UPC – Comprehensive Course

Online, 08.12.2021

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Dr. Niels Hölder, Thomas Becher
Part I: Overview and Status December 2021
European Patent Landscape: Status Quo

<table>
<thead>
<tr>
<th>Grant</th>
<th>Enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Patents</td>
<td>Actions on national level</td>
</tr>
<tr>
<td>European Patents</td>
<td>Actions on national level</td>
</tr>
</tbody>
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European Patent Landscape: Future

<table>
<thead>
<tr>
<th>Grant</th>
<th>Enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Patents</td>
<td>Actions on national level</td>
</tr>
<tr>
<td>European Patent with Unitary Effect</td>
<td>Actions before the Unified Patent Court</td>
</tr>
<tr>
<td>European Patent</td>
<td>Actions on national level</td>
</tr>
</tbody>
</table>

Actions on national level

Actions before the Unified Patent Court

No Opt Out

Opt Out

Grant

Enforcement
A Long and Bumpy Ride
ENTRY INTO FORCE – WHEN?

DIMMI QUANDO, TELL ME WHEN?

2020 2021 2022 2023 2024 ???

UPC – Comprehensive Course, December 2021
The UK’s Ratification Drama

- The UK had ratified the UPC Agreement (UPCA) on 26 April 2018.
- QC Expert Opinion reassured that UK could stay in UPCA despite Brexit.
- In 2020, however, the UK officially withdrew from the UPC by depositing notification of the withdrawal of its ratification of the UPCA.
- Statement submitted to Parliament on 20 July 2020 (excerpt):
  
  “The United Kingdom no longer wishes to be a party to the Unified Patent Court system. Participating in a court that applies EU law and is bound by the CJEU would be inconsistent with the Government’s aims of becoming an independent self-governing nation.”

- UK was thought mandatory to allow UPCA enter into force – so what now?
- *Teleological interpretation*: UK to be replaced by the EU/UPCA member state that has the 4th highest number of EP patents in 2012 (Italy).
- Agreed by Participating UPCA Member States.
GERMANY’S RATIFICATION DRAMA

- March 2017: parliament passed ratification bill; constitutional appeal was filed immediately thereafter
- Ratification was put on hold
- February 2020: constitutional court repealed bill for lack of required 2/3 majority of all of the members of the Bundestag
- November/December 2020: parliament passed the identical bill with required majority
- June 2021: constitutional court rejects requests for preliminary measures based on fresh constitutional complaints
- Path for DE ratification is free
- DE intends to ratify as the last of the required 3 mandatory member states to thereby enact the UPCA 3 months later
Art. 89 requires ratification by 13 Member States, “including the three Member States in which the highest number of European patents had effect”

- France
- Germany
- Italy

CURRENT STATUS (December 2021)

White: Out - No EU Member State
Red: Out - does not want to sign or ratify
Orange: Not (yet) ratified
Green: Ratified
DE: Will ratify in 2022 to enact UPCA
In order to become operative, the UPC must hire judges, lease buildings, build up court infrastructure etc.

This requires that the Court is established and receives legal personality before it is opened to the public.

UPC Agreement does not provide for any sunrise or preparation period – once UPCA has been formally ratified by the last obligatory member state (Germany), the agreement becomes effective about three months later.

Therefore, member states have drafted a Protocol for Provisional Application (PPA or PAP) to allow the court to make the necessary preparations in good time.

However, this Protocol must again be signed or ratified by a qualified majority of member states, “including Germany, France and the United Kingdom”.

CURRENT STATUS

Red: out - does not want to sign or ratify
Orange: not (yet) signed; UPCA not ratified
Yellow: not (yet) signed: UPCA ratified
Green: ratified/signed
Blue: expected to ratify PPA soon; Parliament just cleared the path

PPA likely to enter into force in early 2022
WHAT WILL HAPPEN TO THE LONDON DIVISIONS?

- London was supposed to host one local division and part of the central division of the UPC (Chemistry/Pharma).
- The local division will now fall away, but the central division must be relocated.
- Member states agreed to provisionally divide the London cases between Paris and Munich.
- No official communication as of yet how this split will be done.
- Inofficially, it transpired that Paris may get IPC Class A cases and Munich IPC Class C cases.
- At the first UPCA revision conference, permanent relocation of ex-UK Central Division is intended to another city (Milano?)
Road Map to the UPC

PPA ratified by Austria (end of 2021/early 2022)

8 Months ??

Launch September 2022 ???

You are here

UPC ratified by „Gate Keeper“ Germany

Entry into force

Preparation Phase

Provisional Application Phase

Sunrise Period

UPC – Comprehensive Course, December 2021
REMAINING TASKS BEFORE ENTERING INTO FORCE

- 35-45 legally and 50 technically qualified judges need to be screened, selected, recruited and trained; most of them will work part time.
- Court staff must be appointed and trained
- Salaries, taxes, pensions, healthcare, social security payments etc. need to be determined
- IT must be reactivated and thoroughly tested
- Functions and facilities must be put together into a functioning entity
- RoP must be finalized
- …and more!
Whether 8 months are realistic to get everything done remains to be seen

Prep Committee Chairman Ramsay is optimistic as he always is, but already hinted at some delays being possible...

