

The uniform patent court and its procedure – A new playground for litigation strategy

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The UPC and its procedure

I. Introduction

The new Patent-“package“:

1. UPC-Agreement (International Law)

(International Law Agreement Council-Document 163151/2/12 of 14 February 2013)

→ Signed on 19 February 2013

→ Introduction of a single court system with jurisdiction for all European patents in the Contracting Member States

2. Unitary Patent Regulation (EU)

(EU-Regulation No 1257/2012 of 17 December 2012; not participating: Italy, Spain)

→ Introduction of the new European patent *with unitary effect*

3. Language Regulation (EU)

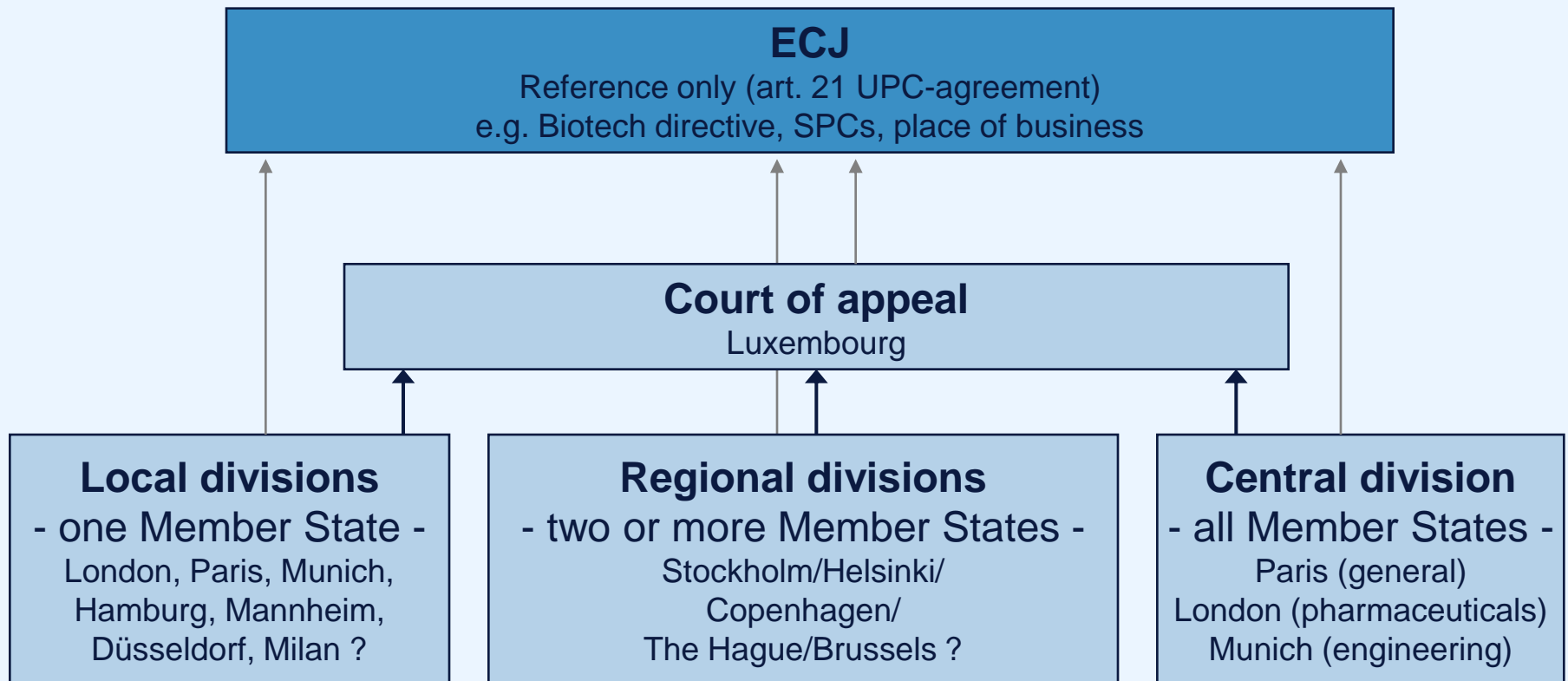
(EU-Regulation No 1260/2012 of 17 December 2012; not participating: Italy, Spain)

