

## A topic for 2016 – Update on UPC



**C L I F F O R D**  
**C H A N C E**

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Welcome to a new issue of Clifford Chance's Global Intellectual Property Newsletter. This quarterly publication provides you with the latest news and developments in the world of IP.

In this issue, we want to examine the forthcoming arrival of the Unified Patent Court (UPC), the new European court system to rule on infringement and revocation proceedings of European and Unitary Patents. Although the formal ratification process by all Member States is still ongoing, the general legal system for the UPC is already set up, waiting for its final implementation in the upcoming months. Thus, it is an excellent time to have a look at the legal consequences and ramifications of one of the most important reforms of the European patent system in decades.

This issue gives you an overview about the status quo of the ratification process and the likeliness of entering into force as well as the conflicting views of non-contracting Member States on the current UPC regime. The current issue of the newsletter further touches on the legal framework of the UPC and the relevant sources of procedural law that govern the new Court's jurisdiction. Against this background, this newsletter also outlines UPC's influence on and its relation to the different national jurisdictions and possible ways of evading the jurisdiction of the UPC. Further, due to its European-wide implementation, a thorough understanding of the respective language and translation regulations and the overall structure and instances of the UPC is of utmost importance. This newsletter also deals with the question which sources of law are applicable, particularly with regard to the presentation of evidence, and how potential legal uncertainties might be resolved through development of best practice. Lastly, this December issue provides guidance on the procedural characteristics of trials before the UPC and includes strategic advice for patent rights holders who should prepare for the new regime and, thus, should make a decision as to whether they will opt-out or stay in the UPC system.

Our prior issues of the Global IP Newsletter can be retrieved by clicking [here](#).

## Status quo of ratification process and likelihood of entering into force

**With the CJEU ruling over the Cases C-146/13 and C-147/13 filed by Spain, today the Unitary Patent System holds the legal framework and legitimacy under EU law that it lacked in its previous attempts to establish a new system that will facilitate businesses to obtain Unitary Patent protection across participating EU countries.**

After much expectation, the 18th draft of the UPC Rules of Procedure was presented at the 10th meeting of the UPC Preparatory Committee on July 2015, which was followed by the Protocol on the Provisional Application on the Unified Patent Court (UPCPA), signed in October 2015, and the 12th meeting of the Preparatory Committee, where the signatory States adopted the Rules of Procedure.

To date, eight signatory Members of the UPC have fully ratified the

Agreement, being Austria the first ratifying Member (2013) and followed by Belgium (2014), Denmark (2014), France (2014), Malta (2014), Sweden (2014), Luxembourg (2015) and Portugal (2015). While Italy has become the 26th Member of the Enhanced Cooperation group on Unitary Patent protection, missing only Spain and Croatia to be part of the club, the UPCA cannot enter into force without the ratification of Germany and the United Kingdom, which are the two countries which had the highest number of registered patents in 2012 when the UPCA was signed (Article 3(1) UPCA and Article 89 UPCA).

The UK Intellectual Property Office had previously confirmed that it will not ratify the UPCA this year, meaning that it will be unlikely to happen before the UK's referendum, which is set to take place in 2016; but said that it intends to complete the "domestic preparations" for ratification ahead of the UK referendum.

If the UK hypothetically decided to leave the EU, which is widely considered to be unlikely, an exit does not affect the current European patent system governed by the European Patent Convention (EPC). However, it will inevitably delay the progress of the new Unitary Patent system since

the mandatory ratification of the UK will fall to another Member State (possibly the Netherlands, Italy or Spain). If it turns out that Spain had the fourth largest number of European patents, we would have the strange situation that Article 89 requires Spain to ratify the Agreement, despite Spain not being part of the UPC Agreement itself. The Unitary Patent will in case of a BREXIT not cover one of the major European economies and thus be weaker. Besides, a BREXIT might have restructuring consequences for the establishment of the UPC. The UK is not only the host of one of the three central division courts (the other two being located in Paris and Munich), but has also assumed a range of responsibilities within the Preparatory Committee, like for example the UPC IT system. Interestingly, it is theoretically possible that London will keep its branch of the Central Division since there is strictly speaking no legal prohibition in the UPC Agreement that requires the court to be physically located within the EU – although this is obviously most likely. In order to shift the London branch elsewhere and to assign the tasks that the UK had already been compromised to other Member States, an amendment to the UPC Agreement would be required. Moving the previous agreed central division to another country will most likely not be an easy task.

In Germany, the ratification is likely to take place only after all the national preparations have been completed which is expected to occur in 2016. According to the German Federal Ministry of Justice and Consumer Protection (BMJV), in an announcement made in March 2014 at a speech to the Federal Association of German Patent Attorneys, there are two legislative projects:

### Key Issues

- Strong legitimacy of the UPC system after the European Court of Justice's dismissal of the actions of Spain against the Regulations (EU) No 1257/2012 and No 1260/2012 concerning the creation of Unitary Patent protection and provisions concerning the translation.
- The UPC system is likely to enter into force in the beginning of 2017 in 26 Member States of the EU; Spain and Poland will not participate.
- To date, eight signatory Members out of at least 13 States have ratified the agreement, while the necessary ratifications of the UK and Germany are still outstanding.
- In the event of a "BREXIT" further delays are to be expected, but most likely not the end of the UPC system.

- a draft federal act governing the German Bundespräsident's authority to sign the UPC Agreement (ratification act) and
- an accompanying federal act, implementing all the necessary changes to current German patent legislation (accompanying act).

Now, assuming that the United Kingdom and Germany ratify the UPC Agreement in 2016, then this would bring the expected total number of states ratifying the UPC Agreement up to 10 out of the necessary 13 states. Therefore there is the need for other 3 signatory Members to ratify the Agreement.

The countries that will most likely sign the Agreement are the Netherlands, Estonia and Lithuania. The last two are parties of an Agreement with Sweden and Latvia on the establishment of a Nordic-Baltic regional division, so that it is assumed that Estonia and Lithuania will by the end of 2015 or beginning of 2016 ratify the UPC Agreement.

Finland is another candidate that seems to make the process towards ratification, since in 2015 the Finnish Ministry of Employment and Economy set up a working group to prepare the ratification of the UPC Agreement. The draft for a government bill published focuses on the amendment of the national legislation and aligns the provisions of the UPC Agreement with the Finnish Patent Code, Criminal Code, Code of Judicial Procedure and the Enforcement Code.

Italy has become the last Member to sign it, making progress on the participation to the Enhanced Cooperation Agreement, which was previously challenged by them in the case C-295/11.

Poland, on the other hand, has supported the Enhanced Procedure for the UPC, but is not taking part in the UPC Agreement so that Unitary Patents will not be enforceable in Poland. The reasoning behind it relates to the translation Regulation and the official languages of the patent litigation and filing procedure of the UPC, which will be English, German and French. Besides, Poland is reluctant to ratify the UPCA because of the fact that the trials would take place outside Poland.

