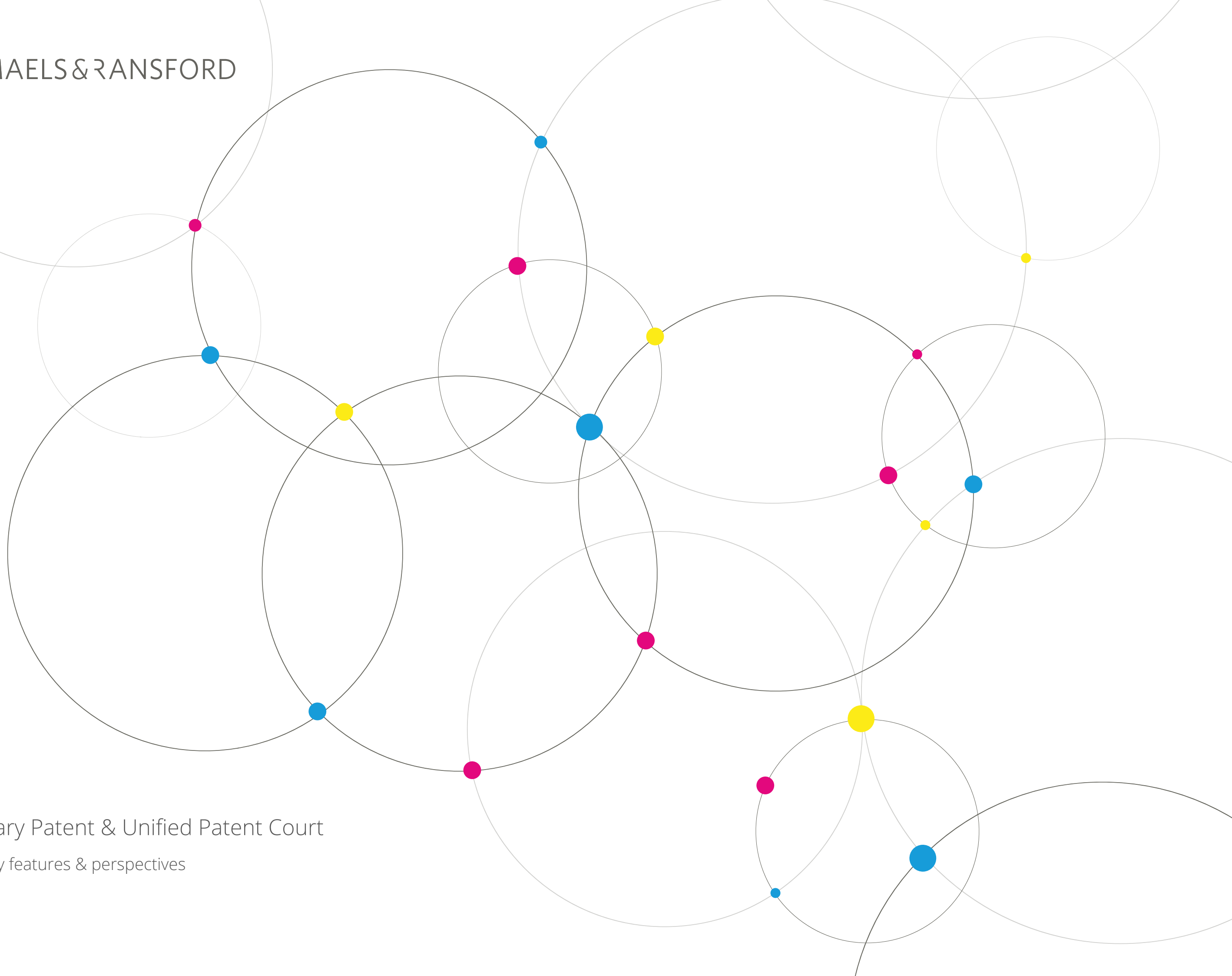


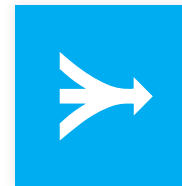
The Unitary Patent & Unified Patent Court

Guide to key features & perspectives

2022



Overview



Europe's new patent system should now come into force by late 2022 or early in 2023

There are two parts to this new system:

1. the Unitary Patent (UP) and
2. the Unified Patent Court (UPC).

A "sunrise period" for filing opt outs from the UPC's jurisdiction will start three to four months before the system takes effect, and will therefore start in only a few months' time.

Separate transitional provisions at the EPO mean that requests for UPs will also be available in only a few months' time. That means almost all pending patent applications at the EPO have the potential to become UPs.

We are prepared for the UPC, and ready to assist and represent our clients every step of the way.

Timing for the start of the new system

The Unified Patent Court (UPC) has now entered the provisional application, or soft-start, phase following the ratification of the agreements by a sufficient number of participating Member States. This means parts of the UPC Agreement have come into force ahead of the new court becoming fully operational.

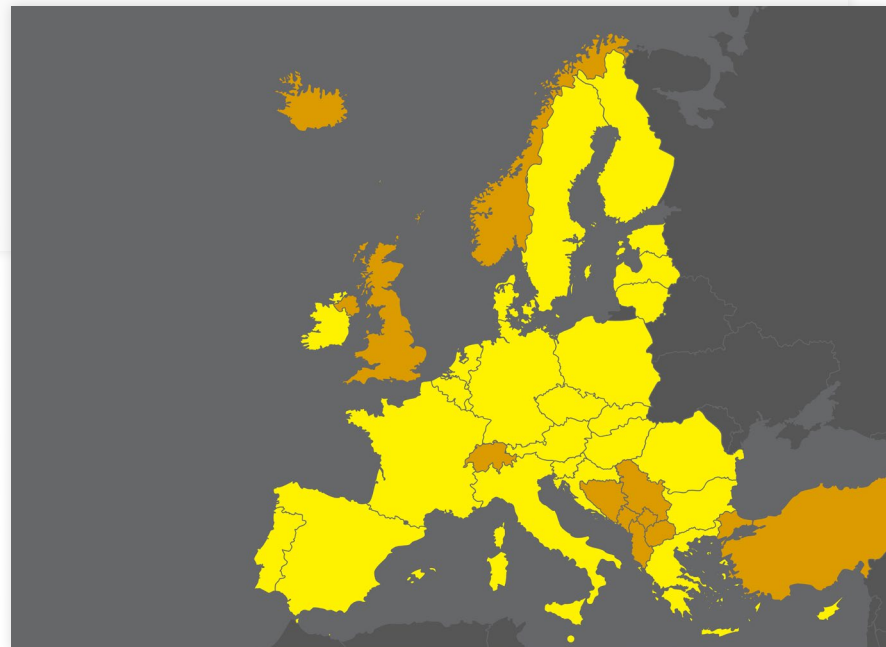
The court might be operational as soon as September 2022, but more delays are also possible, and some commentators suggest that early 2023 is a more likely start date. In any case, patentees will need to be ready for the opt-out process sometime in the next few months, by around the Summer of 2022.

The current environment

The European Patent Convention (EPC) provides a legal framework for the centralised grant and opposition of European patents by and before the European Patent Office (EPO) for 38 Contracting States (the 27 Member States of the European Union (EU), plus 11 non-EU states).

On grant, the European patent (EP) splits into a bundle of national patents. The national patents are individually validated (typically with translations required), and individual renewal fees are payable.

The national patents are individually enforceable, or subject to revocation in each jurisdiction. Thus, if a patentee wants to bring infringement proceedings in multiple jurisdictions, it is required to litigate multiple national patents.



