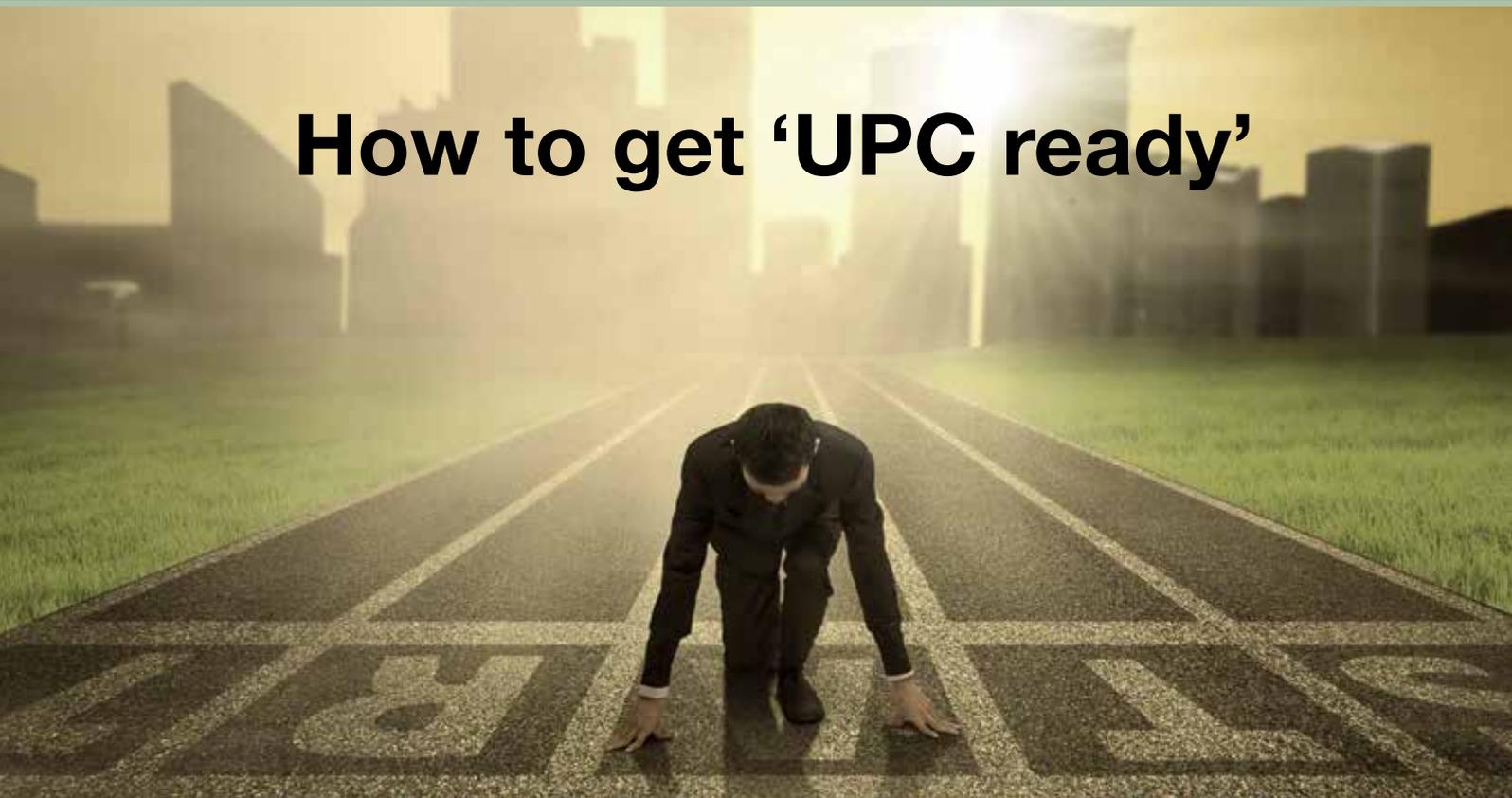


How to get 'UPC ready'



The upcoming introduction of the unitary patent and the Unified Patent Court in Europe presents patentees with new opportunities and challenges – and with a need for preparation in advance of the new system's start. **Markus Gampp** discusses some areas of particular importance

As you may know, the member states of the European Union are in the process of preparing the introduction of a new European patent with unitary effect (unitary patent) and the creation of a single Unified Patent Court (UPC) with divisions located all over Europe. From both a legal and economical perspective, the new system and in particular the introduction of the new UPC, will present the biggest game-changer in European patent law ever, bringing about fundamental changes for patentees, defendants, their counsel, judges and everyone involved in patent litigation in Europe. However, in particular, patentees are presented with a host of new opportunities and options, but also with unprecedented challenges. This article provides some guidance on specific aspects to watch out and to prepare for.

