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A GUIDE TO THE UNIFIED PATENT COURT

LONDON • PARIS • OXFORD • CAMBRIDGE • MUNICH

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OVERVIEW

If you are holding or applying for patents granted by the European Patent Office (EPO), you should ensure that you are well-informed about a major change to European patent law which is expected to come into being in early 2023. The anticipated introduction of the Unified Patent Court (UPC) and Unitary Patent (UP) is expected to present opportunities and challenges regarding costs, territorial scope of protection, litigation speed and legal certainty across a part of Europe.

Protection in any of the 38 countries that are members of the European Patent Convention (EPC) and the 6 validation and extension countries will still be obtainable through filing a single patent application at the European Patent Office.

A Unitary Patent can be based on any European Patent granted by the EPO after the Unified Patent Court Agreement (UPCA) comes into force and will be a single patent right covering all 17 participating countries.

The Unified Patent Court will be a court with sole jurisdiction over Unitary Patents. During a transitional period of at least 7 years, the UPC will also have non-exclusive jurisdiction for all national validations of European Patents for the participating countries, including European Patents granted before the agreement comes into effect. Rights holders will, however, have the option to remove national validations of European Patents from the jurisdiction of the UPC by proactively filing an "opt out" for the European Patent during the transitional period. Once the transitional period has ended, the UPC's jurisdiction will become exclusive for all national validations in participating countries for European Patents which have not been opted out.

The introduction of the Unitary Patent and the Unified Patent Court will affect all holders of existing European Patents. It will also affect applicants for European Patents that have not yet been granted. All European Patent holders and applicants will need to consider how to take advantage of the opportunities and protect themselves against the threats arising from the new court.

This guide is directed to the Unified Patent Court. A separate guide concentrating on the Unitary Patent is available for applicants, proprietors, portfolio managers and their attorneys.

CONTENTS

The benefits of the Unified Patent Court	02
Jurisdiction and Structure of the Unified Patent Court	04
Procedure, Remedies and Fees	08
Questions and Answers	11

THE BENEFITS OF THE UNIFIED PATENT COURT

The primary advantage of the Unified Patent Court, for patentees, is that it will operate as a single court with jurisdiction over multiple European countries. Currently 17 countries have ratified the Unified Patent Court Agreement and eventually it is hoped that 24 countries in total will ratify the agreement. An infringement action brought at the UPC would, under these circumstances, cover all EU countries except Spain, Poland and Croatia.

