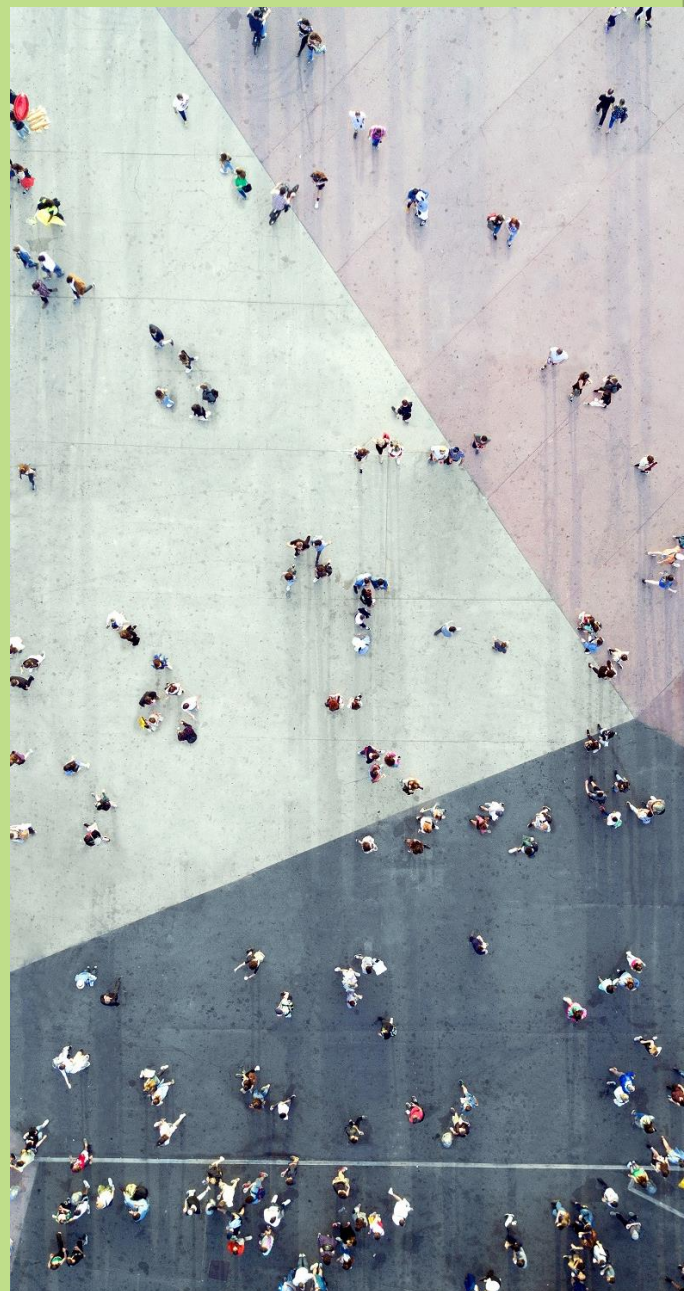


Quick Guide to The Unitary Patent (UP) & The Unified Patent Court (UPC)

May 2023



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Introduction

The future of patent litigation in Europe: The Unitary Patent Package

The Unitary Patent Package (UPP) comprises two elements: the Unitary Patent (UP) and the Unified Patent Court (UPC). The European Patent Office (EPO) and the participating EU Member States are in the final stages of establishing both the UP and the UPC. The new system will start on **1 June 2023**. The UPP represents the most radical change to patent law in Europe for over 40 years: it will create a single patent and a single court covering up to 24 Member States, with a combined population of about 400 million. All businesses with an interest in the European marketplace need to make sure they are prepared for the consequences that this change to the patent landscape in Europe will entail.

The introduction of a single patent will make establishing patent protection across Europe easier and more effective, thereby facilitating the protection of innovations and inventions. The establishment of a single court will make it possible to obtain a single decision preventing the sale of goods and the use of patented processes across all participating Member States. Stakeholders will need to understand how the new system is intended to operate alongside the existing system in order on the one hand to take advantage of it and on the other not be caught unawares by competitors who seek to do so.

