The EU Unitary Patent & Unified Patent Court

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The current European Patent System

• Successful centralised European Patent granting at the European Patent Office since 1977 (nearly 40 years)
  – Includes both European Unions states and others
    • e.g., Switzerland & Turkey
  – Result is a “bundle” of national patents in states designated by the applicant for validation
Some shortcomings of the current European Patent System

• High costs of validation in national patent offices
  – publication fees,
  – attorneys fees and
  – translation costs
    • Translation costs significantly reduced since the entry into force of the London Agreement.

• Renewal costs.

• Each national part must be separately enforced in national courts.
The Major Obstacles to a Single Patent & a Single Patent Court

• Language
  – National pride
    • Spain, in particular, wants to expand use of its language in the EU.
• Patent Attorneys were comfortable with existing:
  – Translation business
  – Renewal business
  – National court litigation
• Court of Justice of the European Union (CJEU)
  – Permitted a single EU patent and single EU court
  – The CJEU barred including other states.
The EU Patent Package

Two EU Regulations and a new Treaty

Signature of the UP Regulations by the Presidents of the European Parliament and the Council on 17 December 2012

Signature of the UPC Agreement by Representatives of Participating EU States on 19 February 2013
The Package Solution by “Enhanced Cooperation”

**Unitary patent (UP)**

Regulation (EU) No. 1257/2012 implementing enhanced cooperation to create unitary patent protection in participating states.

**Unified Patent Court (UPC)**

Unified Patent Court Agreement (UPCA), a new treaty among most EU member states. (Non-EU states cannot participate).

Regulation (EU) No. 1260/2012 implementing enhanced cooperation with regard to the applicable, reduced translation requirements.
The EU Patent Package

• **Ratification** of the UPCA by a minimum of 13 EU states, including France, Germany and the UK, will trigger both opening of the UPC and grant of UPs, on the 1\(^{st}\) day of the 4\(^{th}\) month after minimum ratification.

• **Status:**
  – Nine states, including France, have ratified,
  – UK Parliament has passed the necessary legislation
    • BREXIT vote on June 23\(^{rd}\).
  – Germany has necessary legislation in progress
    • German ratification expected in late 2016.
  – At least two other states expected to ratify before Germany
  – Projected opening – March 2017
Patent Alternatives in the EU

NPO = National Patent Office
EPO = European Patent Office
The unitary patent & the EPO member states

Unitary patent states (potential)
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 • Former Yugoslav Republic of Macedonia
The Unitary Patent (1)

- The Unitary Patent (formally a "European Patent with unitary effect") is
  - a EP granted by the EPO under the EPC's existing rules and procedures, (nothing will change during the pre-grant procedure)

- After grant by the EPO, the EP applicant can elect to either:
  
  - Validate the EP as a Unitary Patent for all states participating at that time, and select conventional EP parts for other EPO states; or
  
  - Validate the EP as individual national parts, in accordance with the present system.
The Unitary Patent (2)

- Protection in **one step** for participating member states
  - Only for those states that have ratified the UPC at the time of grant by the EPO

- **Uniform litigation system** ensuring greater legal certainty
  - A **Unitary Patent** can be litigated only in the UPC

- There will be no official fee for validation as a UP.
- Translation of the full patent into one other language will be required during a transitional period of 7 to 14 years.
- Central ownership and assignment records will be maintained by the EPO.
The Unitary Patent (3)

• Renewal fees have been set by a Select Committee of the EPO and payable to the EPO
  – The fee schedule approximates the sum of renewal fees each year in France, Germany, the Netherlands and the UK.
  – Participating states will receive 50% of these fees.

• Principal issues are:
  – Fear of central attack
    • Likely to subside, as it did when the EPO was established
  – Cost-benefit analysis
    • Not today’s topic
Unitary Patent Preparations

• Select Committee of the Administrative Council of the European Patent Organisation
  – Includes one representative from each UP participating state and the EPO President
  – Completed its work in December 2015:
    • Rules relating to Unitary Patent Protection,
    • Rules relating to Fees,
    • Rules relating to the distribution of 50% of Maintenance Fees amongst the participating states,
    • Budgetary and Financial Rules.
• The EPO is ready for the Unitary Patent.
EU Unified Patent Court (UPC)
General Initial Comments

• Intended eventually to be a forum for litigation of all patents issued by EPO in the participating states, i.e.:
  – **Unitary Patents** (= European patents with unitary effect)
    • Exclusive jurisdiction for UPs.
  – **European Patents** (including EP patents which issued before UPC agreement entered into force, and which have not yet lapsed by then)
    • During a **transitional period of 7 to 14 years**, an action for infringement or revocation may be brought before either the UPC or national courts, and
    • Owner of a conventional EP may **opt-out** of the UPC during this period
Structure of the UPC

Court of Appeal (Luxembourg)

Local division
Regional division
Central division
Local division
Regional division