Nonetheless, it is realistic to expect the UPC to start operation in 2023.

Therefore:
Applicants should have their opt-in/opt-out strategy in place

Applicants should make up their minds whether or not to request "unitary effect" of their future European Patents

Potential patent challengers may consider identifying suitable target patents to test the court with revocation actions
Part II: The Unitary Patent

Thomas Becher
So what?

• Why do I (or my clients) need to know about this?
• New opportunities and new risks
• Several transitional provisions open up options – decisions need to be made
• Choice regarding how existing and new EP patents will be litigated
• The choice of litigation drives prosecution strategies
• Impact on renewal fees and budgeting
Filing and Prosecution

• Filing and prosecution
• No change
• The EPO will still be responsible for search, examination and grant of patents
• All key aspects of EPO practice remain unchanged, including oppositions
• The brave new world opens up after a grant decision by the EPO...
EPO Grant – Decision Time

• Once an EP is granted, patentee will have the choices:

1. Elect to obtain an EP patent with unitary effect (EP-UE, or UP), much like a validation and validate country-by-country outside the UPC territory

2. Forego the unitary effect and validate the patent country-by-country as we do now (Classic EP)

   • decision 1. must be exercised quickly, should thus be prepared ahead of time
Timeline for registration of unitary effect

- Term for an application for unitary effect; within 1M from the publication of mention of grant

- Translation requirement for complete text (during transitional period of at least 6 years)
  - If the procedural language is German or French, an English translation is required
  - If the procedural language is English, a translation into any official language of the EU can be submitted, e.g. Spanish, or Polish, or Czech, or Hungarian

\[ \text{Application for unitary effect} \]
\[ \text{+ translation} \]

\[ \text{Decision to grant} \]

\[ \text{Publication of mention of grant} \]

\[ 71(3) \]

\[ 1 \text{ M} \]

\[ \sim 3 \text{ M} \]

\[ 4 \text{ M} \]

\[ \text{Reply} \]
New Responsibilities of the EPO under the UPC


• **Grace period** if translation has not been filed in time (Rule 7)
  - EPO invitation to issue with a non-extendable period of one month

• **Requirements of the Request** (Rules 5, 6)
  - Same claims for all states
  - In writing in the language of the proceedings (recommended: electronic form in German / English /French)
  - Translation

• **New EPO Division: UPP Division** (Rule 4)
  - One legally qualified member
  - No additional infrastructure required (EPO legal division will wear “two hats”)
New Responsibilities of the EPO under the UPC


• **UPP register** will be set up as special part of the European Patent Register (Rule 16). Register will provide among others the following information:
  - Date of decision on registration of unitary effect
  - Date of registration
  - **Participating member states in which the UP has unitary effect !!!**
    - Problem: territory will grow after entry into force
  - Payment of renewal fees / date of lapse
  - Transfer of rights and licensing commitments re SEPs
  - Information communicated to the EPO concerning proceedings before the UPC and before national offices / courts
  - Date and purport of the decision on validity taken by the UPC
New Responsibilities of the EPO under the UPC


• Payment of renewal fees (Rule 13)
  • Similar provisions as for EP applications – 6M grace period for late payment (additional fee: 50% of applicable renewal fee)
  • With how many countries one reaches break even?

• Compensation scheme for Proprietors of EP-UEs for which the application was filed in an official language other than German, English and French if these are small or medium-sized enterprises, natural persons or non-profit (Rules 8 to 11)
  • Level of compensation: 500€
Impact of Validation Choice

• What difference does the choice of validation make?
  • Territorial reach
  • Jurisdiction for litigation
  • Validation costs
    • Translation costs
  • Costs for renewal fees
Cost Comparison for Renewals

- We tried to compare the costs for several scenarios:
  - The 3 most often validated countries
    - Top 3
  - The 6 most often validated countries
    - Top 6
  - The 10 most often validated countries
    - Top 10
  - Which countries to pick?
Cost Comparison for Renewals

Validations of EP patents in EPC states in 2019

<table>
<thead>
<tr>
<th>State</th>
<th>Validations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>139,076</td>
<td>7,5%</td>
</tr>
<tr>
<td>FR</td>
<td>137,304</td>
<td>8,2%</td>
</tr>
<tr>
<td>GB</td>
<td>136,760</td>
<td>8,1%</td>
</tr>
<tr>
<td>CH/LI</td>
<td>135,459</td>
<td>9,3%</td>
</tr>
<tr>
<td>IE</td>
<td>135,374</td>
<td>9,3%</td>
</tr>
<tr>
<td>BE</td>
<td>135,359</td>
<td>9,3%</td>
</tr>
<tr>
<td>AT</td>
<td>49,103</td>
<td>75,9%</td>
</tr>
<tr>
<td>IT</td>
<td>44,604</td>
<td>12,6%</td>
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<tr>
<td>ES</td>
<td>30,691</td>
<td>14,0%</td>
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<tr>
<td>NL</td>
<td>27,592</td>
<td>7,6%</td>
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<tr>
<td>SE</td>
<td>16,310</td>
<td>14,6%</td>
</tr>
<tr>
<td>PL</td>
<td>13,020</td>
<td>11,9%</td>
</tr>
</tbody>
</table>