Any companies operating in Europe for whom the protection and exploitation of intellectual property is an important concern would be well advised to make the time to inform themselves about both the Unitary Patent and the Unified Patent Court in order to develop a tailored patent filing and litigation strategy for Europe. This guide provides an overview of the key aspects of the Unitary Patent and Unified Patent Court and sets out the considerations that companies may wish to consider as they prepare their patent filing and litigation strategies for the start of both the Unitary Patent and the Unified Patent Court in June 2023.

“Bird & Bird is excellently positioned to support clients from all technical fields in pan-European proceedings and before the UPC. The firm has its own patent litigation teams at all UPC venues, as well as experts in all technical sectors who have proven their litigation skills”

JUVE 2022

Key Features of the Unitary Patent & The Unified Patent Court

The Unitary Patent

- The Unitary Patent is a single patent that will cover up to 24 participating Member States
- The request to obtain a Unitary Patent (as opposed to (a bundle of) European patents) in those participating Member States must be made by the applicant within one month of the decision by the EPO to grant a patent
- Only one translation of the specification is needed: If the European patent is in French or German then English translation needed; if the European patent is in English then an EU language translation is needed
- The renewal costs of a Unitary Patent have been set to be about the same as those for a European patent validated in the four most popular EPC contracting states
- The Unitary Patent will become available on **1 June 2023**; the Sunrise Period register opened three months ahead of that time on **1 March 2023**
- As of 1 January 2023, applicants who have received a 71(3) communication can file a request to stay the grant of their patent until the Unitary Patent becomes available and/or may also be able to file an early request for unitary effect

The Unified Patent Court

- A single judgment will cover all participating Member States
- A single territory for direct and indirect infringement
- Proceedings on the merits are expected to be concluded in around slightly over 1 year
- English will be available in all divisions
- The UPC will benefit from a pool of experienced and/or trained patent judges
- The approach of the UPC's main local divisions is expected at least in the early years to be similar to the approach currently taken by the corresponding national courts (i.e., these local divisions will reflect a degree of '*couleur locale*')
- Preliminary injunctions will be available
- Seizure of evidence will be possible in some circumstances
- Forum shopping options will require careful consideration
- A patent filing and litigation strategy should also take into account litigation in national courts either as an alternative to the UPC or in parallel to it, including in countries not covered by the UPC such as the UK. It is expected that the UPC will take notice of reasoned judgments from the Patents Courts of England.

How it will work

Unitary Patent

The Unitary Patent is a single patent that will be effective across all participating Member States. Once the EPO has decided that a European patent application can proceed to grant, the patentee then has one month from the date of grant to request that the patent should be given unitary effect. No fee is payable and only one translation will be required. In contrast to the current system, it will no longer be necessary to obtain national validations in the participating Member States covered by the Unitary Patent. Patentees will still have the option to validate the granted European patent in all the other EPC contracting states.

There will be a single renewal fee instead of a renewal fee per country: this will be equivalent to the current renewal fee for a European patent designating the UK (even though no longer part of the UPP anymore), Germany, France and The Netherlands. It should be noted that Poland, Spain and Croatia are not currently participating in the UPP, (although Croatia will probably join at a later date).

Unified Patent Court

The UPC is a supranational court that will have jurisdiction over all participating EU Member States in one action. The UPC will have jurisdiction over new Unitary Patents, as well as traditional European patents. It will consist of specialised patent judges and will apply its own autonomous substantive and procedural law. The stated intention is that Judgments at first instance will be given within slightly over 1 year of the start of the action.

The UPC Court of First Instance will have several divisions located in various participating Member States, together with a Court of Appeal based in Luxembourg:

- **Central division**
 - Seated in Paris (electronics), with a specialist division in Munich (mechanical engineering). The initially planned third seat in London (chemistry, pharmaceuticals, biologics and medical devices) is presently vacant and 'for the time being' cases will be divided between Paris and Munich.
- **Local divisions**
 - Seated in individual participating Member States.
- **Regional divisions**
 - There will be one regional division in Stockholm for Sweden and the Baltics
- **The Court of Appeal**
 - Seated in Luxembourg.

Central division

The central division will have exclusive jurisdiction over declarations of non-infringement and revocation actions (other than counterclaims). If a revocation action is pending at the central division, the patentee may bring an infringement action in the central division too.