Be aware

As simple as it may sound, the first and perhaps most crucial step in getting 'UPC ready' is to familiarise yourself with the actual changes that this unprecedented patent reform will bring about. There are more obvious changes, most importantly (1) the very significant

change in scope of patent litigation in Europe, (2) the new options for "forum shopping", and (3) the availability of a new type of European patent, the unitary patent, as well as less obvious ones, for example regarding (4) the new renewal fees structure, and (5) the crucial opt-out mechanism. These shall be addressed in some more detail below.

Scope and significance of European patent litigation

The UPC will have jurisdiction for the territories of all participating member states. Only two EU member states are currently planning not to participate in the new system in its entirety. These being Croatia and Spain, which is strictly opposed to the new system and has filed two actions against several aspects of the unitary patent system with the Court of Justice of the European Union (CJEU). The CJEU dismissed the first challenge in April 2013 and on 18 November 2014, the Advocate General recommended that the second challenge should also be dismissed. The CJEU's decision is expected in May 2015. Croatia only joined the European Union after the procedure for enhanced cooperation was started and the UPC Agreement was signed. It may eventually join both parts of the new system. Italy is

currently evaluating its position, which so far was to participate in the UPC (setting up a local division in Milan), but not in the unitary patent. However, there appears to be a recent tendency to reconsider that position, which might well lead to Italy joining the enhanced cooperation for the unitary patent as well. Poland appears to be determined to continue its partial participation (in the unitary patent, but not in the UPC) for the time being.

In sum, a market in excess of 400m people with the current level of participation (and of potentially over 500m people) will be at stake in future patent litigation before the UPC, thereby significantly increasing the economic and strategic importance of such cases. Contrary to the status quo, where both infringement and validity must be determined by the respective national courts, jurisdiction by jurisdiction, before the UPC it will be possible to obtain an injunction of an infringing product for the entire European territory (ie, for the participating member states) with just one legal action. The same applies for the validity of a European patent, which can be declared null and void with effect for all participating member states with just one revocation action.

The obvious immediate benefits being cost-savings and much increased practicability,

while also reducing the risk of conflicting decisions. However, this significantly increased scope of patent litigation in Europe may well also affect the strategic value of such litigation, for example when compared to the US. Whereas in the past, the outcome of a global dispute was determined primarily in the US, in the future, the UPC may well present an equally important battle ground. This may in turn affect filing strategies, where having the right amount and type (see below) of European patents in your portfolio may be equally important in creating leverage in such disputes.

Choice of divisions

The UPC's Court of First Instance is composed of local divisions (which are set up in single member states), regional divisions (which can be set up jointly by member states who do not wish to establish a local division of their own), and the central division. An action for infringement before the UPC may be brought either at the place of infringement or the defendant's seat. Given the fact that the products at stake are often available online and thus the infringement occurs all over Europe, the plaintiff often may be able to choose from a wide variety of divisions. In addition, during a transitional period of initially seven years, plaintiffs may also bring an action in the national courts, which retain alternative jurisdiction in parallel to the UPC.

This setup will allow for "forum shopping" in many cases. Two potential consequences come to mind: First, one may expect that - especially in the initial years where there will be considerable legal uncertainty - plaintiffs may be turning to those divisions where they can expect to find the most experienced and at least to some degree predictable judges, ie, Germany, the UK, and perhaps France and the Netherlands. This may in turn lead to a concentration of patent litigation before the UPC divisions in these jurisdictions. Secondly, it may also lead to one or more of the less established local or regional divisions trying to position itself as a very attractive venue for plaintiffs. This raises concerns that at least one UPC division may aspire to become the "European ED Tex", acting very patentee-friendly, issuing injunctions fast and perhaps even on patents with dubious validity - all of this further raising the need for preparation.