Validations of EP patents in EPC states in 2019

Courtesy of EPO
Cost Comparison for Renewals

Validation Rate in IT (10 yr Average to 2021)

<table>
<thead>
<tr>
<th>Country</th>
<th>Validation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>98.0%</td>
</tr>
<tr>
<td>GB</td>
<td>89.0%</td>
</tr>
<tr>
<td>FR</td>
<td>70.0%</td>
</tr>
<tr>
<td>NL</td>
<td>36.0%</td>
</tr>
<tr>
<td>IE</td>
<td>7.0%</td>
</tr>
<tr>
<td>IT</td>
<td>7.0%</td>
</tr>
<tr>
<td>SE</td>
<td>4.0%</td>
</tr>
<tr>
<td>FI</td>
<td>3.0%</td>
</tr>
<tr>
<td>CH/LI</td>
<td>2.0%</td>
</tr>
<tr>
<td>CZ</td>
<td>1.5%</td>
</tr>
<tr>
<td>PL</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Courtesy of SAP
• It obviously depends!

• Top 3 2009 to 2019 (all): DE, FR, GB
• Top 3 2011 to 2021 (IT): DE, GB, FR
• Top 10:
  • DE, FR, GB, CH, IE, BE, AT, IT, ES, NL (all)
  • DE, GB, FR, NL, IE, IT, SE, FI, CH, CZ (IT)
• Which countries to pick?
  • We picked Top 3, Top 6, Top 10 from our data
  • DE, FR, GB, IT, ES, NL, BE, PL, SE, CH (HE)
Cost Comparison for Renewals

- Example for our Top 6 (DE, FR, GB, IT, ES, NL):

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Numbers of words</th>
<th>UP Group Fees</th>
<th>Spain</th>
<th>United Kingdom</th>
<th>Cumulated UP+UK&amp;ES Costs</th>
<th>Difference UP+UK vs. EP (DE, FR, UK, IT, ES, NL)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UP Participation</strong></td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td>no</td>
<td></td>
</tr>
<tr>
<td><strong>Validation fees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official fees</td>
<td>N/A</td>
<td>€273,00</td>
<td>€0,00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation costs per word</td>
<td>N/A</td>
<td>€0,19</td>
<td>€0,00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXAMPLE Full Translation based on number of words</td>
<td>10,000</td>
<td>ES translation will be utilised for UP</td>
<td>€1,900,00</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXAMPLE Claims Translation based on number of words</td>
<td>1,000</td>
<td></td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **Total 1** | | | | | | €2,173,00

- Keep the same territory, so national appl. for GB, ES
Cost Comparison for Renewals – Results

- Top 3 (DE, FR, GB):

Cost comparison UP+UK vs. EP (DE, FR, UK)
Cost Comparison for Renewals – Results

• Top 6 (DE, FR, GB, IT, ES, NL):
Cost Comparison for Renewals – Results

- **Top 10 (DE, FR, GB, IT, ES, NL, BE, PL, SE, CH):**

![Cost comparison chart showing EP vs. UP+UK, ES, PL, CH]
Cost Comparison for Renewals – Results

• On the basis of

• our own clients’ validation patterns
• a hypothetical application of 10,000 words total (1,000 in the claims)
• the assumption that a translation used for the application in ES can be used for the patent under the UPC (no costs for adaptation), etc.
• the break-even point is at app. 6 countries
Flexibility / Risk

Pruning the EP vs. cutting the UP
Part III: The UPCA

Dr. Dirk Schüßler-Langeheine
Dr. Esther Pfaff
As long as not opted out shared jurisdiction with national courts during transitional phase

Competence depends on competence for basic patent
No exclusive jurisdiction during a period of 7 years (extendable by a further 7 years)

Actions concerning classic EPs and SPCs can be filed with the UPC or national courts

„Opt-out System“: Patentee can exclude UPC‘s competence for revocation actions by opting out before an action has been brought before the UPC

Opt-out notification can be withdrawn at any time

Potential race for filing of revocation actions / opting-out notifications after launch of the system

See for more detailed advice in our separate chapter on „opting-out“
EXCLUSIVE COMPETENCE FOR

- Infringement Actions
- Actions for Declarations of Non-Infringement
- Provisional Measures/Injunctions
- Revocation Actions/Counterclaims
- Actions for Damages and/or Compensation
- Private Prior Use Actions

- **No competence** for compulsory license proceedings, inventorship/entitlement or license matters (except as defense)
Shall request preliminary rulings
Art. 267 (3) TFEU

referral required?