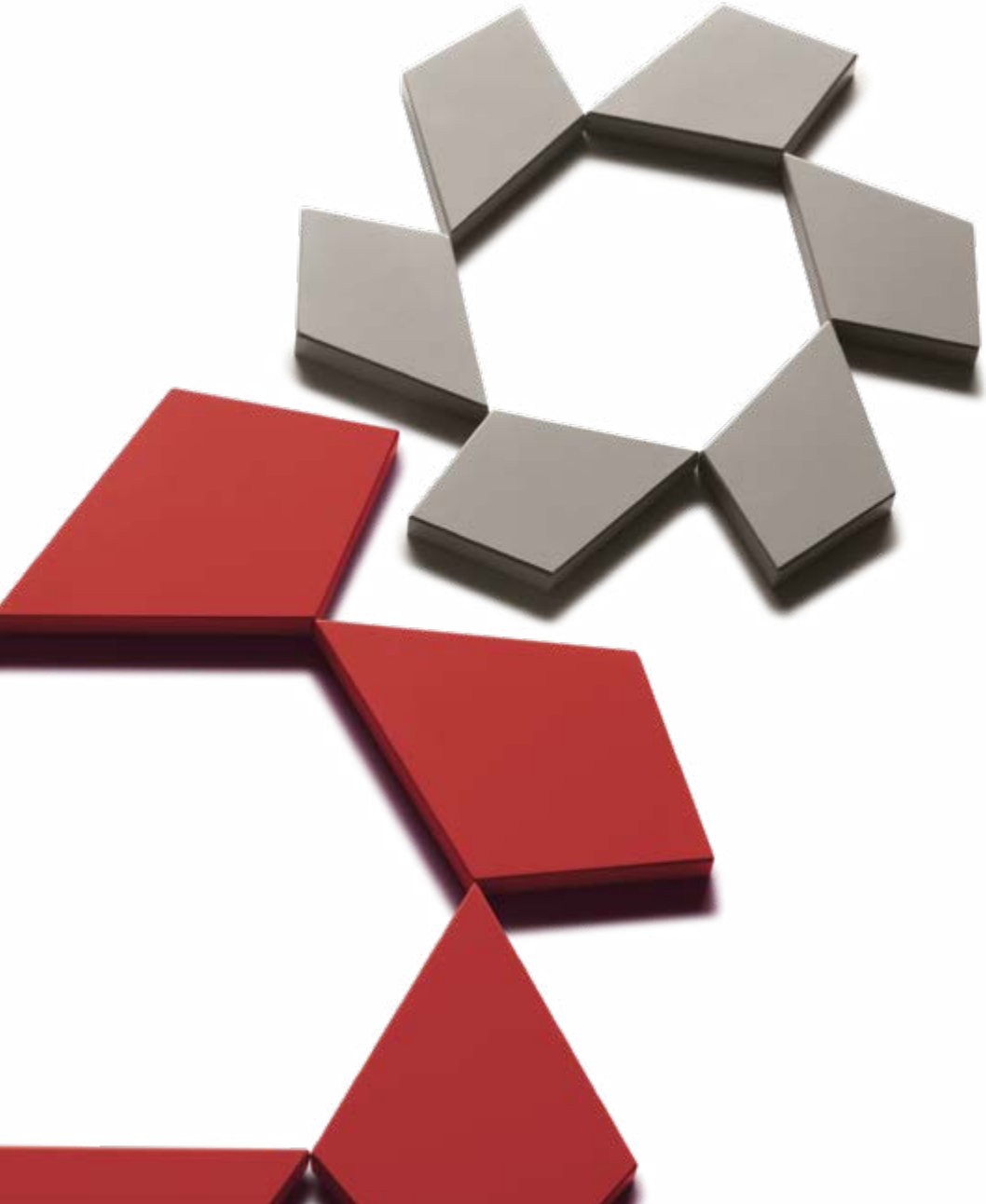
The wide jurisdiction of the UPC will mean that a European Patent can be enforced in multiple countries via a single infringement action brought at the UPC. That will be considerably less expensive than the current requirement to bring separate infringement actions before the national courts of each country where there is infringing activity. It will also avoid the undesirable outcome of national courts in different European countries coming to different conclusions.

As regards to the UPC court procedure, the UPC will be designed specifically for patent litigation. The procedural rules of the UPC will enable a number of advantages for a patentee seeking to enforce a patent.

- Patents granted in English are likely to be litigated in English. This will reduce translation costs, and enable English-speaking litigants to understand and participate fully in the litigation.
- The UPC will have the power to order an alleged infringer to disclose to the patentee relevant material under their control, e.g. by providing details of the product or process said to infringe the patent. The UPC can also enable a patentee to secure evidence of infringement via a *saise-contrefaçon* procedure, whereby court officials can gain access without notice to the business premises of an alleged infringer.

- The Rules of Procedure for the UPC envisage that the first instance decision should be achieved within a timescale of 12 to 15 months, with a similar amount of time for the appeal. This compares favourably to current national court timescales. The court should therefore provide an effective remedy within a realistic timeframe.
- The UPC will have the power to award costs against a losing party. Thus, if a patentee successfully establishes infringement of a valid patent before the UPC, they can recover a proportion of their legal costs from the losing party.
- Ability for your trusted European Patent Attorney to conduct litigation at the UPC as a UPC representative.

Decisions from the UPC are likely to be of high quality. This is because first instance UPC cases will be heard by a panel of three experienced and specialist intellectual property judges. The plan is that at least one of the first instance UPC judges will be an IP specialist judge from the existing national courts. This ought to ensure high quality decisions from the outset. There will be a Court of Appeal which will sit as a panel of five experienced appeal judges.



