

UPC recap: have you been paying attention?

With full ratification edging closer and many hurdles overcome, the intellectual property team at Ropes & Gray provide an essential review of the journey so far

The Unified Patent Court (UPC) will provide a structure for patent rights protection across the European Union (EU) and have jurisdiction over European patents with or without unitary effect. The structure and procedures of the UPC are defined in the UPC Agreement.¹

Twenty-five EU member states have signed the UPC Agreement, which will take effect when ratified by 13 member states, including France, Germany, and the United Kingdom. Expectations are that the UPC Agreement, the regulation for the EU Unitary Patent, and the regulation regarding translation of EU Unitary Patents (collectively referred to as the "Package") will be ratified and come into effect in 2016. As of 9 December 2014, Austria, Belgium, Denmark, France, Sweden and Malta have fully ratified the Package.

Europe currently has a dual patent granting system. A patent can be obtained directly from a member state of the EU. Alternatively, a European patent can be obtained via the European Patent Office (EPO), based on the European patent convention (EPC), which is a central body of law for examining and granting European patents. Once a European patent is granted by the EPO, the patent proprietor can have the European patent registered under the laws of select European states that are members of the EPC. The European patent is then essentially replaced by a bundle of national patents associated with the select European states.

Today, enforcement of patents, such as an infringement action, is performed on the national level where patent proprietors must enforce their bundle of national patents on a country-by-country basis. Often, because of differences in developing the evidentiary record in each country, the outcome can vary significantly from country to country. Opportunities for injunctions and damages also vary from country to country. Hence, the current patent enforcement system has been criticised as being too expensive given the unpredictable outcomes, especially for small and medium enterprises.

The European patent with unitary effect (the "Unitary patent"), once granted by the EPO, will be enforceable in all EU member states except for Italy, Spain, and Croatia. Because a Unitary patent will be subject to the jurisdiction of the UPC, the legal disposition of a Unitary patent (eg, infringement, revocations, etc...) will be handled more efficiently and with greater legal certainty by the UPC, as opposed to the existing system where a bundle of patents is handled in multiple European states.

The UPC will be an EU-wide court with EU-wide jurisdiction over European patents unless a patent proprietor opts out of the UPC's jurisdiction during an initial transitional period of at least seven years. The UPC will have jurisdiction over European patents, ie, patents

granted by the EPO with or without unitary effect, but not over patents granted directly from member states.

The UPC will include a Court of First Instance and a Court of Appeal. The Court of Appeal will reside in Luxembourg. The Court of First Instance will be organised into local, regional, and central divisions. Local divisions may be established in participating EU member states, with a maximum of four per country. Germany plans to establish multiple local divisions. Recently, the Republic of Ireland announced that it would establish a local division as well. Regional divisions may be established by two or more participating EU member states when local divisions for those states are not established. For example, Sweden, Lithuania, Latvia and Estonia have agreed to establish a Nordic-Baltic regional division, which will be located in Stockholm. The central division will be chaired in Paris, with sections in Munich and London.

Cases before the central division will be distributed according to subject matter, as defined by the International Patent Classification (IPC) scheme. London will preside over life sciences inventions, including pharmaceuticals, biotechnology, and medical devices. Munich will preside over auto and mechanical inventions, and Paris will preside over the remaining categories, including computer-implemented inventions and telecommunications-related technologies.

Legal challenges to the Package

Because Italy and Spain refused to agree to the Package, the Package was adopted under an EU legislative procedure known as "enhanced cooperation". Italy and Spain challenged the legality of the Package by asserting, among other arguments, that the Council of the European Union (the "Council") was not competent to use enhanced cooperation. On 16 April 2013, the Court of Justice of the European Union (CJEU) dismissed the actions brought by Spain and Italy stating, "The contested decision does not damage the internal market or the economic, social and territorial cohesion of the EU." On 22 March 2013, Spain filed a second challenge with the CJEU against the Package in cases C-146/13 and C-147/13. The second action again challenged the validity of using enhanced cooperation but also challenged the right to delegate authority to the EPO to administer the Unitary patent. On 1 July 2014, the CJEU heard the second legal challenge brought by Spain. On 18 November 2014, EU Advocate General Yves Bot issued his opinion that the CJEU should dismiss the second legal challenge to the Package. Although that opinion is non-binding, the CJEU has traditionally followed the recommendation of the Advocate General, and a final decision of the CJEU is expected by early 2015.

Procedural and infrastructure developments

In March 2013, a Preparatory Committee for the UPC was established to do the work necessary to implement the UPC. The Preparatory Committee's, "objective is to prepare for the establishment of the UPC in order for it to be operational once the UPC Agreement enters into force."² Its work programme is defined in a Roadmap that was recently updated in September 2014.³ There are five areas of work: Legal framework, Financial Aspect, IT, Facilities, and Human Resources and Training. A different EU member state is responsible for implementing each area of work – Germany heads the Legal Group, which is responsible for development of the Legal Framework including Rules of Procedure for the UPC; France is responsible for Financial aspects; the United Kingdom is responsible for the development of IT; Luxemburg is responsible for facilities; and Hungary is responsible for Human Resources and the training of Judges.