Croatia and Spain are not signatory Members of the UPC Agreement. Two countries which are also unlikely to ratify the Agreement in the following year are Slovakia and the Czech Republic, since both countries have raised concerns with regard to the Unitary Patent renewal fees and the UPC fees. The UPC will increase the costs of doing business in these two countries, since currently their fees are much lower than the proposed UPC fees, and the €80 opt-out fee for the Unified Patent Court as proposed by the Preparatory Committee will make it less attractive in these two countries to apply for patent protection. At the same time, the language of the UPC generates another issue to Slavic language countries and the low quality of the translations is surely one of the factors that the governments will consider before ratification.

### Conclusion:

2016 will define the direction of the UPC Agreement; by that time the UK will already have had their referendum and it is expected that Germany will also ratify that year. The entry into force of the Unitary Patent Court will take a long transition period meaning also a long introduction phase. It is difficult to estimate in advance how much time it will take to develop the practical operation and legal practice of the new court and how companies will use the new system. However

with the green light of the CJEU as regards to the compliance with EU Law and the ratification of Portugal as well as the signature of Italy to the UPC Agreement, it becomes more likely that the Unitary Patent System will enter into force sooner than later.

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## Legal Framework of the Unitary Patent Court

**The legal framework of the UPC has required numerous Regulations, decisions and agreements. Each of these legal tools is dependent on the others and a system of Unitary Patent protection can only be established once they have all entered into force.**

### Introduction

Introducing a unified patent system across the EU has required the development of a series of legal tools and mechanisms. Various Regulations, agreements and decisions have all been instrumental not only in setting the stage for the establishment of the Unified Patent Court ("**UPC**"), but also in shaping how the UPC will function once founded. Primarily, [Regulation No 1257/2012](#), [Regulation No 1260/2012](#) and the [Agreement on a UPC \("\*\*UPC Agreement\*\*"\)](#) represent the culmination of several decades' worth of discourse and negotiations relating to the introduction of a Unitary Patent and a corresponding court in the EU.

### Article 118 TFEU

Attempts at creating a uniform system of patent protection across Europe go back to at least the 1970s. The [Convention for the European Patent for](#)

the common market was signed in December 1975, but it did not enter into force as it was not completely ratified. Further attempts include the 1989 [Agreement Relating to Community Patents](#) and the 2000 [Community Patent Regulation proposal](#). Each of these took steps in establishing a European Community wide patent, but were ultimately not successful. The foundations for a Unitary Patent only solidified when the [Treaty on the Functioning of the European Union](#) ("TFEU") came into force in 2007. Notably, Article 118 TFEU formalised the intention (i) to create European intellectual property rights which provide uniform protection of intellectual property rights throughout the Union, and (ii) to set up centralised Union-wide authorisation, coordination and supervision arrangements. Concurrently, Article 118 TFEU also made reference to the Council establishing language arrangements for these European intellectual property rights. The introduction of these provisions catalysed the drafting of the legislation which makes up the UPC's legal framework.

### Regulation No 1257/2012 and Regulation 1260/2012

Article 118 TFEU entering into force, steps were taken to expedite how a legal framework for a unified system of patents could be created. [Decision 2011/167/EU](#), adopted on 10 March 2011, facilitated the process by authorising Enhanced Cooperation amongst 25 Member States in the area of creating Unitary Patent protection. This came despite the absence of agreement between all Member States in the EU on the approach to a Unitary Patent system. In particular, Spain and Italy objected to the measures and sought to annul the Decision. However, despite the protests and non-participation of Spain, Italy and Croatia, the Decision still

## Key Issues

- Article 118 TFEU catalysed the development of the UPC.
- EU Regulations established the European patent with unitary effect and relevant language provisions while the UPC Agreement governs how the UPC will function once founded.
- A unitary patent system across the Union will not come into effect until the UPC Agreement enters into force.

enabled the drafting of Regulation No 1257/2012, Regulation No 1260/2012 and the UPC Agreement.

Regulation No 1257/2012 and Regulation No 1260/2012 were approved on 11 December 2012 and entered into force 20 January 2013. These Regulations implement the goals envisaged by Decision 2011/167/EU, namely Enhanced Cooperation in creating Unitary Patent protection. Regulation No 1257/2012 solidified the concepts set out in Article 118 TFEU by substantively progressing the provision of uniform protection for European intellectual property rights throughout the union. Specifically, Article 3 of the Regulation allows for European patents to benefit from unitary effect in participating Member States provided that its unitary effect has been registered for Unitary Patent protection. The Regulation thus entrenches the idea of a Unitary Patent into EU law.

Regulation No 1260/2012 complements Regulation No 1257/2012 by regulating the language provisions for European patents with unitary effect. This Regulation has its legal basis in the second provision of Article 118 TFEU. The Regulation sets out the applicable translation arrangements

for European patents with unitary effect. Practically speaking, the Regulation calls for Unitary Patents to be filed in English, French or German, with the language of any proceedings to follow the same language as the initial filing. Using the TFEU as its basis, the Regulation aims to establish a transparent, cost effective and uniform translation scheme for patents.

### UPC Agreement

Although the Regulations provide for the Unitary Patent and corresponding language provisions, the UPC Agreement is the key legal tool that establishes the structure of the Court itself. The UPC Agreement was signed 19 February 2013 by 25 Member States, although it requires ratification by 13 of these states for it to take effect. The three states which have the largest number of registered European patents must also ratify the Agreement before it can enter into force. In practice, this means that ratification is required from France, Germany, and the UK. Currently, only 8 states have ratified the UPC Agreement, with France being the only mandatory state to have ratified the Agreement. Although the UPC Agreement has not yet entered into force, it greatly expands upon the initial starting blocks provided by Article 118 TFEU, Regulation No 1257/2012 and Regulation No 1260/2012. The UPC Agreement governs the UPC and is the third pillar in the creation of uniform patent litigation across the EU. The UPC Agreement covers provisions such as the structure, staffing and administration of the UPC. In addition, the Agreement contains provisions on jurisdiction, the sources of law and substantive law, language and procedural matters of the court.

The UPC Agreement provides that the UPC will be structured in a way



that includes a Court of First Instance, with a central, local and regional divisions, as well as a Court of Appeal, sitting in Luxembourg. Decisions will be based on Regulation No 1257/2012 and No 1260/2012 along with the Convention on the Grant of European Patents, other international agreements applicable to patents and binding on all the contracting Member States and international law. In all instances, the judicial staffing will be multinational.

Regulation No 1212/2012, or where applicable the Lugano Convention, will govern the international jurisdiction of the UPC. These rules regulate the recognition and enforcement of judgments in civil and commercial matters, outlining where proceedings can be issued in which Member States. However, the UPC Agreement provides that national courts will still have jurisdiction over the patents granted by national patent offices. The decision making process as well as the enforcement of future decisions is set out in the UPC Agreement as are the details of how the UPC is to be implemented and operated once the UPC Agreement is fully ratified.

The language arrangements of the UPC are set out in Article 49 of the UPCA. While the language of proceedings before any local or regional division shall be one of the official languages of the contracting Member State hosting the division, there is an opportunity for translation and interpretation facilities if required. The President of the Court of First Instance is also able to decide on the use of the language and, where deemed appropriate, can offer translation service. The UPC Agreement also outlines the more practical matters facing the UPC, such as the manner in which the Court will be financed as well as what the status quo will be during a 7 year transitional period.

