

ES WHITE PAPER

The Unified Patent Court

Opportunities and risks of the new patent jurisdiction for owners of European patents

June 2023

Since 1 June 2023 the unitary patent has entered into force and the Unified Patent Court has started its work.

With these changes in the European patent system, owners of European patent applications and already granted European patents will have more options for shaping their patent portfolios and strategic options for patent enforcement. However, new risks also arise.

This White Paper first provides brief information on the extended European patent system and then focuses on the new Unified Patent Court including the options available to the proprietor with regard to its jurisdiction for future disputes concerning European patents and unitary patents.



PART 1

THE EU PATENT SYSTEM IS COMING – TIME FOR A CHANGE OF COURSE

THE OCCASION: LAUNCH OF 18 JANUARY 2022

The long-awaited starting signal for the expansion of the European patent system to include an EU unitary patent and a unified EU patent jurisdiction was given on 18 January 2022. On this day, Austria deposited its instrument of ratification for the Protocol on the Provisional Application of the Unified Patent Court Agreement (UPCA). The Protocol thus entered into force on 19 January 2022.

This starting signal has set in motion final preparations on the part of the competent authorities for the start of the new system. The last necessary prerequisite for the start of the extended European patent system was the deposit of the already signed UPCA accession instrument by Germany. This formal act now has taken place. Subsequent to a four month preparational phase, the new system is now in force since 1 June 2023 and the Unified Patent Court has started its work.

THE UNITARY PATENT

With the unitary patent (UP), a patent with unitary effect will be available in currently 17 participating EU member states.



Granting authority for future unitary patents: the European Patent Office, pictured here is the Munich office.

an alternative or (insofar as EPC contracting states outside the UPCA are designated) as a supplement to the classical EP bundle patent. The European Patent Office (EPO) is and will remain the known point of contact, and nothing will change in the procedure – including the opposition and opposition appeal procedure.

You can find out more about the unitary patent in our White Paper “The Unitary Patent” published in parallel.

The path to the unitary patent is essentially known: The European Patent Office carries out a uniform application and examination procedure, which is already known for the European patents that have been available for decades (so-called EP bundle patents) and which is now also used for the new unitary patent. Only after official notification of the intention to grant a patent is it possible to choose whether a unitary patent with unitary protection is requested for the participating EU member states as

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THE UNIFIED PATENT COURT

After decades of preparation, the Unified Patent Court (UPC) marks a milestone in the development of European law. In a single court procedure with effect for all participating EU member states, decisions will be taken on the infringement and validity not only of unitary patents. The new court will automatically have jurisdiction over the validated national parts of European patents, at least for those filed after February 2007 (unless an opt-out is declared for these parts).



Palais de Justice in Paris – seat of a central chamber of the new Unified Patent Court

It is precisely this circumstance that makes the new court relevant for practice from the very beginning. Already on the day of entry into force, infringement and nullity actions are expected before the Unified Patent Court.

WHAT NEEDS TO BE DONE?

The new jurisdiction harbours opportunities and risks – for patent owners as well as for alleged patent infringers.

From the point of view of the **patent proprietor/applicant**, two decisions have to be made:

1. Every patent applicant who applies for a European patent will have to ask himself whether he wants to apply for a unitary patent at all or whether he prefers to protect his invention in the traditional way by validating national parts of an EP bundle patent. This question will have to be based (i) on cost considerations and (ii) on the question of whether the patent applicant wants to entrust his protective right irrevocably to the Unified Patent Court (because no opt-out is possible for unitary patents).
2. For already granted EP bundle patents, the patent proprietor can decide whether the Unified Patent Court has jurisdiction (for infringement issues as well as for validity). If he does not wish to do so and wants the national courts to retain jurisdiction, he can opt out separately for each EP bundle patent as long as no action is pending before the Unified Patent Court. If an EP bundle patent is to be withdrawn from the exclusive jurisdiction of the Unified Patent Court, an opt-out should therefore be declared as soon as possible – or at least before the patent is granted – in order to prevent a lock-in through an action before the Unified Patent Court.

The alleged **infringer** has the opportunity to challenge the validity of all national parts of an EP bundle patent with a single nullity action before the Unified Patent Court. However, this is only possible if the central invalidity action is filed quickly enough and as long as no opt-out has been declared for the EP bundle patent in question.