May request preliminary rulings
Art. 267 (2) TFEU

referral required?

Unified Patent Court

Court of Appeal

Registry

CJEU

May request preliminary rulings
Art. 267 (2) TFEU

referral required?

Arbitration

Mediation Centre
(Lisbon, Ljubljana)

Court of First Instance
UPC – SEAT OF APPEAL COURT

[Map showing the location of Luxemburg as the seat of the Court of Appeal and Court of First Instance.]
UPC – SEATS OF FIRST INSTANCE COURTS

Central Division
Paris, Munich (+ x)

Local Division (>50 cases)

Local Division (<50 cases)
Austria, Belgium, Denmark, Finland, Ireland, Portugal

Regional Division
Nordic-Baltic regional division (Sweden, Estonia, Latvia and Lithuania)
Divisions of the court of first instance

Local/Regional Division:

- Infringement Actions
- Provisional Measures/Injunctions
- Counterclaims for revocation
- Actions for Damages and/or Compensation
- Private Prior Use Actions

Central Division:

- Stand-alone revocation Actions
- Actions for Declarations of Non-Infringement
THE „CENTRALISED DIVISION“

<table>
<thead>
<tr>
<th>Previously London – to be allocated</th>
<th>Paris</th>
<th>Munich</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>President’s office</td>
<td></td>
</tr>
<tr>
<td>A) Human Neccessities – Paris ???</td>
<td>B) Performing operations, transporting</td>
<td></td>
</tr>
<tr>
<td>C) Chemistry, metallurgy – Munich ??</td>
<td>D) Textiles, paper</td>
<td>F) Mechanical engineering, lighting, heating, weapons, blasting</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E) Fixed constructions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G) Physics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H) Electricity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Technical judge only upon request by a party or if counterclaim of revocation is not referred to Central Division.

Legal judges must be from three different countries.

Technical judges selected based on linguistic and technical skill from within 1st instance judges.

Language of the first instance.

Local Division <50 e.g. AT

Local Division e.g. DE

Regional Division e.g. SE/EE/LV/LT

Central Division Paris/Munich

Official language of the Country or any Country of the Region

Language in which patent was granted
JURISDICTION – WHERE TO SUE?

- Infringement actions etc.
  - Local/Regional Division where infringement occurs
  - Local/Regional Division where one defendant has a (principle) place of business
  - Central Division if no defendant has a place of business in a participating UPCA Contracting State
    ➢ Plaintiff’s choice / forum shopping

- Actions for declaration of non-infringement: Central Division
  - Action stayed if patentee sues for infringement within three months
  - No blocking effect

- Stand-alone revocation actions: Central Division
  - Infringment actions can brought at any Local/Regional Division
  - Revocation counterclaims can be brought
Where can I bring an infringement action?

Where can I bring an infringement action?

if: (a) infringement in this country/region; or
(b) infringer’s (main) seat

if: (a) defendant has no business seat in a UPC country; or
(b) a revocation action is already pending

Local Division <50 e.g. AT

Local Division e.g. DE

Regional Division e.g. SE/EE/LV/LT

Central Division
Paris/Munich
Where can I bring an action for declaration of non-infringement and/or a revocation action?

-if infringement action is pending before Local/Regional Division

-otherwise
Integration or Bifurcation

- Decide on infringement and nullity
- Refer nullity, decide on infringement
- Refer nullity and stay infringement
- Refer infringement and nullity with parties‘ consent

➢ „Political compromise“ between integrated and bifurcated/separated system
➢ Also „German“ local divisions likely to decide on both, infringement and nullity, unless there are special circumstances
SOURCES OF LAW: THE HIERARCHY (ART. 24 UPCA)

1. EU Law (including EP-UE Regulation, e.g. SPCs)
2. UPCA (presumably not relevant for national courts)
3. EPC (e.g. Art. 69/Protocol of Interpretation still applies)
4. International agreements
5. National law
   - Applying to EP-UE as object of property, in particular licenses and/or assignments:
     - Law of the EU member where applicant first mentioned has its principal place of business;
     - **If not applicable:** German law (relevant for overseas applicant/patentee)
DIRECT INFRINGEMENT: ART. 25 UPCA

A patent shall confer … the right to prevent any third party … from …:

a) making, offering, placing on the market or using a product which is the subject matter of the patent, or importing or storing the product for those purposes;

b) using a process …, offering the process for use …;

c) offering, placing on the market, using, or importing or storing for those purposes a product obtained directly by a process which is the subject matter of the patent
INDIRECT INFRINGEMENT: ART. 26 UPCA

A patent shall confer … the right to prevent any third party … from

- supplying or offering to supply any person …
- with means relating to an essential element of that invention,
- within the territory … in which that patent has effect,
- for putting it into effect therein,
- when … those means are suitable and intended for putting that invention into effect.