## Expectations

Although the legal tools on the UPC are intertwined, the relationship between the UPC Agreement and the two Regulations is complicated by their differing legal functions. The Regulations are primary sources of European law and thus should have direct effect following entry into force. The UPC Agreement is an international agreement that only enters into force once ratified by the requisite 13 Member States. Both Regulation No 1257/2012 and Regulation No 1260/2012 include provisions that state the Regulations will only apply when the UPC Agreement does. As such, until the UPC Agreement is fully ratified, the overall system of Unitary Patents cannot come to fruition.

Despite the continuing objections of Spain and Croatia, on 30 September 2015 Italy officially joined the Unitary Patent system and shall be included in the Enhanced Cooperation of other Member States for Unitary Patent protection. Furthermore, on 1 October 2015, a protocol to the UPC Agreement was signed which allows certain parts of the UPC Agreement to be applied early. This will accelerate the process by which the unitary system comes into effect. The UPC preparatory committee has indicated its expectation that the UPC will be functional at the start of 2017.

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## Language and translation Regulations

**In 2012, EU countries and the European Parliament agreed on a "patent package": a legislative initiative consisting of two Regulations and an international Agreement that lay the ground for the creation of Unitary Patent protection in the EU. The package consists of (i) a Regulation creating a European patent with unitary effect ('Unitary Patent'); (ii) a Regulation establishing a language regime applicable to the Unitary Patent ("Regulation n°1260/2012") and (iii) an Agreement between EU countries to set up a single and specialised patent jurisdiction (the 'Unified Patent Court').**

The Regulations implement Enhanced Cooperation in the creation of Unitary Patent protection. All EU countries will participate in this Enhanced Cooperation except for Spain, Italy and Croatia. Following the adoption of the two Regulations in December 2012, the contracting countries, except for Poland but with the addition of Italy, proceeded with the signing of the Agreement on a Unified Patent Court. The process for the ratification of the agreement is ongoing. The unified jurisdiction will deal with disputes relating to classical European and Unitary Patents, for which it will have exclusive jurisdiction. The package will come into effect when 13 countries have ratified the Unified Patent Court Agreement.

Though the implementation of a European patent with unitary effect has endured an eventful evolution, the rules regarding its translation

regime were steady from the beginning and have hardly changed since the Munich Convention of 5 October 1973, which implemented the European Patent Convention ("EPC"), was ratified.

Nevertheless, the overhauls of the last decades about the Unitary Patent, consisting in (1) simplifying the existing system and (2) supporting a cost effective route to patent protection and dispute settlement, have aroused new concerns notably regarding its unforeseeable future.

## The European Unitary Patent language regime

There are two stages in which the language of a Unitary Patent plays a key role: (i) the stage of patent application and (ii) the stage of litigation.

### i) Patent application

It was decided to use the European Patent Office's ("EPO") tried and tested language regime based on three official languages, namely English, German or French. After the grant of the European patent, no further human translations will be required if the patent holder opts for a Unitary Patent; high-quality machine translation will be available for the

purpose of informing on the content of patents. For a transitional period (i.e. until the machine translation system is fully operational) where the language of the proceedings before the EPO is French or German, a full translation of the European patent specification must be provided in English or - if the language of the proceedings is English - in an official language of a EU member state. This translation must be filed by the patentee together with the request for unitary effect. The administration of these translations will be another new task for the EPO. In addition, for applicants who have their residence or principal place of business in an EU member state with an official language other than the three EPO languages and who obtain a European patent with unitary effect, a system of additional reimbursement will be introduced for the costs of translating their application into the EPO language of proceedings.

According to Regulation n°1260/2012, a compensation scheme will be available making it possible to receive reimbursement for all translation costs up to a ceiling for patent applications filed at the EPO in one of the official languages of the Union that is not an official language of the EPO. The

compensation scheme will be available only for SMEs, natural persons, non-profit organizations, universities and public research organizations having their residence or principal place of business within a Member State.

### ii) Litigation

Before the Court of First Instance, the main rule will be that the language of the proceedings is the official language or one of the official languages of the Contracting Member State hosting the local division or the official language(s) designated by the Contracting Member States sharing a regional division. The language of proceedings in the central division will be the language in which the patent was granted (language of the patent). However there are exceptions making it possible for Contracting Member States to designate one or more of the official languages of the EPO, in addition to or instead of the official language of the Member State(s) as the language of proceedings of their local or regional division. It will also be possible under certain conditions to change the language of proceedings of the local or regional division, to the language of the patent.

Concerns have been expressed about the risk of variations in the quality and the approach of the different courts. Under each of these alleys, similar principles of patent law might be elaborated differently, and different layers of substantive rules applied. The Unified Patent Court Agreement does not provide for any method of consolidation.

## The aims of translation Regulations

The aims of the reform are to make the patent enforcement system (i) much more attractive and (ii) globally

## Key Issues

- A European patent application with unitary effect shall be filed in one of the official languages (English, French or German) or, if filed in any other language, translated into one of the official languages.
- In the event of a dispute relating to an alleged infringement of a European patent with unitary effect, the patent owner shall provide at the request and the choice of an alleged infringer, a full translation of the European patent with unitary effect into an official language of either the participating Member State in which the alleged infringement took place or the Member State in which the alleged infringer is domiciled.

homogenous, with a EU-wide patent protection.

### **i) A simple and cost-effective procedure**

It was argued that the high translation and maintenance costs associated with the current European patent regime, combined with the necessity to bring enforcement actions in individual jurisdictions, have put companies in the EU at a competitive disadvantage. This disadvantage caused innovation and the development of investment to suffer. It was therefore agreed that the translation arrangements for European patents with unitary effect should be simple and cost-effective. Such translation arrangements should ensure legal certainty and stimulate innovation and should, in particular, benefit small and medium-sized enterprises. They should make access to the European patent with unitary effect and to the patent system as a whole easier, less costly and legally secure.

However, the new system is already starting to show some flaws. Indeed, it quickly appeared that the Unitary Patent may not be an attractive option for patent owners only interested in validating their European patent in a small number of participating Member States. Furthermore, as the system is intended to be self-financing, concerns have been raised as regards administrative charges, fear being that those may be high as a consequence.

### **ii) A more flexible procedure**

Transitional measures seek to bring homogeneity to the system. They are provided for a period of up to 12 years, as follows: during a transitional period a request for unitary effect shall be submitted together with the following: (a) where the language of the pro-

ceedings is French or German, a full translation of the specification of the European patent into English; or (b) where the language of the proceedings is English, a full translation of the specification of the European patent into any other official language of the Union.

## **Conclusions**

The debate on how to reform the system has been long and heated, and despite the fact that further legal challenges remain, translation Regulations were deemed legally certain. The Court of Justice of the European Union ("CJEU") was strict on this point, rejecting the appeals filed by Spain against the Unitary Patent package on 5 May 2015<sup>1</sup>. The CJEU reiterated that "*the Treaty contains several references to the use of languages in the European Union. None the less, those references cannot be regarded as evidencing a general principle of Community law that confers a right on every citizen to have a version of anything that might affect his interests drawn up in his language in all circumstances*"<sup>2</sup>. The difference in treatment of languages must however be proportionate and must not go further than necessary. The CJEU held that "*the aim of the contested Regulation is to facilitate access to patent protection, particularly for small and medium-sized enterprises*" and that "*this Regulation does not go beyond what is necessary in order to achieve that objective*"<sup>3</sup>, implicitly upholding that the language regime for the Unitary Patent was well-balanced and could no longer be put into question.

