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# The European Unitary Patent and the Unified Patent Court System – Filing and Litigation Strategies

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Dr. Michael Alt



Wouter Pors



## 1. Unitary Patents, Filing Options and Strategies

After many years, the Member States of the European Union, except Spain and Italy, have finally agreed on the creation of a unitary patent protection system in Europe. On 17 December 2012, two EU regulations were adapted by way of an enhanced cooperation to create the unitary patent protection. EU Regulation No. 1257/2012 (hereafter “Patent Regulation” of the European Parliament and the Council) relates to the creation of a unitary patent protection system as such, whereas Council Regulation No. 1260/2012 (hereafter “Translation Regulation”) contains the legal framework for the applicable translation arrangement. Both regulations were published in the official journal of the European Union on 31 December 2012 and entered into force on the 20th day following that publication. The date of application of both regulations is 1 January 2014, or the date of entry into force of the intergovernmental Agreement on a Unified Patent Court (hereafter “UPC Agreement”), whichever is later (see Art. 18(1) of the Patent Regulation and Art. 7(2) of the Translation Regulation). In this context, it is noted that according to Art. 18(2) of the Patent Regulation, a European patent for which unitary effect is registered in the register for unitary patent protection shall have unitary effect only in those participating Member States in which the Unified Patent Court (UPC) has exclusive jurisdiction with regard to European patents with unitary effect at the date of registration. The system – comprising of the Unitary Patent and the Unified Patent Court – is currently expected to go live early 2015.

In the following, we will give an overview on the future European patent system with a focus on European patents with unitary effect (hereafter abbreviated as “Unitary Patent”).

### 1.1 How to Obtain a Unitary Patent

The administrative tasks for obtaining a Unitary Patent will be carried out by the European Patent Office (EPO) (see e.g. recitals 5, 8 and 18, as well as Art. 9 of the Patent Regulation).

The prerequisite for a Unitary Patent is a European patent that has been granted with the same set of claims in respect of all participating Member States (Art. 3(1) of the Patent Regulation). The unitary effect needs to be registered in the register for unitary patent protection (Art. 3(1) of the Patent Regulation) upon filing of a request by patentee. The deadline for filing the request is one month after the date of publication of the mention of the grant of the European patent in the European Bulletin (see recital 18 of the Patent Regulation). If such a request is filed, it retroactively takes effect in the participating Member States on the date of publication by the EPO of the mention of the grant of the EP patent (Art. 4(1) of the Patent Regulation).

As pointed out above, a European patent granted with different sets of claims for different participating Member States will not benefit from the unitary effect. In practice, it has become very rare that a European patent is granted with different sets of claims for different countries, since product protection is now available in all Member States including for pharmaceutical compounds. Different sets of claims might still be an option for the applicant if he is aware of national prior rights in some countries which would make necessary a more restricted set of claims in those countries (Rule 138 of the European Patent Convention). Thus, if such earlier national rights exist and if the applicant still wishes to have a Unitary Patent, it will be necessary to have the patent granted with one set of claims that takes into account the earlier national rights.

When the unitary effect has been registered, the further administration is also done by the EPO. This includes the administration of the register for unitary patent protection and also the collection and administration of the renewal fees. The full list of administrative tasks is summarised in Art. 9 of the Patent Regulation.

In the (far) future, it will not be necessary to provide translations of the Unitary Patent (see Art. 3(1) of the Translation Regulation). Only if there is a dispute will it still be necessary under certain circumstances to provide a full translation of the Unitary Patent into an official language of either the participating Member State in which the alleged infringement took place or the Member State in which the alleged infringer has his domicile (Art. 4(1) and (2) of the Translation Regulation).

Unfortunately, there will be a transitional period of up to 12 years from the date of application of the Translation Regulation in which translations still need to be provided to a certain extent. According to Art. 6 of the Translation Regulation, during this transitional period the following translations have to be submitted together with the request for unitary effect: (i) in cases where the language of the proceedings is French or German, a full translation of the specification of the European patent into English; or (ii) where the language of the proceedings is English, a full translation of the specification of the European patent into any other official language of the Union. This requirement ensures that an English text is published for all Unitary Patents.