JURISDICTION AND STRUCTURE OF THE UNIFIED PATENT COURT

Jurisdiction

Unitary Patents can only be litigated in the Unified Patent Court. A single action will be used to enforce the patent against an alleged infringer in all of the UPC participating countries. This may lead to a single injunction across all the UPC participating countries. Equally, a single action can be used to revoke a Unitary Patent in all UPC participating countries.

Where Unitary Patent protection is selected there is no option to opt out of the Unified Patent Court. By selecting a Unitary Patent, the proprietor is in effect positively choosing to use the new Unified Patent Court.

The Unified Patent Court also has jurisdiction over European Patents validated in UPC participating countries unless the European Patent has been proactively opted out. Opting out is only available for national validations of a European Patent, and is not an option for a Unitary Patent. The ability to opt out European Patents validated in UPC participating countries will cease after a transition period, initially set at 7 years.

National courts will have exclusive jurisdiction over national validations of European patents which have been opted out of the UPC and for national validations in countries not participating in the UPC.

Participating member states

= Has ratified the UPC Agreement

= Has not ratified the UPC Agreement

EU member states participating in Unitary Patent Protection

AUSTRIA	AT
BELGIUM	BE
BULGARIA	BG
CYPRUS	CY
CZECH REPUBLIC	CZ
DENMARK	DK
ESTONIA	EE
FINLAND	FI
FRANCE	FR
GERMANY*	DE
GREECE	GR
HUNGARY	HU
IRELAND	IE
ITALY	IT
LATVIA	LV
LITHUANIA	LT
LUXEMBORG	LU
MALTA	MT
NETHERLANDS	NL
PORTUGAL	PT
ROMANIA	RO
SLOVENIA	SI
SLOVAKIA	SK
SWEDEN	SE

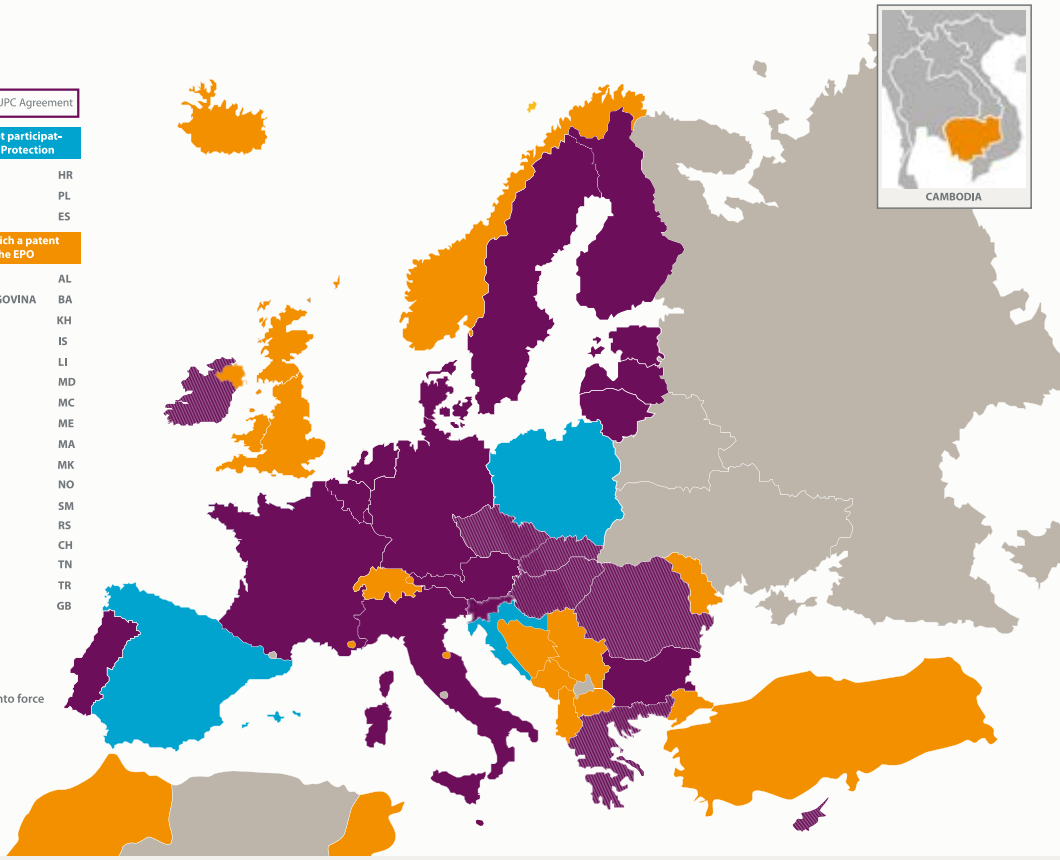
EU member states not participating in Unitary Patent Protection