The Legal Group has delegated drafting of the Rules of Procedure for the UPC to a Drafting Committee consisting of expert judges, lawyers, European patent attorneys, and business leaders. Versions of the draft Rules of Procedure have been open to public review during periods of consultation, resulting in subsequent revisions.

The Preparatory Committee published the 17th Draft Rules of Procedure for the UPC in October 2014, with a digest that highlights the latest changes. The changes are incremental and largely technical, with added clarification regarding languages that will be permitted by the UPC. One significant revision in the 17th Draft Rules of Procedure, however, allows for expedited review of certain counterclaims for patent revocation. Under the framework of the UPC, a local or regional division will have jurisdiction over infringement actions, while the Central division will have jurisdiction over separately filed revocation actions.⁴ Meanwhile, when revocation is raised as a counterclaim to an infringement action rather than as a separate action, the local or regional division will have discretion to take one of three routes: retain the entire case, refer the entire case to the Central division with the agreement of the parties, or use bifurcation to refer only the revocation counterclaim to the central division.⁵ Much like a US district court can exercise discretion to stay an infringement suit pending *inter partes* review (IPR) before the Patent Trial and Appeal Board (PTAB) in the US, a local or regional division that bifurcates a case can decide whether to stay or proceed with the infringement claims.⁶

New Rule 40(b) of the 17th Draft Rules of Procedure provides for expedited review of revocation counterclaims that have been bifurcated. This accelerated timeline would presumably mitigate the effect of an infringement decision issuing before a revocation decision. Specifically, the new draft rule provides that, "the judge rapporteur of the panel of the central division shall endeavor to set a date for the oral hearing on the revocation action prior to the date of the oral hearing of the infringement action."

An oral hearing to discuss comments regarding the 17th Draft Rules of Procedure was held on 26 November 2014 at the European Law Academy. During the hearing, various interested parties, including judges from member states, raised issues concerning the transitional opt-out provision's effect on the UPC's exclusive jurisdiction, the UPC's language regime, the discretionary power of judges to grant injunctions, the rules of evidence, actions against EPO decisions, appeals procedures, and the right of representation before the UPC, among other issues. An 18th Draft Rules of Procedure is expected in early 2015.

With respect to Human Resources, Judges have been approved, and preparations are being made for training. Over 1,300 candidates have applied to become judges in the UPC, of which 170 have been identified as legally qualified and 340 additional have been identified as technically qualified in an initial list of approved candidates released in July 2014. Regarding IT, a new prototype case management website was

recently launched for testing. The UK Intellectual Property Office recently published a notice soliciting tenders for hosting, case management, and e-filing services from vendors, which it expects to evaluate by February.⁷ With respect to facilities, the German location of the Central division will likely be in the German Federal Patent Court on Cincinnatistrasse in Munich.⁸ The UK location of the Central division could be The Rolls Building on Fetter Lane in London. Given that France will host the main Central division location, it is expected that such a facility will need more capacity than the branches in the UK and Germany. However, it may be possible to accommodate the Central division at an existing facility such as the Tribunal de Grande Instance Paris (Court of First Instance Paris) at least initially.

In the 7th meeting of the Preparatory Committee on 4 November 2014, the Preparatory Committee indicated that it expects the procedures and infrastructure of the UPC to be ready for implementation by late 2015.

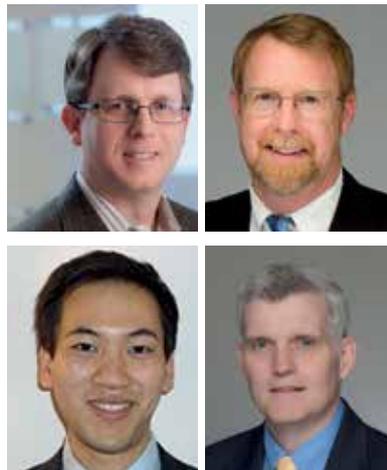
Summary

With the expected elimination of uncertainty regarding the legality of the Package by early 2015 and the expected completion of procedural and infrastructure requirements by the end of 2015, the UPC continues to progress toward ratification and implementation by early 2016.

Footnotes

1. EU Document 16351/12 of 11 Jan 2013, the 'Agreement on a Unified Patent Court'.
2. *An Enhanced European Patent System*, The Select Committee and The Preparatory Committee, <http://www.unified-patent-court.org/images/documents/enhanced-european-patent-system.pdf>, page 20.
3. *Roadmap of the Preparatory Committee of the Unified Patent Court updated September 2014*, The Preparatory Committee, <http://www.unified-patent-court.org/images/documents/roadmap-201409.pdf>.
4. Agreement on a Unified Patent Court art. 33(1), (4).
5. *Id* art 33(3).
6. *Id* art 33(3)(b).
7. <http://www.unified-patent-court.org/news/86-upc-it-tender-published>.
8. *No Building for the Unified Patent Court?*, Ulrich Blumenroder, Grunecker, Eplaw Patent Blog, 28 November 2014.

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