Although the translation requirements generally are rather patentee-friendly, it is to be noted that according to Art. 4(4) of the Translation Regulation it might be difficult to obtain damages under certain circumstances if the infringer can argue that he did not know that he was infringing the Unitary Patent. In disputes concerning a claim for damages, the court can take into consideration, in particular where the alleged infringer is a small- or medium-sized enterprise, a natural person or a non-profit organisation, a university



or a public research organisation, whether the alleged infringer acted without knowing or without reasonable grounds for knowing, that he was infringing the Unitary Patent before having been provided with a translation.

## 1.2 What Effect Will the Unitary Patent Have?

The scope of the patent right and its limitations is uniform in all participating Member States in which the patent has unitary effect (Art. 5(2) of the Patent Regulation).

It is further stipulated in Art. 5 of the Patent Regulation that the Unitary Patent 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 limitation. Since the original Arts. 6 to 8 of the earlier draft regulations have been deleted, there is no specific definition of the effect of the Unitary Patent in the Patent Regulation but a general reference in Art. 5(3) that the acts against which the patent provides protection and the applicable limitation shall be those defined by the law applied to European patents with unitary effect in the participating Member States whose national law is applicable to the Unitary Patent as an object of property. This reference to national law at first glance seems to complicate the system. On the other hand, the national laws are already quite harmonised and what is even more important is that the UPC Agreement itself contains detailed regulations on the right to prevent the direct use of the invention (Art. 25), the right to prevent the indirect use of the invention (Art. 26), limitations of the effect of a patent (Art. 27), the right based on a prior use of the invention (Art. 28) and the exhaustion of the rights conferred by a European patent (Art. 29) as well as a provision that the UPC Agreement supersedes national law (Art. 24). Thus, in practice, the effect of the patent will be decided in most cases on the basis of the regulations in the UPC Agreement.

## 1.3 What Kinds of Patents will be Available After the Application of the EU Regulations?

The Unitary Patent will not replace the current patent system. It is clearly stated in recital 26 of the Patent Regulation that the regulation is without prejudice to the rights of the participating Member States to grant national patents and should not replace national laws on patents. It is further stated explicitly in this recital that patent applicants should remain free to obtain either a national patent, a European patent with unitary effect, a European patent taking effect in one or more of the contracting states to the EPC or a European patent with unitary effect validated in addition in one or more other contracting states to the European Patent Convention which are not among the participating Member States.

Thus, it will be possible in the future to get national patents, traditional European patents and Unitary Patents. Moreover, if divisionals are filed, there is nothing in the regulation which requires that the divisionals have to be in the same category as the parent application. Thus, an applicant may e.g. have a narrow parent patent as a Unitary Patent, and then might try to obtain a broader traditional European patent as a divisional application, or the other way around.

As will be discussed below in more detail, for a rather long transitional period it will also be possible to have the European patent either as a patent for which the UPC has jurisdiction (opted-in EP patent) or as a European patent for which the UPC does not have jurisdiction (opted-out EP patent). Thus, there will be numerous options for a patentee to play with the system.

## 1.4 What is the Applicable Court System?

In the future, disputes related to national patents will be decided exclusively by national courts (Art. 32(2) of the UPC Agreement). On the other hand, the UPC has exclusive competence for Unitary Patents (see Art. 32(1), Art. 2(g) of the UPC Agreement). Somewhat more complicated is the question of the jurisdiction of the UPC for traditional EP patents. According to Art. 32(1), Art. 2(g) of the UPC Agreement, the UPC also has exclusive jurisdiction for these patents. However, there are transitional regulations in Art. 83 of the UPC Agreement which allow the patentee of an EP patent to opt-out from the exclusive competence of the court. To this end, the proprietor of a European patent has to notify the opt-out to the registry of the UPC by the latest one month before expiry of the transitional period (which at least will be 7 years but can be further extended) (Art. 83(3) and (1) of the UPC Agreement). The opting-out takes effect only upon the entry into the register. It is noted that the opting-out is not possible if an action has already been brought before the court (Art. 83(3) of the UPC Agreement).

