

Patent litigation in Europe Major changes to come & Bird & Bird

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Introduction:

Patent litigation in Europe today and tomorrow

Patent litigation in Europe - Today

2 options for patents

- Traditional European patent, validated in countries of choice
- National patents

European Patent Convention

- 38 Member states
- 27 European Union member states
- Central patent prosecution procedure before the EPO

No unitary patent right

38 countries to litigate in

38 national laws apply to infringement and validity

Patent litigation in Europe - Today

Differences

Jurisdiction

- Single (Holland, France)
- Almost single (UK) – Patents Court, Patents County Court, Scotland, Northern Ireland
- Multiple (Germany, Italy)

Bifurcation

- Germany and Austria bifurcate infringement and validity
- Other jurisdictions hear both together.

Proving infringement

- Proving infringement:
 - full disclosure (e.g. UK)
 - saisie (e.g. France, Italy, Spain);
 - or mere possibility of limited disclosure (e.g. Germany)
- Types of proof - technical expert :
 - Only used in complex cases in Germany and France
 - Almost always used in UK

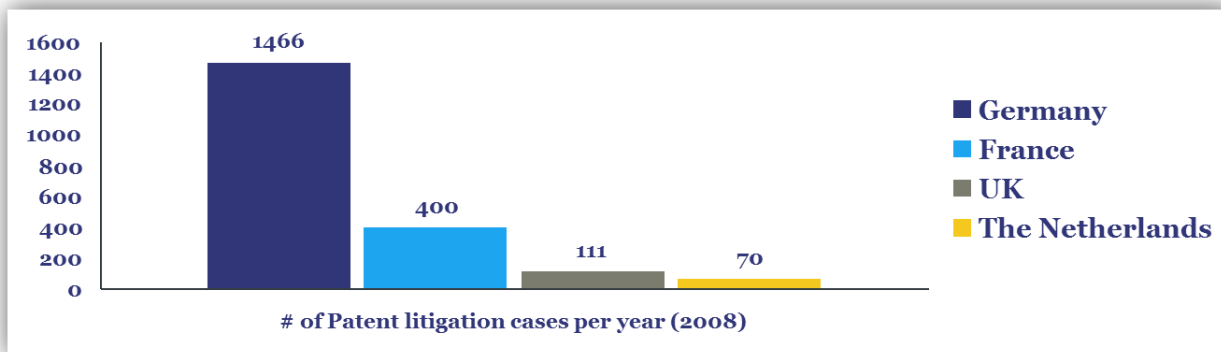
Patent litigation in Europe - Today

Differences

Speed

- Fast: The Netherlands (10 – 12 months) / Germany (6 – 18 months) /UK (12 – 18 months)
- Average: France (12 – 24 months)
- Slow: Italy (2.5 – 3 years)

Cases per country



Source: Juve-Rechtsmarkt 04/2010, p. 79

Patent litigation in Europe - tomorrow

3 options for patents

- Traditional European patent, validated in countries of choice
- European patent with Unitary effect in 25 EU member states
+ option for traditional EP in remaining 13 countries
(Italy and Spain currently do not participate)
- National patents

New litigation system

- Unified Patent Court, 26 EU member states
 - Unitary patents
 - Traditional European patents (not opted out/opted in again)
- National courts
 - Traditional European patents (opted out)
 - National patents

Implementation timeline

- The Unitary Patent and Unified Patent Court are a package – albeit that the Unitary Patent is being implemented by two EC Regulations, and the UPC by an international treaty
- UPC Agreement has been signed by 25 member states (not yet by Poland and Spain is not going to sign, at least for the time being)
- Original Italian/Spanish challenge to enhanced cooperation was unsuccessful (but Spain have filed a further challenge!)
- Everything comes into effect once 13 EU member states (including the UK, Germany and France) have ratified the UPC Agreement
- But, not until the 1 January 2014 or the date of entry into force of the UPC Agreement (being the 1st day of the 4th month after ratification by the 13 EU member states), whichever is the later
- But the system will then only apply to those countries that have ratified

Implementation timeline contd.