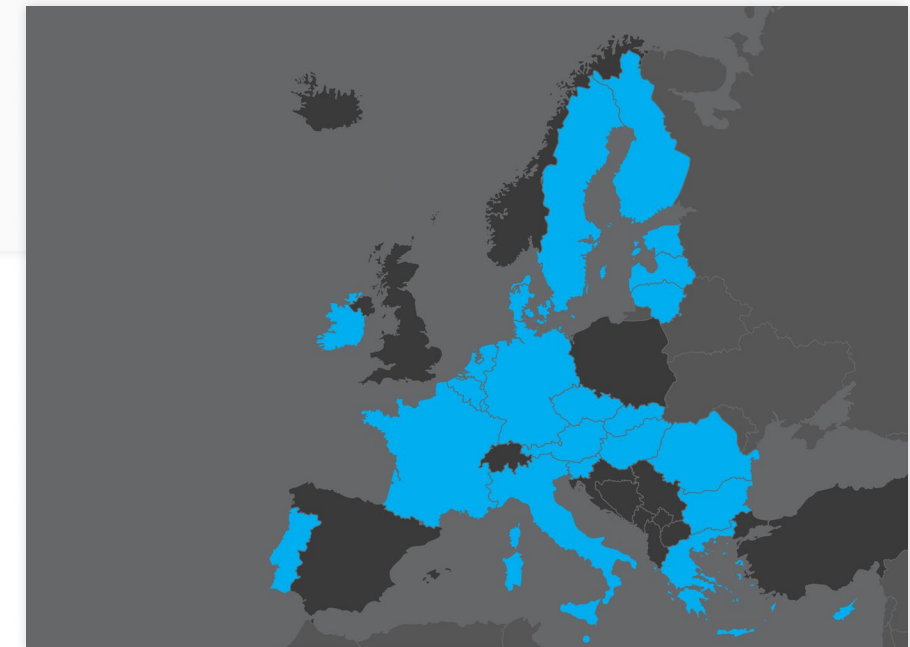
The future environment

The Unitary Patent (UP)

A UP has unitary effect across all participating Member States of the EU. The participating Member States currently comprise 24 of the 27 EU states, excluding Spain, Poland and Croatia. UPs will initially cover only those participating Member States that have ratified the Agreement when it comes into force. The number of countries covered by UPs will likely increase over time as more participating Member States ratify. The territorial scope of each UP will be fixed on grant, and will be limited for the lifetime of the UP to only participating Member States that have ratified the Agreement when the UP grants. Thus, UPs obtained later after more countries have ratified will cover more countries than the first UPs. Although it will be granted by the EPO, the scope of a UP is currently limited to EPC-contracting states that are within the EU. The UP will therefore not cover contracting states of the EPC that are not within the EU, such as Turkey and Switzerland. Although the UK has left the EU so also falls into this category,

Carpmaels & Ransford will still be able to obtain UPs for its clients.

The UP is an alternative to existing EPs, and EPs will remain available from the EPO. For example, EPs for non-UP states can be used in combination with a UP to achieve coverage outside the UP system. Although the UK will not be covered by a UP, validation of EPs in the UK is relatively simple and cheap. The UP may significantly reduce costs for patentees (via a reduced translation burden and a single renewal fee) and will, via the UPC, provide central enforcement across the participating Member States. However, a UP is also vulnerable to central revocation across the participating Member States.



The future environment

The Unified Patent Court (UPC)

The UPC will have exclusive jurisdiction over UPs and, (after the end of the transition period discussed below), EPs granted by the EPO, including those already granted. The Court's rulings will be enforceable across all of the participating Member States. Its powers will extend to revoking UPs and EPs across all of those states.

However, during an initial transitional period of at least seven years, EPs will be subject to a dual jurisdiction of the UPC and the national courts of the designated Member States. There is also the possibility to opt EPs out of the UPC's jurisdiction during this period (such opt out being effective for the life of the patent). Irrespective of the opt out, the UPC will have no jurisdiction over national patents, patents in non-EU Member States (e.g. the UK, Switzerland and Turkey) and EPs validated in non-participating EU states (Spain, Poland and Croatia).

One significant benefit of the UPC for a patentee is central enforcement. However, this is balanced against the significant risk of central revocation.

Central enforcement or revocation of a patent will result in a single set of costs for wide territorial coverage. This may provide a significant advantage relative to the current system where each patent of the bundle of national patents needs to be litigated, providing a set of costs and, potentially, a set of different outcomes.

There will be fixed court fees at each major stage e.g. for infringement, a counterclaim, a determination of damages, and appeal.

What decisions do you need to take?



Existing European patents

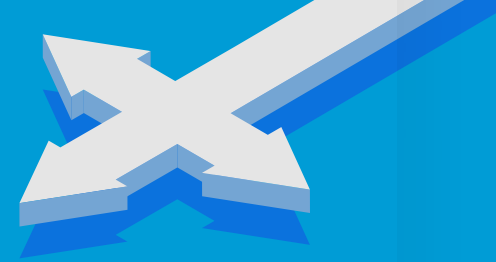
For EP patents already granted before the system comes into force, a UP will not be available. For these patents, the critical question is whether to opt out of the UPC's competence on a case-by-case basis. A decision should be made before the system comes into effect.

If the EP is opted out, the entire bundle of national patents that comprise the EP will remain in the current system where national courts have competence over each of the bundle of national patents, each of which is individually enforceable or subject to revocation. By opting out, the patentee thereby avoids the risk of central revocation in all of the participating Member States which have ratified the Agreement. However, it will still be possible to withdraw the opt out if national court proceedings have not already been initiated and the transitional period is still pending. Withdrawing the opt out will place the patent back within the UPC's jurisdiction, so that the patentee can commence central infringement proceedings. It may therefore seem attractive to opt out an EP as a matter of course and to consider withdrawing the opt out when enforcement is being considered. Once an opt out has been withdrawn, it is not possible to opt back out again.

However, a risk of opting out of the new system is that a competitor may "pin" the EP outside of the UPC system by commencing litigation in a national court (e.g. a national revocation action) – pan-EU enforcement via the UPC will then not be possible. If an EP is not opted out, it will automatically be within the competence of the UPC and, during the transitional period, the competence of the national courts also. Providing no national litigation has been started, the patentee therefore has the option of where to litigate the patent (i.e. via a national court or via the UPC), including central infringement proceedings via the UPC. However, the patentee also risks central revocation. Moreover, if a patent has not been opted out, a third party can prevent an opt out by starting an action in the UPC.

There are a number of reasons why users may prefer to remain within the competence of the UPC. For example, if the patent is unlikely to be challenged, if the patent is likely to be licensed rather than litigated, or if there is confidence in the validity of the patent.

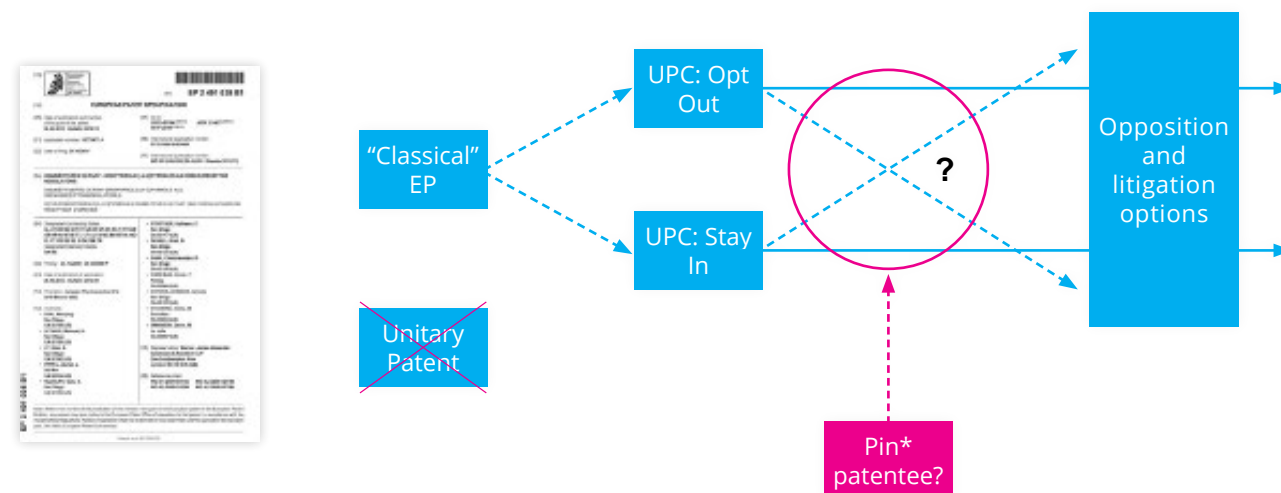
What decisions do you need to take?