<sup>1</sup> CJEU, C147/13, 5 May 2015, *Spain vs. Council of the European Union*

<sup>2</sup> V. CJUE 9 sept. 2003, n° C-361/01, *Kik c/ OHMI*, pt.82.

<sup>3</sup> V. CJUE, gde. Ch., 27 nov. 2012, aff. C-566/10 P, *Italie c/ Commission: Europe 2013, comm. 7, obs. f. Gazin.*

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## **Structure and Competence of the UPC**

**The structure and competences of the UPC are set out in the Agreement on the establishment of the Unified Patent Court, which was signed on 19 February 2013 ("UPC Agreement"). The UPC Agreement follows a package of significant reforms to the European patent system introduced by the European Parliament and the European Council. The UPC Agreement was opened only to EU Member States, but some of them including Spain and Poland decided not to sign it. Therefore, the UPC's rulings will be binding only to those Contracting States that have ratified the UPC Agreement.**

### **Competence of the UPC**

The UPC is a court that is common to the Contracting States of the UPC Agreement and thus is part of their judicial system. It is worth noting that the UPC is not an EU court, but an international court outside the EU framework.

The UPC will have exclusive competence in respect of litigation on matters relating to European patents, European patents with unitary effect, supplementary protection certificates issued for a product covered by such a patent and European patent applications, although there will be exceptions to this during the transitional period.

The transitional period is seven years

## Key Issues

- The UPC will be a new court structure with exclusive jurisdiction for patent litigation relating not only to European Patents with Unitary Effect, but also to traditional European Patents.
- The UPC is not an EU court, but an international court outside the EU framework.
- The UPC's rulings will have effect in the territory of those states that have ratified the UPCA.
- As regards the substantive issues, the Court of First Instance and Court of Appeal are the two main components of UPC.

starting from the date of the entry into force of the UPC Agreement. The aforementioned exemptions include, in particular, actions for infringement or revocation regarding European patents without unitary effect, which may still be brought before national courts. During the seven-year transitional period, a holder of or applicant for a traditional European patent may also opt out of the UPC's exclusive competence for infringement or revocation actions by making a notification to the Registry. Such opt out takes effect upon its entry into the register.

The UPC Agreement stipulates in Article 32 a list of UPC's exclusive competences, including among others actions for (i) actual or threatened infringement, (ii) declaration of non-infringement, (iii) provisional and protective measures and injunctions, (iv) revocation, (v) counterclaims for revocation and (vi) compensation for licenses.

The national courts of the Contracting

States will remain competent for actions relating to patents and supplementary protection certificates which do not come within the exclusive competence of the UPC.

### Structure of the UPC

The UPC will comprise a Court of First Instance, a Court of Appeal and a Registry. All of the UPC courts will have both legally and technically qualified judges from different Contracting States.

The Court of First Instance will consist of:

- local division (for each Contracting State);
- regional division (for two or more Contracting States) and
- central division with its seat in Paris and sections in Munich and London.

**Local and regional divisions** will decide on infringements across all technical fields with their jurisdiction being dictated by the Contracting State in which the infringement occurred or where the defendant is domiciled or has a place of business. The local and regional divisions will hear also actions for protective measures and injunctions as well as actions related to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention.

If an infringement action is pending before a local or regional division and there is a counterclaim for revocation, the local or regional division has the following options: it may (i) proceed with both actions, (ii) refer the counterclaim for revocation for decision to the central division and suspend or proceed with the action for infringement or (iii) with the agreement of the parties, refer the case for decision to

the central division.

The central division will hear the stand-alone revocation cases and declarations of non-infringement. The central division has also the jurisdiction to handle all types of cases over which local and regional divisions have jurisdiction. The work of the central division is divided into three parts depending on the subject matter of the patent in dispute and based on the International Patent Classification of the World Intellectual Property Organization. Munich will deal with cases with an emphasis on mechanical engineering, lighting, heating, weapons and blasting; London will deal with patents related to chemistry, metallurgy and human necessities; the rest of the patent cases will be heard in Paris.

All of the final decisions and orders of the Court of First Instance are subject to appeal before the Court of Appeal with its seat in Luxembourg. At the end of the proceedings, the Court of Appeal makes a decision on the merits of the case, but in exceptional cases, the Court of Appeal may refer the case back to the Court of First Instance. In such a scenario, the Court of First Instance is bound by the decision of the Court of Appeal on points of law.

The last component of the UPC is the Registry, which will be set up at the seat of the Court of Appeal. The Registry keeps records of all cases before the UPC; thus its role is merely administrative.

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## The UPC Influence on/relation to National Jurisdictions

**The basic goal of the UPC Agreement is the establishment of a unified court "for the settlement of disputes relating to European patents and European patents with unitary effect." Therefore, national courts remain competent for actions relating to national patents and supplementary protection of certificates that do not fall within the exclusive competence of the UPC. The latter is meant to replace the individual national courts of the contracting Member States as the forum for disputes falling within its exclusive competence.**

Article 83(1) of the UPC Agreement sets out that, for a transitional period of seven years (renewable for additional seven years) for the entry into force of the Agreement, an action for infringement or for revocation of a European patent or an action for infringement or for declaration of invalidity of a supplementary protection certificate issued for a product protected by a European patent may be brought alternatively before the UPC or the national courts (or other

competent national authorities).

Questions therefore arise in connection with the management of possible conflicts of jurisdiction between (i) the UPC and the national courts of a contracting Member State during this lengthy transitional period, and/or (ii) the UPC and the national courts of a non-contracting Member State (also after the expiry of the transitional *régime*).

### The relationship between the UPC and the national courts

For the purposes of Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("Brussels I *bis*"), which replaced Regulation No. 44/2001 ("Brussels I"), the UPC is considered as a common court (a court common to several Member States). In fact, according to Article 71(a) of Brussels I *bis*, the UPC is deemed to be a "*court of a Member State*." As such, the UPC is subject to EU laws as all national courts and the proper coordination between the UPC and national courts is governed by the Brussels I *bis*.

Therefore, pursuant to Article 71(c) of Brussels I *bis*, the rules on *lis pendens* set out in Articles 29 to 32 of Brussels I *bis*, which generally grant jurisdiction to the court first seized, will apply also where the same action

is pending before the UPC and another court of a Member State party to the UPC Agreement during the transitional period. During the transitional period and thereafter these same rules will also apply to claims pending before the UPC and another court in a non-contracting Member State.

Accordingly, along broad lines, the court first seized will have jurisdiction and there will not be the concurrent jurisdiction of another court.