Local and regional divisions

Local and regional divisions will be responsible for infringement actions and counterclaims for revocation. Bifurcation is procedurally possible, but it remains to be seen how frequently this occurs in practice. It is also expected that, at the least at the outset, Local/Regional divisions will have a certain '*couleur locale*' in terms of judicial discretion regarding processes and procedures, similar to that currently seen in the corresponding national courts.

Court of Appeal Luxembourg (Registry)

Central Division

Paris

- Seat & sub registry
- Performing operations, transport
- Textiles, paper
- Fixed constructions
- Physics
- Electricity

Munich

- Mechanical engineering, lighting, heating, weapons and blasting

Paris/Munich

- Human necessities
- Chemistry, metallurgy

Local & Regional Divisions & Languages

Local

- **Düsseldorf, Munich, Mannheim and Hamburg** – German (English limited rule)
- **Paris** – French, German and English (English limited rule)
- **The Hague** – Dutch and English
- **Brussels** - Dutch, French, German and English
- **Milan** – Italian and English
- **Helsinki** – Finnish, Swedish and English
- **Copenhagen** – Danish and English
- **Dublin** (in due course if proposed referendum is carried) – English
- **Vienna** – German & English
- **Ljubljana** - Slovenian and English?
- **Lisbon** – Portuguese & English?

Regional

- **Nordic Division**
 - Sweden, Lithuania, Estonia and Latvia - English
- Currently no concrete plans for any other regional divisions.

Training Centre for Judges

Budapest

Patent Mediation & Arbitration Centre

Lisbon and Ljubljana

(but actual proceedings in location of choice of the parties)

Notes

*Düsseldorf may allow pleadings in German if the language of litigation is English and reserves the right to issue judgments in German.

Forum shopping between divisions

A patentee may bring an infringement action either in the local or regional division where infringement occurs or in a jurisdiction where the defendant resides or has a place of business. For non-participating Member State defendants, a patentee may also bring an infringement action at the central division. A defendant cannot transfer an infringement action from a local division to the central division.

Bifurcation and other procedural issues

- Bifurcation is possible but it remains to be seen how frequently it occurs in practice.
- In a counterclaim for revocation in an infringement action, the local or regional division has four options:
 - Keep both sides of the case
 - Refer the counterclaim to the central division and keep the infringement action
 - Refer the counterclaim to the central division and stay the infringement action
 - Refer the entire case to the central division, provided the parties agree
- In the event of bifurcation an infringement action will be stayed where there is a "high likelihood" of the relevant claims being held invalid (UPC Rules of Procedure Rules 37.4 and 118.2(b)).
- Where the counterclaim is referred to the central division but there is no stay, the judge rapporteur in the central division will endeavour to set a date for the revocation action hearing before the infringement action hearing (Rule 40(b)).

Different patents available under the new system

The introduction of the Unitary Patent will give patentees a choice of three options for obtaining patent protection in Europe, the first two via the EPO and the third via national patent offices:

- **(Traditional) European patent:** If, following a decision by the EPO to grant a European patent, the patentee decides not to request a Unitary Patent then the patent can be validated by the patentee in the EPC contracting states of choice.
- **European Patent with unitary effect:** If, following a decision by the EPO to grant a European patent, the patentee decides to request a Unitary Patent (formally referred to as a "European patent with unitary effect"), then they must do so within one month of the date of publication of the grant in the European Patent Bulletin. They will then be granted a Unitary Patent covering all the participating Member States. The European patent can be validated by the patentee in the remaining EPC contracting states of choice.

As of 1 January 2023, the EPO has given applicants the right to request that the issuance of the decision to grant a European patent be delayed so that the mention of the grant is published in the European Patent Bulletin on or immediately after the date of entry into force of the UPC Agreement, in order to allow patentees to make a request for a Unitary Patent for that European Patent.

- **National patents:** Applicants can still apply to national patent offices for national patents thereby avoiding both the EPO and potentially also the UPC altogether.