CROATIA	HR
POLAND	PL
SPAIN	ES

Non-EU states for which a patent may be obtained at the EPO

ALBANIA	AL
BOSNIA AND HERZEGOVINA	BA
CAMBODIA	KH
ICELAND	IS
LIECHTENSTEIN	LI
MOLDOVA	MD
MONACO	MC
MONTENEGRO	ME
MOROCCO	MA
NORTH MACEDONIA	MK
NORWAY	NO
SAN MARINO	SM
SERBIA	RS
SWITZERLAND	CH
TUNISIA	TN
TURKEY	TR
UNITED KINGDOM	GB

*German deposit of ratification required before UPC Agreement can come into force

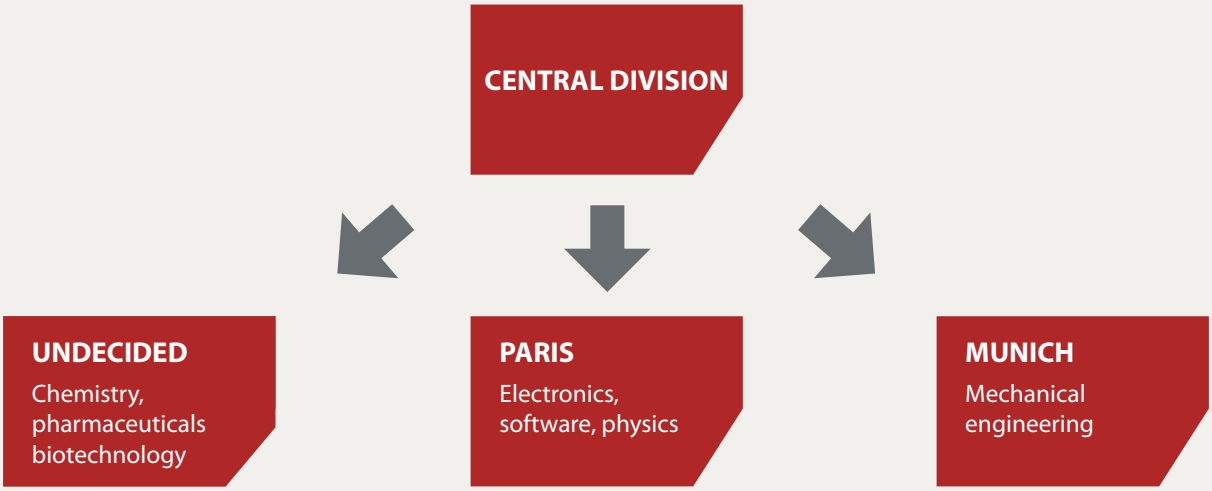


Structure of the Unified Patent Court

The Unified Patent Court will comprise a Court of First Instance and a Court of Appeal. The Court of First Instance will comprise a central division and local or regional divisions. Local divisions will have responsibility for actions brought in respect of infringement in individual participating countries. Regional divisions will have similar responsibility, but for a number of participating countries.

Local divisions have been confirmed in Germany, Italy, France, the Netherlands, Belgium, Finland, Denmark, Austria, Portugal and Slovenia. A Nordic-Baltic regional division based in Stockholm has also been confirmed, covering Sweden, Lithuania, Estonia and Latvia.

The central division was originally due to be split between the United Kingdom, France and Germany. The headquarters of the central division will be in Paris. The Munich section of the central division will deal with patents relating to mechanical engineering. The London section of the central division had been assigned patents relating to chemistry, pharmaceuticals, biotechnology and also human necessities, including medical devices. The allocation in these fields is currently undecided. The Paris section of the central division will deal with patents in all other fields, including electronics, software and physics.