The intent is generally to prevent concurrent jurisdiction of two courts on the same cause of action, involving the same parties, ultimately to avoid the risk of irreconcilable judgments. This intent is also reflected in Article 30 of Brussels I *bis*, which expands the rules of no concurring jurisdiction, also where the pending actions are merely closely connected, although not involving the same exact cause of action.

Traditionally, patent litigation in Europe has exploited multiple mirror proceedings as a tactical stratagem, where a possible infringer commences an action for declaration of non-infringement in a court of a Member State party to Brussels I *bis*, with the intent of hindering or avoiding that the patent owner starts an action for potential infringement. This strategy is known as "torpedo" proceedings.

### Where the court first seized is the UPC

Where the infringement action or revocation action is filed first, in terms of time, with the UPC, national courts will have no jurisdiction to hear the infringement action or declaration of non-infringement between the same parties. However, an infringement action before the UPC will not block an action for revocation of the national part of the European Patent in a national court.

## Key Issues

- The rules on *lis pendens* and related actions of the Brussels I *bis* Regulation applies also between the UPC and the Courts of non-contracting Member States.
- The provisions of Brussels I *bis* Regulation govern also the recognition and enforcement of judgments given by the UPC in Member States which are not parties to the UPC Agreement.
- Issues that are not strictly related to patents seem to fall within the competence of national courts where they are not raised as objections or as a counterclaim before the UPC.

## Where the court first seized is a national court

If the infringement case or action for declaration of non-infringement is commenced first in a national court, the outcome is more debatable. The UPC should not be unable to manage with the other countries. Similarly, if a revocation action is first filed in a national court, the UPC will likely have jurisdiction over one unitary action for revocation that involves all of the parts of any bundle patent.

## Recognition and enforcement of judgments

In accordance with Article 82 of the UPC Agreement, the UPC's ruling and decisions are enforceable in a contracting Member State, and can be enforced in accordance with the law of that contracting Member State and at the same conditions as a decision of that contracting Member State would be enforced.

Pursuant to its Article 71(d), Brussels I *bis* also applies to the UPC rulings and judgements, which are to be recognised and enforced also in those Member States that are not parties to the UPC Agreement.

## Issues that are not strictly related to patents

Based upon a reading of the list of subject matters submitted to the UPC's exclusive jurisdiction, a series of questions arise, also with reference to the future resolution of all standard objections raised in the context of patent litigation, such as, merely by way of example, the objections based upon the existence of a license, the exhaustion/termination of rights of complex products supplied by the authorized manufacturer, the ownership of the patent, the right to obtain a license for antitrust reasons and so forth.

In such regard, the UPC Agreement establishes that such subject matters fall within the UPC's jurisdiction only where they are raised purely as objections or, at the very most, perhaps, as a counterclaim.

The obvious consequence will be the inevitable competence of national courts with a potential proliferation of litigation and parallel judgments issued considering the various different national jurisdictions and the UPC, pending a definitive clarification of the confines of the respective jurisdictional scopes. This system, therefore, may also give rise to enormous difficulties with regard to application, in total disregard for the needs for certainty in procedural law and economy/cost-efficiency.

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## Block some time in your calendar in 2016 to make a decision on your opt-out strategy!

**For patent holders under the new Unified Patent Court system the crucial question is whether they should opt out or stay in the system. The article will shed light on the different options and give advice on certain strategic questions.**

### Background: What does opt-out mean?

So EP holders can acquaint themselves with the new system, the UPCA allows for a transitional period during which users can choose whether to stay in the UPC system or opt out of it. The transitional period will begin when the UPCA enters into

force, will last for a minimum of seven years and may be extended for another seven years (Art. 83(5) of the UPCA). During this time, the rights holder can opt out of the exclusive competence of the UPC provided that no action has been brought before the UPC prior to its application to opt out. In case the patent is owned by two or more proprietors or applicants, all proprietors or applicants shall lodge the Application to opt out (Rule (R.) 5.1 (a) of the Rules of Procedure of the UPC (ROP, currently available as 18<sup>th</sup> draft). The possibility of opting out will end one month before the transitional period expires (Art. 83(3) UPCA). The opt-out will be in effect until the patent (or the supplementary protection certificate; see Rule (R.) 5.2 ROP) expires if it is not withdrawn. Rights holders may withdraw their decision to opt out at any time unless an action against the relevant patent has already been brought before a national court (Art. 83(4) UPCA). However, once an opt-out has been withdrawn, the possibility of applying for another opt-out is void (Rule (R.) 5.11 ROP).

It should be noted that even where an EP is subject to the jurisdiction of the UPC, claimants are still allowed to bring infringement and revocation claims concerning that EP as well as a corresponding SPC before national courts provided this occurs during the transitional period (Art. 83(1) UPCA).

Although not expressly stipulated in the opt-out provision of the UPCA (cf. Art. 83(3) UPCA), R. 5.5 of the Rules of Procedure (ROP) states that "(t)he applicant(s) for an opt-out shall pay the fixed fee (...)" and that "(o)ne fixed fee shall be payable in respect of each European patent or application for which an Application to opt out has been filed, including any supplementary protection certificate based on said patent or application." Since the EP will become subject to the UPC

system by law, rather than by the patent holder's request, it is unclear why the rights holder should be asked to bear the costs of a system opt-out.

So what does it mean to "opt out from the exclusive competence of the court?" Essentially, the court will not have any competence concerning rights holders' EPs and SPCs (there is no "non-exclusive" competence of the UPC). However, it is unclear what law the national courts will be required to follow in case of an opt-out. The wording of the UPCA appears to suggest that the UPCA should remain the applicable law in the national courts, since the UPCA mentions an opt-out only from the exclusive competence of the court and not from the application of the UPCA. However, if both the UPC and the national courts are charged with interpreting the same patent laws, this could lead to diverging decisions as national courts would not have to abide by the judgments of the UPC Court of Appeal. Such a scenario could also lead to ambiguous interpretations which in turn may threaten confidence in the legal certainty of the UPC system. This result would run contrary to the aim of harmonizing the legal interpretation of the UPCA.

### A sensible decision on opt-out

Companies holding EPs need to ensure that they make sensible decisions regarding the opt-out question. Rights holders should strike the appropriate balance between the opportunities and threats presented by the new system, from both an economic and strategic perspective. This of course also requires that they understand the UPC's strategic implications and know the strengths and weaknesses of their patent portfolio.

One particular opportunity presented by the new system is the avoidance of parallel proceedings. Under the current EP system, parallel patent infringement proceedings inevitably lead to the considerable risk of diverging decisions given the differing legal bases of the national courts and the lack of a common court of appeals. Thus, a common strategy for rights holders is to obtain a favorable judgment in a respected jurisdiction that is then used to bolster the rights holder's bargaining position in negotiating global settlement agreements with alleged infringers.

Currently, most European patent litigation cases are conducted before German courts. One way the German courts differ from courts in other European jurisdictions is that the German legal system provides for bifurcation of infringement and nullity proceedings, which essentially allows a

claimant to quickly obtain injunctions. This makes the German courts an attractive venue for rights holders seeking to negotiate settlement agreements with infringers. However, courts selected by rights holders do not always rule in their favor, and defendants are not always willing to negotiate settlements covering all Member States. As a result, most rights holders desire to litigate only once in order to obtain a favorable judgment that has effect in all Member States. In essence, the UPC allows for this result by factually conferring a wider scope to "ordinary" EPs in Art. 34 UPC Agreement.

