

Preparing for change: The UPC and what to expect

The Unified Patent Court is expected to become operational by December 2017. The UKIPO UPC Taskforce and the UPC Preparatory Committee have confirmed that the Provisional Application Phase (PAP) for the UPC is expected to start this May.

The start of the sunrise-period for the possibility to opt out European patents is expected to begin in September 2017 which will provide a minimum of 3 months for patent holders who wish to opt-out their patents to do so before the Court becomes operational. Judicial recruitment can also get underway under the PAP.

[The announcement](#) went on to say that:

"The above timetable is conditional and provided with the clear disclaimer that there are a number of factors that will dictate whether it is achievable. The most important factors in meeting these dates is the necessary ratifications of the UPCA and accession to the Protocol on Provisional Application. If these are not achieved the time-plan will be disrupted.

There will be a final Preparatory Committee meeting in early March 2017, and in due course, updates and more specific details of the Committee's work programme will be published on this website. Those who have applied for judicial appointments will be contacted separately."

It is now vital to prepare your existing patent portfolio for the new patent litigation landscape in Europe. In this note we focus on the new Court, and what it will look and feel like to be a party to litigation before it.

Who has ratified the UPC Agreement so far?

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)), i.e., the UK, Germany and France.



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By January 2017, a total of 12 Member States had ratified the UPC Agreement: Austria, Belgium, Bulgaria, Denmark, Finland, France, Italy, Luxembourg, Malta, the Netherlands, Portugal and Sweden. Germany, the UK, Latvia, Lithuania and Slovenia are all moving through the legislative process to ratify the UPC Agreement.

Latest Timetable

The timetable for ratification is widely thought to be such that the UK and Germany will ratify, then officially "deposit" their ratification in May 2017, paving the way for the UPC to open for business by December 2017, and at the same time, UPs to become available for patent applicants. A [Protocol](#) signed by the participating EU member states allows the Registry to open before launch so that patentees can register any opt-out, which will then take effect on the first day that the Court is open.

Structure of the UPC

When the UPC opens for business, UPs and granted EPs (unless they are opted-out) will be subject to the jurisdiction of the UPC. EPs will also, for the first 7 years (this may be extended to 14 years) continue to be subject the jurisdiction of the relevant national courts. This will mean that as an alternative to national litigation you will be able to enforce your EPs at the UPC 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. As set out in our earlier briefing note for at least the first 7 years an "opt-out" will be available which allows patentees to maintain the current position where the patent is treated as a bundle of national rights and any litigation is brought before the national courts.

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 Rules 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 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.

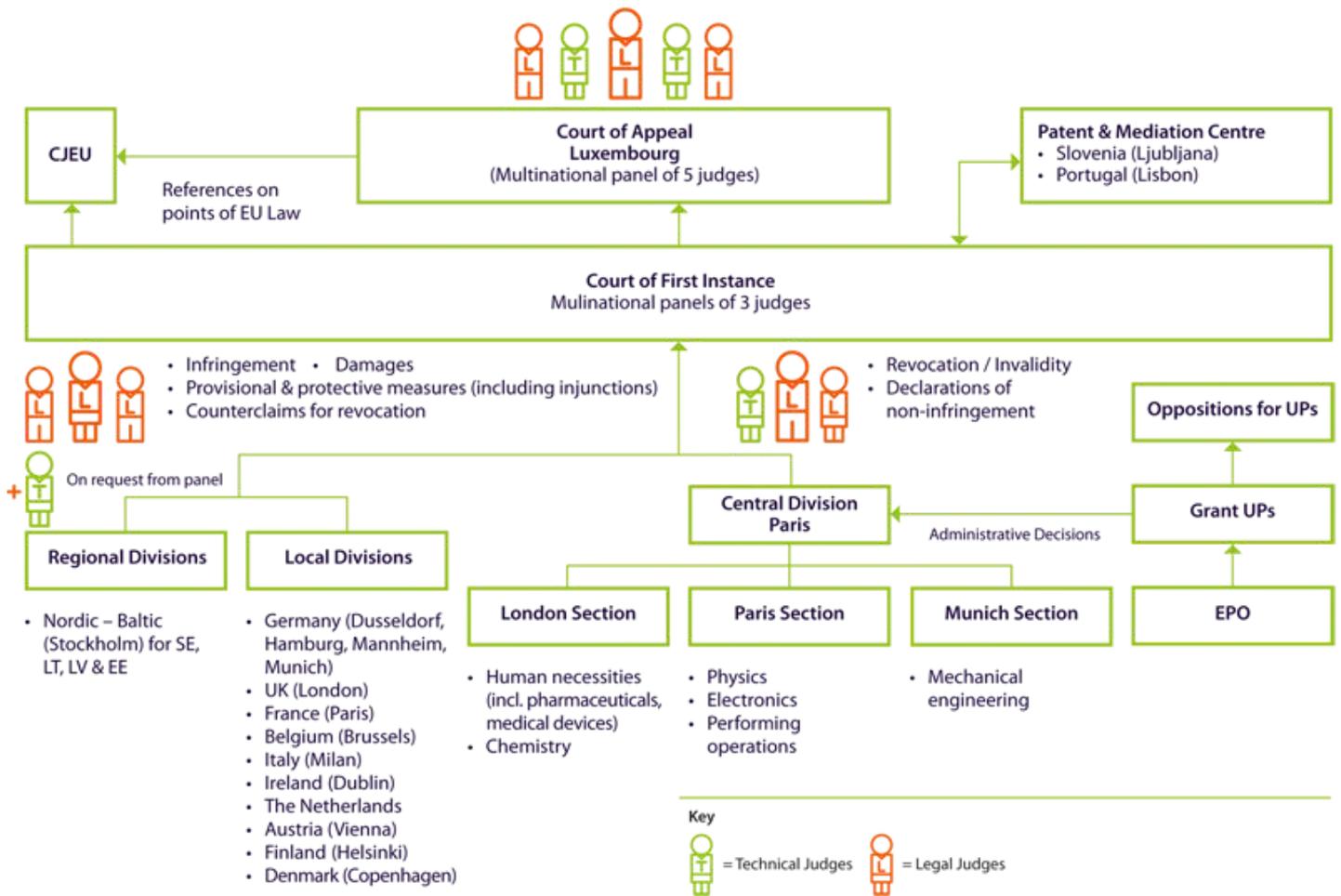
The Central Division will be headquartered in Paris, with sections in London (pharmaceuticals, chemistry and medical devices) and Munich (mechanical engineering) with Paris dealing with electronic and software cases.