UPC-Agreement enters into force upon ratification of 13 Member States
(Mandatory: France, UK, Germany); alignment of EU-Regulation 44/2001

The UPC and its procedure

I. Introduction

UPC-Agreement: The structure of the Unified Patent Court



Based on Fig. 1, „Europe has spoken: now it's up to the judges“ by Alan Johnson and Philip Westmacott, Intellectual Asset Management, March/April 2013, p. 11.

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II. “Opt-in“ and “Opt-out“

1. Option to “Opt-Out“

- Option „to opt out from the exclusive competence“ of the UPC for specific patents
- Open for proprietors of European patents or applications filed before the end of the transitional period (initially 7 years), art. 83 sect. 3 UPC-Agreement
- Not open for future owners of European patents with unitary effect or owners of European patents filed for after the transitional period

2. “Opt-Out“ mechanism

- Revocable choice up until one month before expiration of the transitional period, art. 83 sect. 3 UPC-Agreement
 - But: Opt out precluded when an action has already been brought before the UPC, e.g. action for declaration of non-infringement or action for revocation
- Possibility to opt back in, art. 83 sect. 4 UPC-Agreement
 - But: Opt back in precluded after action has been brought before any national court
- To be declared to the “Registry“ (organ of UPC at the Court of appeal, art. 10)

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II. “Opt-in“ and “Opt-out“

3. Strategy around the “Opt-Out“

- Opt out
 - avoids central revocation proceedings
 - but: national declaration of non-infringement (DNI) actions remain possible
 - „torpedo“ risk
 - but: need to assert infringement nationally or opt back in
 - risk of preclusion by a national revocation or DNI action (anywhere)
- Stay in
 - option to assert patent infringement nationally or in the UPC with EU-wide effect
 - national DNI actions excluded
 - but: exposure to central revocation action
 - alternative option for defendant: multiple national revocation actions
- If you want to opt out, do so quickly to avoid preclusion by central revocation/DNI action

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III. Strategic Considerations for the Patent Owner

1. Choice of patent: EP, EP with unitary effect, national patents

- European Patents with unitary effect
 - broadest coverage (all EU but Italy and Spain)
 - but: due to the ratification requirements for UPC Agreement, long period without full coverage possible, art. 18 sect. 2 para. 2 EU-Patent Regulation
 - immediate exclusive jurisdiction of UPC without choice
 - lower costs?
- European Patents
 - limited number of designations possible
 - more litigation options during transitional period (“opt-out”/“opt back in”)
 - after transitional period: Exclusive jurisdiction of the UPC
- National Patents
 - securing jurisdiction of national courts after transitional period



The UPC and its procedure

III. Strategic Considerations for the Patent Owner

2. Choice of Venue: Local, Regional or Central division (within UPC)

- Options according to art. 33 UPC Agreement:
 - General: Action for Infringement only before the **Local/ Regional divisions**, sect. 1
 - state of infringement
 - state where (one of the) Defendant(s) has its residence
 - However, patent owner may choose **Central division**
 - when an action for revocation is pending before the central division, sect. 5
 - when the respective Member State did not establish a Local or Regional division
 - when Defendant has no residence in the territory of the Member States
- Factors to consider:
 - **Language**

Local / Regional divisions generally proceed in official languages of the Member State, may also offer an official language of the EPO;

Central Division (P, LON, MUC) proceed in language in which the patent was granted, art. 49 UPC-Agreement

→ Advantage for patent owners if court language correlates with language of patent?