The election to opt out European bundle patents should be made during a “sunrise period” which will begin some months before the UPC opens its doors for business. This “sunrise period” is currently expected to provide a minimum of 3 months for patent holders to register opt outs before the UPC Agreement comes into force. If the patentee delays the decision until the UPC has come into existence, opt out will not be available if a competitor has already commenced proceedings in the UPC – the patentee will have to defend the patent at the UPC.

Owing to the various factors that need to be considered in deciding whether to opt out, it is recommended that patent owners begin the assessment of whether they wish to opt out before the system comes into effect.

If you would like to discuss your opt out options in more detail, or assistance with any opt out analysis projects, please contact your usual Carpmiels contact.



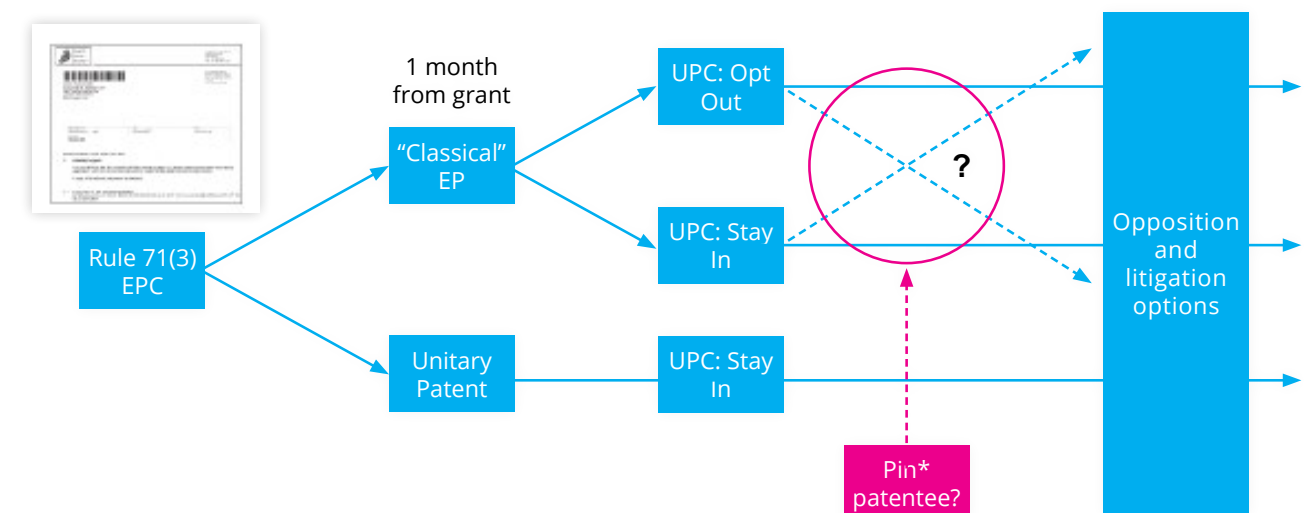
* The term “pin” is used to refer to the situation in which the patentee is locked into its decision to opt-out or to stay in the UPC by a third party starting an action. For example, if you have not opted out of the UPC, a third party could commence proceedings for central revocation in the UPC, compelling you to defend the patent in the UPC and preventing you from opting out.

Future European patents

The decision as to whether to choose a UP or an EP will need to be made after the intention to grant under Rule 71(3) is issued, but can be delayed until a period of one month has passed following grant of an EP application. During a “sunrise” period of at least three months before the start of the UP system, applicants will be able to request that grant is delayed until after the start of the UP system, to allow a UP to be obtained. The request for delayed grant will need to be filed after the intention to grant has been issued but before (or on the same day as) the approval of the text intended for grant is filed.

If an EP is chosen, the further choice of whether to opt the EP out of the UPC’s competence should also be made, preferably before the EP is granted to avoid the risk of being “pinned” into the UPC system by an action being started shortly after the EP is granted.

A combination of EP and UP may be needed if a UP is chosen, if protection is required for countries which are not part of the UP landscape, i.e. EU countries not participating in the UP or non-EU states which are contracting states of the EPC.



National patents

National patents will also remain available, and can be filed alongside a UP (subject to double patenting provisions). Indeed, in certain situations, national patent protection may be preferable over pan-European protection, for example where protection is sought in a few states only.

However, assuming the patentee wants to file in a number of states, it is unlikely that national patents only will be a realistic filing strategy to avoid the UPC, mostly for reasons of expense. Furthermore, the national route will be more burdensome to administer than a single EP, and there will be different timings for national phase entry, differences in local procedure and substantive law, and in some countries poor or non-existent examination.

Finally, by the time it is no longer possible to opt out of the UPC, the national route may not be available and, if it is available, may anyway not be any different to the UPC (since national case law is likely to have substantially converged with UPC law).

Timing and effects of Brexit

For the UPC to come into force, a number of EU Member States were required to approve an administrative update (the Protocol on the Provisional Application of the UPC Agreement) to enable a soft-start period before the court opens its doors. Austria was the last EU Member State to approve the Protocol following ratification by Germany and Slovenia, so the UPC entered the provisional application phase in January 2022. This means parts of the UPC Agreement have come into force ahead of the new court becoming fully operational.

The provisional application period could last as little as eight months and will allow staff and judges to be recruited and the underlying systems to be made ready for the new court.

Once the Preparatory Committee considers that the system is ready to start, Germany will formally deposit its instrument of ratification. This will mark the start of the “sunrise” period for filing opt outs and for filing requests with the EPO to delay grant to obtain a UP. The court will become operational at the end of the “sunrise” period, which at its earliest, will be on the first day of the fourth month after Germany deposits its instrument of ratification.

The court might be operational as soon as September 2022 and the “sunrise” period could start as soon as May 2022, but of course more delays are also possible and some commentators suggest that early 2023 is a more likely start date for the court. In any event, it seems likely that patentees will need to be ready for the opt-out process sometime in the next few months, ie, by Summer 2022.

Once the new court becomes operational, it will start hearing disputes regarding patents granted by the EPO (unless those patents have been opted out) and the EPO will start granting UPs.

We at Carpmaels are prepared for the UP and UPC. We will be able to obtain UPs and file UPC opt outs on behalf of our clients. Patent applications filed at the EPO will still cover the UK and will be litigated in the UK national courts as usual.

The UK has left the EU and so the UK will not be involved in the UP or the UPC. The UK's exit from the EU does not affect our ability to file and prosecute European patent applications, obtain normal European patents, obtain UPs or litigate in the UPC.

We suggest that all clients should prepare for the arrival of the UP and UPC now, with a view to being ready to use UPs and make UPC opt out decisions when the system arrives, which could be sometime between September 2022 and January 2023.

Decision factor – UPC

During an initial transitional period, it will be possible to opt EPs out of the UPC's jurisdiction

The UPC will have jurisdiction covering both existing EPs that are not opted out of the system and UPs. After the end of the transitional period, it will no longer be possible to opt EPs out of the system and the UPC will have jurisdiction over patents granted by the EPO (EPs and UPs) in those EPC-contracting States that are part of the UPC.

In situations where patents cover valuable products, the threat of infringement is in a few major markets whose courts are experienced in patent litigation, and where the budget is not a constraint, we anticipate that patentees will be likely to opt out their patents to litigate in familiar courts with (relatively) predictable outcomes. The country-by-country approach will ensure patents are not exposed to central revocation in an untested court.

Furthermore, for certain products, it may be possible to obtain an injunction in one Member State, which may effectively bring to a halt infringement in other countries (e.g. depending on the infringer's manufacturing or distribution arrangements). The infringement proceedings may be cheaper and more predictable in that one market, than via untested and potentially expensive UPC proceedings, making the traditional national court litigation route more appealing.

However, where the threat of infringement is outside the usual established major markets (e.g. outside Germany, France, The Netherlands and Italy), the patentee may well consider the UPC as an attractive option, since confidence in an untested UPC may be greater than current confidence in a national court.

Although the UPC is an untested court, we can expect at least some influence on the UPC from participating judges from the established patent litigation countries. Furthermore, by litigating in the UPC, it will be possible to avoid country-specific national law peculiarities such as the negative approach to dosage regimen patents in France.

A big attraction of the UPC for a patentee, is the possibility of pan-European preliminary injunctions and final injunctions, where it will be possible to close down the market across all of the UPC participating EU Member States in one sitting. It will also be possible to apply to obtain declaratory relief of various forms.

