



The Unified Patent Court

How will it work, Transitional
Measures, Pros and Cons

The necessary ratification procedures by EU member states have been finalized and the Unified Patent Court (UPC) is expected to start in the second half of 2022. Simultaneously the Agreement on a Unified Patent Court (UPCA) will also enter into force.

There now follows a summary of how the UPC will work, transitional measures concerning the option of making use of the UPC or not, and the pros and cons thereof.

The UPCA

At the time of writing, 17 of the potential 25 countries ratified the UPCA agreement: Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia, Sweden.

Great Britain (after Brexit), Spain, Poland and Croatia will not participate.

A sunrise period of three months before the entry into force of the UPCA is foreseen for companies to make the necessary preparatory arrangements. This sunrise period is expected to start when Germany deposits its instrument of ratification of the UPCA (expected this year: 2022).



The UPC

The UPC will have exclusive competence over Unitary Patents. The choice of litigating before the UPC will also concern all traditional European Patents already granted before and after the sunrise period, as well as all pending and future European applications. The introduction of the UPC will thus have a large impact in litigation in Europe. After a transitional period of 7 years (potentially 14 years), the UPC will have, in all the UPCA member states, exclusive jurisdiction over all European Patents and European Applications (whether with Unitary Effect or not). In other words, the UPC will, in time, replace the national courts in the UPCA member states for European patents.

Opting out of the UPC

During the transitional period, an option to opt-out of the competence of the UPC will be provided. This option will however need to be actively requested by the patentee/applicant. Arnold & Siedsma will, on instruction, file opt-out requests on behalf of clients.

In the absence of any active "opt-out" request, filed during the transitional period, both national courts and the UPC will automatically be competent for any infringement and/or revocation case brought.

One main difference between litigating before the UPC or before a national court is the geographic scope of the jurisdiction. A revocation before the UPC will act as a single, central revocation for all the UPC member states. The same will apply for an infringement ruling or a preliminary injunction. Accordingly, the UPC provides new opportunities but at the same time brings new risks which will need to be

assessed on a case-by-case basis when deciding the best strategy per application/patent/ applicant. Arnold & Siedsma will help clients in this decision making.

Opting out

It will be possible during the sunrise period to register in advance an opt-out request. Blocking an opt-out. Opting back-in. Blocking opting back in. The opt-out choice is available if no national action has been started. This means a competitor may block an opt-out by starting an action in front of the UPC when no opt-out request has been filed. To avoid such a situation the decision to opt out, or not, must be made before the first day of entry into force of the UPC.

Opt-out requests should therefore preferably be filed during the sunrise period. Once filed, an opt-out request may be withdrawn one time if no national action has been started. Withdrawing to the an opt-out would thus amount to opting back in under the competence of the UPC. Just as a competitor could block an opt-out- a competitor could also block an opt-back-in, by for example, starting an action at a national court.



The Structure/Competences of the UPC courts

The courts of first instance will be either local, regional divisions or central Divisions. Local and regional Divisions will be in charge of i.a. infringement actions, counterclaims for revocation, injunction actions and provisional and protective measures. Central Divisions will oversee revocation actions and declarations of non-infringement.

Bifurcation

Although the local and regional courts will be empowered to hear infringement actions and counterclaims for revocations in the same proceedings, bifurcation is not prohibited. A local or regional division may handle both infringement and revocation, or may handle only the infringement, while sending the revocation action to the central division, or may send both the infringement and revocation actions to the central division.

Costs

In addition to the purely legal aspects, the costs of procedures before the UPC should be considered. The UPC fees are considerable. The fees will comprise a fixed fee depending on the type of action (11 000 euros for infringement claim, 20 000 for a revocation counterclaim) and a value-based fee based on the value of the case. The recoverable costs of the winning party may further be reimbursed up to a ceiling. For instance, for a 2 million euros case, the court fees for the patentee will be 24 000 euros and 20 000 euros for the infringer, while the recoverable costs will have a ceiling of 200 000 euros.

Languages

The language of proceedings before any local division will be any official language of the state where the division is located, or any other language approved by the respective division. Many local and regional division have already indicated their intention to accept English.

The language of the proceedings at the central division is the language in which the patent was granted, or any other language approved by the respective division.

This language aspects brings with it that our own attorneys at Arnold & Siedsma will (most of the time) be able to plead in English in front of the UPC.



Evidence

The UPC can order the seizure of evidence, inspections, interim injunctions, and orders to produce evidence.

The option of a UPC wide injunction is a significant change brought by the UPC.

Pros and cons

Pros: Timeliness, and the new options regarding evidence and preliminary injunction. For the alleged infringer, central revocation.

Cons: The legal uncertainty of a system without established case law. For the patentee, central revocation.

Among the subjective criteria are further costs and the territorial scope.

Conclusion

No one-size-fits-all advice is readily available when considering opting-out or not from the UPC. Many criteria will likely play a role in making a decision to opt out or not. Think of the commercial value of the IP, the strength of the patent, the likelihood of litigation (defendant or plaintiff), the licensing strategy, the territory (countries of operation, countries of litigation), the competitors' behavior, the portfolio structure (cluster or single patent), and the costs among others.

That said, the following should be noted:

1) How likely is litigation for the patent in question?

If litigation has a low probability, consider keeping your options open by not filing an opt-out yet. No action need be taken at present.

If litigation has a reasonable probability, go to question 2,

2) If litigation would happen, would the UPC be more or less interesting than (a/multiple) traditional court(s)?

Think of the competence, the timeliness, and the costs of the court that would be judging the case (history of previous litigations, location of competitors).

If the UPC comes out as the best venue, no actions need to be taken at present.

If the answer is doubtful, go to question 3,

3) How strong is the patent?

If the patent is very strong, the risk of revocation is outweighed by the benefit of a central enforcement, and the UPC would be a good venue. No actions need at present to be taken.

4) In all other cases,

the risk of central revocation is high, the UPC could thus be excluded by filing an opt-out request, knowing that this opt-out may be withdrawn if no national procedure has been started.





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