- However, before that happens still much to be done (eg Rules of Procedure need to be agreed, administrative functions set up, judges appointed and trained, court infrastructure put in place, fees set etc.....)
- Declaration on preparation (implementation) signed at the same time as the UPC Agreement
 - Requires no further ratification
 - Roadmap for implementation has been prepared and approved
 - Preparatory Committee established and tasks being allocated
- Decisions on local and regional divisions expected 2nd half 2013
- "Go Live" date
 - European Commission "wish" : April 2014
 - Participating states plan : end 2014/early 2015

Unitary patent : a new title

The unitary patent

EU Regulation No. 1257/2012 of 17 December 2012

- Entry into force on the 20th day after its publication (31 December 2012)
- It shall apply from 1 January 2014 or the date of entry into force of the Agreement on the UPC, whichever is the later
- Exception: EP with unitary effect has unitary effect only in those participating member states in which the UPC has exclusive jurisdiction (Art. 18(2) of the Regulation)

The unitary patent

Regulation is by means of an enhanced corporation

Involved countries:

BE, BG, CZ, DK, DE, EE, IE, GR, FR, CY, LT, LV, LU, HU, MT, NL,
AT, PL, PT, RO, SL, SK, SI, SE, UK
(not IT and ES)

The unitary patent

Basis for EP with unitary effect:

- Granted European patent
- Patent has to have the same set of claims in respect of **all participating member states**
- Unitary effect has to be registered in the register for unitary patent protection at the EPO (Art. 3(1) of the Regulation)
- Deadline for filing the request: **1 month** of the date of the publication of the mention of the grant of the EP (recital 18 of the Regulation)
- Date of effect is the date of publication by the EPO of the mention of the grant of the EP (Art. 4(1) of the Regulation)

The unitary patent – translation requirements

Translation requirements during transitional period (max 12 years):

- If language of the proceedings was FR or DE, a full translation of the specification of the EP in EN is required (see Art. 6(1)(a)).
- If language of the proceedings was EN, full translation of the specification of the EP in any **other official language of the Union** is required (see Art. 6(1)(b))
- After the transitional period, no translation is required (Art. 3(1))

What is the applicable Court system?

- I. Jurisdiction between the UPC and national courts
- II. Court structure and composition
- III. Jurisdiction inside the UPC : open forum shopping
- IV. Interplay between actions
- V. Language of proceedings
- VI. Costs
- VII. Appeal
- VIII. Harmonised substantive patent law

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I. Jurisdiction of the UPC and National Courts


The main goal is for the UPC to have exclusive jurisdiction over

- Unitary Patents (UP)
- European Patents (EP)

Complications arise due to:

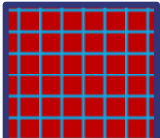
- Territorial application varying in time
- Complex transitory measures

