

The UPC – An Appraisal*

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The UPC – An Appraisal

- The current problems with national enforcement of European patents
- A history of failure/delay 2000 onwards
- Venice 2006
- The Prospectus
- The “Humps”
- Article 838 Opt-out
 - Jurisdictional opportunities/problems
 - Bifurcation
 - Languages
 - Fees
 - CMS

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The current problems with national enforcement of European patents

European Patent Convention

- The European “Bundle”
- Single granting procedure but complex and expensive local validation procedures and great complexity and cost in the event of major asset acquisitions, corporate restructurings and licensing programmes
- Most significantly national enforcement required
- No common appeal court to ensure harmonisation of substantive law

There are significant variations in procedure

- Bifurcation in Germany, Austria, Hungary etc.

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The current problems with national enforcement of European patents – continued

- Effect of EPO Oppositions on stays in infringement proceedings:
 - Germany usually will stay main proceedings and dismiss preliminary injunction requests
 - Holland will not normally grant a stay
 - UK may stay but will depend on the facts – relative timing is the critical factor
- Extent of document production (“discovery” or “disclosure”)

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The current problems with national enforcement of European patents – continued

- “Saisie” in France and Belgium (infringer’s documents only) **and inspection/document production in Germany** pursuant to the Enforcement Directive vs “disclosure” in UK (obligation on all parties to disclose relevant documents)
- Use of witnesses and party experts with cross-examination:
 - Always in UK
 - Virtually unknown in Germany, **and most civil law countries**
- Is attorney-client privilege available before national courts? Some national courts say yes; some no. Most national courts do not extend privilege to in-house lawyers or patent agents (attorneys). This creates problems where litigation exists in other jurisdictions outside Europe.
- The nature of the appeal procedure:
 - In the UK and other common law countries this is a review of the law as applied to the facts as found at first instance. New evidence is extremely rare.
 - In Germany, Holland and other civil law countries the process is a full re-hearing with the likelihood of new or additional evidence.

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The current problems with national enforcement of European patents – continued

- Significant variations in the speed of proceedings:
 - UK and Holland: 6-12 months to decision
 - Germany
 - Infringement: 6-12 months to decision in infringement proceedings (**main proceedings**) plus increasingly preliminary injunctions granted but
 - Validity: 15-36 months in separate bifurcated Federal Patent Court proceedings
 - France: 2-3 years to decision
 - Italy: 3+ years to decision

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The current problems with national enforcement of European patents – continued

- When will interlocutory (provisional relief) be granted?
 - In UK only necessary to show an “arguable case” on the merits. The balance of economic inconvenience is the key issue
 - In Germany it is necessary for the patentee to demonstrate a case on the merits so clearly that a contrary decision cannot be expected

- There are different applications of the principles of law relating to infringement:
 - In Germany no issue estoppel. Not in Article 69 EPC or the Protocol but there will be applied a formal doctrine of equivalents
 - In Holland issue estoppel will always be considered and also equivalents
 - In UK issue estoppel may (with some judicial reluctance) be considered but “purposive construction” eliminates the need for a separate consideration of equivalents.

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The current problems with national enforcement of European patents – continued

- In the case of second medical use claims there are differences as to whether an alleged infringer infringes on the basis of direct or indirect infringement. (Warner Lambert -v- Actavis)

Result of all this

- Significant variations in outcome = business uncertainty
- Significant variations in costs and huge costs if enforcement is needed in a number of major jurisdictions
- And most significantly of all, no common appeal court to create harmony.

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A Brief History

- December 1975 – First Community Patent Convention
Never ratified (Denmark and Ireland)
- March 2000 – EU summit in Lisbon proposes new Community Patent and litigation system
- March 2002 to April 2007 – Failure to progress (language issues)

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A Brief History

- November 2006 – 2nd Venice Resolution
- June 2007 – Dr Froehlinger commences “bottom up” discussions in Munich and formation of lawyers/judges advisory group
- June 2008 – Commission launches new draft proposal – essentially current scheme
- Autumn 2009 – Reference of draft Agreement to CJEU – Compatible?
- March 2011 – Not compatible!
- May 2011 – Proposal for treaty excluding EU itself and non-EU states

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A Brief History

- May 2011 – June 2012 – Political deadlock over location of Central Division and Articles 6-8
- February 2012 – Formation of drafting Committee for Rules of Procedure
- June 2012 – Deadlock over Central Division broken by compromise
- December 2012 – Regulations creating the Unitary Patent adopted
- 19 February 2013 – Agreement signed
- October 2015 – 18th Draft of the Rules of Procedure adopted
- “Provisional application” commences – September 2016?
- Start date – “Early 2017”?