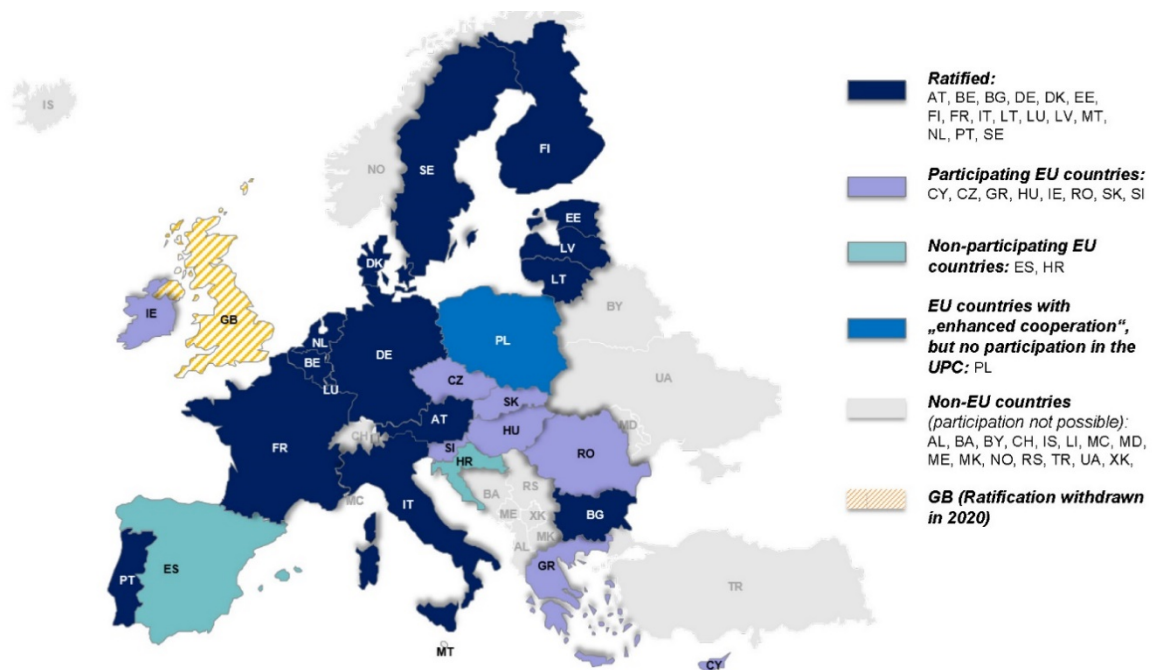
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These basic strategic decisions can only be made (i) with a view to the circumstances of the individual case and (ii) against the background of the basic features of the new court procedure.

PART 2

STAGES OF APPEAL AND COMPETENCE OF THE UPC

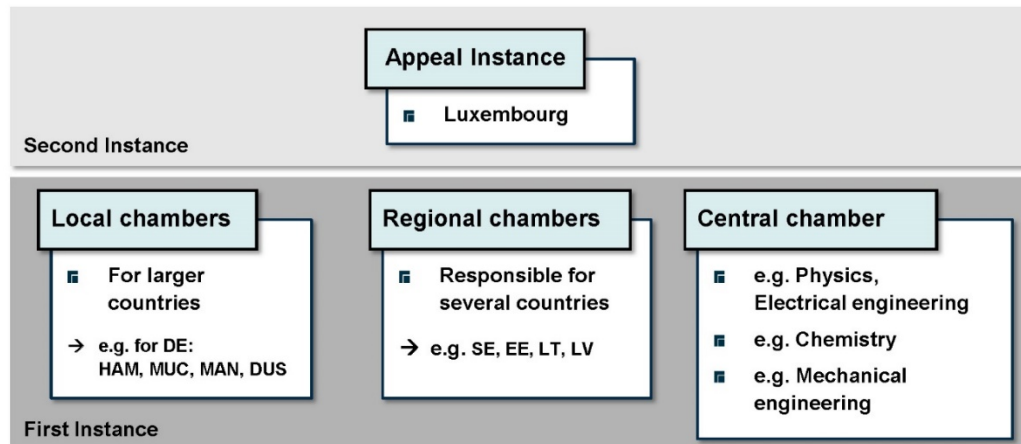
The Unified Patent Court (UPC) is an international court for questions of infringement and validity of unitary patents and European patents. Its decisions apply in all EU Member States that have ratified the UPCA.