Transitional period and provisions

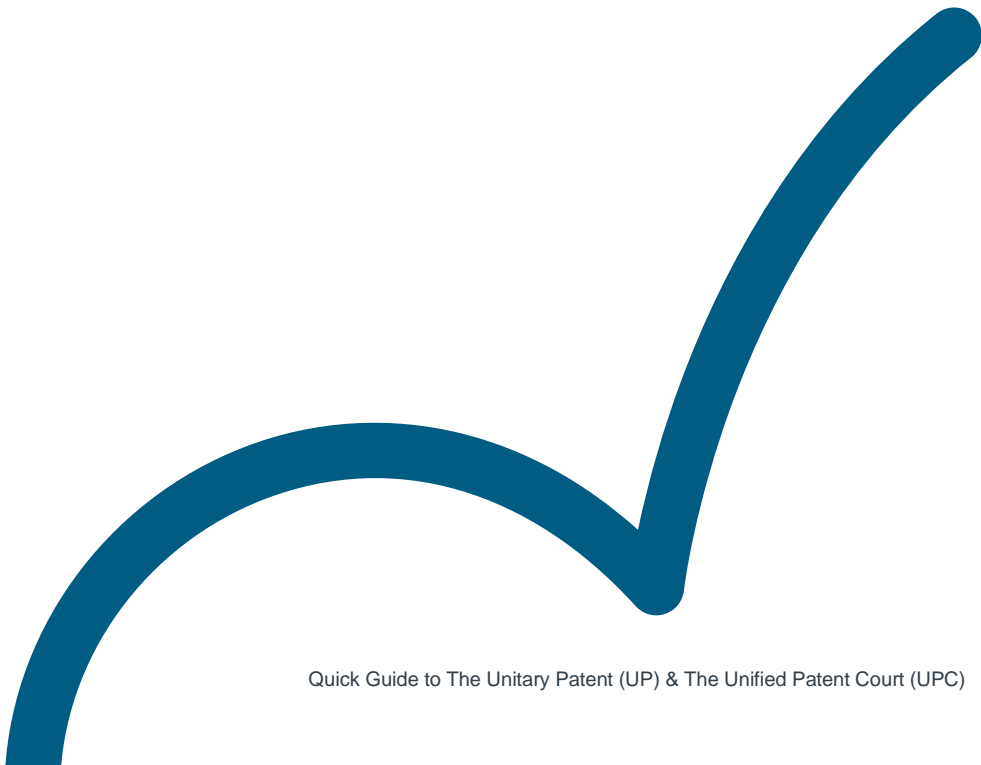
- **Art. 83(1)**
 - **"... an action for infringement or for revocation of a European patent ... may still be brought before national courts"**
 - The transitional provisions within the UPC Agreement provide that the UPC will have non-exclusive jurisdiction over all existing European patents validated in participating Member States during the 'transitional period' of 7 years (possibly to be extended by a further 7 years).
 - The UPC Agreement also provides that patentees can opt their European patent applications or European patents out of the jurisdiction of the UPC altogether provided that an action has not already been brought before the UPC.

- **Art. 83(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 (...) shall have the possibility to opt out from the exclusive competence of the Court (...). The opt-out shall take effect upon its entry into the register."***
- Patentees who wish to opt-out their existing European patent applications/patents should make sure that their opt-out is registered during the three-month Sunrise Period, which started on 1 March 2023. Opt-outs can be filed until one month before the end of the 7-year transitional period. The opt-out request must be filed on behalf of all actual patent owners for all the EPC Member States where the patent is validated, not just the UPC Member States.

- **Art. 83(4)**

- ***"Unless an action has already been brought before a national court, proprietors of or applicants for European patents Who made use of the opt-out in accordance with paragraph (3) shall be entitled to withdraw their opt-out at any moment.... The withdrawal of the opt-out shall take effect upon its entry in the register."***
- Patentees who wish to withdraw their opt-out (i.e., opt back in) may do so at any time, provided no national proceedings have previously been commenced in relation to the patent.



Strategic Considerations

(1) Opt-in or opt-out?

Opting-out

Patentees may want to exclude European patents from the jurisdiction of the UPC by filing opt-outs in order to thereby prevent central attacks on validity. There will be a Sunrise Period before the UPC goes "live" when this can be done.

Evaluation of existing portfolios before the Sunrise Period starts will therefore be required.

- Only available for European patents and patent applications
- No fee
- Preliminary registration (during the Sunrise Period)
- Be ready to file when the Sunrise Register opens (opened 1 March 2023.)
- Remains effective for the life of the patent and any subsequent SPCs
- Excludes the jurisdiction of the UPC for that patent
- Not possible if an action is or has ever been pending before the UPC

Opting back in

Patentees who have opted-out will have the option to withdraw their opt-out (i.e., to opt back in), **free of charge**.