Representation at the UPC

Any lawyer authorised to practice before a court of a participating country and any suitably qualified European Patent Attorney (including all patent partners and all but the most recently qualified European Patent Attorneys at J A Kemp) may represent a party before any division and the Court of Appeal of the UPC.

Responsibility of local and central divisions

The local (and regional) divisions and the central division will have separate responsibilities. Any action for infringement will generally be brought before a local or regional division. If the defendant counter-claims for invalidity, the local or regional division may also hear the invalidity action.

By way of exception from this general rule, infringement actions can be brought before the central division if (a) the parties agree or (b) the defendant does not have a place of business in any UPC participating country.

To challenge the validity of a patent at the UPC, other than as a counterclaim in an infringement action, it will be necessary to bring an action at the central division. An action seeking a declaration of non-infringement must also be brought at the central division.

Where Actions can be Brought

Claimants must bring infringement actions in the local/regional division where the actual or threatened infringement has occurred or may occur, or the local/regional division where the defendant has its residence or principal place of business. If the defendant has no residence or place of business in a participating country, then the claimant may bring an action either where the infringement occurred or, if the participating country has no local or regional division, before the central division.

If a defendant in an infringement action files a counterclaim for revocation, the counterclaim must be brought in the local/regional division hearing the infringement action. The local/regional division may then either (a) proceed with a single action which considers both infringement and validity, (b) refer the counterclaim for revocation to the central division and either suspend or proceed with the action for infringement or (c) refer the entire case to the central division.

If an action for revocation is pending before the central division, then an action for infringement between the same parties relating to the same patent may be brought in the local/regional division, where the defendant has its place of business or where an infringement has taken place. Alternatively, under these circumstances, the infringement action can be brought in the central division.

If an action for a declaration of non-infringement is brought before the central division, the central division will stay the action if an infringement action between the same parties (or between an exclusive licensee of the patentee and the same defendant) relating to the same patent is brought before a local or regional division within 3 months of the date on which the action was initiated before the central division.

Notwithstanding all of the above discussion, parties may agree to bring any action before the division of their choice, including the central division.

Language

Local or regional divisions will hear cases either in one of the official languages of the host country or any other language designated by the division. All divisions have designated English. Further, the parties may agree, subject to approval by the court (or the court may decide, subject to the agreement of the parties), to hear the case in the language in which the patent was granted. One party may request that the case be heard in the language of the patent. In such a case the position of the defendant in particular must be taken into account.

The central division will hear cases in the language the patent concerned was granted.

The Court of Appeal, except in exceptional circumstances, will use the same language as used in the Court of First Instance, or the parties may agree to use the language in which the patent was granted.

Around 75% of European Patents are granted in English and so it seems likely that the majority of cases before the local, regional and central divisions of the UPC will be heard in English.

Applicable Law

Article 138 and 139 of the EPC will be the applicable law for validity. This is the same as the present situation.

The law for infringement will be national law of a participating country depending on the nationality or place of business of the first named applicant at the time of filing of the patent.

In practice, determining the law for infringement may not be of much significance. That is because the law in all EU countries ought to comply with Chapter II of the Community Patent Convention (CPC). The definition of infringement given in articles 25-28 of the Agreement for a Unified Patent Court (UPCA) corresponds almost word for word with that in the CPC. Further, the UPC is not bound by any national law precedent, so it will likely create its own case law and interpretation of what is the 'original' black letter law of infringement across Europe: the CPC, as repeated by the UPC Agreement.

The default law governing the patent as an object of property (i.e. the law governing assignment, licensing, mortgaging etc. of the patent) will be the same law as applies for infringement. However, the Rome I Regulation will apply here, which means that parties to a licence or co-ownership agreement will be free to choose themselves which law should apply to the agreement.

Appeals

Appeals to the Court of Appeal in Luxembourg are available as of right on (a) final decisions, (b) decisions which terminate proceedings as regards one of the parties and (c) decisions on certain types of orders including those relating to language, production of documents, preservation of evidence/inspection of premises, freezing orders, protective measures, and orders to communicate information.