Moreover, when choosing where to bring a case, the language of the proceedings may be an important factor. The proceedings before the local divisions will generally be held in the official language of the member state where the respective local division is seated. However, member states are free to permit the use of further languages at their divisions. For

example, in Germany, the only member state to host more than one local division (in fact four, based in Munich, Mannheim, Düsseldorf and Hamburg), there is an ongoing debate whether English should be permitted as a second language for proceedings to be held in. At the regional divisions, the participating member states are free to decide on any of their official languages to be the language of the proceedings before that regional division. For example, Sweden, Estonia, Latvia and Lithuania have agreed on English as the language of their joint future Nordic-Baltic regional division with its seat in Stockholm. At the central division, the language of the patent, which is currently English for the vast majority of patents, will always be determinative.

Finally, it is a valid concern that a system which puts in the hands of plaintiffs not only a huge market, but also a wide variety of strategic and procedural options, may present a new playing ground for so-called 'patent trolls', which have not been as active in Europe in the past as in the US. While one of the reasons for this discrepancy, ie, the very significant level of damages being awarded by US courts, which are not nearly on the same

level in Europe, will continue to exist, a second reason - the market size and with it the relevance of litigation - will change. In fact, an industry coalition with signatories such as *inter alia* Adidas, Blackberry, Cisco, Deutsche Post, Google, HP, Microsoft, Samsung and Vodafone, sent two letters to the European Commission, voicing concerns about the availability of injunctions as a standard remedy, in particular in connection with the possibility of bifurcation built into the UPC procedures. According to the coalition, this may lead to "a rise of abusive litigation before the UPC", especially in view of patent assertion entities.

Choice between different "European patents"

So far, an inventor had the choice in Europe to file an application for a national patent, providing protection only in that respective jurisdiction, or for a European patent, which is granted by the European Patent Office based in Munich. However, contrary to what its name suggests, such European patent is not a single uniform intellectual property right providing protection in the entire European Union. Instead, it must be validated with the

Table 1: Renewal fees proposals

Year	DE	FR	GB	EPO	EP-UE "Top 4"	EP-UE "Top 5"
2		36,00			350,00	350,00
3	70,00	36,00		465,00	465,00	465,00
4	70,00	36,00		580,00	580,00	580,00
5	90,00	36,00	99,00	810,00	810,00	810,00
6	130,00	72,00	127,00	1.040,00	855,00	880,00
7	180,00	92,00	155,00	1.155,00	900,00	950,00
8	240,00	130,00	183,00	1.265,00	970,00	1.110,00
9	290,00	170,00	211,00	1.380,00	1.020,00	1.260,00
10	350,00	210,00	239,00	1.560,00	1.175,00	1.475,00
11	470,00	250,00	268,00	1.560,00	1.460,00	1.790,00
12	620,00	290,00	296,00	1.560,00	1.775,00	2.140,00
13	760,00	330,00	352,00	1.560,00	2.105,00	2.510,00
14	910,00	380,00	408,00	1.560,00	2.455,00	2.895,00
15	1.060,00	430,00	493,00	1.560,00	2.830,00	3.300,00
16	1.230,00	490,00	577,00	1.560,00	3.240,00	3.740,00
17	1.410,00	550,00	648,00	1.560,00	3.640,00	4.175,00
18	1.590,00	620,00	718,00	1.560,00	4.055,00	4.630,00
19	1.760,00	690,00	789,00	1.560,00	4.455,00	5.065,00
20	1.940,00	760,00	845,00	1.560,00	4.855,00	5.500,00
Total	13.170,00	5.572,00	6.408,00	23.855,00	37.995,00	43.625,00

respective national patent offices and then only exists as a bundle of national patents. The reform package introduces a third type of "European patent", the European patent with unitary effect (in short: unitary patent). The new unitary patent will be based on the existing European patent. During the application or subsequent to the grant of a European patent, the patentee must apply for such patent to be afforded unitary effect. Contrary to the current European patent, the unitary patent is one single patent, providing unitary protection in all participating European member states.