This will not be possible if an action in a national court is or has ever been pending, including actions that were finished before the UPC Agreement came into force.

(2) Portfolio management: potential filing strategies

With all the options for obtaining and litigating patents in Europe, patentees are advised to develop a strategy for the management of their portfolios sooner rather than later in order to determine the mix of European patents, Unitary Patents and national patents they want to obtain. Patentees should consider the following strategic options:

- **Same "type" of patent for all inventions:** This would be the easiest and most straightforward strategy. However, it may not be the most cost effective. Additionally, the default type of patent may not necessarily be ideal for a particular case, considering both the available countries and the strength of the patent.

As a compromise between cost and optimal protection, a patentee might be advised to apply as a matter of course for the same type of patent of all inventions but to actively consider a different type or types to be selected in particular circumstances.

- **National patents:** Pursuing a national patent strategy may be considered appropriate in some circumstances such as if a patent is only needed in a few jurisdictions in Europe (for example, where a patent is relevant to a product developed for a particular market).
- **European patent with unitary effect/Unitary Patent:** Unitary Patents and non-opted out European patents can be invalidated in a single, central attack; therefore, patentees should consider using this route for strong patents where there is confidence in their validity and where protection is required across Europe (for example, pharmaceutical NCE patents) or where enforcement is needed in countries with little experience in patent litigation.
- **(Traditional) European patent:** Consider opting-out European patents which cover economically important products, but where the strength of the patents is not so certain. Even if the patent is invalidated in one or two jurisdictions, its validity in others may still have value.
- **Consider a combination of parent and divisional patents in different categories:** A patentee could consider having a parent patent with unitary effect (or an opted-in European patent) with a very narrow scope and an opted-out divisional (or divisionals) with wider scope (taking into account the double patenting prohibition provisions of the EPC). This 'double shoot' strategy may be costly, but it allows a patentee to hedge their bets and may therefore be suitable for key products. This will enable a patentee to obtain a Unitary Patent and a European patent for almost the same technology. Patentees should therefore

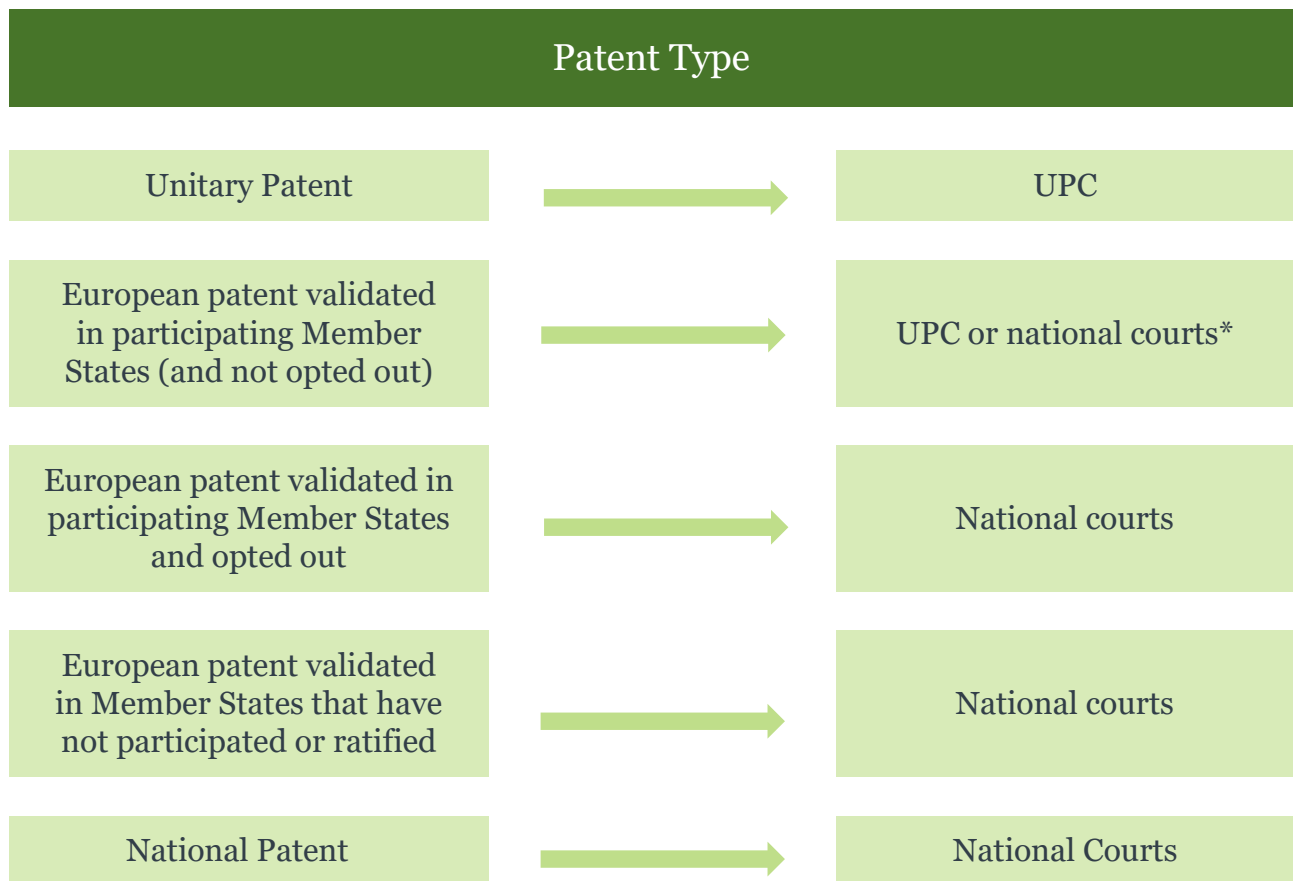
evaluate their pending applications with a view to enhancing future enforcement strategies. To be able to obtain a Unitary Patent based on an existing application, the application still needs to be pending when the Unitary Patent Regulation enters into force – see above.