Other types of orders may only be appealed together with the appeal against the final decision, or if the court grants leave to appeal on request by the appellant.

Appeals are to be based both on points of law and on matters of fact, but new facts and new evidence may only be introduced when the party introducing the new material could not reasonably have been expected to submit them during proceedings before the Court of First Instance.

Appeals against final decisions will cause that decision to be suspended, while appeals against interim orders made in pending cases will not stay the main proceedings, albeit that the Court of First Instance will not give a decision in the main proceedings before a decision of the Court of Appeal on any in-suit applications.

The Court of Appeal may either overturn the decision of the Court of First Instance and give a final decision, or refer the case back to the Court of First Instance.

PROCEDURE, REMEDIES AND FEES

In summary, the procedure comprises a Written Procedure, in which the parties submit statements of case, an Interim Procedure in which preparations for trial are made, and an Oral Procedure. The rules include hard deadlines for the steps of the Written Procedure including just 3 months for filing a defence to an infringement action and a counterclaim for revocation, and 2 months for filing a reply to the defence and a defence to the counterclaim for revocation. The rules envisage that the first instance procedure should be completed in 12 to 15 months, with a similar period allowed for the appeal.

Final Orders Obtainable

The UPC will be able to order the revocation of a patent, either entirely or partly.

In infringement proceedings the court may order an injunction against the infringer aimed at prohibiting the continuation of the infringement. The court may also grant an injunction against an intermediary providing services being used by a third party to infringe a patent. In addition, the court may order that infringing products, at the expense of the infringer, be:

1) recalled from channels of commerce;
2) deprived of their infringing property; or
3) destroyed, together with materials and implements used to produce the products.

Further, the UPC will be able to order an infringer to pay damages to compensate the patentee (or exclusive licensee) for losses suffered as a result of the infringement. Damages will be compensatory, not punitive. The patentee's lost profit, unfair profits made by the infringer and non-economic factors such as moral prejudice can be taken into account when assessing the level of damages payable. An infringer can avoid paying damages if he can demonstrate that he did not know, and had no reasonable grounds to know, that he was infringing the patent, although payment of compensation or the recovery of profits may still be ordered.

Interim Orders Obtainable

A variety of interim orders will be available.

Interim injunction: The court may order an alleged infringer to cease, or not to commence, activities said to infringe a patent while the issue of liability is considered.

Disclosure of evidence: If a party presents reasonable evidence sufficient to support its claims that necessary documents or information (relating either to liability or to quantum of damages or to the validity of the patent) is in the control of the opposing party or a third party then the court may order that other party to disclose the relevant material, with measures being available to protect confidential information.

Evidence preservation: The court may, before commencement of proceedings on the merits of the case, order *ex parte* measures (inspecting premises, taking samples, seizing products, materials and implements used in the production and/or distribution of those products and documents relating thereto) to preserve relevant evidence in respect of the alleged infringement. These orders may be subject to a bond, and an applicant seeking such an order may have to compensate a defendant for damage suffered as a result of an evidence preservation order if it is subsequently found that there was no infringement or if the applicant fails to pursue the case.

Other Types of Order

The court may order a party not to remove from its jurisdiction any assets located therein, or not to deal in any assets, whether located in its jurisdiction or not. It is likely that these interim orders will require a further order by the national court of the relevant country to enforce.