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The Venice Principles – November 2006

- Confine procedural steps to those necessary for a fair decision in accordance with the European Convention on Human Rights
- Deal with litigation in ways which are proportionate to its importance and complexity
- Ensure that parties put their best case forward as soon as possible – amendments and extensions require good cause
- Proceedings shall be open to the public unless it is necessary to keep all or part confidential in the interests of the parties or otherwise of justice or public order
- Ensure where possible a first instance decision within one year and an appeal within one further year

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The Venice Principles – November 2006 (continued)

- Proceedings should comprise three phases; a written pleading phase, an interim phase and an oral hearing phase
- The written phase should require the parties to state their full cases in detail
- The interim phase should be managed by a Judge-rapporteur with the widest case management powers
- At the oral phase cross-examination should be available but limited to what is necessary
- Damages should be dealt with at a later separate hearing
- Appeals should be decided on the basis of evidence at first instance. New evidence should only be allowed in exceptional circumstances

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What is offered by the UPC and the Unitary Patent

- Single Unitary Patent effective throughout 26 of the EU Member States
 - The “True Top4” approach is economically attractive at least to some sectors particularly if Spain later joins enhanced co-operation.
- For **patentees** enforcement of the Unitary Patent or the European bundle through a single court system in most EU countries
 - Same procedure everywhere
 - Experienced judges everywhere and a technical judge in most cases
 - Common appeal court ensures harmonisation
 - One set of proceedings, one set of costs
 - Widest possible privilege for lawyers and patent attorneys
 - Speed – 12 months – to judgement in principle
- For **defendants**, removal of all threats in the EU with one counterclaim (in an infringement action) or a revocation action

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Overview of Structure of Proceedings