This means that if a patentee has not requested the opting-out and/or if the opting-out has not been entered into the registry and if an adverse party has started proceedings before the court (e.g. revocation proceedings), the patentee is forced to stay within the exclusive competence of the court.

This general principle will most likely mean that in the first years after the entry into force of a UPC Agreement most patentees will opt-out of the system in order to avoid being forced into proceedings before the UPC, especially since they can opt-in again at any time, unless in the meantime proceedings were instigated before a national court.

A revocation action is considered to have been brought before the court when it has been received by the court, whereas the request to opt-out only becomes effective after the entry into the registry. Thus, there is a gap in which the patentee is unable to influence the proceedings and is dependent on the activity and speed of the registrar to enter his request into the registry. It can be expected that in particular at the beginning of the entry into force of the UPC Agreement, this time gap will be quite extensive. However, a solution for this is provided in the draft Rules of Procedure.

Rule 5(9) allows one to lodge an application with the EPO (not with the registrar of the UPC as it is required according to Art. 87(3) of the UPC Agreement, which will not yet exist at that point in time) to opt-out after a date to be announced by the EPO and before the Agreement comes into effect. It is registered in this preliminary register as soon as the formal requirements have been met and a fee has been paid. According to this rule, the EPO would transfer all details of these applications to the registrar of the UPC at the date of entry into force of the Agreement and these applications are then treated as entered on the register and effective from said date of entry into force of the Agreement.

The transitional regulation in Art. 83 of the UPC Agreement also allows one to opt-in to the system again. However, this will not be possible if an action has already been brought before a national court (Art. 83(4) of the UPC Agreement).

For both, opting-in and opting-out fees will have to be paid.

## 1.5 What are the Costs?

Annuities will be due in respect of the years following the publishing of the grant of the Unitary Patent in the Unitary Patent Bulletin (see Art. 11 of the Patent Regulation). As usual, the renewal fees will be progressive. According to recital 19 of the Patent Regulation, the situation of specific entities such as small-

and medium-sized enterprises should be taken into account, e.g. in the form of lower fees. Unfortunately, no information is available as of yet on the actual fees. The level of these fees is likely to be decided late 2013 or early 2014.

## 1.6 Strategic Considerations

### 1.6.1 Patentee

In view of the many different options for obtaining patents (national, EP opted-in, EP opted-out, Unitary Patent and combinations thereof), patentees need to develop a portfolio management strategy. It needs to be evaluated whether it might make sense for each and every IP right to decide individually whether to go the Unitary Patent way or whether to stay with the traditional EP (opted-out or opted-in) or whether it might make more sense to develop a general strategy for all IP rights in the portfolio. In practice, it can be expected that most patentees will develop a combined strategy where most of the IP rights will be in one category but certain carefully selected IP rights will be in a different category. In the following, a few examples will be given for strategic options for the patentee:

#### 1.6.2 European patent with unitary effect

Since the Unitary Patent will be revoked for all Member States, it might make sense to use the Unitary Patent route for those IP rights where there is no doubt about the validity. If the patent is indeed valid, it can be used to obtain an injunction, including a preliminary injunction, in one single proceeding for all of the 26 participating European countries. Moreover, the validity would also be confirmed with effect for all Member States if a counter-claim for revocation is unsuccessful.

#### 1.6.3 Traditional European patent with opting-out

This alternative is of interest if the patent covers economically important products but is of doubtful validity. Thus, it might be of interest for the patentee to use the patent in various jurisdictions and also to defend the patent in revocation proceedings in these jurisdictions. In the end, it might be of economic relevance even if the patent was maintained only in some jurisdictions.

#### 1.6.4 Combination of parent and divisional application belonging to different categories

A possible combination of the two alternatives above would be to have a parent application with a very narrow scope as a Unitary Patent. The divisional application then could be an opted-out traditional EP and have a broader scope of protection. This strategy in the end is probably the most costly, but maybe the safest strategy with the most options for the patentee. Of course, the other way around is also possible but would generally be more risky from a validity perspective.