- **Consider the cost and speed of obtaining patents:** The EPO can be notoriously slow and costly in comparison to some national patent offices where the procedures are far less burdensome (for example, in Belgium, France, Italy and The Netherlands). In some cases, obtaining a patent (even a less well or unexamined national patent) which is then enforceable can be commercially advantageous.

(3) Licensing issues

- Licensees may want patentees to opt-out, but their existing licences may contain no such provisions. Licensees who want to prevent a central attack should look at this now and discuss the issue with their licensors.
- Exclusive licensees will have the authority to enforce a patent without consent from the patentee, unless the licence provides otherwise. The defendant can counterclaim for revocation, which will be served on the patentee who thereby becomes a party to the action. Patentees should therefore check their existing exclusive licence agreements.
- Non-exclusive licensees will not have this option unless the licence provides otherwise (i.e., unless it confers this right on the licensee), so non-exclusive licensees should also check their licences.

Choice of Court



European patent susceptible to central attack/revocation



Lis pendens rules for (non-opted-out) European patents



* During the transitional period of at least seven years.

Renewal fees

Unitary Patent renewal fees will be equal to the combined renewal fees of the top 4 states where a traditional European patent is granted. Over 20 years the sum would be:

- **Ca. €35,500** – if the patent is granted in the year of application.
 - The only financial disadvantage of a Unitary Patent is that it cannot be 'pruned'. In other words, the patentee cannot drop countries one by one over time – the Unitary Patent is 'all or nothing'.

Other portfolio-related fees:

- **Opt-out fee:** There will be no fee to opt out nor will there be a fee to opt back in.
- **Unitary effect:** There will be no fee for requesting unitary effect. However, the cost of one additional translation will arise for a transitional period of (at least) 6 years: into English if the language of the patent is French or German; into any other official EU language, if the language of the patent is English.

Court fees

- Basic infringement actions will cost €11,000, plus a sliding scale value-based fee of €0 - 325,000
- Revocation actions will cost €20,000 (fixed fee)
- Application for provisional measures will cost €11,000 (fixed fee)
- Micro and small enterprises will be entitled to a 40% reduction on all court fees (fixed and value-based) which are incurred in the Court of First Instance as well as in the Court of Appeal.
- Scale of recoverable costs will range from €38,000 to €2,000,000 (depending on value of proceedings)

Potential advantages and pitfalls

The new Unitary Patent is intended to provide advantages over the present European patent: a Unitary Patent patentee will only have to pay one renewal fee to the EPO and translate the text of the

patent into, at most, one additional language for the Unitary Patent to be granted in all of the participating EU Member States.