There is an obvious cost driver for carrying out pan-EU enforcement of a single patent via a single court. This is likely to be significantly cheaper than litigating the “same” patent numerous times in various different national courts, and much faster (with the court's target timeline, from start to first instance judgment, of 12 months). Of course, this advantage will need to be balanced against the risk of a single central knock-out blow that a UPC revocation action could bring; bear in mind also the spectre of opposition at the EPO, which will remain even in the post UPC environment.

A UP or non-opted-out EP will be at risk of being revoked in all UPC countries at any time, compared to an EP opted out of the UPC, where different jurisdictions might decide each case differently. Reducing the possibility of pan-European revocation at one sitting is probably the most compelling reason for opting your patent out of the UPC. The question of whether you want your patent to be in the UPC is one that must be considered for both existing EP patents granted before the system comes into effect, as well pending applications which may grant thereafter.

Decision factor – costs

The UP will reduce translation costs

Under the current system for EPs, the majority of the costs of obtaining protection in Europe are incurred after grant, because it is necessary to “validate” EPs in each of the EPC states where protection is desired. This validation procedure typically involves the payment of fees to the national patent offices and preparation of translations into the official languages of the relevant EPC states. Separate annual renewal fees are also payable to the national patent offices in order to keep the patent in force in the relevant territories. The UP will provide users with two potential cost-saving measures in this regard:

- 1. During an initial transitional period of at least six years, it will only be necessary to provide a translation of a granted European patent into one other EU official language in order to bring a UP into effect in all of the participating EU Member States. After the transitional period, it will not be necessary for any translations to be provided to bring a UP into effect. For users who currently validate their EPs in a wide range of countries, the reduced translation burden will provide a significant cost saving if the UP is used instead of, or for those countries not covered by the UP alongside, the EP system.
- 2. The UP will attract only a single annual renewal fee, payable to the EPO. Payment of the single fee will be sufficient to keep the UP in force in all of the participating EU countries. For users who currently require pan-European patent protection, the single UP renewal fee will provide further significant cost savings.

Decision factor – costs

The UP will attract a single renewal fee

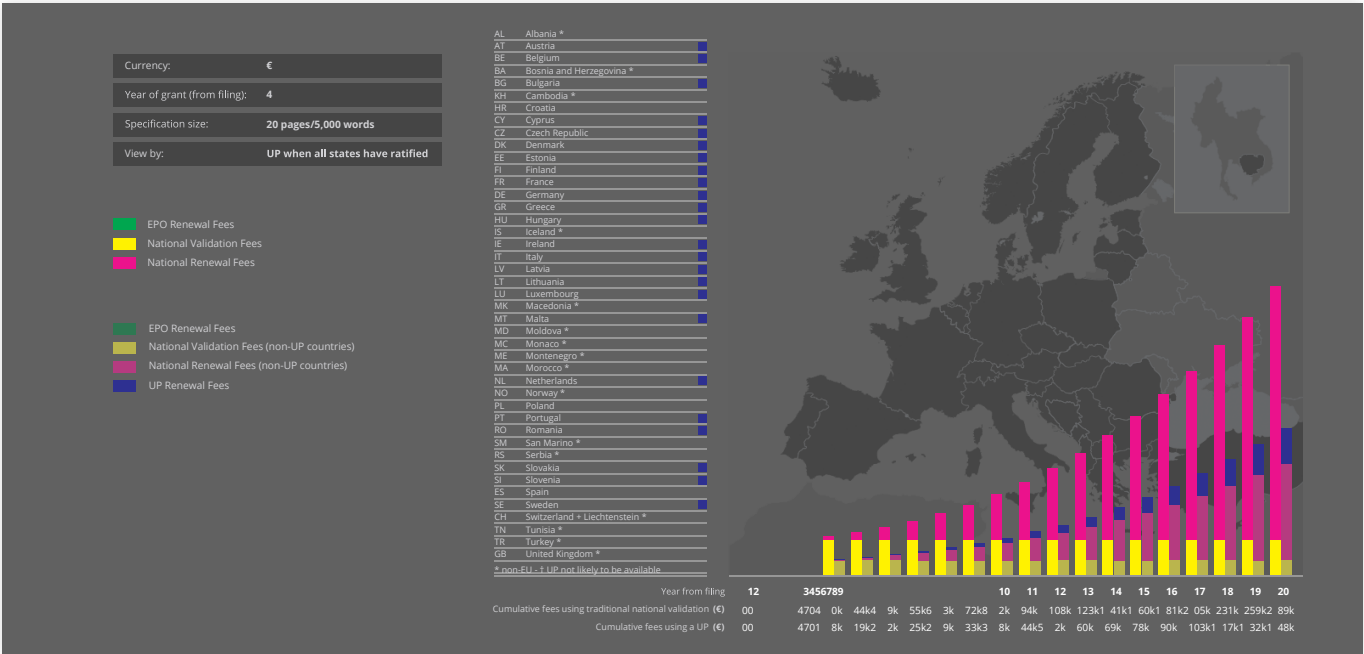
The UP could provide very significant savings (perhaps as high as 80%) in the cumulative lifetime cost of protection in all of the participating EU Member States compared to the same protection provided by an EP. Below, the chart shows the cumulative year-by-year costs for:

- the renewal and validation fees for an EP validated in all 38 contracting states of the EPC (left hand bars); versus
- the cumulative year-by-year costs for the renewal and validation fees for a combination of a UP for the 24 participating EU states and an EP for the 15 remaining states not covered by the UP (right hand bars).

Applicants seeking protection in only three or four EU countries will not find a significant cost benefit via a UP. For example, for coverage in three states, an EP validated in those three states will have cheaper

total renewal fees than a UP. Furthermore, if the EP is usually validated in states which are party to the London Agreement (e.g. France, Germany, and Belgium), the burden of translating the patent into one other EU official language will naturally be an additional expense incurred by the UP option (during the transition period), which would not otherwise be required.

On the other hand, a UP may present the opportunity to extend geographical coverage at a relatively modest marginal cost compared with the current regime. For these reasons (among others), it may be that different sectors (e.g. pharmaceuticals, consumer, and medtech) embrace the UP/UPC system with varying degrees of enthusiasm. A further factor for users to bear in mind is the “all or nothing” nature of maintenance of a UP. A single renewal fee means that it will not be possible to save costs towards the end of patent term by limiting geographical coverage of a UP by non-renewal in certain countries.



Decision factor – Special features of UPs

Tied to the UPC

A potential knock on effect of the “all or nothing” nature of maintenance of a UP, is what will happen if, for some reason, a renewal fee is missed post grant. We understand that the standard for restoration of a UP will be the usual “all due care” test applied at the EPO, which is generally harsher than many national patent offices. If a UP is chosen and something goes wrong post grant, there could be a situation where the UP lapses in its entirety, where certain states of an EP would have remained pending.

Aside from the cost considerations, users need to be aware that the choice of the UP automatically carries with it the choice of the UPC; all UPs will be subject to the exclusive jurisdiction of the new court and there is no possibility of opting out of the UPC if a UP is chosen. The benefits and risks of participation in the UPC should therefore be borne in mind in any decision regarding whether or not to choose the UP as an alternative to the EP.

Finally, lapse, revocation, limitation, surrender or transfer of a UP will only be possible in respect of all states.



What should you do before the new system comes into effect?

- Review your patent portfolio.
- Determine which patents confer exclusivity for your products and processes, and the value of those products to the company.
- Determine whether any patents are co-owned and, if so, whether the co-ownership agreement covers staying in/opting out of the new system.
- Review current licences to consider how staying in/opting out will affect the licences and whether they are suitable for the new system.
- Consider whether, and in which jurisdictions, current or past patents have been litigated.
- Consider future products and their market.
- Plan your budget to be able to factor costs into your decision of whether to choose a UP or an EP.
- Review your template patent licences and co-ownership agreements and update them as necessary to address UP/UPC-related issues.