- Double territorial requirement less restrictive due to larger territory!
DEFENCES: ART. 27 UPCA

- Private, non-commercial use
- Experimental use
- Use of biological material for breeding, discovering and developing plant varieties
- Acts required for **generic** marketing approvals (e.g. Art. 10 (6) of Directive 83/2001) (Bolar exemption)
- Individual preparation by a pharmacy
- Use on board of foreign vessels, etc.
- Use by a farmer of harvested products for own use
- Measures required to achieve inter-operability of computer programs
RE COURSE TO NATIONAL LAW

- The applicable national law is determined in line with EU private international law (Example: Prior Use Rights)

Art. 8 of EU Regulation 864/2007 (Rome II):

1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.

2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.
**Infringement Proceedings**
- Infringing activities in all participating UPCA Contracting States can be stopped
- by just one infringement action

**Invalidity Proceedings**
- EP-UE or a not opted-out EP or SPC based on a European Patent can be invalidated for all participating UPCA Contracting States by just one judgment of the UPC
I. INJUNCTION

- Based on Enforcement Directive
- Art. 63 UPCA allows for the grant of a permanent injunction
- “may grant” hints at discretion of the court to take interests of the parties into account – Principle of Proportionality
- Provisional injunctions (and other provisional measures) also possible.

- Different legal cultures/personalities may lead to different practices among the UPC divisions

- Covers the whole territory of participating UPCA Contracting States, even in case of infringement in just one country.
II. DAMAGES – PROCEDURAL OPTIONS

- In infringement proceedings the court can order an *interim award* – to at least cover the expected costs of the procedure and legal costs of the successful party.

- 2 routes for determination of damages:
  - In the context of infringement proceedings
  - In separate damages proceedings
II. DAMAGES – PRINCIPLES

- The injured party shall be placed in the position it would have been in if no infringement had taken place.
- The infringer shall not benefit from the infringement.
- Damages shall not be punitive.
- All “appropriate aspects” are considered,
  - Negative economic consequences including lost profits
  - Unfair profits made by the infringer
  - Elements other than economic (moral prejudice) factors, such as the caused to the injured party by the infringement;
- Alternatively: lump sum on the basis of royalties
- In the absence of intent or negligence: only recovery of profits or payment of compensation
III. CORRECTIVE MEASURES

1. Declaration of Infringement
   - Novelty compared to Enforcement Directive
   - Seems to stem from Eastern European patent law, use as corrective measure to be tested

2. Publication of Judgment
   - Codified in Art. 80 UPCA
   - Not directly codified, but likely that the principle of proportionality will also apply
III. CORRECTIVE MEASURES

3. Destruction of Infringing Products
   - Extends to materials used in manufacture (same as Enforcement Directive)
   - Deprivation as milder form is also codified
   - Case law needs to develop standards for a number of scenarios, e.g. whether products and materials need to be within UPCA territory etc.

4. Product Recall
   - Recall and removal from „channels of commerce“ (to be defined)
III. CORRECTIVE MEASURES

5. Information and Rendering of Account

- UPCA provides legal basis to claim information to
  - Help substantiate infringement claim, Art. 67 UPCA
  - Identify further infringers/infringing products, Art. 67 UPCA
  - To substantiate claim for damages, i.e. request to „lay open books“, RoP 141
- any attorney-at-law of a member state
- European patent attorneys with appropriate qualification
EVIDENCE: WHAT IS SPECIAL?

- Witnesses/party experts
  - Written declarations required
- Court-appointed experts/court-ordered experiments
  - Can be appointed/ordered *ex officio*
- Requests for information/evidence (R. 190, 191)
  - No discovery, specification required, but possibly far-reaching
- Order to preserve evidence / for inspection
  - Can be ordered without defendant being heard
  - Can be ordered outside ongoing proceedings
  - Potentially *drastic improvement* of claimant’s position
SCENARIO 1: PURE INFRINGEMENT ACTION

- **Written procedure**
  - Statement of claim: 3 months
  - Statement of defense: 1 month
  - Reply to statement of defense: 1 month
  - Rejoinder to the reply

- **Interim procedure**
  - Interim conference(s): 3 months
  - Interim conference(s) (scheduled by judge-rapporteur "as soon as practicable")

- **Oral procedure**
  - Oral hearing: 2 months
  - Decision: 6 weeks
SCENARIO 2: PRELIMINARY OBJECTIONS