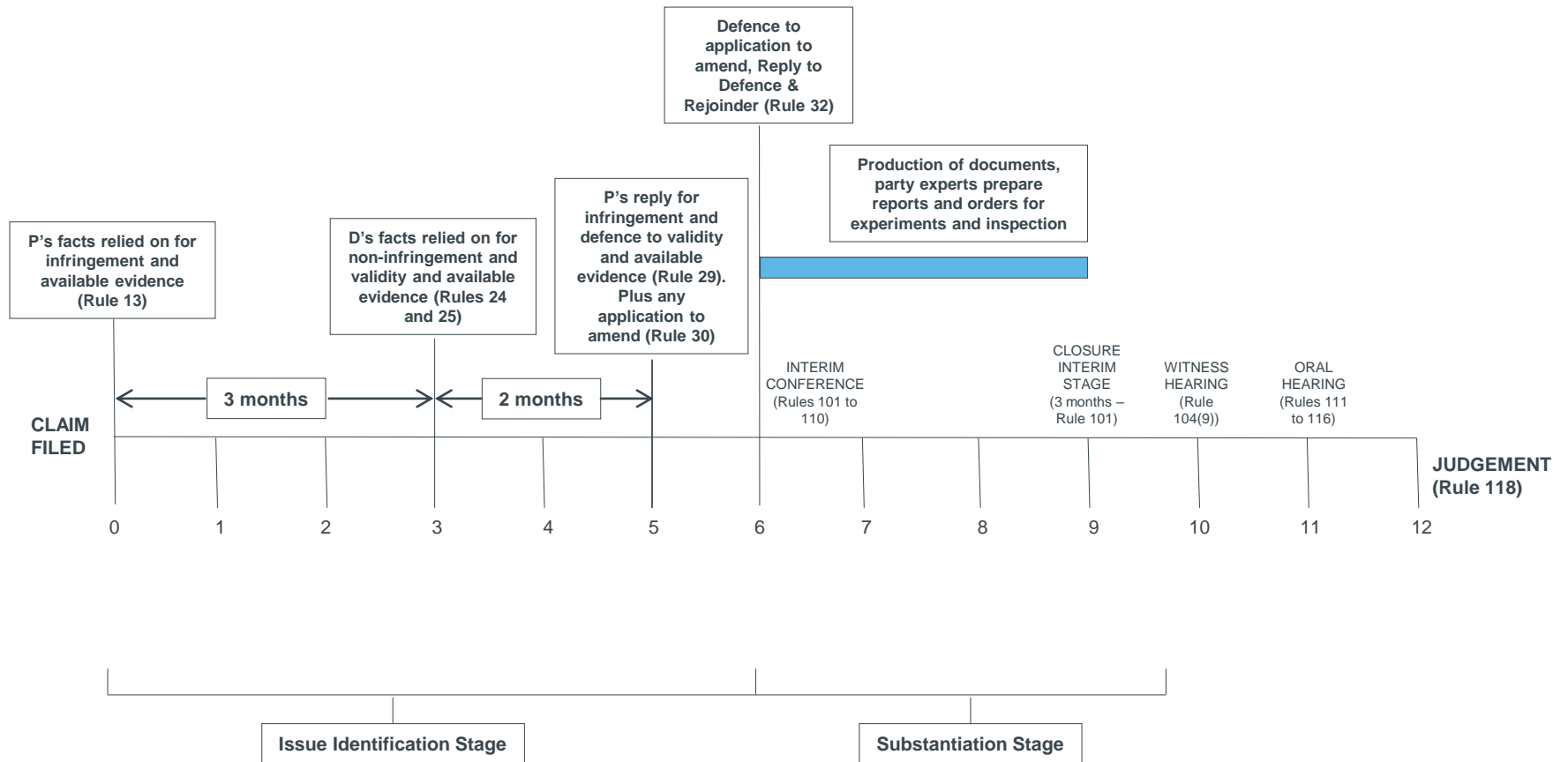
- Written Procedure
 - Statement of claim
 - Full facts, evidence (if available) and arguments, including construction
 - Defence/Counterclaim
 - 3 months after Statement of Claim
 - Reply, Rejoinder, Amendment of patent
 - Total – six months

- Interim procedure
 - Documents, directions re evidence (experts, experiments etc.)
 - Typically three months

- Oral Procedure
 - Possibility of separate witness hearing
 - Trial – one day
 - Judgment within 6 weeks
 - Representation
 - “Lawyer”
 - “Patent Attorneys”

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Patent Litigation in Europe and the New Unified Patent Court



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Appeals

- Appeals as of right:
 - final decisions of CFI
 - decisions terminating proceedings against one party
 - decisions re provisional measures

- Not a re-hearing – limited possibility for new evidence / submissions
 - only if “highly relevant” and
 - could not reasonably have been made before CFI

- Procedural appeals only with leave of “the Court”

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Jurisdiction of the UPC

■ Transitional Provisions

Article 83 UPC Agreement

- 1) During a transitional period of seven years after the date of entry into force of this 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 still be brought before national Courts or other competent authorities
- 2) An action pending before a national Court at the end of the transitional period shall not be affected by the expiry of this period

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Jurisdiction of the UPC Transitional Provisions (continued)

- 3) Unless an action has already been brought before the Court, a proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period under paragraph 1 and, where applicable, paragraph 5, as well as a holder of a supplementary protection certificate issued for a product protected by a European patent, shall have the possibility to opt out **from the exclusive competence of the Court**. To this end they shall notify their opt-out to the Registry by the latest one month before expiry of the transitional period. The opt-out shall take effect upon its entry into the register
- 4) Unless an action has already been brought before a national Court, proprietors of or applicants for European patents or holders of supplementary protection certificates issued for a product protected by a European patent who made use of the opt-out in accordance with paragraph 3 shall be entitled to withdraw their opt-out at any moment. In this event they shall notify the Registry accordingly. The withdrawal of the opt-out shall take effect upon its entry into the register

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Article 83 UPC Agreement - Issues

■ Summary

- Article 32(1) UPCA - Court has “exclusive competence” for “actions” (a) to (i)
EXCEPT
- Article 83(1) – Transitional period of 7 years for national actions “for an action for infringement or for declaration of invalidity” of a European patent or SPC
- Article 83(3) – The opt-out possibility “from the exclusive competence of the Court” if an action has not already been brought before the UPC