Territorial application varying in time

 **24 Member States**
UP : yes
UPC: yes

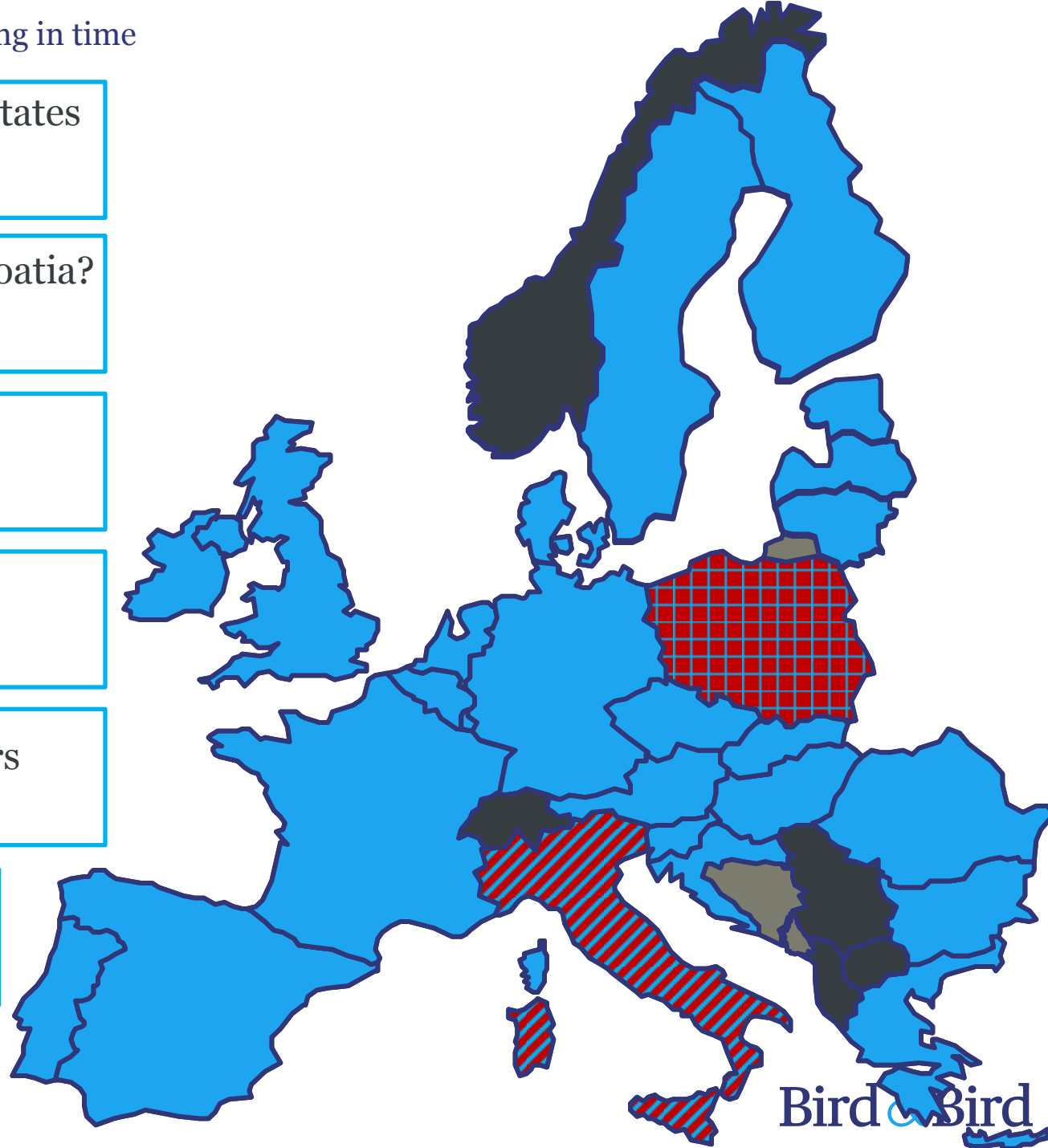
 **Spain and Croatia?**
UP : no
UPC: no

 **Italy**
UP : no
UPC: yes

 **Poland**
UP : yes
UPC: no

 **EPO members
outside EU**

 **Outside EU
Outside EPO**



A. UPC Jurisdiction

Exclusive in countries that have ratified the Agreement:

- On UPs
- On EPs (not "opt-out") after the expiry of the 7 years transitional period (possibly 14 years).

A. UPC Jurisdiction

Non-exclusive jurisdiction during the transitional 7 year period (possibly 14):

- On EPs applied for before the end of the transitional period in countries that have ratified the Agreement, the patentee will have the choice between national courts and the UPC

But

- The patentee can choose to exclude the jurisdiction of the UPC : **"opt out"**
- At any time, by a notification to the register 1 month before the expiry of the transitional period
- Unless an action has been initiated before the UPC (infringement or revocation)
- The "opt out" will take effect on the day of its recordal with the Register:
 - Fear that all patentees will opt their Eps out on the day when the system comes into force and possible overload of the system;
 - Solution : sunrise period set by the Rules of procedure
- "Opt Out" for the life of the patent? Prima facie yes

A. UPC Jurisdiction

Non-exclusive jurisdiction during the transitional 7 year period (possibly 14):

- Possibility for the patentee to change his mind: "opt in"
 - At any time
 - Unless an action has been initiated before a national court (infringement or revocation)
 - "Opt in" will take effect on the day of its recordal with the Register

B. National courts Jurisdiction

Exclusive jurisdiction:

- On national patents.
- On all EPs in Spain and Poland and in countries which will not have ratified the Agreement.
- On "opted out" EPs during the 7 year transitional period and probably after its expiry

Non-exclusive jurisdiction:

- During the 7 years transitional period, on non "opted out" EPs in force in countries which have ratified the Agreement.