 Statement of claim  

 1 month  

 Preliminary objection  
 Defendant

 14 days  

 Comments to preliminary objection  
 Claimant

 As soon as practicable  

 Decision  
 Judge-rapporteur

 Appeal  

 Statement of defense  
 Defendant

 1 month  

 Reply to statement of defense  
 Claimant

 1 month  

 Rejoinder to the reply  
 Defendant

 1st Instance Proceedings may be stayed
SCENARIO 3: NULLITY COUNTERCLAIM

1. Statement of claim by Claimant
2. Statement of defense by Defendant
3. Counterclaim for revocation by Defendant
4. Reply to statement of defense by Claimant
5. Defense to the counterclaim by Defendant
6. Application to amend patent by Claimant
7. Reply to defense to the counterclaim by Defendant
8. Defense to application to amend patent by Defendant
9. Rejoinder to counterclaim reply by Claimant
10. Reply to defense to application to amend patent by Defendant
11. Rejoinder to reply to defense to application by Defendant
APPEAL PROCEEDINGS

1. Appellant
   - Statement of appeal
     2 months
   - Statement of grounds of appeal
     2 months
   - Response to cross-appeal
     2 months

2. Court
   - 1st-instance decision
     3 months
   - Interim procedure (3 months)
   - Summons
     2 months
   - Oral hearing
     6 weeks
   - Decision

3. Defendant
   - Statement of response
     Cross-appeal
### UPC - COURT FEES AND RECOVERABLE COST

<table>
<thead>
<tr>
<th>Value of action</th>
<th>Fixed fee - Infringement claim</th>
<th>Fixed fee - Revocation counterclaim</th>
<th>Additional value - based fee</th>
<th>Recoverable Cost Ceiling</th>
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</table>

- Fixed fee for revocation action: 20,000 €
Part IV.1: Opting Out

Dr. Dirk Schüssler-Langeheine
Thomas Becher
(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 national authorities.

- **Default**: Shared jurisdiction of UPC and national courts during transitional period of (at least) 7 years
- Plaintiff can choose
(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.

- **Exception:** Competence of UPC can be excluded (opt-out)
1. Opt-out removes the UPC’s competence with regard to nationally validated (i.e. classic) EPs

2. Opt-out is NOT possible for EP-UEs

3. Opt-out is only possible before a lawsuit has commenced at the UPC
Industry’s No. 1 Question

- Should my company/client make use of the opt-out option?
- If so, for some or for all applications & patents?
- How to decide which ones to opt out?
• Pros and Cons of Opt-out

**Pros**
- Protects your EP patent from a central attack before the UPC
- Can be withdrawn later if you want to use the UPC for central infringement suit (unless patent has been attacked or enforced in a national court)

**Cons**
- Limits your enforcement options (unless opt-out is withdrawn)
- May increase litigation costs, if multiple national proceedings are started
- Misses the opportunity to test and influence the UPC

**Neutral**
- Opportunity/Risk of contradictory decisions
Decisions Will Have To Be Made

• So, patentees will need to assess and balance the risks of a central revocation action against the advantages in enforcement available before the UPC.

• Decisions may differ depending on individual patents.

• Factors affecting this decision may include
  ▪ structure and strength of the portfolio,
  ▪ nature and characteristics of products concerned,
  ▪ market and competition,
  ▪ logistics and
  ▪ budget.
How vulnerable is my patent to a central attack?

Could I deal with several revocation actions at once under a new regime with strict and short deadlines?

How important is cross-border enforcement for my case?

Are the new and enhanced inspection proceedings before the UPC useful for my patent?

Where do the competitors manufacture, where do they sell?

How adequate is the alternative to UPC enforcement, to how many and which courts would I have to go to achieve my commercial objectives?

Do I want to participating the UPC case law, or rather let others go first?
Different Strategies Depending on Circumstances

• **Scenario 1: Top Priority Invention**
  
  • Invention very important
  
  • Litigation likely
  
  • Cost issues not so relevant in view of commercial relevance of the patent

➢ Use classic EP patent
➢ Opt-out
Different Strategies Depending on Circumstances

- **Scenario 2: High Priority Invention**
  - Invention important
  - Litigation possible
  - Cost issues relevant

- Use Classic EP and opt-out if patent is weak
- Use EP-UE or EP with no opt-out if patent is strong
Different Strategies Depending on Circumstances

- **Scenario 3: Normal Priority Invention**
  - Invention not so important
  - Litigation unlikely
  - Cost issues highly relevant

- Use classic EP for DE, FR, GB if small territorial scope is sufficient; opt out unless you see particular advantage in single judgment covering DE and FR.
- Use EP-UE (optionally plus EP-GB) if larger territorial scope is desired and additional costs are justifiable
- Balance Scope vs. Cost
• **Scenario 4: SPC-eligible patent**
  
  • Invention commercially relevant
  
  • SPCs based on EP-UE should be possible, but no legally safe territory
  
  • SPC with UE will not be established in the near future

- Use Classic EP Patent
- Opt out
Our Prediction

➢ EP-UE will **not** be widely used in the beginning
➢ Classic EP Patents will continue to be preferred by majority of stakeholders
➢ Most important patents will be opted out
➢ Many companies will even opt out most or all of their patents
➢ But many patents will **not** be opted out
➢ First actions before UPC may be revocation actions
➢ Mixed picture to be expected
Part IV.2: UPC Revocation v. EPO opposition