■ “Purist theory” of the Drafting Committee but

■ Note the following amendments to Brussels Regulation No 1215/2012 by Regulation No 542/2014

- Article 71 a provides that the UPC is deemed to be a Court of a Member State
- New Article 71c (expressly applying Articles 29-32 of the Regulation to the UPC - the lis alibi pendens rules)

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Article 83 UPC Agreement – Issue I

- What national “actions” are permitted pursuant to Art 83(1) – what about counterclaims for revocation or declarations of non-infringement or provisional measures? Better view is that Art 83(1) is sloppy drafting and intended to cover all Article 32 actions except an Article 32(1)(i) action (appeal from EPO refusing unitary effect)
- What is the effect of Art 83(1) national “actions”?

Will any action in any national court in respect of a non-opted out EP oust the UPC jurisdiction – in all countries (the “purist approach”)?

- Irrespective of the parties?
- Irrespective of whether concluded or not?
- Even if commenced before the UPCA comes into effect?
- Even if the action is for provisional measures?

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Article 83 UPC Agreement – Issue I (continued)

- The application of the lis alibi pendens rules of Brussels Regulation as interpreted by the CJEU (ECJ, C-104/02 – The Tatry) suggests the blocking effect applies only to the territory of the national court in question and only to the same action between same parties (see Article 29 Brussels Regulation) and ends with termination of proceedings, subject to res judicata. This opens up many jurisdictional opportunities/problems, (see later).
- Article 83 UPC Agreement – Issue II
- If a national infringement action is commenced pursuant to Art 83(1) or after an opt-out what law is applied by the national court – national law (Interpretive Note of the Preparatory Committee) or Articles 25 to 29 of UPCA? Opinion is still divided on this.

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Issue II – (Continued)

- Jurisdictional possibilities/problems following amendments to the Brussels Regulation
 - Infringement action in UPC will block both an infringement action in the national court and a declaration of non-infringement
 - but only between the same parties
 - and only in respect of the particular infringing acts in that jurisdiction
 - Action for revocation in UPC will not block an infringement action in a national court but (probably) will block a counterclaim for revocation in that infringement action
 - Infringement action in UPC will not block subsequent national revocation action but note Article 30 Brussels Regulation (stay in case of related proceedings)
 - Infringement action first in national court will not block an infringement action in UPC for all other states (“the Swiss cheese principle”) – again note Article 30.
 - Revocation action in the UK will not prevent infringement action in UPC for all states but (probably) a counterclaim cannot be made for UK designation

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Issue II – (continued)

- Provisional measure and the Brussels Regulation
 - Does Article 35 of the Brussels Regulation (“provisional measures in a national court”) apply to a non-opted out European patent even if there is a pre-existing UPC infringement action. Article 35 seems to apply if UPC is a court of a Contracting Member State for all purposes of the Regulation

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Issue III

- What is the meaning of opting out from the “exclusive competence” of the UPC pursuant to Art 83(3)? Does this leave a non-exclusive competence with the UPC?
- Better view is that there is no residual non-exclusive jurisdiction – otherwise there is no difference between Art. 83(3) and Art. 83(1) but if a party attempts a parallel UPC action (e.g. revocation in the Central Division in response to a national action for infringement), which court will decide the competence issue – the national court with possible reference to CJEU under Brussels Regulation or the UPC as this involves interpretation of the UPC Agreement

Issue IV

- Is Article 83(3) limited to the transitional period for opt-outs or is an opt-out effective for the life of the patent and for all designations and SPCs unless withdrawn (the “purist approach”). All seem to agree that this aspect of the purist approach is correct

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Issue V – Practical problems with the Opt-out

- Who is the “proprietor”? - the person entitled to be registered.
- All proprietors, applicants and holders of SPCs must be listed with names and addresses and a mistake will render the opt-out ineffective – all mistakes? What about malicious entries?
- The opt-out covers all validations in all Member States who have ratified at the date of application. What about late ratification?

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How common will bifurcation be?