In first instance, the UPC is organised in a decentralised manner. In addition to its so-called central division, which is divided between Paris and Munich according to technical fields, local and regional divisions of the court are located in several participating member states. In the larger participating member states, there are several local divisions; in alliances of several smaller EU states, joint regional divisions are established. In Germany, the UPC has four local divisions, namely in Düsseldorf, Hamburg, Mannheim and Munich. These correspond to the currently most important locations for patent infringement proceedings in Germany. In the meantime, the selection of judges has also been completed. The German local divisions will be staffed with (at least) two local judges. This not only ensures the quality of the jurisprudence in these local divisions, but it also ensures continuity for the experienced teams of attorneys in their dealings between the parties and the court.

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The Court of Appeal, the second instance of the UPC, is established in Luxembourg. Both instances can refer legal questions of EU law to the European Court of Justice for a preliminary ruling.



Distributed structure of the UPC

WHICH OF THE UPC DIVISIONS HAS JURISDICTION AT FIRST INSTANCE?

In infringement actions, the local jurisdiction shall lie either with the local or regional division responsible for the place of infringement or with the division responsible for the defendant's domicile. In addition, the central division is competent if no local or regional division has been established for the participating member state in which the place of infringement is situated or if the defendant has no domicile within the participating member states. An invalidity counterclaim in response to an infringement action may only be brought before the division before which the infringement action is pending.

Only the central division is competent for an isolated invalidity action without a preceding action for infringement and for a negative declaratory action.

OPTIONAL COMPETENCE OF THE UPC FOR EP BUNDLE PATENTS

In principle, the Unified Patent Court (see below for the exceptions) also has jurisdiction for disputes concerning already granted EP bundle patents, at least if they have been filed after February 2007. For these patents, however, the national courts initially continue to have parallel jurisdiction: the respective plaintiff can choose whether to bring his infringement and/or nullity action before a national court or before the UPC.

However, this parallel jurisdiction only applies as long as no action is already pending before one of the courts: If a patent is challenged with an action for revocation before the UPC, the patent proprietor can no longer sue before the national courts. In addition, the parallel jurisdiction is limited to a transitional period of initially seven years. After that, the Unified Patent Court will completely replace the national courts also in disputes concerning European patents.

PECULIARITIES OF THE JUDICIAL PROCEDURE BEFORE THE UPC

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An essential difference of the court proceedings before the UPC compared to national proceedings lies in the **geographical scope** of its decisions: whereas the decision of a national court is limited to the state in which the court has its seat, decisions of the UPC on European patents have direct effect in all participating member states in which the patent is validated. This applies in both directions: For the patent proprietor, the UPC offers the opportunity to obtain a far-reaching infringement title. And for the alleged infringer, the UPC provides a centralised means of attacking the validity of the patent (including a bundle patent). A single nullity action is sufficient to revoke the patent in its entirety, if necessary, i.e. with regard to all validated national parts.

The course of proceedings also differs in part significantly from those of the national legal systems. The procedural rules of the UPC are characterised by a strict case management and regime of deadlines for infringement and nullity disputes, which are usually conducted in conjunction with each other. This deadline regime is likely to pose a great challenge to an alleged infringer, as within a very short period of time he must file all means of defence (as a rule already three months after service of an infringement action) and, in particular, file an invalidity counterclaim (if, as is usual, he wishes to attack the validity of the patent).

The greatest deviations from the German procedure are likely to be with regard to the **dual system** (separation of infringement and invalidity proceedings). Invalidity actions must be filed before the local division where the infringement proceedings are also pending and the local division then has considerable discretion as to how it continues procedurally: (i) the local division can decide on both actions with the involvement of a technical judge (as is common e.g. in France), (ii) the invalidity action can be referred to the central division (whose panels are always staffed with a technical judge) and (iii) with the consent of the parties, the case can also be referred to the central division in its entirety. From today's perspective, it is difficult to predict whether a general practice will prevail here. We expect that the judges of the German local divisions, in particular, will frequently make use of the possibility of a "full decision" (above (i)). In any case, it should become much more difficult for the parties to tactically adopt different positions in the infringement proceedings on the one hand and in the invalidity proceedings on the other.