Also included in the proposed Rules of Procedure for obtaining evidence of infringement is the French *saisie contrefaçon* - a powerful tool for pre-procedural evidence collection. This measure allows for the easy and practical preservation of evidence without requiring the presentation of any evidence of patent infringement. It also effectively prevents so-called "fishing expeditions" by constituting liability to damages in cases where the applicant does not start proceedings within 31 calendar days from the date of the order (cf. R. 198.1 ROP).

Companies can expect that it will presumably be cheaper to enforce the patents on a UPC basis than on a country-by-country basis. Although no concrete figures on court fees have yet been made available, fees will be comparable to German court fees, which consist of a fixed sum as well as variable costs that are dependent on the sum in dispute. Moreover, the UPC will enable improved and more efficient management of the patent portfolio in Europe.

### Protecting the crown jewels

One significant area of uncertainty is the level of expertise of the UPC and thus the quality of its judgments.

## Key Issues

- The UPCA allows for a transitional period during which users can choose whether to stay in the UPC system or opt out of it.
- The rights holder can opt out of the exclusive competence of the UPC provided that no action has been brought before the UPC prior to an opt out application.
- Companies holding EPs need to ensure that they make sensible decisions regarding the opt-out question. Rights holders should strike the appropriate balance between the opportunities and threats presented by the new system, from both an economic and strategic perspective.

Practitioners in particular are concerned that the multinational composition of the Court (allocated by a "Pool of Judges") could be detrimental to its decision-making. The UPCA foresees that chambers of local divisions which handle more than 50 cases per year will consist of two national judges and one non-national judge. By contrast, chambers of local divisions handling fewer than 50 cases a year will consist of one national judge and two non-national judges. Based on this ratio, the influence of non-national judges will be negligible in local divisions with a high caseload. Thus, it is likely that the UPC will be influenced by the legal traditions of judges from more experienced jurisdictions. The quality of judgment should thus be given.

But European patents within the UPC system are at a higher risk of invalidation than nationally litigated patents. This is because a single UPC judgment could lead to invalidation of the EP with effect in all contracting Member States. A detrimental judgment could only be appealed before the Court of Appeal.

The invalidation aspect of the UPC should not be underestimated. In markets where companies rely heavily on a few patents, such as patents covering active pharmaceutical ingredients (API) of blockbuster pharmaceutical products, the probability of a generic competitor initiating revocation action is disproportionately high. Patent holders active in these markets should consider avoiding the possible downside of exposure to the new system until significant uncertainties in the system have been clarified and except in cases where the validity of the EP is not doubtful at all.

Furthermore, practitioners argue that a patent holder's competitor(s) could effectively undermine the holder's right to opt out by filing an action

against a patent before the UPC on the exact same day the UPCA comes into force. Such an action brought before the UPC would block the patent holder's possibility to opt out (Art. 83(3) UPCA). The patent holder would thus be "locked in" the UPC system and the competitor would be able to seek revocation of the EP in a single proceeding.

To allow patent holders to avoid such "lock-ins," the Rules of Procedure now provide a "sunrise period" in which opt-out applications can be filed with the European Patent Office (EPO) before the UPCA comes into force. These early applications will have effect as soon as the UPCA enters into force (cf. R. 5.13 ROP). The EP will then be "out of the system" from day one of the UPCA, effectively preventing lock-in. Companies may wish to make use of this option for some of their "crown jewel" patents.

### **Practical advice: opt-out or differentiate**

The UPC system provides many options that are not available to patent holders in national court-based EPs. But the possibility under the UPCA that a particularly valuable patent might be invalidated in just one proceeding may temper the enthusiasm of patent holders, particularly in the developmental stages of the UPC system.

Nonetheless, it would be unwise for rights holders to ignore the prospect of profiting from the new opportunities that the UPC system offers. A more practical solution for rights holders beyond a comprehensive opt-out could be to differentiate patent portfolios.

Low level patents could include patents that do not protect an important product or that involve a product protected by many enforceable patents. Low level patents could also

protect manufacturing processes where evidence-gathering on infringement may be difficult. No action should be required for such low level patents with regard to the UPCA. However, rights holders should consider submitting opt-out applications for their crown jewels—at least if the validity of such is at risk. To avoid the risk of a lock-in, the rights holder should do so as soon as the sunrise period begins. On the other hand, in cases where validity of the crown jewels is clear, rights holders might already anticipate the need to enforce such rights on a UPC basis.

It is not yet possible for companies to submit opt-out applications as the starting date for the sunrise period has not been announced by the EPO (cf. R. 5.13 ROP). Nevertheless, companies should prepare themselves by categorizing their patent portfolios according to the aforementioned approach.

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## Views of non-contracting Member States on the current UPC Regime: the Spanish Perspective

**Spain has attempted by all means to challenge the Unitary Patent package and has essentially focused its arguments on the fact that Spanish is not included as one of the official languages of the future EPUE. However, the Spanish challenges have been systematically defeated by the CJEU and it now seems that there are no further issues hindering progress on the introduction of the EPUE and the UPC.**

### **Spain has been actively opposing the Language regime adopted for the UPC:**

The Unitary Patent project had been paralysed for decades, mainly because Spain and Italy had refused to accept the language regime. This opposition was circumvented by the European Union when it authorised Enhanced Cooperation for creating the Unitary Patent system. The Enhanced Cooperation was unsuccessfully challenged by Spain and Italy (the CJEU dismissed the actions for annulment in its Judgment of 16 April 2013).

Enhanced Cooperation implied the creation of the Unitary Patent system without the unanimous support of all the Member States, which made it possible to ignore the linguistic demands made by Spain and Italy. The legal basis of Enhanced Cooperation has been widely questioned, with its detractors claiming that political op-

portunism has prevailed over the principles and values of the Union. This debatable legal basis prompted Spain to file actions for annulment against Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing Enhanced Cooperation in the area of the creation of Unitary Patent protection and the Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing Enhanced Cooperation in the area of the creation of Unitary Patent protection with regard to the applicable translation arrangements.

As far as the linguistic regime is concerned, Spain claimed that the contested Regulation disregarded the principle of non-discrimination, since it establishes a language regime which is prejudicial to individuals whose language is not one of the official languages of the EPO.

Spain's challenge to Unitary Patent reforms was defeated before the CJEU on 6 May 2015. The Court acknowledged that in this case, it is undeniable that the contested Regulation differentiates between the official languages of the European Union. The specifications of the European patent are to be published in one of the official languages of the EPO, namely English, French or German, and are to include a translation of the claims in the other two official languages of the EPO.

However, the Court considered the objective pursued by the contested Regulation, i.e. the creation of a uniform and simple translation regime for the EPUE, to be justified, and that the translation arrangements for the EPUE should be simple and cost-effective. They should ensure legal certainty; stimulate innovation and benefit, in particular, for small and medium-sized enterprises, so as to make access to the EPUE and to the

patent system as a whole easier, less costly and legally secure, facilitating access to patent protection. On this basis the CJEU dismissed the action for annulment brought by Spain, confirming the legal regime adopted for the Unitary Patent package.