Dr. Dirk Schüssler-Langeheine
Thomas Becher
EPO Opposition vs. UPC Revocation Action
When to use which one?
**BASIC SIMILARITIES**

- **Post-grant Opportunity to attack a European Patent and have it revoked**
- **Contentious Proceedings**
  - Between Opponent(s)/Plaintiff(s) on one side and the Patentee/Defendant on the other side
  - Opponent/Plaintiff has substantial procedural rights just like the patentee
  - Neutral deciding body: EPO OD/TBA or UPC
  - Technical expertise on the bench
- **The result is a decision about the validity and shape of the patent:**
  - Revocation of the patent
  - Limitation of the patent / Maintenance in Amended Form
  - Dismissal of the attack / Rejection of the opposition
GROUNDs OF REVOCATION

- Lack of Patentability
  - Lack of Novelty
    - Art. 54(2)
    - Art. 54(3)
    - More only nationally, Art. 139
  - Lack of Inventive Step
  - Patent eligibility
  - Violation of Morality
- Insufficient disclosure
- Added Matter
BASIC DIFFERENCES

- **Territory**
  - EPO opposition revokes patent within entire EPO territory
  - UPC revocation only applies in UPC territory (not GB, PL, ES...)

- **Procedure**
  - EPO Opposition is time-limited (9 months window)
  - UPC Proceedings expected to be faster (at least initially)
  - UPC may allow less scope for late amendments – more front loaded
  - UPC may allow less opportunities for filing auxiliary requests

- **Costs**
  - EPO – Costs are usually borne by each party
  - UPC – Costs are usually borne by the losing party

- **Remedies**
  - EPO – Board of Appeal, then UPC proceedings if patent survives
  - UPC – Court of Appeal, possibly CJEU
WHEN TO USE EPO OPPOSITION PROCEEDINGS

- If you are still within the 9 month opposition period
- If the patent has been opted out
- If your budget is limited
- If you can afford waiting for a decision
- If you are interested in invalidating the patent in non UPC countries (e.g. ES, PL...)
- If the patent mainly suffers from added matter problems or even an inescapable trap problem
- If your prior art clearly anticipates the patented invention
- If you want to use a straw man
WHEN TO USE UPC REVOCATION ACTION

- If you have missed the opposition period
- If your (initial) budget is sufficient
- If you need a quick decision
- If the patent is invalid for extension of scope of protection after grant, lack of entitlement or lack of novelty over earlier filed but unpublished national application
- If you have a good case and may hope for success and remuneration of your costs
- If the patent does not only suffer from added matter problems
- If you cannot clearly show obviousness using the EPO’s problem-solution-approach, but have other good obviousness arguments (e.g. bonus effect falling into skilled person’s lap when doing the obvious).
WHEN TO USE BOTH?

EPO Opposition vs. UPC Revocation
WHEN TO USE BOTH?

- If you MUST win
- If costs play no big role
- If you have found new and pertinent prior art that you can no longer introduce into the pending proceedings
- If you want to apply pressure on the patentee and force him to come up with his arguments and claim amendments as soon as possible
- To recover part of your costs if you have already almost won EPO opposition proceedings (?)
EPO Opposition vs. UPC Revocation

Article 69 of the Agreement qualifies the general rule that the unsuccessful party shall bear the successful party’s costs by a number of principles, which serve as important safeguards when the Court makes its decision on costs, by allowing for exceptions from the general rule or limiting its application. (…)

Firstly, only reasonable and proportionate legal costs and other expenses incurred by the successful party may be recovered from the unsuccessful party.

Moreover, equity may also serve as a self-standing ground for rendering the general rule inapplicable.

Furthermore, (…) in exceptional circumstances the Court may order the parties to bear their own costs, or apply a different apportionment of cost, based on equity.

Unnecessary costs caused to the Court or the other party shall be borne by the party incurring them, which means that even the successful party has to reimburse costs caused that are deemed unnecessary by the Court. Only the recoverable costs established in compliance with these principles is measured against the ceilings (…).

There is a large margin of appreciation for the Court when applying the safeguarding principles before making a cost decision.
WHEN TO USE BOTH?

- Filing a UPC Revocation Action shortly before a (presumably) positive final decision in EPO opposition proceedings just to recover costs from patentee may be not such a good idea...

- Be reasonable rather than greedy, and you will be on the safe side!
Final Thoughts for the Proprietor...