Also, the **costs of proceedings** are generally likely to be higher than what we are used to in German proceedings. In particular, we expect significantly higher attorneys' fees and reimbursement of costs in the event of losing the case. This is mainly due to the litigation efforts required by the procedural law, which is partly influenced by common law (e.g. applications for the production of evidence), and also due to the tight time schedule of the proceedings: The strict statutory deadlines can only be met by experienced teams of attorneys-at-law and patent attorneys.

PART 3

“OPT-OUT” – DECISION AND IMPLEMENTATION

Holders of EP bundle patents are able to decide whether the Unified Patent Court should also have jurisdiction for these IP rights or whether the respective national court will continue to have jurisdiction. If the patent proprietor does not take any action, he can initially still choose whether to sue before the UPC or before a national court. However, this choice is taken away as soon as a competitor brings an action for revocation or a negative declaratory action before the UPC. The patent proprietor then remains “trapped” in the new court system (“lock-in”).

In order to escape the lock-in (and to preserve access to national courts), the patent proprietor can declare the so-called “opt-out”. The formal opt-out itself is free of charge and it can be withdrawn again at any time (“opt-in”) as long as no action is pending before a national court.

For the strategic options associated with the decision to opt-out, it is important to realise that there is no “patent remedy”. Rather, the decision for or against an opt-out depends on the circumstances of the individual case. Below we will explain some considerations that may speak for or against an opt-out, depending on the interests of the respective applicant or proprietor. Subsequently, we explain the procedure and the applicable deadlines for the opt-out.

REASONS FOR AND AGAINST AN OPT-OUT

Reasons for or against an opt-out can be found, on the one hand, in the differences between the proceedings before the Unified Patent Court and the national proceedings, as already mentioned above. The question of whether an opt-out is declared for the whole or for a part of the EP portfolio, and when this happens (see also below), is fundamentally a question of confidence in the new system. Cost/benefit considerations will also play a role – especially in the comparison between hypothetical procedures before the national courts and before the UPC. Last but not least, whether the patent proprietor wishes to expose his EP bundle patent to a centralised legal attack before the UPC is likely to be of paramount importance. In detail:

- While the decision of a national court is limited to the country of its seat, decisions of the Unified Patent Court on EP bundle patents have direct effect in all countries where the patent is validated. Anyone confronted with an infringing competitor operating in several countries will therefore be more likely to refrain from opting out and try to take advantage of the main benefit of the new patent system.
- On the other hand, a competitor who feels disturbed by an EP bundle patent may in future be more inclined to file a central revocation action before the Unified Patent Court in order to obtain revocation of the IP right in a single procedure. This risk can be eliminated by an (immediate) opt-out declaration.
- So far, all parties involved naturally lack experience with the new Unified Patent Court. While for experienced attorneys the decisions of the national courts competent in patent matters are often predictable, the Unified Patent Court can rather be regarded as a blank slate. At least

in the beginning, this must lead to some uncertainty in assessing the prospects of litigation, especially with regard to the handling of revocation actions. This uncertainty can be avoided by an opt-out declaration.