The UPC will also have a Patent Mediation and Arbitration Centre which will be located in Slovenia (Ljubljana) and Portugal (Lisbon). The Court of Appeal and Registry will be in Luxembourg.

In the UK both the UK Local division and the London section of the Central Division of the UPC will be in Aldgate Tower in the East London. Other Local/Regional Divisions announced are shown below. Most Local and Regional divisions have indicated that English will be one of the possible languages for proceedings and proceedings before the Central Division will use language of the patent.



The success of the court will be highly dependent on the quality of its judges. The UPC Judicial panels will have a multinational and probably multi-lingual composition; there will be both legally qualified judges and technically qualified judges drawn from across all participating Member States.



The UPC in Action

Procedure

It is clear from the detailed Rules of Procedure, that action before a UPC Court will place far more emphasis on front-loaded written pleadings and evidence than parties are used to in the UK. In the Rules, the timetable for each type of substantive action is set to achieve a Judgment on the merits around a year after the claim is issued. This means that parties seeking to initiate an action will have to ensure that their case is fully worked up before issuing proceedings and, while there is some leeway to request extensions of time, parties who are sued (possibly in another language) will need to respond rapidly to meet tight deadlines.



The provisional measures available to litigants in the UPC reflect the legal traditions of the participating member states. Patentees can apply for provisional measures such as injunctions, orders for the preservation of evidence, inspection and freezing of assets. Parties who consider that there is a risk of such measures being taken against them, can file protective letters with the Registry.

Once issued, substantive UPC actions have 3 phases: (i) the Written Procedure; (ii) the Interim Procedure; and (iii) the Oral Procedure. The Written Procedure where the parties set out their submissions, facts and evidence should take approximately 5 to 7 months. After closure of the

Written Procedure, the Interim Procedure starts and should be completed over 3 months followed by a summons for an Oral Hearing. The Oral Hearing will be on at least 2 months' notice (unless a shorter time is agreed by the parties).

During the Interim Procedure, there may be an interim conference, which may be held in Court¹ but preferably will be held via telephone or videoconference.² During this step of the proceedings, the Judge-Rapporteur³ will seek to identify the main issues and determine which relevant facts are in dispute. The Judge-Rapporteur will also establish the schedule for the proceedings and where appropriate, issue orders for further pleadings, discovery (including from third parties), experts (including a Court-appointed expert), experiments, inspections and further written evidence. The Judge-Rapporteur can also hold preparatory discussions with witnesses and experts to determine whether or not to hold a separate hearing of witnesses and experts before the panel before the Oral Hearing. The Judge-Rapporteur is also required to explore with the parties whether it is possible to settle the dispute or refer it to mediation/arbitration. Another important task is for the Judge-Rapporteur to decide the value of the dispute and obtain an estimate from the parties of their recoverable legal costs.

