

November 30, 2016

## The 2017 UPC FAQ for US Lawyers: The Most Recent Events and Information

### Launch in 2017

The Unified Patent Court (UPC) is scheduled to launch in 2017.

### The UK is in

On 28 November 2016, the UK announced that it will ratify the UPC Agreement. This ends a period of uncertainty. Specifically, during the summer of 2016, the UK suggested that it may refuse to ratify the UPC Agreement in deference to the June 23<sup>rd</sup> referendum to leave the European Union (EU). This created a problem as the terms of the UPC Agreement required the UK to be a UPC member. Despite this uncertainty, the UPC Preparatory Committee kept working and kept the UPC largely on schedule. The announcement that the UK will ratify the UPC Agreement keeps the UPC on track to begin operation this year.

### The UK must negotiate to stay in the UPC after Brexit

If the UK exits the EU, additional agreements must be put in place to allow the UK, and UK attorneys, to remain in the UPC. Under certain interpretations of the UPC Agreement, only member states of the EU can participate in the UPC and only citizens of EU member states can represent clients in UPC proceedings. During the years in which the UK negotiates its exit from the EU, it will need to address these issues as well.

### Look for the UPC to start this spring

As to schedule, the UPC is slated to begin preliminary operations in May 2017. Preliminary operations include allowing European Patent holders to “opt-out” of the UPC jurisdiction. The opt-out option is explained in Question 4 below. It is expected that the UPC will begin full operation, including infringement proceedings, in late summer or early fall of 2017. *There are no firm dates set, but significant political pressure is pushing the UPC to begin operating as quickly as possible.*

### Countries Currently in the UPC

During 2016, additional countries ratified the UPC Agreement bringing the total to eleven countries: France, Austria, Belgium, Bulgaria, Denmark, Luxembourg, Malta, Portugal, Sweden, the Netherlands and Finland.

### Final Steps

Now, only Germany and the UK need to finish the ratification process. Under the terms of the UPC Agreement, once Germany, France, the UK and ten other EU countries ratify, the UPC is to begin operation within four months. Given that eleven EU countries have ratified, the UPC will begin once the UK and Germany ratify. Germany has agreed to hold off ratification until the UPC indicates that it is ready to hear cases.

## FAQs for preparing for the UPC

Most US companies are somewhat behind in preparing for this new jurisdiction. This FAQ should provide the information you need to be up to date on the major points of the UPC and how it changes IP strategy.

### **1. The Big Question: Why Does the Unified Patent Court Matter?**

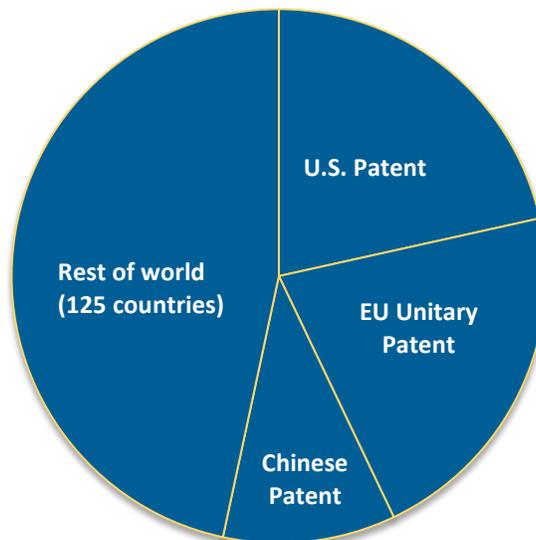
The EU is establishing the UPC to substantially increase the strength and value of European patent rights. The UPC is a single court that will adjudicate matters of infringement and validity for all EU states that enter the UPC Agreement. The UPC will very likely grant preliminary and permanent injunctions, and will certainly revoke patents. UPC decisions will have force in every EU state that ratifies the UPC Agreement. Thus, if the UPC finds a patent infringed and that patent is active in one or more UPC states, for example, Germany, France, the UK and the Netherlands, the UPC decision is enforceable in those four states.

Along with the UPC, the EU is establishing a “Unitary Patent.” The Unitary Patent is a patent granted by the European Patent Office and covering all the EU states that ratify the UPC Agreement. The Unitary Patent reduces the complexity of owning European Patents by reducing, or in many cases, eliminating the need to validate a granted European patent in different European countries. The UPC will adjudicate Unitary Patents as well as classical European patents that are separately validated in different European states.