- Continuation of national German etc. traditions?
 - But now there is an option not to bifurcate
- Competition between divisions to attract business?
- Decision on bifurcation is normally made only after closure of written pleadings on infringement AND validity
 - Courts may prefer to decide validity rather than simply consider how the Central division will decide it in context of whether to stay infringement proceedings
- Reasons must be given for a decision to bifurcate with the possibility of a procedural appeal.
- May be need for ground rules from the Court of Appeal as to when bifurcation may be advantageous

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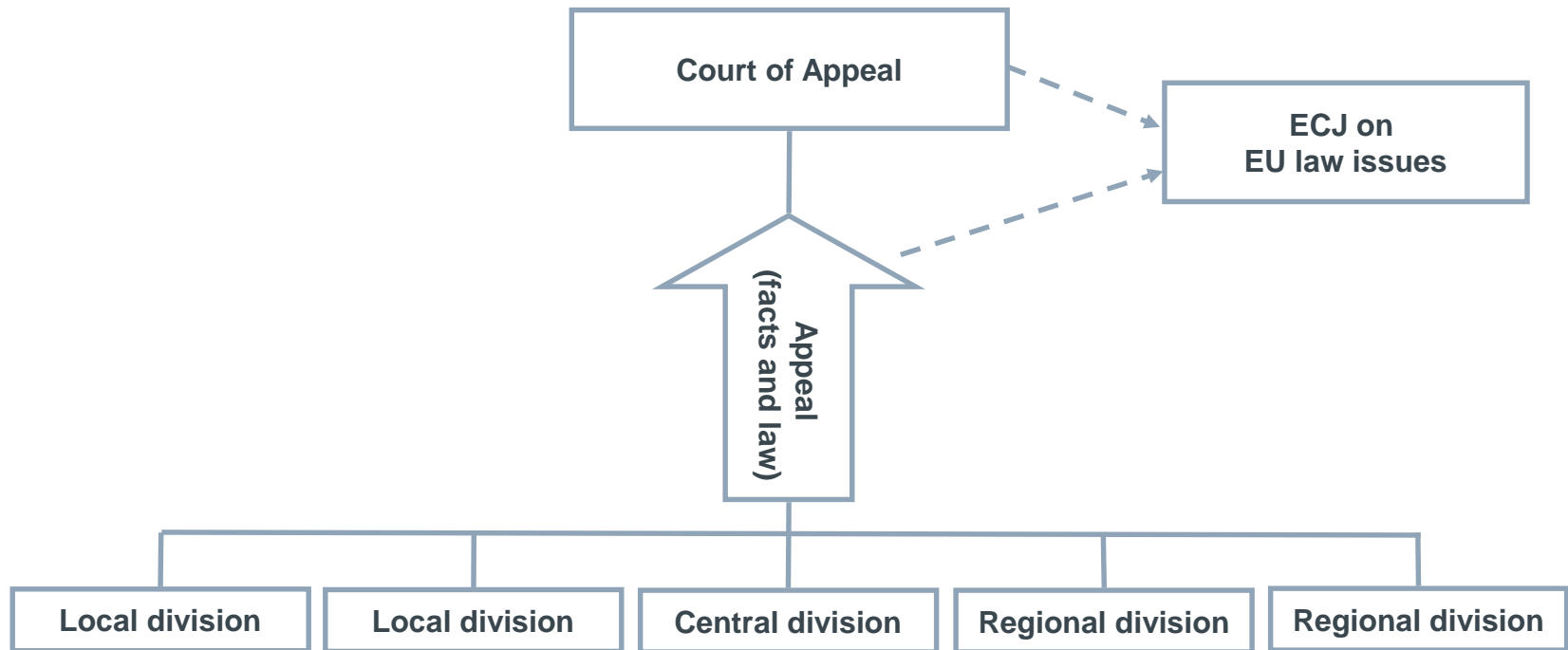
Concerns re bifurcation and safeguards

- Ability of patentee to argue different claim constructions
 - But will already have pleaded validity and infringement in the infringement action

- Risk of decision on infringement before validity i.e. injunction gap
 - Accelerated proceedings in validity case (Rule 40(b))

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Unified Patent Court: Structure and languages



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Language(s): The current position