#### 1.6.5 Adverse party

Finally, we also would like to give a few examples for options the potential adverse party will have.

#### 1.6.6 A granted traditional EP has not yet been opted-out and is considered to be invalid

The adverse party might think of starting a revocation action with the UPC before the patentee has had the opportunity to have registered its request for opting-out. As a consequence, the patentee will be forced to defend his patent in revocation proceedings before the UPC. If the patent indeed is invalid it will be revoked with effect in all Member States.

#### 1.6.7 An opted-out traditional EP has uncertain validity

If it is not certain that the UPC would revoke the patent because e.g. the prior art is not too strong, the adverse party might think of starting a revocation action with a national court known for having

a less patentee-friendly history. This would hinder the opting-in by the patentee and a negative decision might further influence other national courts that have to decide a parallel case.

#### 1.6.8 Conclusion

Of course, the above scenarios are only a few of the many examples of strategic options that will be available in the future. Nevertheless, these examples illustrate how important it is already to develop a strategy for using the new Unitary Patent system.

## 2. Applicable Court System

### 2.1 UPC and National Courts' Respective Jurisdictions

**2.1.1** The ultimate aim of the system is that the UPC has jurisdiction over both patents with a unitary effect (Unitary Patents) and regular European Patents (EPs). National courts will always have jurisdiction over national patents and the UPC will always have jurisdiction over Unitary Patents.

**2.1.2** Two main difficulties will have to be dealt with when the system comes into force. The system will come into force after thirteen Contracting Member States including the UK, Germany and France, have ratified the UPC Agreement. It is therefore possible that not all Contracting Member States have ratified the UPC Agreement when it comes into force. Art. 18.2 of the Patent Regulation provides that Unitary Patents will have unitary effect only in those Contracting Member States in which the UPC has exclusive jurisdiction over them at the date of registration of its unitary effect.

**2.1.3** During a transitional period of seven or possibly fourteen years, it will be possible to submit traditional EPs to the UPC or the national courts. During that transitional period, patentees will be able to opt their traditional EPs out of the system so that they can only be submitted to national courts, unless an action has been initiated before the UPC. Patentees will always have the possibility to opt their traditional EPs back into the system unless proceedings have been initiated before a national court. This rule implies that the initiation of nullity or non-infringement proceedings by third parties will influence the system to which a traditional EP will be submitted during the transitional period.

### 2.2 UPC Structure

The judges that will sit in the UPC will be part of a pool of judges which will comprise both legally qualified judges and technically qualified judges.

The UPC will comprise two levels of jurisdiction.

**2.2.1** The Court of First instance will comprise a Central Division, Local Divisions and Regional Divisions.

**2.2.2** The seat of the Central Division will be in Paris but not all Central Division cases will be heard in Paris. The Central Division will comprise three sections, the jurisdiction of which will depend on the technology involved:

- the Paris section will hear cases relating to "performing operations, transporting, textiles, paper, fixed constructions, physics, and electricity";
- the London section will hear cases relating to "human necessities, chemistry, and metallurgy"; and
- the Munich section will hear cases relating to "mechanical engineering, lighting, heating, weapons, and blasting".

The Central Division will be comprised of five multinational judges from the pool. Three judges will be legally qualified, while the

other two will be technically qualified. A legally qualified judge will always preside over the Central Division.

**2.2.3** Each Contracting Member State will be entitled to have at least one – and up to four – local divisions. For the time being, it is likely that the UK, France, the Netherlands, Belgium and Italy will have one local division, while Germany is considering having four local divisions (Dusseldorf, Munich, Mannheim and maybe Hamburg).

The Local Divisions will be composed of multinational legally qualified judges. The composition of each Local Division will depend on the number of cases that have been heard by the Contracting Member State in which the Local Division is located. Contracting Member States that have heard more than fifty cases per year in the past three years will have Local Divisions comprised of two local judges and one judge from the pool.

At the request of a party or of the panel, a technically qualified judge can be added to the panel. A technically qualified judge will be added to the panel each time a counter claim for revocation is heard by the Local Division.