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A. Court structure

Court of First Instance (Article 7):

- Central division
- Local divisions
- Regional divisions

1. Central Division

Seat in Paris and sections in London and Munich

Paris (Sections B, D, E, G, H)

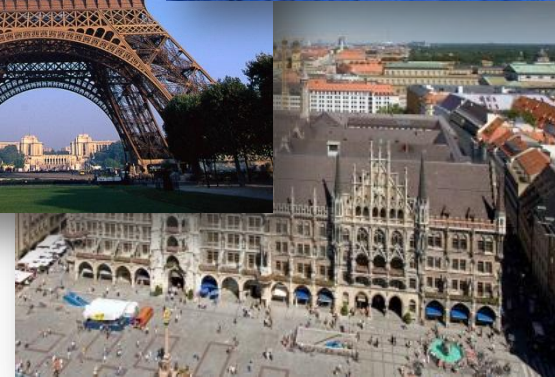
- Performing operations, transporting
- Textiles, paper
- Fixed constructions
- Physics
- Electricity

London (Sections A, C)

- Human necessities
- Chemistry, metallurgy

Munich (Section F)

- Mechanical engineering, lighting, heating, weapons, blasting



2. Local and regional divisions

Every Member State may chose to establish a local division

- **1 local division** upon request for every **one hundred patent cases per year**
- Maximum of **4 local divisions per Member State**

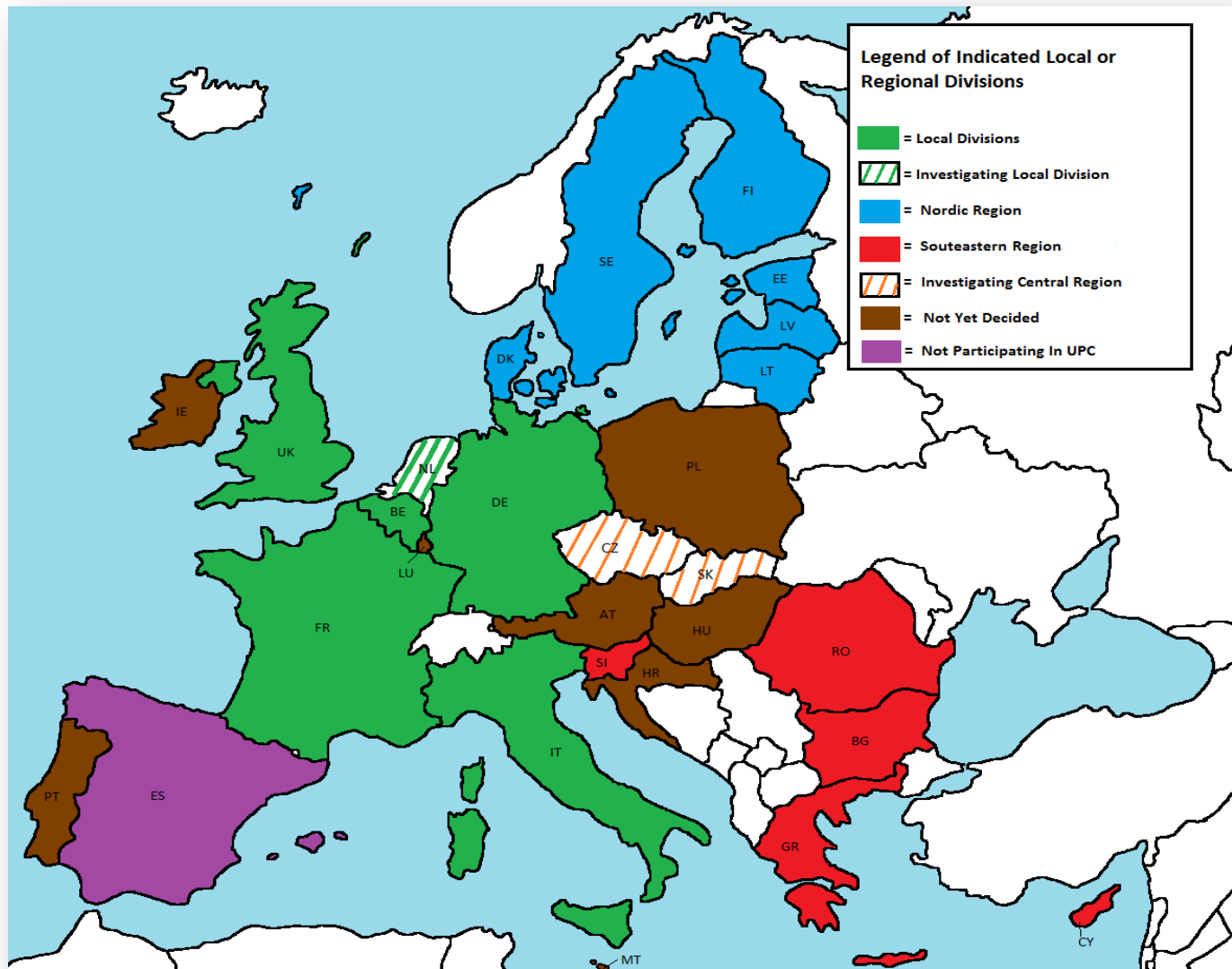
Likely local divisions :