- Local divisions (language(s))
 - Italy (Italian and English), England and Wales (English), The Netherlands (Dutch and English), France (French and English), German x 4 (German and English), Belgium (Dutch, French, German and English), Finland (Finnish, Swedish and English), Denmark (Danish and English), Ireland (English) and Austria (German and English)
- Suspected Regional Divisions (languages(s))
 - Romania, Bulgaria, Cyprus and Greece (all official languages plus French and English?)
 - Sweden, Estonia, Latvia and Lithuania (English only)
 - Czech Republic and Slovakia (official languages plus English?)
 - Slovenia and Hungary? (languages?)
- No participation in either a local or regional division
 - Malta and Luxembourg – results in donation of jurisdiction to the Central Division (language of grant)
- Undecided
 - Poland (has not yet signed Agreement), Portugal, Scotland (possible local division – English?)

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The language of proceedings – Article 49UPCA & Rule 14 RofP

■ First Instance

- The official national or regional language(s) of the divisions (Article 49(1))
- But the divisions may designate one or more of the 3 EPO languages as the or as an additional language(s) and most have designated English either as the only language or as an additional language (Article 49(2))
- Where there are alternative languages the claimant chooses – Rule 14 RofP. However a local division which has designated an additional language may reserve the right to allow the court to give judgement in its official language with a certified translation – Rule 14.2(c)
- Note also the Belgian exception – Rule 14.2(b)

■ Central division (all sections)

- The language of grant of the patent

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The language of proceedings – continued

- Court of Appeal
 - The language used by the Court of First Instance; or
 - If parties agree, the language of grant; or
 - “Exceptionally”, Court of Appeal may designate another language with the consent of parties

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Fees – Relevant provisions of the UPCA and rules of Procedure

■ Article 36 UPCA

- The budget is financed by fees and shall be balanced subject to contributions at least in the transitional period
- Fees are fixed by the Administrative Committee from time to time
- Fees.... “shall consist of a fixed fee, combined with a value-based fee above a pre-defined ceiling”
- “Targeted support measures for small and medium-sized enterprises and micro entities MAY be considered”

■ Article 70 UPCA

- Parties to proceedings shall pay court fees in advance subject to the RofP

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Fees - Proposals in the Consultation Document

- Draft Rule 370 Rules of Procedure
 - 7 fixed fees have an additional value-based fee
 - 18 fixed fee only actions
 - Fixed fees start at [80€] for the opt-out and go up to 20,000€ for the revocation
 - Value based fees will cost up to 220,000€ for the most valuable cases (more than 30m€)

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Fees - Proposals in the Consultation Document

- Rule 370.3 – The value-based fee
 - Expert Panel tasked with establishing core Guidelines
 - Core principles in first draft
 - Methodology should be as simple as practically possible;
 - There should be a whole action principle i.e. one value-based fee per action;
 - Where the parties agree the Court should only intervene if value is implausible.

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Fees

■ Guidelines for the calculation of value-based fees

1. Principles tested

- The valuation should relate to the whole action
 - Should there be a further value-based fee for an appeal in addition to fixed fees?
 - Should there be a further value-based fee for the separate damages enquiry? If so should this also be discounted or merely a topping up?
 - Should there be additional value-based fees for each relief sought in addition to damages and an injunction?

2. Basis of calculation for an infringement action

- The royalty calculation seems to be the simplest approach and this should take account of multiple patents and defendants. This calculation applies both to the Court fee and the calculation of the value of the action to determine the relevant cap (ceiling) on recoverable costs:
 - Based upon claimant's current rates or if none

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- The going rate in the sector concerned or if none
 - The rate to be fixed by court
3. The claimant pays the value-based fee according to his own calculation at the commencement of proceedings and this should only be reviewed (at the interim stage) if attacked by the defendant or by the Court if the [value is manifestly unacceptable.]
 4. Counterclaims for revocation and revocation actions
 - The current proposal is a fixed fee (€20,000)
 - In the event of a counterclaim for revocation in an infringement action the defendant shall pay the same value-based fee as for the infringement or €20,000, whichever is the lower.
 5. Declarations for non-infringement
 - A value-based will be paid by the claimant as per the Guidelines