Questions for referral and preliminary rulings on Union law

Paris – seat
London – part
Munich – part

Court of First Instance
Jurisdiction of the Central Division

• Central Division will mostly hear
  – infringement actions:
    • against defendants based outside of the EU, and
    • if a member state does not have a local/regional division
  – revocation actions:
    • direct (not as counterclaims), or
    • counterclaims for revocation (in case of bifurcation),
  – actions for declaration of non-infringement, and
  – actions against decisions of the EPO re UP.
## Distribution of cases within the Central Division

<table>
<thead>
<tr>
<th>LONDON Section</th>
<th>PARIS Seat</th>
<th>MUNICH Section</th>
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<tbody>
<tr>
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<td>President's Office</td>
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<tr>
<td>(A) Human necessities</td>
<td>(B) Performing operations, transporting</td>
<td>(F) Mechanical engineering, lighting, heating, weapons, blasting</td>
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<tr>
<td>(C) Chemistry, metallurgy</td>
<td>(D) Textiles, paper</td>
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<td>(E) Fixed constructions</td>
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<td>(H) Electricity</td>
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Local & Regional Divisions

- Local & Regional Divisions will mostly hear
  - infringement actions where:
    - actual or threatened infringement has occurred or may occur, or
    - defendant has its residence or place of business
  - counterclaims for revocation
  - actions for provisional and protective measures and injunctions
UPC – Judges & Panels

• Court of First Instance: 3 or 4 judges
• Court of Appeal: 3 or 5 judges

• Legally qualified judge – LQJ
  • Court of First Instance
    – Local and Regional divisions: always 3 LQJ
    – Central Division: always 2 LQJ
  • Court of Appeal: always 3 LQJ
UPC – Judges & Panels

- Court of First Instance: 3 or 4 judges
- Court of Appeal: 3 or 5 judges

- Technically qualified judge – TQJ
  - Court of First Instance
    - Central Division: always 1 TQJ
    - Local and Regional Divisions: 1 TQJ from the pool of judges, if:
      » counterclaim for revocation, or
      » requested by the division
  - Court of Appeal: always 2 TQJ
    - except in actions against administrative decisions of the EPO
UPC PREPARATIONS
The UPC Preparatory Committee

- The participating states created a Preparatory Committee to take the steps necessary to establish the UPC.
- The UPC Administrative Committee (AC) is expected to ratify the Preparatory Committee’s actions when the AC is established.
  - Originally, the AC would not exist until the OPC opened, 4+ months after minimum ratification.
    - Impractical.
  - A Protocol, adopted in October 2015, allows some parts of the UPCA to come into force on the day after minimum ratification.
    - Permits 4+ months for final preparations.
Preparatory Committee

• The Preparatory Committee has been taking the steps necessary to establish the UPC, with five groups taking responsibility for the major work streams:
  • Facilities
  • Financial aspects
  • Human Resources & Training
  • Information Technology (IT)
  • Legal framework
• Target for completion of Preparatory Committee work is Summer 2016
The host states are largely responsible for arranging for the physical facilities
A mix of new and existing facilities will be used

Local Division - Hamburg
Nordic-Baltic Regional Division - Stockholm
Financial aspects

- The UPC is expected to be self-supporting.
  - Fees have been set with that in mind.
- Participating states are bearing initial costs of facilities.
Human Resources & Training

• A Training Center has been established in Budapest
  – Training for the first group of legally qualified candidate judges was conducted in 2015.
• The EPO is assisting in training of candidate judges & staff.
Information Technology (IT)

• Creation of the IT system requires a long lead-time
  – A principal constraint on when the UPC will be ready to open.
• A cloud-based, off-the-shelf, configured e-filing and case management system
• A prototype filing system is available for testing by the public
  – The prototype allows testers to file a mock infringement claim.
Legal Framework

• The UPC Rules of Procedure have been created by the Preparatory Committee, comprising representatives of participating states, who have been consulting experts and potential users.

• After minimum ratification of the UPCA, the UPC Administrative Committee is expected to adopt the Rules.

• After the UPC is established, the Rules may be amended on the basis of a proposal from the Court and after consultation with the European Commission
  – Superior to the EPO situation, where unanimous agreement is required to amend procedures required by the EPC.
UPC- Language of proceedings

- **Local Divisions**
  - The official language of the State hosting the Local Division, or
  - one of the State's official languages, or
  - an official language of the EPO designated by the State.

- **Regional Divisions**
  - One of the official languages designated by the States sharing the Regional Division.
    - the States sharing the Regional Division are free to designate several official languages or only one.