- Germany : 4 local divisions (Düsseldorf, Mannheim, Munich, Hambourg)
- France
- UK
- Holland
- Belgium
- Italy

Regional division set up for two or more Member States upon their request

- Likely regional divisions
 - Nordik region (Denmark, Sweden, Finland, Lithuania, Latvia, Estonia)
 - Southern region (Bulgaria, Romania, Greece and Cyprus).

Court of First Instance



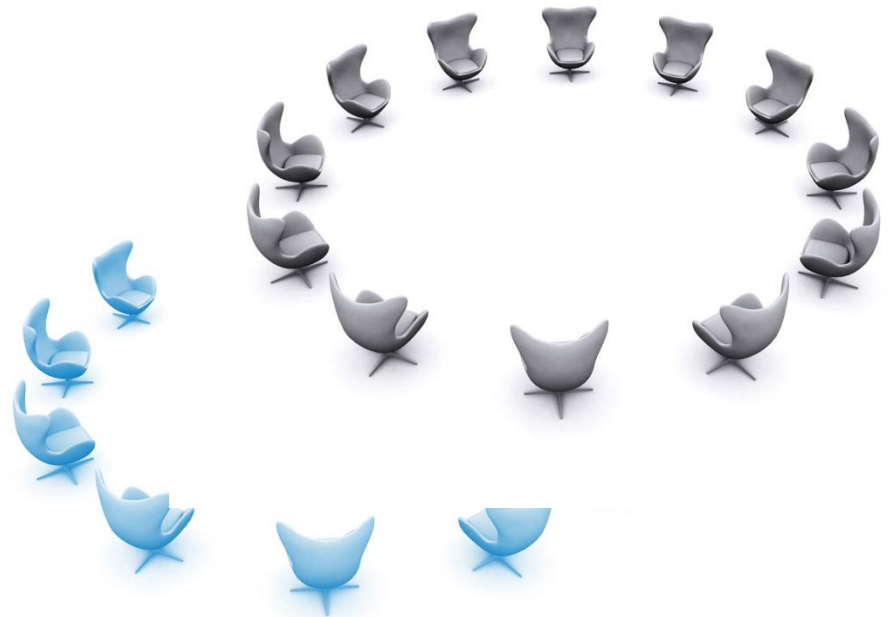
3. Court of Appeal and Registry (Articles 9 and 10)

- Based in Luxembourg
- Registry keeps records of all cases before the Court
- Sub-registries set up at all divisions of the Court of First Instance



B. UPC Composition

- Creation of a pool of judges composed of **technically** and **legally** qualified judges (Article 18)
- Judges allocated to a division by the President of the Court of First Instance, based on their legal or technical expertise, linguistic skills and relevant experience (Article 18)



1. Local divisions (Article 8)

Panel composed of 3 legally qualified Judges :

- If <50 cases per year on average over previous 3 years
- 1 national judge
- 2 non-national pool judges



If >50 cases per year on average over previous 3 years

- 2 national judges
- 1 non-national pool judge

One additional technically qualified pool judge may be allocated by the President of the Court of First Instance at the request of party or panel.