Litigation Perspectives

The UPC offers a number of new opportunities for both patentees and other litigants

What the UPC offers

A particular attraction of litigating in the new system is that a patentee can seek enforcement (including a preliminary injunction) in all participating Member States through a single action in one court system, and likewise, a defendant can deal with all freedom to operate issues arising from a given patent in all participating Member States in a single forum with one counterclaim or revocation action. At present, the only mechanism for central revocation of a patent is via an EPO opposition, which is only available for a nine-month period following grant. After the opposition period has expired, a litigant has no option but to commence revocation actions in multiple national courts.

The UPC offers the same procedure, whether it be at the Central, Regional or Local Division or the Court of Appeal. The emphasis of the procedure will be on written submissions, with a one-day hearing. However, there will be discretion in procedural matters, for example with respect to bifurcation, document production, or use of witnesses and experts.

The UPC should offer a reasonably rapid decision on a case, with 12 months from commencing proceedings to judgment being the target.

Finally, since there is one set of proceedings (rather than multiple national proceedings as for an existing EP or an opted out EP during the transitional period), only one set of costs will be incurred.

[The Agreement on a Unified Patent Court](#)¹ (the "Agreement") signed on 19 February 2013 will come into effect once it has been ratified by 13 states, including France and Germany. The agreement will replace, for EPs, the current framework of national patent litigation with a single patent court system across all 24 participating Member States². Procedure throughout the UPC will be governed by the Rules of Procedure (the "UPC Rules"), now in their [18th draft](#).³ The UPC Rules incorporate a blend of elements from existing European common law and civil law patent litigation systems. The result is a hybrid system, which will incorporate features familiar to IP practitioners both in the UK and mainland Europe.

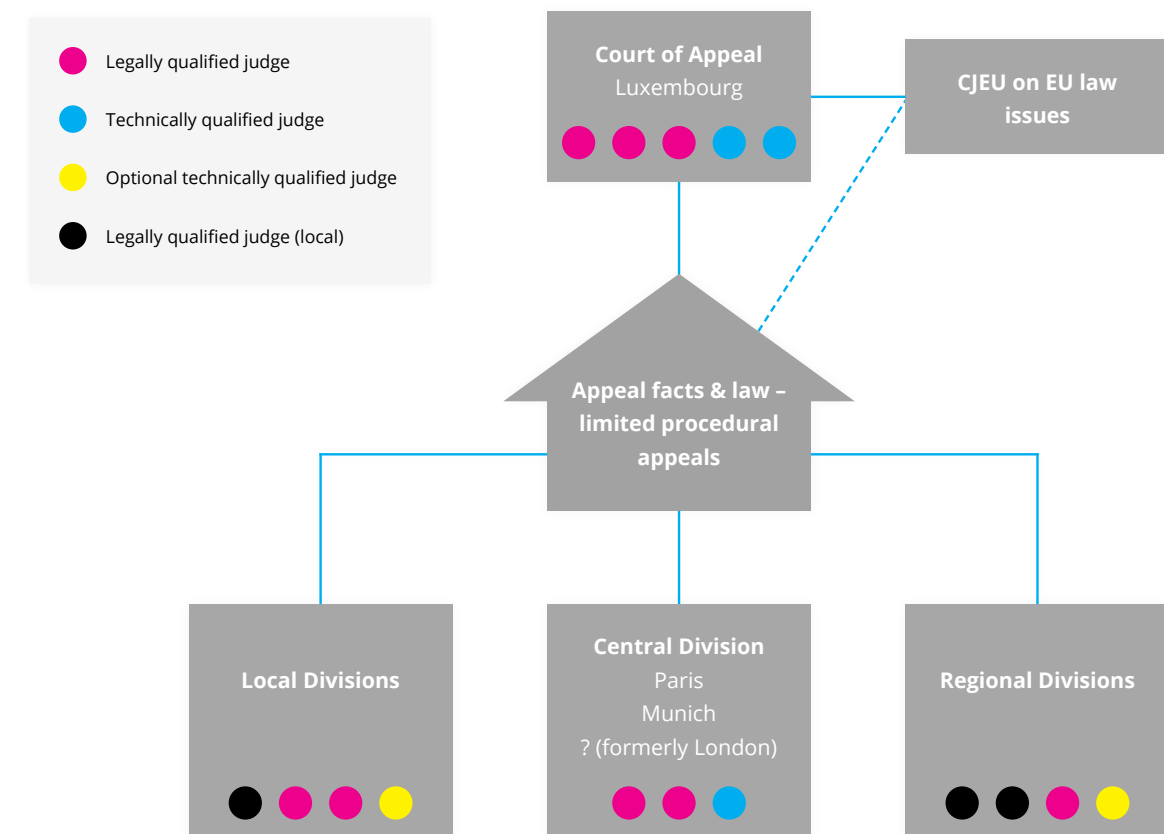
The new system will offer significant advantages for rights holders and those potentially affected by those rights alike, providing a cost-effective and efficient mechanism for patents to be enforced or revoked across the whole UPC territory in a single action, thus reducing costs and providing earlier commercial certainty across Europe for businesses. Contrast this to the present system, where patentees seeking to enforce their rights must litigate country-by-country using different systems with different timescales.

Of course, as seasoned litigators will appreciate, these new features are all very well, but equally the existing system of national litigation offers many strategic advantages of its own, depending upon the exact scenarios at hand.

¹ eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF

² The UPC will have no jurisdiction over non-EU states which are contracting states of the EPC, such as the UK, Turkey or Switzerland, or over EU states which have not signed up to the UPC, currently Spain, Poland and Croatia.

³ www.unified-patent-court.org/images/documents/UPC-Rules-of-Procedure.pdf



Court Structure

The UPC will be comprised of the Court of First Instance, divided into Central, Local and Regional Divisions, with appeals heard by a Court of Appeal in Luxembourg. The UPC will also have a Court Registry, also based in Luxembourg. In addition, the existing Court of Justice for the European Union ("CJEU") will have limited jurisdiction to hear questions on EU law referred by the Court of First Instance or the Court of Appeal. The UPC Rules set out a single procedure to be followed for all actions, whether before a Central, Regional or Local Division or the Court of Appeal.

The UPC will be composed of groups of legally and technically qualified judges. The compositions of the various divisions are shown in the diagram above. The Court of First Instance will be made up of the Central Division (with its main branch in Paris, a branch in Munich and a further branch (formerly to be based in London, however its new location has not been finalised and is unlikely to be finalised before the court opens) and Local Divisions, covering individual contracting states, and Regional Divisions, covering two or more contracting states.

* For Local Divisions, the panel composition for the legally qualified judges varies, depending on the average number of cases commenced in that division in the preceding 3 years: for Local Divisions handling fewer than 50 cases per annum, it is 1 local and 2 non-national judges, and for those hearing 50+ cases per annum, it is 1 non-national and 2 local judges



A Regional Division may be an attractive prospect to a group of participating states which do not wish to have their own Local Divisions (which they would have to fund). Sweden, Estonia, Latvia and Lithuania have announced that they intend to form a Nordic-Baltic Regional Division, and other possible such Divisions being discussed at present include Romania, Bulgaria, Cyprus and Greece; and the Czech Republic and Slovakia.

All Divisions (be they Local, Regional or the Central Division) will have the power to make pan-European decisions covering all participating Member States with respect to a patent being litigated before them.

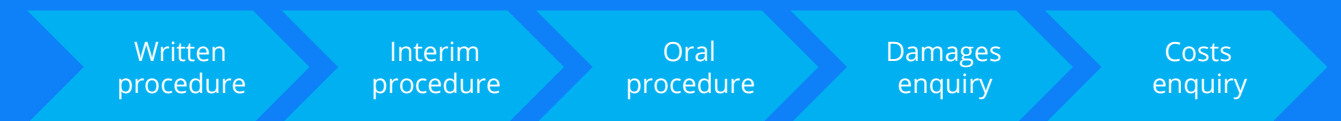
Infringement cases will be heard at the Local or Regional Division where the infringement occurred, or the Local or Regional Division where the Defendant (or one of them) is resident, or the Central Division if the Defendant is domiciled outside the EU.

For revocation proceedings or declarations of non-infringement, the cases will be heard at the Central Division, or the Division where existing infringement proceedings are pending if applicable. The Registry will be based at the Court of Appeal in Luxembourg and shall keep a public register of all cases before the Court. In addition, the Registry shall play an active role in case management, including checking that statements of case have complied with all necessary requirements and if they do not, the Registry will ask the relevant party to make the necessary corrections.