### **Compensation Measures**

In any event, if the UPC Agreement obtains the support of thirteen Member States, including the three States (Germany, United Kingdom and France) whose official languages have been included in the linguistic regime adopted for the Unitary Patent package, the UPC could begin operating at some point in the near future. Therefore, let us have a look at the measures provided by the Council Regulation (EU) No 1260/2012, to compensate the preference for the three official languages of the EPO.

Firstly, in order to limit the disadvantages for economic operators who do not have the means of understanding texts written in English, French or German to a certain level of competence, the Regulation envisages a transitional period, lasting a maximum of 12 years, until a high quality machine translation system is available for all the official languages of the European Union. During that transitional period, any request for unitary effect must be accompanied either by a full English translation of the specification, where the language of the proceedings is French or German, or by a full translation of the specification into any other official language of the European Union, where the language of the proceedings is English.

Lastly, the Regulation establishes a number of provisions applicable in the event of a dispute, which are designed, first, to enable operators which are suspected of infringement of a patent, to obtain a full translation of the EPUE (in an official language of

## Key Issues

- Right from the start of the unitary patent process, Spain has been openly contrary to any system in which Spanish was not given equal standing to other languages such as French or German.
- Spain is the only EU Member State not to take part in either the Enhanced Cooperation for the EPUE, or in the signing of the Agreement on a UPC.
- However, in some circumstances Spanish companies could potentially become parties to judicial proceedings brought before the UPC.
- Spain is the only country that decided not to join the unitary patent package and remains outside the system. Will Spain change its strategy and decide to join up? Time will tell.

either the participating Member State in which the alleged infringement took place or the Member State in which the alleged infringer is domiciled) and, second, in the event of a dispute concerning a claim for damages, to ensure that the court hearing the dispute assesses and takes into consideration whether an alleged infringer was acting in good faith (in particular whether the alleged infringer acted without knowing or without reasonable grounds for knowing, that he was infringing the European patent with unitary effect before having been provided with a translation of the EPUE).

### Spanish companies will be affected by the Unitary Patent package

It is true that with Spain having opted out of the system, EPUE do not extend their effects to Spanish territory, and Spanish validations of traditional European patents are not subject to the UPC's jurisdiction.

But it is no less true that Spanish individuals and companies can be the holders of both EPUE and traditional EP validated in contracting Member States other than Spain. Furthermore, there is nothing preventing a Spanish

company from possibly infringing an EPUE or the validation of an EP in other contracting Member States, or from seeking its nullity or a declaration of non-infringement.

In all of these cases, and aside from the possibilities offered by the provisional legal system and the opt out, Spanish companies could potentially become parties to judicial proceedings brought before the UPC.

In short, although it could give the impression that the development of the whole Unitary Patent package is something that does not affect Spanish companies; the truth is that this is not the case. Therefore, Spanish companies will have to follow very closely both the progress of the UPC's entry into force and how it is implemented once operational.

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## Sources of Law and Substantive Law

**When hearing a case brought before it, the Unified Patent Court, (the "Court") is entitled to base its decisions on several sources of law. Article 24 of the Agreement on a Unitary Patent Court (the "UPC Agreement") sets out the sources of law to be applied by the Court hearing cases based on the UPC Agreement**

### Union Law and the role of the CJEU

Union law is mentioned as the first source of law, as Member States have to respect the primacy of Union law, when they conclude international agreements between themselves or with third countries<sup>1</sup>. As such, in the UPC Agreement - an agreement between EU Members States - the primacy of Union law should be respected. This has also been explicitly laid down in article 20 of the UPC Agreement.

This, amongst others, means that the CJEU should have exclusive jurisdiction to determine and interpret all issues that fall within the scope of Union law. The jurisdictional monopoly of the CJEU prohibits any third court from rendering a binding interpretation of EU rules without the possibility of review by the CJEU<sup>2</sup>.

Should the exclusive jurisdiction of the CJEU to apply and interpret Union law be threatened or undermined, that would amount to a violation of the CJEU's jurisdiction and, thus would render the UPC incompatible with Union law. To avoid such incompatibilities, the UPC Agreement provides explicitly that the Court shall apply Union law in its entirety and shall

respect its primacy. In addition, Article 21 provides that questions regarding the correct and uniform application of Union law will be referred for a preliminary ruling to the CJEU in accordance with the preliminary reference procedure under Article 267 TFEU. These clauses are presumably intended to deal with the reasons for CJEU's rejection of the previous drafts of the Agreement.

## UPC Agreement and National Law

The second source of law mentioned is the UPC Agreement itself. Articles 25 to 29 of the UPC Agreement provide for the substantive law provisions regarding infringement, including exceptions and exhaustion of rights. Article 30 of the UPC Agreement deals with supplementary protection certificates. Uncertainty still remains as to how these provisions are intended to relate and fit in with Article 5 paragraph 3 and Article 7 of Regulation (EU) No. 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing Enhanced Cooperation in the area of the creation of Unitary Patent

protection (the "**Unitary Patent Regulation**"), according to which these topics should be a matter of national law. In theory, it could be possible that such national law provisions would conflict with the substantive law provisions included in the UPC Agreement. However, as such local law provisions are based on the EPC and all the current Contracting Member States are EPC members, a conflict may not materialise in practice. However, should local divisions, based on Article 5 paragraph 3 and Article 7 of the Unitary Patent Regulation, decide to read these provisions pursuant to the existing case law in their own jurisdiction, then current inconsistencies between jurisdictions in applying the EPC provisions could remain.

## Prior National Law and Prior User Rights

With respect to the prior use principle, the UPC Agreement also provides for a specific source of law.

Under the prior use principle a person who was using, possessed or was engaged in the preparation of an invention prior to the filing date of a patent cannot be accused of infringement and therefore can continue using the invention even after the patent is granted.

Thus, the prior right sets a limitation to the exclusive rights of the patentee in favour of the prior user. Article 30 of the TRIPS Agreement provides for the possibility for states to introduce exceptions to the exclusive rights of the patentee under certain conditions, and today the majority of the Member States provides for a prior user right within their national legislation. Although the Unitary Patent Regulation makes no reference to the prior user right, the UPC Agreement does.

Prior user rights will, pursuant to Article 28 of the UPC Agreement, be

governed by national law. Anyone who would have had prior user rights in a Contracting Member State with regard to a corresponding national patent will enjoy the same rights in that Contracting Member state in respect of a European patent or a European patent with unitary effect for the same invention.

<sup>1</sup> Case C-10/61, *Commission v Italy* [1962] ECR 1, 23; Case C-235/87, *Matteucci* [1988] ECR 5589.