One additional technically qualified pool judge will be allocated in case of a nullity counterclaim that is not bifurcated to the Central Division



2. Regional divisions (Article 8)

Panel composed of legally qualified judges :

- 2 national judges chosen from a regional list of judges
- 1 non-national pool judge



One additional technically qualified pool judge may be allocated by the President of the Court of First Instance at the request of party or panel.

One additional technically qualified pool judge will be allocated in case of a nullity counterclaim that is not bifurcated to the Central Division



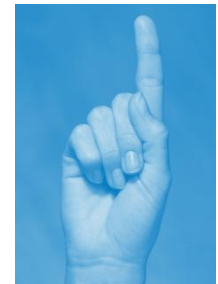
3. Central division (Article 8)

Multinational composition :

- Two legally qualified judges from different Member States and



- One technically qualified pool judge



4. Composition of the Court of Appeal (Article 9)

Multinational composition of 5 judges:

- Three legally qualified judges from different Member States



- And two technically qualified pool judges



What is the applicable Court system?

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A. Types of claims before the UPC (Article 32)

UPC exclusive jurisdiction in respect of :

- Actions for actual or threatened infringements
- Actions for declarations of non-infringement
- Actions for provisional and protective measures and injunctions
- Actions for revocation
- Counterclaims for revocation
- Actions for damages or compensation derived from the provisional protection conferred by a published European patent application
- Actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention;
- Actions for compensation for licences

National court jurisdiction in respect of:

- Actions which do not come within the exclusive competence of the Court (actions related to patent ownership, "patent claims")

B. Jurisdiction rules for infringement actions (Article 33.1 a and b)

1. Defendant with a principal place of business or a place of business on a signatory Member State's territory
 - Local or regional division of the place of infringement
 - Local or regional division of the defendant's principal place of business or place of business
2. Defendant without place of business on a signatory Member State's territory
 - Local or regional division of the place of infringement
 - Central division
 - Central division if infringement on a Member State's territory which has no local or regional division
3. Agreement of the Parties to bring the case in front of the division of their choice (including central division) (article 33(7))
4. Possible action against multiple defendants if they have a "commercial relationship" and "same alleged infringement"

B. Jurisdiction rules for infringement actions (Article 33.1 a and b)

Specific case of an action pending before a regional division (article 33(2))

- Infringement on the territory of at least 3 regional divisions
- Action pending before one of the three competent regional divisions
- At the defendant's request, case may be referred to the central division

C. Actions for declaration of non infringement and patent revocation (Article 33(4))

- Brought before the **central division**
- However, if **action for infringement** between the same parties, relating to the **same patent** brought before a local or regional division
 - Actions for declaration of non infringement and patent revocation can only be brought before the **same local or regional division**.

What is the applicable Court system?

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A. Between actions for infringement (Article 33(2))

Action for infringement **pending** before a division of the First Instance Court :

- Any other action between the **same parties** relating to the **same patent** may **not be brought before any other division**

Action between the **same parties** on the **same patent** brought before **several different divisions**:

- division first seized competent for the whole case
- any division seized later shall declare the action inadmissible

B. Action for infringement / patent revocation action (article 33(3)) : Bifurcation?

A counterclaim for patent revocation may be brought in the case of an action for infringement.

- After hearing the parties, the local or regional division concerned may :
 - **Proceed with the action for infringement and the patent revocation counterclaim** and request the assignment of a technically qualified pool judge, or
 - **Refer the nullity counterclaim to the central division** and suspend **or** proceed with the infringement action, or
 - **Refer the entire case to the central division** with the agreement of the Parties.