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III. Strategic Considerations for the Patent Owners

2. Choice of Venue: Local, Regional or Central division (within UPC)

➤ Composition of the panel, art. 8 UPC-Agreement

Local and Regional Division:

- Three legally qualified judges, one or two judges from the respective Member State;
- Additional technical judge upon request of one party, art. 8 sect. 5, and with regard to a counterclaim for revocation, art. 33 sect. 3 lit. a) UPC-Agreement)

Central Division:

- Two legally qualified judges and one technically qualified judge

➤ Geographical Location

- closeness of the division to Patent Owner („home turf“)
- practice of the court (e.g. bifurcation, requirements for pi, speed etc.)
- synchronisation of venue and law applicable to the patent :
 - Art. 25 et seq. of the UPC contain substantive provisions
 - but: national law of country of residence of patent owner as additional source of law, art. 24 sect. 1 d), sect. 2 a) UPC Agreement and art. 5 sect. 3 and 7 sect. 1 EU-Patent Regulation
 - NB: German law as „fall back“ for non-EU patent owners, art. 7 sect. 3 EU-Patent Regulation

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III. Strategic Considerations for the Patent Owners

2. Choice of Venue: Local, Regional or Central division (within UPC)

➤ **Timing of the action**

→ early infringement action precludes revocation/DNI action in the Central division

➤ **“Bifurcation“ as a reason to choose German divisions?**

When confronted with a counterclaim for revocation in an infringement action, Local/Regional division may (art. 33 sect. 3 UPC Agreement)

→ proceed with both actions

→ bifurcate counterclaim to Central division and proceed or stay infringement

→ refer entire case to Central division (if parties agree)

Likely that German divisions use this provision to continue German procedure?

→ but: UPC-“bifurcation“ differs from the German model

- initially one single procedure, not two separate actions from the start

- not mandatory

- patent owner must react to defendant’s counterclaim for revocation in the infringement proceeding before decision on

bifurcation

- Central and Local divisions likely to align trial dates



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IV. Strategic Considerations for the Defendant

1. Before an infringement action by Patent Owner

- DNI action before the Central division, art. 32 sect. 1 lit. b), d) UPC-Agreement
 - will be stayed if patent owner sues for infringement within 3 months, art. 33 sect. 6
 - if patent owners sues after 3 months, both actions will proceed in parallel
- Action for revocation in the Central division
 - will not be stayed by an infringement action
 - action for revocation admissible during opposition before EPO, art. 33 sect. 8
 - defendant may additionally counterclaim for revocation in the infringement action; Local/Regional division may then bifurcate according to art. 33 sect. 3
 - but: action for revocation allows patent owner to sue for infringement equally before the Central division instead of a Local or Regional division, art. 33 sect. 5

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IV. Strategic Considerations for the Defendant

2. After an infringement action by Patent Owner

- DNI and revocation actions after commencement of an infringement action by the patent owner can only be filed with the same Local/Regional division of the infringement action, art. 33 sect. 4
- Counterclaim for revocation in the infringement procedure
 - triggers bifurcation option according to art. 33 sect. 3
- „3 Regional Divisions Clause“: Defendant may request referral to the central division if infringement occurred in the territory of 3 Regional Divisions, art. 33 sect. 2 para. 2
 - may often be the case (e.g. offer on the internet)
 - defendant may force patent owner to litigate in Central Division (thus ruling out bifurcation)
 - procedural privilege for large scale infringers
 - However: Only for Regional, not Local divisions; as yet open whether/when 3 Regional divisions will be established at all

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V. Open Issues and Outlook

1. Italy and Spain

- Italy and Spain are not participating in the Unitary Patent Regulation
- However: Italy part of the UPC-Agreement with regard to European patents

2. Asymmetric ratification processes among the signatory states

- Entry into force of the UPC-Agreement four months after ratification of 13 states (not before 1 January 2014), art. 89 sect. 1 UPC-Agreement
- Complex co-existence of systems during the differing ratification process

3. Future of the UPC

- Challenging build up of the UPC structure: Local, Regional and Central divisions, Court of Appeal, selection of judges, set up of Pool of Judges and „judges academy“ in Budapest
- Massive „opt-outs“ may stall UPC for decades (up to 7 (+7) + 20 years)
- Revival of national patents?



Questions and Answers

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