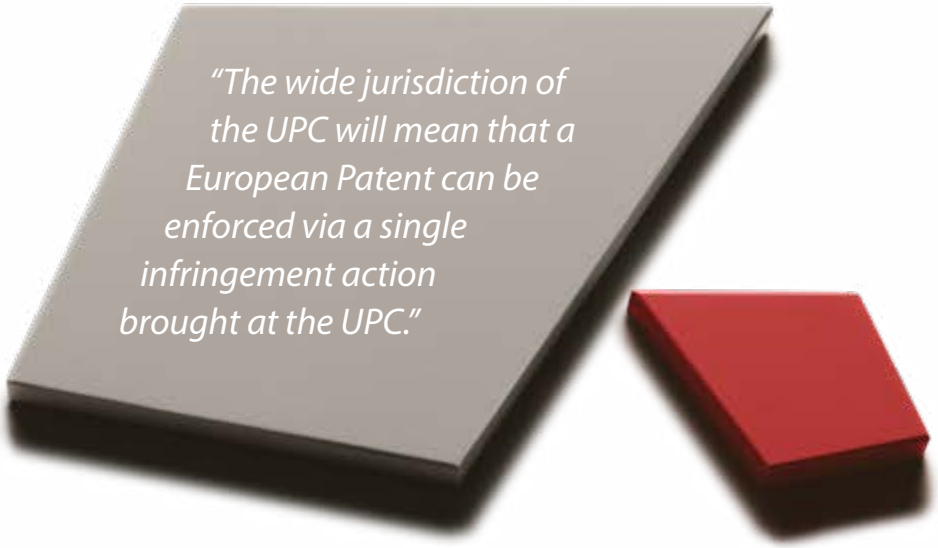
The court may order an infringer, or in certain circumstances a third party, to disclose:

1) the origin and distribution channels of the infringing products or processes;
2) the quantities produced, manufactured, delivered, received or ordered as well as the price obtained for the infringing products; and
3) the identity of any third person involved in the production or distribution of the infringing products or the use of any infringing process.

Evidence and the Burden of Proof

As usual in civil litigation, any party seeking to rely on a fact has the burden of proving it and may rely on witnesses, experts, inspection, experiments or comparative tests, affidavits, documents, requests for information, and party submissions. The UPC agreement gives no indication as to the relative weight of each of those types of evidence.

The burden of proof can be reversed if the subject matter of the patent is a process for obtaining a new product, and the infringing product is identical to the product produced by the patented process.



Court Experts

The court may appoint court experts to provide expertise for specific aspects of the case. There will be a list of approved experts kept by the Registrar to guarantee independence and impartiality.

Fees

The UPC is intended to be self-financing and court fees will be payable. The value-based court fees can be found **here** and further information on calculating the value of a case can be found **here**.

Costs

The UPC agreement states that reasonable and proportionate legal costs and other expenses incurred by the successful party shall as a general rule be borne by the unsuccessful party. A separate publication has specified the levels of recoverable costs and further information relating to that can be on the website[3].

Enforcement of Orders

Enforcement proceedings shall be governed by the law of the participating country where the enforcement takes place.

The UPC can sanction non-compliant parties with a recurring penalty proportionate to the importance of the order to be enforced.

Arbitration and Mediation

A patent mediation and arbitration centre will be established in Ljubljana and Lisbon, and a list of mediators and arbitrators drawn up.

Parties Entitled to Bring an Infringement Action

The patent proprietor will be entitled to bring infringement actions. An exclusive licensee may bring an infringement action as long as the licence agreement does not prohibit it, and it gives prior notice to the proprietor. A non-exclusive licensee may bring an infringement action if the licence agreement expressly permits it, and it gives the proprietor prior notice.

QUESTIONS AND ANSWERS

What is the Unified Patent Court?

The Unified Patent Court (UPC) will be a new court system with exclusive jurisdiction over Unitary Patents and the national validations of granted European Patents in the participating countries. However, the exclusive jurisdiction over national validations will not start immediately. There will be an initial seven year transitional period during which national validations can be litigated in either the national courts or the UPC, and during which the national validations of a granted European Patent can be opted out of the UPC's jurisdiction entirely for the life of the patent.

When will the Unified Patent Court begin hearing cases?

The Unified Patent Court will open its doors for litigants once the Unified Patent Court Agreement (UPCA) has come into force. Germany is expected to deposit its instrument of ratification of the UPCA once it is clear when the UPC will be functional and this step could happen in late 2022.

The UPCA will come into force on the first day of the fourth month after German ratification. This could be in early 2023.

Where will the UPC be?

The UPC agreement sets out that it will have a central division currently located in Paris, Munich and London and also local/regional divisions across the EU. Following the UK Government's withdrawal of its UPC ratification, it is expected that the central division intended to be in London will be relocated, possibly to Italy or the Netherlands. At present, local divisions have been confirmed in Germany, Italy, France, the Netherlands, Belgium, Finland, Denmark, Austria, Portugal and Slovenia. A Nordic-Baltic regional division based in Stockholm has also been confirmed, covering Sweden, Lithuania, Estonia and Latvia.