C. Patent revocation action / infringement action (Article 33(5))

An action for infringement may be brought while an action for patent revocation is pending between the same parties and relating to the same patent before the central division:

- Action for infringement brought before any local or regional division or the central division
- After hearing the parties, the local or regional division concerned may:
 - **Proceed with the action for infringement and the patent revocation action** and request the assignment of a technically qualified pool judge, or
 - **Refer the patent revocation action for decision to the central division** and suspend / proceed with the action for infringement, or
 - **Refer the case for decision to the central division** with the agreement of the Parties

D. Action for declaration of non-infringement / action for infringement (Article 33(6))

An action for declaration of non infringement pending before the central division is stayed if

- **An action for infringement is initiated between the same parties** or between the owner of an exclusive license and the party asking for a declaration of non infringement relating to the same patent in front of a local or regional division is initiated, and
- **Such action is initiated within 3 months from the date on which the declaration of non-infringement action was initiated before the Central Division**

What is the applicable Court system?

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Language of proceedings

Court of First Instance

- Local and regional divisions
 - Official language of state of local division
 - Official language designated for regional division
 - Optional: designated EPO language (EN, FR, DE)
 - If agreed: language in which patent was granted
 - If panel refuses, parties may request referral to central division or
 - President of CFI may decide on language of patent if one party applies
- Central division
 - Language in which patent was granted

Language of proceedings

Court of Appeal

- Language of first instance
- Language in which patent was granted if parties agree (panel cannot refuse)
- Exceptional circumstance: Court may decide on another official language, if parties agree

What is the applicable Court system?

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Costs

- VII. Appeal
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VI. Costs

Procedure costs (article 36(3))

- Fixed fee combined with a value-based fee above a pre-defined threshold.
- Periodically reviewed by the Administrative Committee.
- Must guarantee the balance between fair access to justice and the contribution of the parties to the expenses of the jurisdiction.

Court fees (article 70)

- Paid in advance at many stages
- Failure to pay in advance may lead to the party's exclusion from the proceedings

Legal costs (article 69(1))

- Borne by the unsuccessful party, up to a ceiling, unless otherwise required by equity
- Apportioned equitably / parties bear their own costs where a party succeeds only in part or in exceptional circumstances

Provision by the applicant of a security to the costs and expenses incurred (article 69(4))

- At the request of the defendant
- Ordered by the Court

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VII. Appeal (Article 73)

Appeal deadline :

- 2 months from the notification of the decision

Appeal against the following orders within 15 days of their notification :

- Proceedings language orders (Article 49(5))
- Orders to produce of evidence (Article 59)
- Provisional and protective measures orders (Article 62)
- Communication of information orders (Article 67)

Appeal against other orders :

- Together with the appeal against the decision, or
- Where the Court grants leave to appeal, within 15 days of the notification of the Court's decision to that effect

Appeals may be based on points of law and matters of fact

No new facts / evidence can be submitted unless impossible to submit before the Court of First Instance

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Harmonised substantive patent law

VIII. Applicable substantive patent law

Problem

- Lobby to prevent the ECJ from having control on UPC rulings.

Solution

1. The provisions relating to infringement have been moved from the regulation (which is submitted to the control of the ECJ) to the Agreement (which is not) (articles 25-30)
 - Right to prevent direct exploitation of the invention (article 25)
 - Right to prevent indirect exploitation of the invention (article 26)
 - Limitations of the effect of a patent (article 27)
 - Prior use (article 28)
 - Exhaustion of the rights conferred by EP (article 29)
 - Supplementary Protection Certificates effects (article 30)

VIII. Applicable substantive patent law

Solution

2. According to articles 5 and 7 of Regulation 1257/2012, infringement is ruled by the patentee's national law that is to say mainly the Agreement.

"Article 5 - Uniform protection

1. The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States in which it has unitary effect, subject to applicable limitations.

2. The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.

3. The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.

4. In its report referred to in Article 16(1), the Commission shall evaluate the functioning of the applicable limitations and shall, where necessary, make appropriate proposals."

(Some) Conclusions

(Some) Conclusions

- Still some **uncertainty over timing** of ratification of UPC Agreement, and hence when the Unitary Patent and UPC will come into effect
- When it does, **transitional period** will provide for opt-out from UPC for a considerable period of time
- Considerable scope for **forum shopping** under UPC system
- Unitary patent **may not prove cost effective** for many patentees
- National/Divisional filing practice may allow **room for flexibility**
- **Opt out strategy** needs to be considered now

Questions.....

Thank you & Bird & Bird

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