Against that background, prospective patentees must even more carefully consider which type of patent to file for in Europe in the future. The answer will in part depend upon the geographical scope of protection needed for the technology in question and of course the cost of renewal fees. As to the latter, a European bundle patent arguably provides greater flexibility, as the patent proprietor may progressively allow the patent to lapse in individual designated states, providing the respective cost savings.

Renewal fees

Speaking about money: the attractiveness (and ultimately the success) of the new unitary patent will depend to some degree on its costs. It was not until very recently that a first indication was given as to the potential level of the renewal fees for the future unitary patents. In March 2015, the president of the European Patent Office submitted "Proposals for the level of renewal fees for European patents with unitary effect". The two specific proposals are based on the current renewal fees (for years 10-20) if a European patent was validated in the four ("Top 4") and five ("Top 5") most popular countries for applicants and are set out in the last two columns shown in Table 1. In addition, the Top 5 proposal includes reductions for SMEs, natural persons, non-profit organisations, universities and public research organisations (see Table 1).

When evaluating these proposals, it may be helpful to keep in mind that currently about 50% of all European patents are validated only in the top three states DE, FR and GB, and another 40% are validated in the top five states DE, FR, GB, IT, ES. On the basis of these proposals, obtaining unitary patent protection will come with a significant cost increase for the vast majority of applicants. It remains to be seen whether applicants will be persuaded to make that investment in view of the increased territorial protection, keeping in mind that at least initially, Spain and Croatia will remain outside of the scope of protection. In any event, while it is currently unclear whether these

proposals will be adopted, they are clearly more expensive than the comparable cost of patent protection in the US, where the total renewal fees over a US patent's 20 year lifetime amount to approximately 13.000 Euro.

Opt out?

Once it is up and running, the UPC will have exclusive jurisdiction not only for the new unitary patents, but also for the existing European bundle patents, pending patent applications and Supplementary Protection Certificates, from day one of its operation. An exception exists in two respects: for a transition period of initially seven years, the UPC and the national courts will have alternative jurisdiction.

Moreover, the patentee may declare to "opt out" of the jurisdiction of the UPC, either for individual patents or entire portfolios. By declaring an "opt out", the patentee can prevent his patent from being declared invalid by the UPC with effect for all participating member states. On the flip side however, the patentee thereby also deprives himself of the possibility to obtain an injunction for infringement of the patent with pan-European effect.

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This puts the burden on patent proprietors to evaluate whether and for which patents opting out of the jurisdiction of the UPC provides strategic advantages. Large industrial European patent holders such as Siemens have announced their intention to test the new system with only a part of their patent portfolios. On this basis, it may appear to be a prudent step at least for "crown jewel" patents, because it would avoid the risk of

pan-EU patent revocation by a potentially inexperienced new court. Generally, an opt-out may be withdrawn, thereby allowing pan-EU enforcement of that same patent at a later date.

However, the mechanisms implemented in the governing UPC Agreement as well as the Rules of Procedure (which are currently available in their 17th draft and expected to be finalized later this year), are quite complex. Most importantly, as soon as an action before the UPC is commenced involving a particular European patent (which had not been opted out), that patent becomes subject to the UPC's exclusive jurisdiction for its lifetime, ie, an opt out is no longer possible. A similar bar exists where a European patent which was opted out becomes the subject of litigation before a national court: the opt out of that patent may no longer be withdrawn, ie, an action on the basis of such patent may no longer be brought before the UPC.

As a consequence, and obviously subject to the amount of the opt out fee (which is yet to be determined), patentees should give careful consideration to the opt out decision well before the start of the system. Those decisions should be taken with a view to the likely strategic use of the patent (offensive/defensive), the likelihood of the patent being attacked by way of a revocation action before the UPC by third parties and the strength of the patent, as well as the potential benefit of the possibility to obtain a pan-European injunction. In addition, one may consider the first mover advantages of filing an early UPC revocation action against a third party's blocking patent where the patent proprietor may be caught off guard.

Summary

In any event, the opt out provisions, just as many more aspects of the complex new system, provide opportunities and pitfalls alike, and in particular, patentees are well advised to make sure they are 'UPC ready' by educating themselves in time before the new court is up and running.

Author



Markus Gamp is a German attorney-at-law and a partner at DLA Piper UK. He is based in Munich and focuses on patent litigation.