- **Central Division**
  - The official language of the EPO in which the patent in dispute was granted.
Judges

- Judges will be appointed by Member States
  - on the basis of a list prepared by an independent Advisory Committee composed of patent practitioners
- The initial concerns about whether the UPC would attract high quality judges are diminishing with time.
- The Preparatory Committee received an overwhelming number of expressions of interest from well qualified legally and technically qualified potential judges
- Until the UPC becomes busy, some of the judges will serve on the court part-time, while continuing as national patent judges, lawyers or (possibly) members of EPO Boards of Appeal.
Professional Representatives

- Representation in the UPC may be by either
  - **Lawyers** authorised to practice before national courts (of a participating member state), and/or
  - **European Patent Attorneys** with appropriate qualifications (e.g.: European Patent Litigation Certificate).
**UPC Procedure**

- Target – final oral hearing normally within one year
- Managed litigation
  - Judge-rapporteur
- Types of evidence (Article 53(1) UPCA):
  (a) & (d) hearing the parties & witnesses;
  (b) requests for information;
  (c) production of documents;
  (e) opinions by experts;
  (f) inspection;
  (g) comparative tests or experiments;
  (h) sworn statements in writing (affidavits).
Limited Discovery

Art. 53 (1) (c) UPC – Means of evidence:
In proceedings before the Court, the means of giving or obtaining evidence shall include in particular the following:

... (c) production of documents

Rule 172 – Duty to produce evidence
1. Evidence available to a party regarding a statement of fact that is contested or contestable by the other party must be produced by the party making that statement of fact. .... 

....
UPC Fees

• On February 26, 2016, the Preparatory Committee adopted the Rules on Court fees and recoverable costs
  – “FINAL – subject to legal scrubbing”
• Infringement action or counterclaim, or DJ of noninfringement:
  – Fixed fee – €11,000, plus
  – Value-based fee for such actions valued in excess of €500,000 - ~0.3 - 0.6% of value
• Revocation action or counterclaim:
  – Fixed fee – €20,000
Bifurcation

• Some persons feared that bifurcation might be the norm, especially in German divisions
  – Letter from group of tech companies expressed particular concern over possible infringement injunction issued before any ruling on validity.

• Likelihood of bifurcation is diminished by
  – UPCA provisions, and
  – desire of most judges to handle the entire case.

• Likelihood of premature injunction is practically eliminated by
  – Speed of UPC proceedings, and
  – Additional coordination provisions in the Rules.
Bifurcated proceedings
UPCA Provisions & Rules

• Under Art. 33 (3) UPCA: The local or regional division concerned shall, after having heard the parties, have the discretion either to:
  a) proceed with both the action for infringement and with the counterclaim for revocation … .
  b) refer the counterclaim for revocation for decision to the central division and suspend or proceed with the action for infringement; or
  c) with the agreement of the parties, refer the case for decision to the central division.
Bifurcated proceedings
UPCA Provisions & Rules

• If a revocation action has been filed with the central division, an infringement action can still be filed with a local division. Art. 33 (5) UPCA.

• A non-infringement DJ action filed with the central division, this action shall be stayed, if the patentee files an infringement action with a local division within three months. Art. 33 (6) UPCA.

• The Rules now provide for:
  – Stay of infringement proceedings when the claims are highly likely to be found invalid (Rule 37), and
  – Acceleration of revocation proceedings if there is no such stay. (Rule 40).
Opting-Out

– During a 7-year transitional period (which may be extended), Article 83 of the UPCA permits:
  • Plaintiffs to bring actions relating to ordinary European Patents before either the UPC or national courts, except
  • Applicants and proprietors of ordinary European Patents may opt-out from the UPC's jurisdiction (avoiding a central attack on validity)
    – No official opt-out fee.
  – Opt-out applies for the life of a patent, unless opted-in again.
Opting-Out

• Reasons suggested for opting-out:
  – Fears of Central Attack
  – Fear of the Unknown
    • Fears of poor quality judges
  – Preferences of Litigators for National Procedures
    • Known
    • Already experienced
    • Competitive reasons
  – A belief that opt-out provides a patent owner with greater control over choice of court.
Beware of the Opt-Out Torpedo

• Patent owner opts out of the UPC for its EP
  – Avoids revocation action in UPC, and
  – National courts then have exclusive jurisdiction.
• Potential Defendant “fires a Torpedo”
  – files a DJ action in a slow national court
• Patent Owner is barred from use of the UPC
  – At least until the national court decides whether it has jurisdiction, and
  – Possibly until a final decision on appeal of the merits in national courts.
Plan Now!
Two Major Decisions

1. Do you want a Unitary Patent?
   – Why act now?
     • EPs may be validated as either national patents or UPs starting on the effective date
       – Includes presently pending applications
     – Principal factors:
       • UP insures jurisdiction of UPC
       • No national revocation actions
         – Prevents lower cost national infringement actions
       • Provides protection in 13+ participating states
       • Cost analysis (outside scope of this presentation)
Two Major Decisions

Plan Now!

2. Do you want to opt-out of the UPC?

- Avoid risk of central attack by UPC revocation action
- Is that so bad?
- Incur risk of a torpedo action
- Prevents opt-in to UPC again while pending
The End

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For more information on the EU Unitary Patent and Unified Patent Court, see http://www.fr.com/global/unitary-patent/