Once the proceedings move into the Oral Procedure phase, the Presiding Judge will take over management of the action. The Oral Hearing itself will be a 1-day hearing where the parties can make their Oral Submissions and if ordered, any cross-examination of witnesses and experts. The Presiding Judge has authority over the Oral Hearing and must ensure it is conducted fairly, efficiently and in an orderly manner. To achieve this, the Presiding Judge can limit the length of the parties' oral submissions. The Oral Hearing shall, unless ordered otherwise, be open to the public and will be audio recorded. Simultaneous translation of the Oral Hearing is also available to parties on request.

¹ If the Interim Conference is held in Court then it will be open to the public unless ordered otherwise.

² The Interim Conference will be recorded and made available to the parties after the hearing.

³ One of the legally-qualified Judges on the appointed panel will be designated as Judge-Rapporteur for each action.

Following the Oral Hearing, the Court may give its decision on the merits immediately after the closure of the Oral Hearing and provide its reasons at a later date. Alternatively, the Court may give its decision on the merits after the Oral Hearing and shall endeavour to do so within 6 weeks of the Oral Hearing. If there are parallel proceedings ongoing, the Court may stay its decision, or make it conditional on e.g., the validity of the patent being upheld. The Court will also decide in principle which party shall bear the costs of the proceedings⁴ and may order an interim award of damages to the successful party.



Any appeal must be lodged by the appellant within 2 months of service of a final decision of the Court of First Instance (together with the relevant fee). A Statement of Grounds of Appeal must follow within a further 2 months. It is also possible to apply for the appeal to have a suspensive effect on the Decision. Appeals against decisions taken on provisional and protective measures and interim decisions have shorter deadlines (15 days) and are subject to a requirement to obtain leave to appeal from the Court. If the initial request for permission is denied, a further request for a discretionary review to the Court of Appeal may be made to a single standing Judge.

Interplay between the Divisions

The competence and interplay between actions in the Local/Regional Divisions and the Central Division is set out in the UPC Agreement. The Agreement gives a large degree of flexibility to the Courts and parties to hear counterclaims together, bifurcate and/or stay proceedings. If the parties are in agreement, then they can agree on an appropriate Court for most actions.

For stand-alone actions, the Central Division has jurisdiction over revocation actions and declarations of non-infringement (both allocated to the appropriate section), while the Local/Regional divisions have jurisdiction over infringement and provisional and protective measures including injunctions.

For infringement actions, the patentee or exclusive licensee can choose to launch proceedings in the relevant Local/Regional Division (a) where the actual or threatened infringement has occurred; (b) where the defendant (or one of the defendants) has its residence or principal place of business or if neither is applicable, its place of business. If a defendant has no residence or place of business within the UPC Member States, then the action can be brought in the place where the actual or threatened infringement has occurred. If that Member State does not have a Local Division or is not part of a Regional Division, then the action must be brought before the Central Division. Once an action has been brought in one Local/Regional Division that Court is seized of the action and unless transferred, is inadmissible in other Divisions. In the case of multiple defendants, in order to

bring a single action, the alleged infringement must be the same and the defendants must have a commercial relationship.

If a defendant to an infringement action raises a counterclaim for revocation then the Local/Regional Court must decide how to proceed. The panel can (i) choose to hear the action for infringement together with the counterclaim for revocation; (ii) refer the counterclaim for revocation to the Central Division and then either stay or continue with the action for infringement; or (iii) with the agreement of the parties, refer the entire action to the Central Division for a decision.

If a revocation action is started by a party before the Central Division, then the patentee can choose whether to counterclaim for infringement before the Central Division, or to bring infringement proceedings before an appropriate Local/Regional Division (using the same criteria discussed above).



Any declaration of non-infringement (DNI), which must be brought before the Central Division, will be stayed if the patentee brings an action for infringement before an appropriate Local/Regional Division within 3 months of the DNI action being initiated.

Parties are also required to notify the Court of any pending revocation, limitation or opposition proceedings before the EPO, including whether there has been a request for accelerated proceedings. If a rapid decision is expected from the EPO, then the Court may stay proceedings.

⁴ There is a separate procedure for the determination of damages and also for a costs decision.

Cost of UPC Actions

The fees for actions have been set and include fixed and value-based fees. There is also a scale for recovery of costs based on the value of the action. On that basis, litigating in the UPC may well cost less than litigating a European patent across a number of national courts. UPC proceedings may also result in an essentially pan-EU wide injunction or the revocation of a patent throughout in most of the significant markets in Europe, which means that overall, the procedure is likely to be cost effective.

What steps should I take now?

Unitary Patents will always be subject to the jurisdiction of the UPC, and granted EPs will be subject to the jurisdiction of the UPC as well as the relevant national courts, unless they are opted out of the UPC. Whether patentees want their granted and pending EPs to be subject to 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.

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;
- 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;
- for patents that are jointly-owned or licensed into or out of the business - who has the right to exercise the opt-out of the EPs (and any associated SPC)?

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.



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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 on 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.