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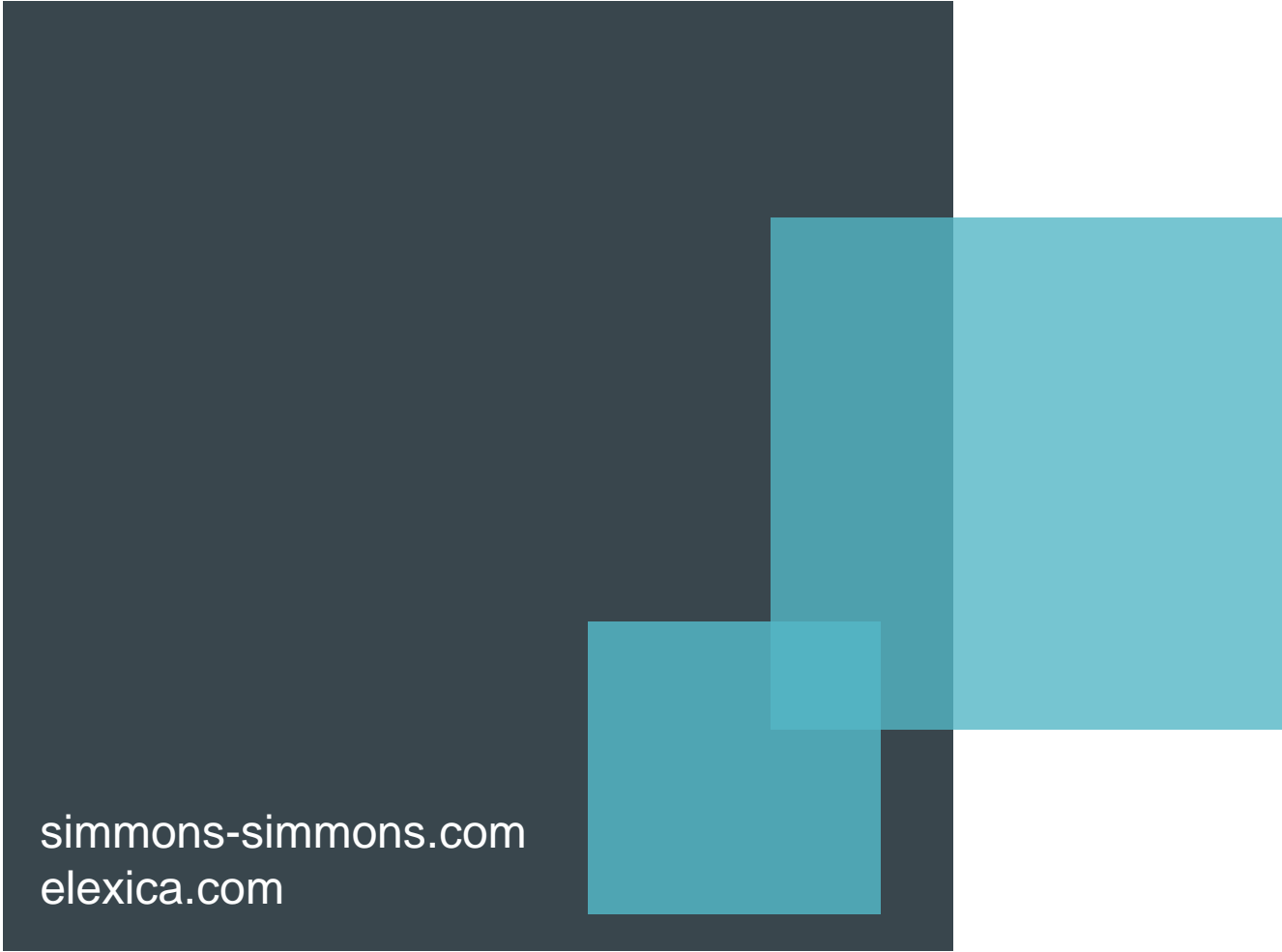
Fees

6. Method of Calculation of Ceiling on representation recovery

- Infringement action or declaration of non-infringement – as for the value-based fee
- Revocation action - as for value-based fee for infringement plus [50]%
- Infringement action with counterclaim or revocation action with infringement counterclaim – the aggregate of the above.

7. Ceilings

- Up to €250K €38K
- More than € 50million ... € 2million but court has a discretion to lower or increase the lowest and highest ceilings



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