Unitary Patents will be subject to the exclusive jurisdiction of the UPC. As such:

- an injunction granted by a single court will stop infringements in all participating Member States, thereby providing protection over a consumer base of approximately 400 million.
- a Unitary Patent will however remain vulnerable throughout its life to being revoked in an action before a single court – it effectively puts all the patent 'eggs in one basket'.

Patent litigation: US vs Europe

Historically, the US has been perceived as a highly attractive location for patent litigation for obvious economic and business reasons, given that a decision from a single court can provide a patentee with protection in one of the most important consumer markets in the world.

However, with a new patent system set to cover up to 24 Member States with a consumer base of approximately 400 million, the Unitary Patent and the UPC offer an attractive proposition for global companies. In addition to covering a significant consumer market, infringement proceedings in the UPC are predicted to be considerably faster and cheaper than in the District Courts in the US:

- No or only limited documentary discovery and non-oral discovery
- No or only limited scope for interim applications such as summary judgment
- No or very limited oral testimony and therefore shorter trials
- Experienced/trained patent judges.
- A first instance judgment on the merits is expected to be concluded in slightly over 1 year
- In most cases, the losing party will be expected to pay a significant proportion of the winning party's costs.

Taking action – what to do now

Apply for divisionals

- Diversification: ready to grant when the system comes into operation on 1 June 2023

File opt-out applications

- Be sure you have it right! (Sunrise Register opened on 1 March 2023)

Portfolio management of patent applications

- Monitor progress of participating Member States in ratifying UPC Agreement
- Where will you need national validations?

Be prepared for action

- Consider location to file action
- Claimant: obtain the information necessary to file a claim
- Defendant: be ready to file defence in 3 months
- Prepare evidence; consider protective letters
- Have all documents in correct electronic form
- Document management system ready for upload

Decide opt-out strategy

- Check on true ownership of your patents
- Get necessary powers of attorney
- Be ready to file opt-out applications

Review agreements

- Check on a licensee's ability to influence decision to opt out/in
- Check on rights of exclusive licensee to bring proceedings without consent of licensor

Proceed to patent grant

- Be ready to request European patent with unitary effect aka Unitary Patent

Prepare for first actions at the UPC

- Monitor opt out register for opportunities and threats
- Be ready to file an action when the system comes into operation

Why choose Bird & Bird?

We are deeply involved in all the work around setting up the UPC

We have taken part in the discussions on drafting the rules, we have contributed to the education of future UPC judges and to national discussions across Europe. Not only are we therefore completely familiar with the system of rules, but also with the thinking behind them.

We specialise in multijurisdictional work

We have all the experience necessary to set the strategy for a European solution with the addition of the UPC. We are used to working in cross-border teams and can mix and match to suit you in whatever country you find yourself.

We are where you need us

Our extensive network of European offices means we have a presence in every major jurisdiction where a division of the UPC will be located and have litigated before its judges in their national courts.

We know the judges

It is important to know your tribunal and we will know them having litigated patent disputes across Europe, for many years. We know how to tailor a strategy to your specific needs based on the options, flexibility and 'couleur locale' of the system.

We have vast experience of handling front-loaded cases.

This includes the written advocacy and preparation of the evidence being decisive to the outcome, of running cases with the issues of infringement and nullity in the same procedure and in conducting the oral advocacy at trial.

As one of the most renowned patent litigation groups in the world....

...We have strength in depth and a wealth of resources you can tap in to, meaning we can react quickly to all the demands of this new system.

We offer an integrated team of patent litigators and patent attorneys with technical backgrounds, all with a wide variety of languages at your disposal

The rewards with the UPC are high, but so are the risks: a single case can result in an injunction that covers not just the 80 million people of Germany, but the 400 million people that are covered by the remit of the UPC zone. Conversely, in one single action you can lose your patent protection for all of that area. Therefore, it is crucial that businesses have a robust strategy in place and this is where Bird & Bird can help. Litigating at the UPC doesn't only require in-depth knowledge of patent validity and infringement matters. There are many complicated legal issues to be dealt with, such as jurisdiction, the interplay between UPC and national litigation, private international law, competition law and national law on entitlement and damages. This requires the in-depth knowledge and litigation experience that our team offers.

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