- On the other hand, almost all experienced judges of the German patent jurisdiction are appointed to the Unified Patent Court, and the German local divisions will be staffed with (at least) two local judges. This will not only ensure the quality of the jurisprudence in these local divisions, but it will also ensure continuity for the experienced teams of attorneys in their dealings between the parties and the court. Ultimately, the same substantive issues will have to be decided, such that against this background it can be said that with the help of the German local divisions, it will be possible to ensure that the quality of German patent case law is also reflected in judgments with international effect.
- As an overriding consideration, one has to bear in mind that the fundamental decisions are to be expected in the first years of the new system. The early jurisprudence of the Unified Patent Court will essentially shape not only the enforcement of the unitary patent but also the EP bundle patents, although we do not expect the first landmark decisions of the Court of Appeal until 2025. If one declares the opt-out of one's own intellectual property rights, one therefore leaves the shaping of the emerging system – which will be applicable anyway after the transitional period – to third interests. Conversely, however, the Unified Patent Court does not acquire jurisdiction for the same matter in dispute between the same parties if it is already nationally asserted.
- From the patent proprietor's point of view, the strict time limit regime of the UPCA speaks in favour of bringing infringement proceedings before the Unified Patent Court (i.e. against an opt-out). The addition of a technically qualified judge to the panel, which is to be expected as a rule in the case of an action for revocation, and thus a decision on both requests in one proceeding, could also make this path interesting for the patent proprietor overall. However, the prerequisite for this is that the patent in question is recognised as "strong" and that there are no particular risks to the validity of the patent.
- However, if the risk of an isolated nullity action in an individual case is assessed as high, there are arguments in favour of a timely opt-out. In this way, the patent proprietor can avoid the complete loss of the national parts of the EP bundle patent in all designated states (see above) in only one single (and tightly conducted) procedure. In addition, for the reasons mentioned above, the motivation of competitors for a precautionary isolated invalidity attack is likely to be higher in the new system than in the national German context.
- Neither the exact amount of the costs of the proceedings nor the costs to be reimbursed in the event of losing the proceedings before the Unified Patent Court have yet been finally decided. However, it is already apparent that the cost structure will be higher than, for example, in national German proceedings. However, this expense is also associated with the greater territorial scope of the UPC's decision in only one (and thus inherently consistent) procedure. Likewise, a reimbursement of costs similar in principle to the German system with (albeit higher) capped amounts is envisaged.

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- As also explained in the White Paper on the unitary patent, the previous German prohibition of double protection against unitary patents will cease to apply with the entry into force of the UPCA – but only if no opt-out is declared for these patents. If one wants to keep open the option of being able to enforce a parallel German patent before the national courts, this therefore speaks against an opt-out.

OPT-OUT – HOW DOES IT WORK?

The opt-out is effected by written declaration to the registry of the court. The court hosts the so-called CMS system to launch opt-outs. For details regarding opt-outs, please refer to our White Paper in the context of the Unitary Patent.

OPT-OUT – WHEN?

An opt-out declaration is only possible as long as the patent in question has not become the subject of proceedings before the Unified Patent Court. If an action relating to an EP bundle patent is brought before the Unified Patent Court without an opt-out declaration, there will be a so-called lock-in. This means that the EP right can then no longer be excluded from the jurisdiction of the Unified Patent Court. Conversely, the Unified Patent Court does not acquire jurisdiction over an EP bundle patent if it was first asserted or challenged before a national court.

Even after the start of the system on 1 June 2023, users will be able to opt out an EP bundle patent of the jurisdiction of the Unified Patent Court for a subsequent transitional period of at least 7 years.

OPT-OUT – SEVERAL PROPRIETORS

In the case of several proprietors or applicants, the opt-out must be filed by all parties. However, the UPCA and the associated Rules of Procedure do not deal with the internal relationship of the co-owners. Whether and under what circumstances a co-owner can request the participation in the opt-out from the other co-owners is likely to result from the underlying contractual relationship and the applicable law. Conflicts would have to be settled before the national courts, if necessary, whereby, of course, the timing of implementation is particularly problematic.

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EISENFÜHR SPEISER PROVIDES CONTINUING ADVICE AND SUPPORT FOR PROTECTING YOUR IP RIGHTS IN EUROPE

Eisenführ Speiser's experienced attorneys advise clients on an ongoing basis on the optimal litigation strategy for their IP portfolio and how to deal with any uncertainties and implications of the new Unified Patent Court.

In order to ensure a smooth transition, we will be happy to support and advise you

- *with the application for an opt-out.*
- *on your litigation strategy in Europe.*
- *in all proceedings before the Unified Patent Court.*

We keep you informed of all deadlines, also with regard to unitary patents, including renewal deadlines, if we are responsible for renewal payments.

We are happy to help you review and optimise your patent portfolio. We advise you on

- *optimal scope of protection,*
- *relevant territory,*
- *impact of already existing agreements, licences etc.,*
- *necessity of renewals of your IP rights,*
- *possible double protection of your IP rights and*
- *any further IP related aspects and concerns you may have.*

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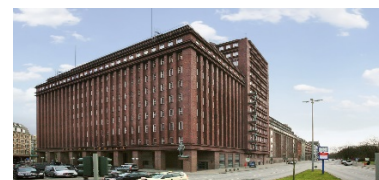
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