Parties can also request that their case be heard by any particular Division by mutual agreement.

Language

The UPC offers a flexible language regime. The language of the proceedings in the Central Division will be the language in which the UP was granted (regardless of whether the case is heard in Paris or Munich). For proceedings in the Local and Regional Divisions, the official language of the participating state or the designated regional language will apply. However, the Local or Regional Division may designate the language of the patent or an EPO language (e.g. the language of the so-called Nordic-Baltic Regional Division mentioned above will be English), or the parties can request that the case be heard in the language of the patent.



Bifurcation & forum shopping

The UPC Rules allow parties some degree of choice as to venue.

As set out above, the general rule is that infringement actions will be heard by the Local or Regional Division covering the territory where the infringement occurred, or where the Defendant (or one of them) is resident, or by the Central Division where the Defendant resides outside the EU. Revocation actions and applications for declarations of non-infringement will be dealt with by the Central Division. Parties may also agree between themselves to litigate in any Division, including the Central Division.

The situation becomes more complex where a revocation action is brought (whether as a freestanding action or as a counterclaim) on a patent already subject to infringement proceedings in a Local or Regional Division.

In these cases, the UPC Rules offer the Court a wide discretion as to how to handle parallel infringement and revocation proceedings, or counterclaims. The Local or Regional Division can choose to proceed with both infringement and revocation claims, or to refer both claims to the Central Division, or refer only the revocation case to the Central Division, and either stay or proceed with the infringement case in the Local or Regional Division.

The Central Division has similar options available to it where revocation proceedings have been commenced in the Central Division, and an infringement claim is later brought in a Local or Regional Division.

The effect of these rules is to allow for infringement and validity proceedings to be bifurcated, since most infringement proceedings will be brought before a Local or Regional Division, but freestanding revocation actions must be brought before the Central Division. Given the differing compositions of the various Divisions, and the potential for different Divisions to adopt their own approaches to interpreting UPC procedure and rules, it is possible that there may be disparity between decisions from different Divisions. However, it is hoped that any such disparities would be mitigated by the multi-national composition of first instance panels, as well as by the single Court of Appeal, which will hear appeals of fact and law across all Divisions, and should therefore harmonise decisions across the UPC, even if this will take some time to play out.

There is therefore some potential for patentees and potential infringers to make strategic forum choices. However, the UPC Rules do have some provisions designed to reduce the impact of such decisions. First, infringement cases must be stayed where the patent is currently under attack in the Central Division and the alleged infringer can show that there is a high likelihood that the relevant claims will be held invalid. Second, where an infringement action has not been stayed, the Central Division must accelerate the revocation action.



Written procedure

The UPC Rules set out a five-stage process for claims at First Instance. The first three stages deal with the liability phase, culminating in a one-day oral hearing. There are optional fourth and fifth stages dealing with damages and costs respectively. The aim is for the court to be able to complete the trial within 12 months from proceedings being commenced. Whether this happens remains to be seen, and will surely be dependent on the extent to which the system is used once it opens its doors.

There is heavy emphasis on written procedure, with parties bringing both infringement and revocation actions obliged to set out their case in detail in written pleadings at an early stage of proceedings. For infringement actions, pleadings must include details of the nature of the claim, the facts relied upon, including the allegedly infringing acts and the claims alleged to be infringed, legal arguments, and the remedies sought. For revocation actions, pleadings must include the extent of revocation sought, the grounds for revocation (including legal arguments and proposed construction), and any facts relied on. The parties in both types of action will also need to support their respective cases with whatever is the available and appropriate evidence (both fact and expert).

It is likely that by compelling parties to set out their case in such detail so early in proceedings, the UPC Rules will encourage early narrowing of issues to be dealt with in the oral procedure and/or early settlement between parties.

Evidence

As set out above, the UPC Rules will require parties to “frontload” their pleadings, setting out their cases in detail, with supporting evidence, early on in the proceedings. A party making a statement of fact which is actually or likely to be contested is obliged to indicate the means of evidence to prove it, and to produce that evidence if it is available to it. A statement of fact not specifically contested by any party shall be held to be true as between the parties.

This is very different to current practice in many European countries, e.g. the UK, where initial pleadings are sparse and unsubstantiated, with disclosure, fact evidence and expert evidence generally prepared and exchanged after pleadings have been settled. However the UPC procedure should allow parties to narrow the issues between them at an early stage, streamlining matters to be dealt with at trial.

In addition to requiring parties making statements of fact effectively to lay their cards on the table up front, the UPC may order another party or third party to produce evidence or information upon receipt of a reasoned request from a requesting party. The UPC will also have the power to make orders to preserve evidence (similar to the French *saisie* procedure), and for inspection of products, devices, methods, premises or local situations in situ. The UPC will be able to hear applications for *saisie* or inspection orders on an *ex parte* basis.

The UPC Rules provide for the UPC to make orders to protect any trade secrets, personal data and confidential information adduced before it, including orders to prevent abuses of evidence, restricting or prohibiting collection and use of evidence, and restricting access to such evidence to specific persons. In addition to parties being obliged to disclose supporting evidence early on in the proceedings, the UPC Rules contain provisions that allow a party to request the Court to order the other party, as well as third parties, to produce evidence and preserve evidence.



As yet there is no clear indication on whether or not the Court will accept product and process descriptions in lieu of providing disclosure documents in response to infringement claims, although this would be within the scope of the Court’s powers.

In addition to written testimony, the UPC may also order that a fact or expert witness gives evidence in person at the oral hearing. The UPC may make such an order of its own volition, where a written statement is challenged by another party, or on an application by a party. Witnesses giving oral evidence may be questioned by the presiding or panel judges, as well as the parties. Fact witness evidence is subject to rules of admissibility.

As is the case in UK proceedings where expert testimony is common, expert witnesses’ primary duty will be to the Court, and they must be independent, objective, and must not act as an advocate for any party to the proceedings. As well as experts appointed by the parties, the Court may also, of its own motion, appoint a Court expert to assist it to resolve a specific technical or other question in relation to the action.

Case Management

It is intended that cases shall be heard within 12 months of filing of the initial statement of case; in practice, we suspect there will be slippage in many cases and for a variety of reasons.

The Rules of Procedure provide for a Registry and active case management by the Court. The Registry shall be a searchable online database for all UPC cases and shall also be responsible for checking that all new actions comply with all necessary requirements. Once the Registry has confirmed that the statements of case comply with all necessary requirements, the case is assigned to a panel, or a single legally-qualified judge, if requested by the parties. The panel will be comprised of a mixture of technically and legally-qualified judges, which shall vary according to the Division hearing the case. Each panel will have one presiding judge (determined according to seniority) and one legally-qualified judge designated as the judge-rapporteur, responsible for case management.

Oral procedure

Oral hearings (trials) are generally expected to be short, lasting one day. The oral hearings will consist of hearing the parties’ oral submissions, hearing of witnesses and experts (if ordered), questions by the judge to the parties or their representatives, and questions to witnesses and experts. The content of parties’ oral submissions will be restricted to issues identified in advance by the judge-rapporteur or presiding judge and may be subject to time limits.

Remedies

The Court has wide powers to impose such measures, procedures and remedies as are laid down in the UPC Agreement and UPC Rules, and may make its orders subject to conditions. The Court has a wide variety of final remedies available to it, including granting freezing orders or seizure of property to prevent assets being removed in circumstances likely to endanger the recovery of damages, granting of permanent injunctions to prevent infringement (including against third party intermediaries facilitating such infringement), orders for delivery up or destruction of infringing goods, revoking or amending a patent (in whole or in part), and awarding damages and costs.

Damages for infringement will not be punitive, will be appropriate to the harm suffered, and will be assessed on the basis of restoring the injured party to the position they would have been in had the infringement not incurred.

Costs decisions may be assessed in a separate hearing, following the decision on the merits. The general rule will be that the losing party shall pay the successful party's reasonable and proportionate legal costs, including court fees, costs of representation, witnesses, experts and other expenses, although the amount of cost recovery will be capped according to a scale linked to the claim value.

