Offices
    - National Patent
      - National Courts
  - European Patent Office (EPO)
    - European Patent
      - Opposition
      - Unified Patent Court
    - Unitary Patent

TRANSITIONAL PERIOD

Content of Art. 83 UPCA

- For the duration of 7 years national courts continue to have jurisdiction
- New system applies automatically, if patentees don't act
- Conflict between UPC and national courts governed by Brussels-I-regulation
- Transitional law applies immediately after the UPCA takes effect
- Transitional law in effect for 7 years and could be extended to 14 years, Art. 83 (1), (5) UPCA
OPT-OUT ART. 83 (3) UPCA

"opt out from the exclusive competence"

➢ Before action pending at the UPC, R 5.6 RoP
➢ Only for all designated member states, R 5.1.b) RoP
➢ All patent proprietors must submit declaration, R 5.1 (a) 1st sentence RoP
➢ Declaration by the true proprietor(s), R 5.1 (a) 2nd sentence RoP
➢ Only valid if registered with the Registry, R 5.1 RoP
   - Can be declared three months before UPCA starts working ("sunrise period"), R 5.12 RoP
➢ Representation
   - Representation according to Art. 48 UPCA not mandatory, R 8.1, R 5.4 RoP
WITHDRAWAL OF THE OPT-OUT (OPT-IN)

Art. 83 (4) UPCA

Prerequisites:
- Opt-out recorded with the Court Registry
- No previous national action pending
- Declaration to the Court Registry

Legal consequences:
- Return to competing court jurisdictions under Art. 83 (1) UPCA
- Exclusive jurisdiction of the UPC after the end of the transitional period, Art. 32 (1) UPCA
- No further possibility to opt out, R 5 (11) RoP
**TRANSITIONAL PERIOD**

- EP litigated before national court under national laws
- Possibility to opt-out EPs during the sunrise period
- UPs and EPs granted after the end of the transitional period must be litigated in the UPC
- EPs opted out during transitional period should remain outside the UPC system

7 year transitional period (extended for further 7 years?)
# OPT-OUT: ADVANTAGES AND DISADVANTAGES

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<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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<td>No „central attack“ on validity possible</td>
<td>No unitary decision for the whole of Europe</td>
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<td>Predictable court system</td>
<td>Uncertainties with respect to the applicable law (but will be resolved by national courts relatively soon)</td>
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<td>No uncertainty regarding interpretation of UPCA and RoP (for instance discretion on injunctions)</td>
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<td>Cheaper, if not litigated in several countries at the same time</td>
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CONSEQUENCES

Suggestions

- Opt-out for important patents and opt-in again if prospects of success for validity proceedings are positive
- If new system is chosen, indicate the representative that will handle the litigation in the register (because of tight timelines)
- To avoid legal uncertainty
  - Apply for EPUE as exclusive jurisdiction of UPCA is ensured
  - Apply for national patents, as UPCA is not competent
(NEW) STRATEGIES FOR UPC
MAIN ISSUES TO CONSIDER IN LICENSING

➤ Who has the right to sue
  - Patent Proprietor
  - Exclusive licensee (Art. 47 (2) UPCA)
  - Non-exclusive licensee only if permitted in the license agreement
➤ Who can declare an opt-out / withdraw an opt-out (opt-in)
  - Patent Proprietor (joint ownership?)
  - However: Art. 83 (3) UPCA
➤ How to handle pending applications
  - Application for unitary effect
➤ How to handle future patents
  - Order of applicants (in relation to Art. 7 UP-Regulation)
POSSIBLE STRATEGIES

Offensive

▷ Opt out key patents to avoid central revocation
▷ Leave in some patents/divisionals for central UPC enforcement
▷ Opt-in key patent just before enforcement (nationally “stored” patents)
▷ Mixed litigation approach
▷ EPUEs are most dangerous - highest stakes and least predictability
POSSIBLE STRATEGIES

Defensive

- Nationally “stored” patents - can be locked out by a national action by anyone (incl straw man)
- Declarations of non-infringement
- Protective letters
- Be prepared and analyse expected adversaries’ portfolios
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