**The brilliance of the UPC is that it puts the power of the European Common Market behind European Patent Rights**

**The European Common Market is Huge!**

**The GDP of the EU is \$17 Trillion Dollars, the *same* as the United States and twice as large as China**



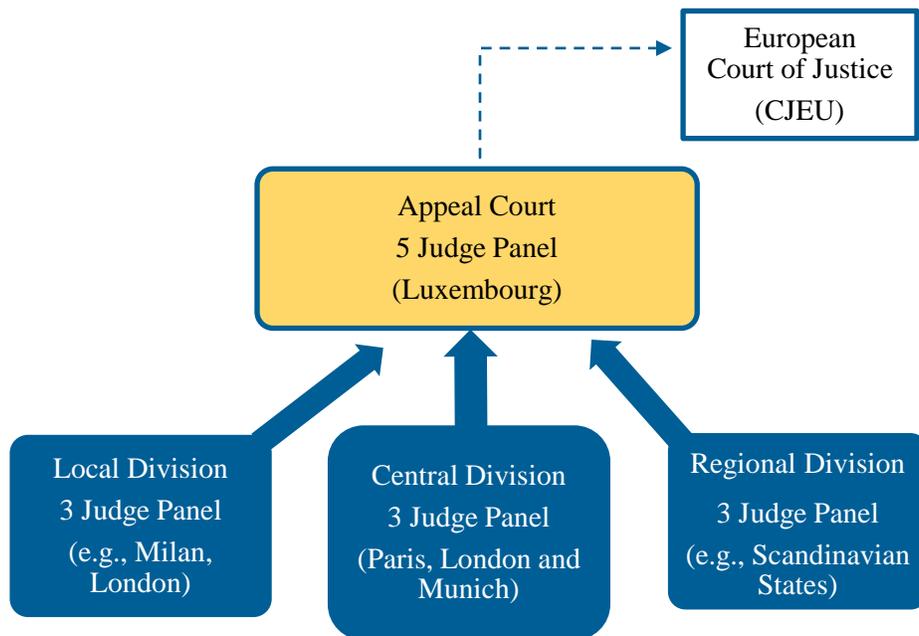
The above pie chart illustrates the economic scope of the Unitary Patent. If the purpose of a patent is to protect your client’s technology in a market, then the purpose of the Unitary Patent is to provide a *single* patent that protects your client’s technology in the ***largest market*** in the world.

**2. Will It Be Easier to Get and Enforce European Patent Rights?**

Centralizing patent disputes into one court makes the process of enforcing or revoking patents easier. Currently, enforcement or revocation in Europe requires an analysis of which national courts to bring an action within, and an analysis of whether the other party will respond by filing a parallel action in a national court more suited to their position. Then, of course, there is the risk of different decisions by different courts on the same issues. The UPC eliminates these considerations and, in the end, is a simpler forum than the existing multi-jurisdiction system – it is one action and one decision.

Like the UPC, the Unitary Patent makes things simpler too. The Unitary Patent is a single patent that will cover all the participating EU states, including, of course, Germany, the UK, France, the Netherlands and Italy. The Unitary Patent does not replace the existing system for obtaining EP patents at the EPO; it is an *optional* system that operates alongside the existing system provided by the EPO. The cost of the Unitary Patent is set at the cost of obtaining an EP Patent in the four most commonly used jurisdictions, Germany, the UK, France and the Netherlands. For the price of these four jurisdictions, all other EU states (that adopt the Unitary Patent) will be covered by the Unitary Patent. The benefit is the ease of administration. There will be only one office at which to register the patent owner, only one power of attorney that needs to be filed and only one annuity payment. For many clients, when they *look closely* at the costs they pay for registering rights and paying annuities in two or more EU countries, they will find that, at least for several years, the cost of the Unitary Patent is less than the cost of having two or three national patents.

**3. How is the Unified Patent Court Set Up?**



The UPC includes a Court of First Instance. The Court of First Instance includes a Central Division that is set up by the UPC agreement. Cases filed with the Central Division will be distributed among Paris, London and Munich, based on the technical field of the patent. The different locations will handle different technical fields and the distribution of technical fields is based on the WIPO International Patent Classification set out in the chart below. That distribution is a result of a political compromise made late in the process of finalizing the UPC Agreement. Rather than pick a single location for the Central Division, the leaders of certain European states decided to divide

the Central Division among three locations for the purpose of spreading the economic benefit of the jobs and business of the court among the different states.

Division of Cases filed at Central Division		
Central Division Location	IPC Class Jurisdiction	In Practical Terms
Paris (the seat of the Central Division)	Physics, electricity, textiles, fixed constructions and performing operations	Smartphones, computer technology, software-created inventions and building technologies
London	Human necessities, chemistry and metallurgy	Pharmaceuticals, surgical instruments, diagnostics, and dentistry, as well as sports equipment, and toys
Munich	Mechanical engineering, lighting, heating, weapons and blasting	Gas engines, hydraulics, incandescent lighting, furnaces, weapons, ammunition, and blasting technologies

The Court of First Instance may also include Local Divisions and Regional Divisions. These are divisions of the court set up by a member state or, in the case of Regional Divisions, by a group of member states.

The Court of First Instance will have three-judge Panels that will hear and decide cases.

An Appeals Court in Luxembourg will review decisions of the Court of First Instance and will have five-judge Panels including legally trained judges and technically trained judges.

**4. Must My Company Participate?**

Not as a plaintiff. The UPC provides for “Opt-Out.” The Opt-Out procedure allows a patent holder to remove their patent from the jurisdiction of the UPC. Opt-Out is achieved by filing a request at the EPO to remove a patent from the jurisdiction of the UPC. Once the request to opt-out is processed, all matters of infringement and revocation are handled by the national courts, as is currently the process in Europe. A party that fails to opt-out a patent may get brought into the UPC for revocation actions.

A party that has filed an opt-out for a patent may, under most circumstances, later withdraw the opt-out and choose to have their patent adjudicated before the UPC.

**5. Could the UPC Fail to Come Into Force?**

Although unlikely, Germany could refuse to ratify, or the UK could renege on its commitment to ratify.