Following a successful decision on liability, the Court may make interim damages awards, which shall at least cover the successful party's expected costs of the procedure for the award of damages and compensation.

In addition to final remedies the Court will have power to grant provisional or protective measures, including interim injunctions against suspected infringers or third party intermediaries assisting with suspected infringement, orders for preservation or collection of evidence, and orders for seizure or delivery up of suspected infringing products. Interim orders may be granted on an ex parte basis.

Protective letters (used to pre-empt interim orders being made on an ex parte basis) are permitted under the UPC Rules. If a party wishes to file a protective letter with the Registry it must be filed in the language of the patent and must contain any available written evidence relied on in anticipation of proceedings against it.

What will it cost?

In February 2016, the UPC Preparatory Committee agreed the Rules on Court fees and recoverable costs. The Rules will be subject to some further "legal scrubbing" but they have been published in their current form along with an [Explanatory Note](#)⁴.

In summary, UPC fees will be fixed at such a level as to ensure the right balance between the principles of:

1. fair access to justice, in particular for small and medium-sized enterprises as well as other similar entities; and
2. an adequate contribution of the parties to the costs incurred by the UPC. There will be fixed Court fees payable at each major stage of litigation. Fees to start an action shall consist of a fixed fee, combined with a value-based fee above a pre-defined ceiling.

Under the Rules currently under consideration, a fixed fee of €11,000 will be required to start an action for infringement or to file any infringement counterclaim, as well as an additional value-based fee, based on a scale ranging from no fee for claims valued at up to €500,000 up to a maximum fee of €325,000 for cases valued at over €50,000,000. Revocation actions will attract a fee of €20,000, with no value-based consideration. Finally, a proportion of fees will be reimbursed where actions are withdrawn or settled before the conclusion of the written, interim or oral procedures in the liability phase, which varies depending on the stage at which the case is withdrawn or settled.

A successful party will be entitled to reclaim from the unsuccessful party a significant portion of its costs, again based on a scale but in this case ranging from up to €38,000 for claims valued at up to €250,000 up to a ceiling for recoverable costs of €2 million for cases valued at over €50 million.

⁴ 26 February 2016 - www.unified-patent-court.org/news/upc-court-fees-and-recoverable-costs

EPO oppositions

The EPO opposition procedure will continue to be a valuable tool

The UPC will not apply to non-participating EU Member States and non-EU states which are party to the EPC. By way of example, for the healthcare sector, this may be a significant point, since the UPC will not apply to at least five (UK, Spain, Turkey, Poland and Switzerland) out of the top 10 healthcare spending countries of the EPC. For the pharmaceutical market, the UPC might apply to less than 50% of the value of the EPC healthcare market, or at the maximum 80%.

An EPO opposition will therefore remain a valuable tool for knocking out patents in states in which the UPC will not apply. EPO oppositions can run in parallel with actions brought at the UPC, providing the opponent with two bites of the cherry: a party is not estopped from running the same arguments in both fora, and there is, therefore, the potential for different outcomes.

Moreover, oppositions will continue to cost less than proceedings in the UPC, not least because of the self-funding nature of the UPC and its relatively large court fees; EPO oppositions (which cost €815 in official fees to file) will always remain a cost effective way of knocking out a patent.

Finally, it will be a long time before all EP patentees are forced into the UPC system. For patents which are opted out of the UPC, an opposition will remain the only way of obtaining a multijurisdictional knock-out in one blow.

Transactional Perspectives

The UP will be a potentially valuable addition to European IP portfolios

However, the “all or nothing” nature of the UP brings with it a number of issues from a transactional perspective, as do the transitional provisions regarding existing European patents

Contract laws and the laws of property are not harmonised throughout the EU, and there are important differences (particularly between the common law systems like Ireland and the civil law systems on the continent) when it comes to dealing with patents as objects of property, i.e. objects that can be applied for, bought, sold, licensed, mortgaged etc.

A key advantage of the UP is that whilst it will cover all participating Member States of the EU (currently 24 countries), the property aspects of that patent will be governed by just one national legal system. This means, for example, that rather than assigning 24 national designations of a European patent and needing to comply with 24 different national laws in terms of assignment formalities, a UP could be assigned with one assignment which would be subject to one governing law.

The question is, which governing law will apply? This is addressed in Article 7 of the Unitary Patent Regulation, which designates the national law that applies to a UP as an object of property by reference to the residence or place of business of the applicant as at the filing date. If the applicant does not reside in/have a place of business in a participating member state then German law will apply. Where there are joint applicants, the principal place of business of the joint applicant listed first determines the applicable law.

If, however, that is not in a participating Member State, the principal place of business of the next joint applicant will determine the national law, and so on (defaulting to German law where none of the applicants have a place of business in a participating Member State).

For example, if a company with its principal place of business in France applies for a UP, the property aspects of the granted UP (entitlement, co-ownership, assignment etc.) will be subject to French law. If, however, two US companies apply for a UP and neither of them has a place of business in a participating Member State, German law will apply. Once set, the applicable law will remain the same regardless of any subsequent dealings in the UP – for example, if a Finnish company acquires UPs from a German company which are subject to German law, any subsequent assignment of those UPs by the Finnish company to a new owner will also need to comply with German law requirements.

From a transactional point of view, knowing which national law applies to a UP (based on what appears on the European Patent Register) is of paramount importance – not only could it affect the owner’s entitlement to a patent, but it could also be significant when it comes to issues such as chain of title (i.e. has the UP been properly assigned?) and co-ownership – it is clearly an issue to flag during due diligence. For prospective UPs, applicants should consider what ability they may have to ensure that the most advantageous national law will apply to the UP, for example, by deciding which entity should file the application or, in the case of joint applicants, which applicant should be listed first.

Co-ownership and licensing

With the establishment of the UP and UPC, two important new decisions must be made about conventional European patents and patent applications once the new system comes into effect:

- The first decision is whether to convert a new European patent into a UP.
- The second decision is, having chosen not to convert to a UP (or for pre-existing European patents), whether to opt out the conventional European patent from the exclusive jurisdiction of the UPC, and, if so, whether and when to subsequently withdraw the opt out.

These important new decisions are unlikely to be addressed in existing patent licences or co-ownership agreements. To ensure valuable rights are not inadvertently lost, co-owners as well as licensors and licensees of European patents and patent applications should consider their agreements (existing and future) and consider whether the process and responsibility for taking these decisions is sufficiently clear.



Potential problems

On paper, the registered applicant has sole responsibility for prosecuting a European patent application, including deciding which route to take once a European patent is granted. However, in practice, prosecution is often delegated to a licensee through clauses in the licence agreement. This could lead to a licensee taking decisions regarding UP conversion or staying in or opting out of the UPC that have significant repercussions for the patentee in terms of subsequent enforcement and revocation risks.

Moreover, the type of court in which any infringement proceedings are first brought (i.e. UPC or national court) will tie any future proceedings to the same jurisdiction, meaning that once infringement proceedings have been brought in the UPC, all subsequent infringement proceedings in relation to the same patent must be brought in the UPC.

Under many European jurisdictions, either the proprietor or an exclusive licensee (and possibly a non-exclusive licensee) can begin infringement proceedings. For UPs, exclusive licensees will be entitled to bring infringement actions before the UPC unless the licence agreement provides otherwise (non-exclusive licensees do not have this right, but could be given it in the licence agreement). Where a licensee is permitted to take legal action against infringers, the decision they make in respect of where they bring their claim could dictate the future litigation strategy of the patentee (and/or other licensees) without their involvement or consent.