Can I choose which division of the UPC to sue in?

The division of the UPC where an infringement action can be brought depends on the location of the defendant or infringement and the technology sector. An infringement action can be brought at the local/regional division in the country the defendant is based or in any country where infringement has taken place. If there is no local/regional division in the relevant country, the action can be brought at the central division.

In many cases, different infringing acts may occur in different EU countries, which will in practice give a patentee a choice of which division of the UPC to bring the action in.

The central division will hear all revocation actions or actions for declarations of non-infringement. The central division based in London was due to handle chemical and life sciences cases, the central division based in Munich will handle mechanical engineering cases and the central division based in Paris will handle other cases including software and physics.

Will infringement and validity actions be heard together?

If a revocation action is initiated before the central division, then the patentee can either counterclaim for infringement before the central division (in which case infringement and validity will be heard together) or before the relevant local division (in which case infringement and validity will be considered separately, unless the local division refers the counterclaim to the central division). If an infringement action is initiated before a local/regional division and invalidity is counterclaimed, the local/regional division has three options: 1) proceed with both infringement and validity; 2) proceed with the infringement action and refer the counterclaim for invalidity to the central division; or 3) refer both infringement and validity to the central division. It will only become clear whether local/regional divisions will refer any part of an action once the system is operating.

What language will proceedings be in?

The language of proceedings in a local/regional division will be one of the official languages of the local/regional division. All local/regional divisions have selected English as an official language. It may, though, be possible to switch to the language in which the patent was granted (either English, German or French). The language of proceedings in the central division will be the language in which the patent was granted. For the Court of Appeal, the language of proceedings will be the language of the first instance proceedings or, on agreement of the parties, the language in which the patent was granted.

Who will judge at the UPC?

The UPC will be judged by patent judges of the participating countries. A panel of three judges will generally preside over each first instance case and the panel will be composed of at least one judge from the country in which the action is brought. The panel will contain three legally qualified judges or two legally qualified judges and one technically qualified judge, depending on the type and location of the action. Five judges from different participating countries will preside over Appeals.

How do I opt out of the UPC?

Opting out merely requires filing a request to the UPC, assuming no litigation has started in the UPC already. There is no official fee payable. The applicant(s)/proprietor(s) of the European Patent (i.e. all the national validations in the participating countries) or their patent attorney can make the request. An opt out must be authorised by all of the applicant(s)/proprietor(s).

Why would I want to opt out of the UPC?

Under the jurisdiction of the UPC, there is a threat of central revocation. Generally speaking, absent other considerations, filing an opt out appears to give patentees most flexibility whilst minimising risk. There is always the possibility of opting back into the jurisdiction of the UPC for enforcement, but in the meantime for an opted out patent there is no threat of a central revocation action being initiated at the UPC.

Can I change my mind about opting in or out of the UPC?

If you opt out, you can withdraw the opt out at any time assuming no litigation has started in the national courts already. However, once an opt out has been withdrawn it will not be possible to opt out again.

Why would I not want to opt out of the UPC?

Many people are taking the view that there is little disadvantage to initially opting out their entire patent portfolio, on the basis that they can always withdraw the opt out later, for example to bring an infringement action at the UPC. However, there is a risk of a competitor preventing the opt out from being withdrawn by starting an action in a national court before the opt out is withdrawn. Such a national action can be started relatively easily and at low cost. Other reasons for not opting out at all include the administrative and cost burden of doing so and perhaps an interest in developing the case law of the UPC.

When will I have to decide to opt out of the UPC?

During an initial 7 year transitional period, you can opt out at any time after publication of a European Patent application or after grant of a European Patent application, unless litigation in relation to the patent (any national validation) has already been brought before the UPC. It will not be possible to opt out after the end of the transitional period.

Do I need to use a local representative from the country of the relevant local, regional or central division in an action at the UPC?

No. Any suitably qualified UPC representative can represent parties in any of the divisions and at the Court of Appeal.

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