

UPC Ready

Preparing for change: Counting down to the UP and UPC

Following the sudden announcement that the UK is intending to ratify the Unified Patent Court (UPC) Agreement, the patent landscape in Europe is once again on the brink of the most significant change in a generation. Owners of European patents (EPs) who thought they had been afforded some breathing space now need to make important decisions about their patent portfolios, and prepare themselves to act quickly.

The UPC Preparatory Committee has been continuing its work even during the time of uncertainty, so the Sunrise period for opting-out your patents could begin any time from early 2017, with the UPC opening for business possibly as early as Autumn but before the end of 2017.

This briefing note from the UPC group at HGF brings back into focus the key decisions patentees and applicants will need to make in order to navigate the new regime and make the best choices for their patent portfolios.

The Unified Patent Court

The UPC will be a new court with a new set of procedures and rules that have been negotiated between the participating Member States. The Procedural Rules of the UPC seek to coherently pull together the wide range of legal procedures available to patent litigants around Europe. This is quite a feat given the differences between the common law and civil law traditions across Europe.

The UPC will consist of a Court of First Instance, with Central, Local and Regional divisions, as well as a Court of Appeal and a Registry. The Central Division will deal with revocation actions and declarations of non-infringement. The Local or Regional divisions will deal with infringement, including preliminary injunctions. There are also rules on how the various courts can deal with counterclaims, stays and transfers to another court.

The Central Division will be headquartered in Paris, with sections in London (pharmaceuticals, chemistry and medical devices) and Munich (mechanical engineering) with Paris dealing with electronic and software cases.



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The opt-out

When the UPC opens for business, unless they are opted-out, granted EPs will be subject to the jurisdiction of the UPC as well as the relevant national courts. This will mean that you will be able to enforce your EPs in a single action across all Member States that have ratified the UPC Agreement and for which your patent is validated. It will also mean that an EP can be revoked in a single action brought before the UPC's Central Division. This is in contrast to the current position where an EP is a bundle of national rights, each of which must be revoked in separate actions in the national courts.

Because this is such a fundamental change to European patent litigation, for a transitional period of at least 7 years, you will be able to exercise an "opt-out" to take existing, pending and future EPs out of the jurisdiction of UPC for the lifetime of those patents. The opt-out allows patentees to maintain the current position, i.e. any litigation must be before the relevant national court. The Rules of Procedure allow for a "sunrise" period of a few months before the UPC system goes live, in order for patentees to opt-out their existing EPs from the UPC's jurisdiction before the court opens its doors.

Should I opt out?

Whether you should opt out your granted and pending EPs from the jurisdiction of the UPC will depend on many factors; there is no one size fits all. Patentees shouldn't assume that opting out will be the best option: there may be advantages to keeping at least some of your patents within the jurisdiction of the UPC. As details of the Rules and Procedures for the UPC system have crystallised, many patentees are considering a nuanced approach to managing the opt-out (or remaining subject to the UPC's jurisdiction) for their patent portfolio.

The unitary patent

A unitary patent (UP) will be a single patent offering uniform protection in up to 25 participating Member States of the European Union, obtained via the current application system operated by the European Patent Office (EPO). Initially it is unlikely that a UP will cover all 25 participating Member States. The exact coverage will depend upon which Member States have ratified the UPC Agreement at the time.

Applicants will not be forced to choose a UP. They will still be able to follow current practice and select individual EP countries in which to validate their EP. Given that not all EPC contracting states will be part of the UP (such as Croatia, Spain, Turkey, Norway) a combination of a UP and additional EP validations will always be needed for maximum coverage. It will not be possible to validate both a UP and individual EPs in countries covered by the UP for the same patent. The UP therefore adds a new layer of choice for patentees obtaining patents via the EPO. The national filing route will also remain an option for some patentees.

Should I request a UP?

Some key considerations:

- If you wish to validate the patent in more than 4 participating Member States, there may be cost savings on the renewal fees and reduced administrative burden over the lifetime of the patent.
- Requesting a UP may be more straightforward than fulfilling the validation requirements in multiple EPC states.



- A UP can only be litigated before the UPC. This can give you the potential to obtain a pan-EU injunction throughout the participating Member States in a single infringement action. However a UP will always be vulnerable to central revocation before the UPC; there is no opting-out of the jurisdiction of the UPC for a UP.
- For inventions that are likely to be important to the business, applicants should consider filing EP divisional applications to maximise flexibility on choice of jurisdiction.
- The target timeline for resolution of first instance proceedings within the UPC is 12 months, which while equivalent to proceedings before the English, Dutch and German Courts is significantly better than proceedings before many other national Courts or the EPO.
- A UP may be "licensed" in respect of the whole or part of the territories of the participating member states, but any challenges or transfers will affect all licences as the patent is a unitary right.
- If you in-license a patent application and do not have control in your licence agreement as to whether the application should grant as a UP you may not have any choice.

What happens next?

The new system comes into effect when the UPC Agreement is ratified by 13 participating countries which must include the three EU Member States in which the most European patents had effect in 2012 (the year before the Agreement was signed (Article 89)). Now the UK is preparing to ratify, there is no doubt these three countries are the UK, Germany and France.

By November 2016, a total of 11 Member States had ratified the UPC Agreement: Austria, Belgium, Bulgaria, Denmark, Finland, France, Luxembourg, Malta, the Netherlands, Portugal and Sweden. Italy, Ireland, Lithuania, Slovenia Germany and the UK are taking steps or moving through the legislative process to ratify the UPC Agreement.

We estimate that the new timetable for ratification will be such that the UK and Germany will ratify, then officially "deposit" their ratification by spring 2017, paving the way for the UPC to open for business by autumn 2017, and at the same time, UPs will become available for patent applicants via the European Patent Office. The participating EU member states have also agreed a Protocol to allow certain articles of the UPC Agreement to take effect provisionally to allow the Court to ensure its IT systems are operational and so that it can hire Judges and other staff before the first day of operation. Importantly, this also allows the Registry to offer patentees the ability to pre-register any opt-out, which will then take effect on the first day that the Court is open.

When do I need to take action?

If you have not already done so, you need to start considering your strategy as to whether you want to opt-out your EPs from the jurisdiction of the UPC. Your review should consider the following issues:

- the strength of the relevant patents;
- the value of the technology covered by each patent or patent family to the business in the relevant jurisdiction;



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- how your various patents interact to protect your commercial products;
- the likelihood in your industry that a third party will consider a central attack on the validity of your patents attractive;

This exercise needs to be done sufficiently ahead of the launch of the UPC in order to give you time to execute any opt-out before the UPC opens for business. An opt-out is only effective once it is entered on the Register.

If you would like to discuss strategy development or portfolio review, HGF can provide you with assistance and guidance on formulating and implementing your company's plan for the opening of the UPC. Should you have any further questions about the UPC and opt-out please contact our dedicated UPC team at UPCReady@hgf.com or contact your usual attorney to discuss these issues further.

Disclaimer

This briefing note is for information and discussion only, and should not be taken as a source of legal advice. If you require IP-related advice please contact us at UPCReady@hgf.com or consult a suitably qualified legal representative.