For co-owners, the new system adds a new layer of complexity to an already complicated legal scenario. As stated above, the property aspects of co-ownership of UPs will be determined by the applicable law of the relevant UP. These vary between the participating Member States, examples of which can be seen in the table on the next page:

Can one co-owner...	Practise the invention without the other's agreement?	License the patent without the other's agreement?	Assign its share of the patent without the other's agreement?	Sue for infringement without the other's agreement?
Germany 	Yes. For its own benefit and provided it does not damage other co-owners. Profits to be shared among co owners in proportion to their shares	No. Consent of all co-owners required for both exclusive and non-exclusive licences	Yes. But disposal of whole patent requires agreement of all co-owners	Yes. But must bring claims for all co-owners
France 	Yes. But must compensate the other non-exploiting owners fairly. Compensation is settled by Court in absence of agreement	Yes & no. Consent of all owners needed for exclusive licences. Non-exclusive licences can be granted without consent, but must notify the others and pay fair compensation to the other non-exploiting owners	Yes. Subject to right of pre-emption by other co-owners for 3 months. Price is fixed by Court in absence of agreement. 1 month from decision of Court is allowed for parties to forego sale or purchase of the co-owner's share	Yes. A co-owner can sue for infringement for its own exclusive benefit but must notify other co-owners

Whilst co-owners⁵ are generally free to agree by contract how each of them can/cannot exploit their rights without cooperation from the other, in the absence of a contractual arrangement, the applicable national law of the UP will apply, meaning that co-owners of a UP may find themselves subject to requirements they had not been anticipating.

Other issues for co-owners relate to decisions over whether or not to convert EPs to UPs and whether EPs that are not converted should be opted out or left in the jurisdiction of the UPC.

All owners (as identified from the EP Register) would need to be party to any such application (made via their “common representative”), so there should be agreement in advance between the co-owners on how these issues should be addressed and decisions made. A co-ownership agreement could be complicated or very simple (e.g. if all decisions are delegated to one of the co-owners with complete freedom to decide), but the key point is that an informed decision should be made.

⁵ AIPPI study on the law governing co-ownership at Question 194 found that among the 41 countries surveyed (which includes at least 14 of the participating member states) the local rules governing co-ownership of IP rights are “not imperative but apply on a purely subsidiary basis, in the absence of conventions between the joint owners” (i.e. co-owners may regulate their ownership by contract and, as a general rule, contract overrides the statutory provisions).

What should I do before the system comes into effect?



Take a moment to review your co-ownership and licensing arrangements for EPs. This may help to ensure that you are not unwittingly forced into an undesirable position by a co-owner, licensee or licensor. Consider your preferred approach or approaches to the following questions and, if necessary, open a dialogue with the parties involved in existing arrangements and adapt templates for future use:

Co-ownership	Licensing
<ul style="list-style-type: none">• If the co-owners are located in different countries, which co-owner should be named first on any patent applications made under the new system (i.e. which applicable law is preferable)?• Have the co-owners agreed on a “common representative” and/or to what extent should one co-owner be allowed to make decisions during prosecution on behalf of all co-owners?• What licensing rights should each co-owner have without requiring the consent of the other co-owners and should any co-owner of a UP be entitled to file statement on a licence of right under Article 8 UPR?• Should licensees be allowed to bring infringement claims?• What issues should the co-owners consider when deciding whether to request the conversion of a European patent to a UP?• What steps should be followed before a co-owner assigns its interest (e.g. consent of the other co-owners, right of first refusal)?• What approach should the co-owners take to opt out – should opt out be requested and, if so, when should the request be made?• What law should govern the contractual relationship between the co-owners and how should disputes be resolved?	<ul style="list-style-type: none">• Does the licence expressly allow the licensee to bring infringement proceedings (or if not, does the licence expressly prevent the licensee from doing so)?• Should a licensee who has been responsible for prosecution of an application also have the power to choose between a unitary and conventional European patent, and whether or not to opt out/stay in the jurisdiction of the UPC?• Should a licensee be given the power to compel a patent holder to withdraw an opt out when bringing infringement proceedings?• Should a licensor, and even a licensor who has delegated responsibility for prosecution, be able to unilaterally opt out a European patent to shelter it from a revocation action at the UPC, without consent from licensees who may not want to use the national courts for infringement proceedings?• How does a licensor balance the interests of one licensee whose preference may be to use a reputable national court (say, Germany) to bring an action for infringement, against the interests of all other licensees who may prefer to select the UPC over smaller national courts where they happen to operate?

Need Advice?

For more information, please contact:



JENNIFER ANTCLIFF
jennifer.antcliff@carpmaels.com



DAVID HOLLAND
david.holland@carpmaels.com

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 email@carpmaels.com

 +44 20 7242 8692

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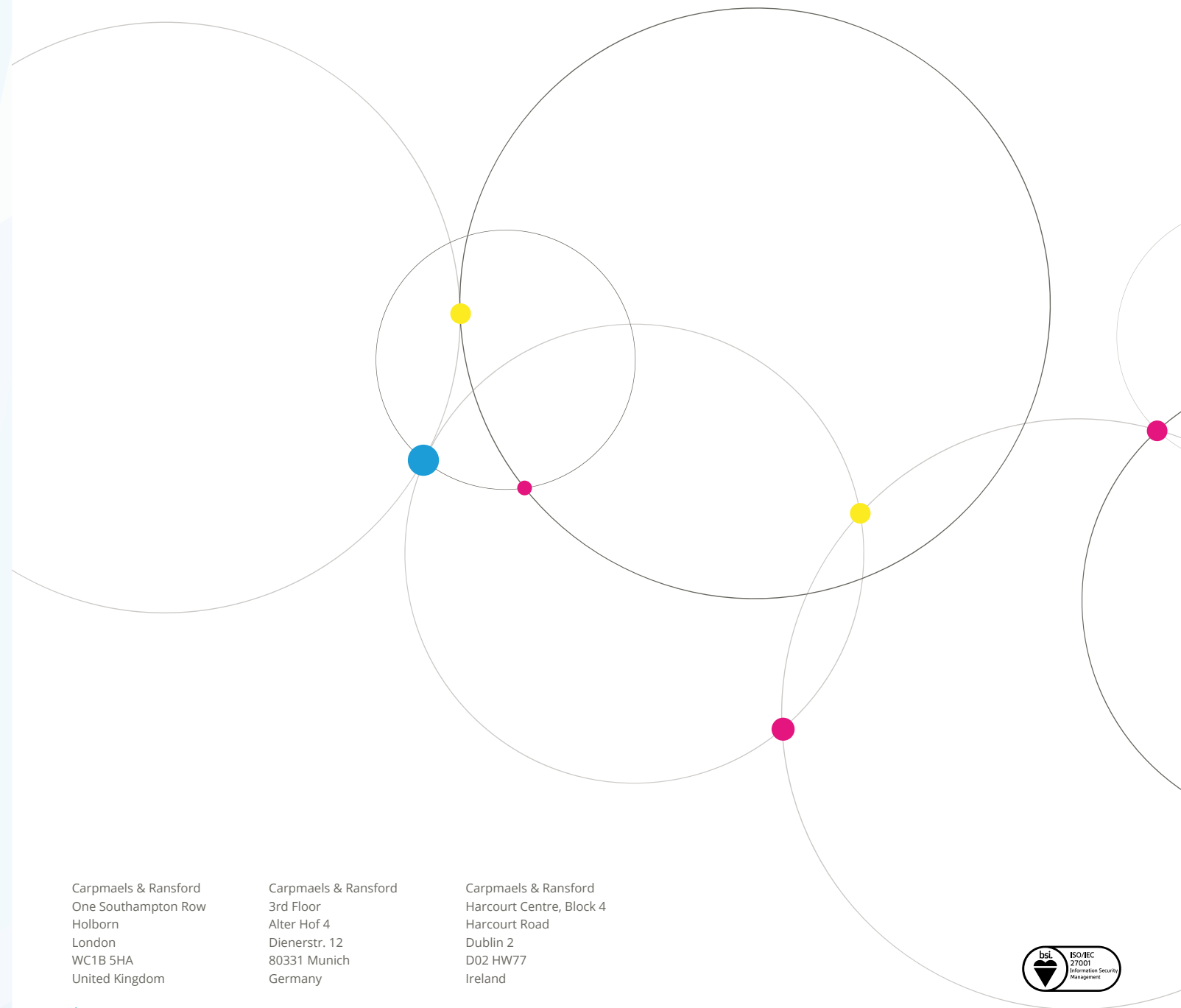
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Carpmaels & Ransford
One Southampton Row
Holborn
London
WC1B 5HA
United Kingdom

Carpmaels & Ransford
3rd Floor
Alter Hof 4
Dienerstr. 12
80331 Munich
Germany

Carpmaels & Ransford
Harcourt Centre, Block 4
Harcourt Road
Dublin 2
D02 HW77
Ireland

+44 20 7242 8692
carpmaels.com



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