- Would you want to leave your adversary the choice where to attack your patent centrally?
- If your adversary has missed the 9 month period, would you want to allow him a 2\textsuperscript{nd} chance for central attack?
- If no, consider opting out!
- Opting-out is reversible, so a later enforcement of your patent before the UPC is still possible.
Litigation before the UPC and the national courts

Case 1 – Chemical Compound
Basic Patent EP ‘123
EP Bundle Patent, no opt-out declared
Expiration Date 20.10.2022
New Drug Substance S
Disclosed use: Peripheral vascular disease
- Has obtained Marketing Authorization by EMA on 15.10.2022 for use of S in the treatment of peripheral vascular disease
- Wants to enter the market on 21.10.2022 in order to be the first company on the market
- Has listed S in the German Lauer-Taxe of 15.10.2022
- Has indicated to national wholesalers that he will deliver S on 21.10.2022 and asked him to prepare for immediate launch on the same date
Concerned that generics might want to “jump the gun”
Determined to enforce its Basic Patent EP ‘123 as vigorously and as long as possible
Monitors Lauer Taxe on a regular basis
Finds that D’s product is listed on 15.10.2022
Hears that D has approached national wholesalers and announced delivery of S on 21.10.2022
Wants HE to take action against D!
Litigation Strategy for P

- National or UPC?
- Likelihood of Provisional Injunction?
- Speed?
- Costs?
- Immediate enforcement possible?
- Wants to get on the market as soon as legally possible

- Is of the view that the mere listing of a drug in the Lauer-Taxe for sale after expiry of the patent is no patent infringement

- Is of the view that talking to national wholesalers and asking him to prepare for launch immediately after patent expiry is no patent infringement

- Asks HE to devise a suitable strategy securing his launch
Case 1 – ct‘d: The Process Patent
Basic Patent EP ‘123
Expiration Date 20.10.2022
New Drug Substance S
Disclosed use: Peripheral vascular disease

Expiration Date 31.7.2026
Process for the manufacture of drug S by reacting A with X to form S.
Generic Manufacturer D

- Sells generic S in Germany after expiry of basic patent
- Has factories in Belgium and Slovenia
- D’s process involves protecting A with a protective group to form A’, then reacting A’ with X to form S’, followed by deprotecting S’ to form S.
Processes for the production of $S$:

- $A \rightarrow S$
- $A' \rightarrow S'$
- $\uparrow$  $\downarrow$
- $A$  $S$
Patentee P

- Observes sales of generic S in Germany after expiry of basic patent
- Is suspicious that D might manufacture S according to the process protected by its patent EP ‘456
- Wants to find out whether his patented process is used in SI and/or BE
- If so, wants to stop D’s activity immediately
- Wants HE to take action!
Litigation Strategy for P

- Which court(s) will likely assist P in obtaining evidence of D’s process?
- Which court(s) will likely help P to obtain an injunction against D?
- Speed?
- Costs?
Generic Manufacturer D

- Sells generic S in Germany after expiry of basic patent
- Does not want to publicly disclose its process of manufacture, but would be prepared to disclose on a confidential need-to-know basis
- Believes that its process circumvents the patent and constitutes no infringement
- Wants HE to prepare optimum defense strategy
Generic Manufacturer D

Litigation Strategy for D

- Which court(s) will likely side D and refuse P’s request for an injunction on the merits?
- Which proactive measures can D take in order to bring the case before the best forum?
Litigation before the UPC and the national courts

Case 2 – Fibre Detection
Case 2: Fibre Detection

- **Example: Fiber Detection**
- **Manufacturer of textile machines**
- **EP App 123 claims:**
  - A device for removing bad fibres from a stream of cotton fibres in an opening line
  - A process for such removal
- **EP App 456 claims**
  - A process for manufacturing a fabric
- **Competitors in CH and IT**
- **Customers: mainly in China and India**
Case 2: Fibre Detection

• Questions:
• Which protection is desirable: UP, EP and/or national patents…?
• In case of granted EP: opting-out recommendable?
Litigation before the UPC and the national courts

Case 3 – Wet Brake for Cars
Case 3 – The Wet Brake

• **Example: Wet Brake for Cars**
• **Manufacturer of car brakes**
• **EP App 123 claims:**
  • A wet brake for cars including
    • a housing
    • A rotator rotably disposed in the housing and cooperating with the housing to form a brake chamber
    • A plurality of discs
    • A piston
• **Competitors in FR, IT and BG**
• **All competitors are supplied with rotators by company in SI**
Case 3

• Questions:
• *UP, EP and/or or national patents*…?
• *In case of granted EP: opt-out*?
Conclusions

- Budget Constraints?
- Portfolio pruning?
- Costs
- Individual countries
- Territory
- Comprehensive protection
- Organisation of Competitors
- National
- Overseas
- Resources
- Facilities
- Logistics
- Markets
- International/pan-European
- Scope of protection
- Strength of patents
- Likelihood of litigation
- Significance, nature and purpose of patents
- Key patents
- Licensing
- Protection of own products
- Second tier patents
- Significance of damages
- Markets
- Spare Parts
- Non-patent protection
- Regulatory aspects
- Life-cycle
- Structure of Portfolio
- Divisionals/utility models
- Structure of Customer Base
- Complexity
- Patent/Product Ratio
- Resources
- Facilities
- Markets
- Significance of damages
- Overseas
- Pan-European
- Products
- Products
- Products