<sup>2</sup> Article 19(1) TEU

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## Procedural Characteristics of trials before the Unified Patent Court

**On 19 October 2015, by adopting the rules of procedure, the Preparatory Committee for the Unified Patent Court reached an important milestone towards the final definition of the Unified Patent Court's parameters. The rules of procedure shed light on the characteristics of the trials that may be held in two instances before the Unified Patent Court. The rules of procedure represent a balanced mixture of concepts from a variety of national regimes and provide a unified set of rules for a complex patent litigation.**

### Introduction

The definite features of the procedural characteristics of trials held before the Unified Patent Court (the "**UPC**") have only recently been defined. On 19 October 2015, six years after the adoption of the initial draft, the Preparatory Committee for the UPC (the "**Preparatory Committee**") adopted

## Key Issues

Important Sources of EU Patent Law:

- the Union law (including EU Regulations 1257/2012 and 1260/2012);
- the UPC Agreement;
- the Convention on the Grant of European Patents (the "**EPC**");
- other international agreements applicable to patents and binding on all the Contracting Member States; and
- national law.

the rules of procedure for the UPC (the "**Rules of Procedure**"). This is deemed to be an important milestone, which certainly adds to clearer definition of the UPC's parameters. The Rules of Procedure have been subject to rigorous review and thorough discussion by both the legal department of the Preparatory Committee and external stakeholders. Once the Preparatory Committee has decided on the amounts of the UPC court fees, the text will represent the final version.

The UPC will accommodate two instances, the Court of First Instance with its central division in Paris and with other regional divisions, and the Court of Appeal with its sole seat in Luxembourg. Luxembourg will also be the seat of the UPC's registry (the "**Registry**").

The Rules of Procedure are divided into six major parts. Preceded by the preamble and the rules on application and interpretation, the respective parts are: Procedure before the Court of First Instance; Evidence; Provisional Measures; Procedure before the Court of Appeal; General Provisions; and Fees and Legal Aid.

The various actions that can be brought before the UPC encompass infringement actions, revocation actions, actions for the declaration of non-infringement, actions for appropriate compensation, and actions to annul or alter a decision granting a patent. The actions may be filed either electronically or in person. The applicant may also lodge an application for the obtaining of provisional and protective measures and injunctions. The proceedings before the Court of First Instance consist of an interim procedure and an oral hearing and may be followed by the appellate proceedings.

Under certain circumstances the UPC's decisions and orders may be enforced outside of the signatories'

territories. In this respect, the Rules of Procedure introduce the concept of asset-based jurisdiction which notably strengthens the position of patentees in cross-border enforcement of their intellectual property rights before the UPC. Provided that the case has a sufficiently relevant connection to a European Union Member State and the property of the defendant is located in the territory of the European Union, the UPC will have jurisdiction to hear and rule on patent infringement disputes involving damages both inside and outside of the European Union.

### Provisional Measures

Before or after the main proceedings on the merits have commenced, a party may lodge an application for a provisional measure. The UPC will have the power to order, among other things, the preservation or production of evidence, the inspection of premises, the granting of an injunction against an alleged infringer or any intermediary, or the seizure or delivery of products that are suspected of infringing a patent. A party against which a protective measure may be lodged is entitled to file a "protective letter" with the Registry in its defence. By filing the protective letters, respec-

tive parties may effectively object to the application for the provisional measure before it is lodged. This may be particularly useful when the respective party does not expect to have sufficient time in which to object to the provisional measure once the application has been lodged.

Before or after the main proceedings on the merits have commenced, a party may lodge an application for a provisional measure. The UPC will have the power to order, among other things, the preservation or production of evidence, the inspection of premises, the granting of an injunction against an alleged infringer or any intermediary, or the seizure or delivery of products that are suspected of infringing a patent. A party against which a protective measure may be lodged is entitled to file a "protective letter" with the Registry in its defence. By the filing protective letters, respective parties may effectively object to the application for the provisional measure before it is lodged. This may be particularly useful when the respective party does not expect to have sufficient time in which to object to the provisional measure once the application has been lodged.

### Interim Procedure

## Key Issues

- The Preparatory Committee of the Unified Patent Court adopted the 18<sup>th</sup> draft of the rules of procedure which constitute the final draft, subject to the determination of court fees.
- The cases brought before the Unified Patent Court may be tried in two instances. The first instance proceedings will be composed of a written part, an interim procedure and an oral hearing; the aim is to complete the oral hearing within one day.
- The parties may file for a variety of provisional measures. At the same time, a party anticipating a provisional measure to be filed against it may lodge a protective letter in its defence.

Once the action has been properly filed, the UPC will commence with the interim procedure. Firstly, an assigned judge rapporteur will make all necessary preparations for an oral hearing. The judge rapporteur has the power to order the parties to provide clarifications, produce evidence, or answer specific questions. In the case of non-compliance with such orders, the court may impose a penalty of a value which must reflect the importance of such orders. The Rules of Procedure do not contain any cap in this respect.

Furthermore, in the case the judge rapporteur deems it is appropriate, the court may hold one or more interim conferences with the parties in order to identify the main issues, establish a schedule, or explore the possibility of a settlement. No cross examination of witnesses may be conducted during the interim conferences. The Rules of Procedure impose an obligation on the Court of First Instance to finalize the interim procedure within three months after the initial pleading is properly submitted.

### Oral Hearing

The Rules of Procedure set out the ambitious aim of completing the oral hearing within one day. In general, the oral hearing will consist of the parties' oral submissions and also, if so ordered during the interim procedure, the hearing of witnesses and experts. Upon request, the court may adjourn the hearing if a party is not able to attend.

After the closure of the oral hearing, the court will decide on the merits at its earliest convenience and will endeavour to issue the decision in writing within six weeks. In exceptional cases, the decision may be issued immediately at the end of the oral hearing, followed by the provision of

the reasoning at a subsequent date.

### Damages and Compensation

With respect to damages and compensation, the determination of the respective amount may constitute part of the decision on the merits or it may be subject to separate proceedings. In the case of the latter, the successful party must lodge an application within a year from the delivery of the final decision on the merits. The applicant may also file a request to "lay open books"; this imposes a duty on another party to disclose particular documents relating to turnover and to profits generated by the infringing products or regarding the extent of the infringing process and any other document that concerns the infringement which may be relevant for the calculation of damages.

### Appellate Proceedings

A party to the first instance proceedings may appeal against the final decision to the Court of Appeal. An appeal may also be brought against specific orders, such as freezing orders (i.e. orders for retention) or orders to produce evidence. The UPC may also grant the "leave to appeal" any decision that it deems suitable for an appeal. Even if the Court of First Instance decides to divide the first instance proceedings into infringement and validity proceedings, the appellant may petition against these two separate decisions in a single appeal.

The appellate proceedings will not be strictly limited to points of law and parties may present new evidence. However, the Court of Appeal should take into account whether the party seeking to lodge new submissions is able to provide justification for the fact that the submissions could not have been reasonably made earlier, and it may disregard new facts or evidence

that were not introduced in the first instance proceedings.

The Court of Appeal may exercise any power that the Court of First Instance has or, in exceptional circumstances, refer the case back to the Court of First Instance for a decision or retrial.

### Conclusions

Although the 18<sup>th</sup> draft of the UPC's adopted Rules of Procedure is still subject to amendments regarding court fees, it represents a major breakthrough and success resulting from the joint cooperation of the Preparatory Committee and external experts. The adoption of the Rules of Procedure provides the UPC with yet more clarity on its parameters.

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