A legally qualified judge will always preside over the panels.

**2.2.4** Two or more Contracting Member States can decide to have one common regional division. Such division will comprise a panel of three legally qualified judges: two judges from the regional Contracting Member States; and one from the pool. A legally qualified judge will always preside over the panels.

**2.2.5** The Court of Appeal will be located in Luxembourg. The panels of appeal judges shall be composed of five multinational judges among which three shall be legally qualified and two shall be technically qualified.

## 2.3 Types of Claims that can be Brought Before the UPC

The claims that will fall within the jurisdiction of the UPC are listed in Art. 32 of the UPC Agreement. This list covers almost all patent related claims: actions for infringement; actions for declaration of non-infringement; actions for provisional and protective measures and injunctions; actions and counterclaims for revocation; actions for damages or compensation for post-publication/pre-grant infringement; actions relating to prior use; actions for compensation for licences of right; and actions for decisions taken by the EPO relating to Unitary Patents. The same article provides that all other claims will remain within the jurisdiction of national courts.

The main claims which are not listed in Art. 32 and which will therefore be excluded from the jurisdiction of the UPC are ownership related claims and contractual related claims. Claims for ownership should therefore remain within the jurisdiction of national courts. Some uncertainty will lie in licence breach related claims when they amount to infringement claims.

## 2.4 Rules of Jurisdiction Inside the UPC System

Jurisdiction rules within the UPC are laid down in Art. 33 of the Agreement.

**2.4.1** Infringement claims can be brought before the Local or Regional Division of either:

- the Contracting Member State in which the defendant has its principal place of business; or
- the Contracting Member State in which the infringement has occurred or is about to occur.

If the defendant has no place of business in a Contracting Member

State and there is no local or regional division where the infringement has taken place then the infringement claim will be brought before the Central Division. The parties can otherwise agree to bring the case before the division of their choice, including before the Central Division (Art. 33(7)). An infringement action can be brought against multiple defendants if they have a commercial link and if the action relates to the same infringement.

**2.4.2** Declaratory non-infringement and revocation actions shall be brought before the Central Division unless an infringement action has been initiated before a local or regional division, in which case those actions can only be brought before the same local or regional division.

## 2.5 Applicable Language Regime

**2.5.1** A Local Division shall hear cases in the official language of the Contracting Member State in which it is located. A Regional Division shall hear cases in a designated official language of one of the regional Contracting Member States. Optionally, an EPO official language may be designated (i.e. English, German or French).

Parties may otherwise agree that a case be heard in the language in which the patent was granted. If the panel of judges disagrees, the parties may request the transfer of the case to the Central Division. At the request of one party, the President has discretion to decide on the patent language. This provision in the Agreement is the basis for further regulation in the Rules of Procedure.

Rule 14.2 provides that the statement of claim in proceedings before a local or a regional division which has designated two or more languages shall be drawn up in the language in which the defendant normally conducts its business in "its" Member State. It is strange that the provision refers to "its" Member State and not to "that" Member State. Maybe this was only intended for the situation where the defendant is sued in a Member State where he has his domicile or at least a place of business. However, it also seems to apply if jurisdiction is based on the place of infringement in accordance with Art. 33(1)(a) UPC Agreement.

This will then be the language of proceedings; any pleading lodged in another language shall be returned by the Registry. However, in accordance with Art. 49(3), (4) and (6) of the UPC Agreement and Rules 321 and 322, the parties may also choose the language in which the patent was granted, if the panel also agrees.

In addition, after the statement of claim has been filed, under Rule 14.3 either party can request the President of the Court of First Instance to change the language of the remainder of the proceedings into the language in which the patent was granted in accordance with Art. 49(5) UPC Agreement. The President may then also decide that translations need to be submitted. Unfortunately, Art. 49 does not allow switching to another EPO language, so there will not always be a possibility to switch to English.

**2.5.2** Before the Central Division, cases shall be heard in the language of the patent (English, French or German).

**2.5.3** Before the Court of Appeal, cases shall be heard in the language of first instance. The parties may otherwise agree to use the language of the patent. In exceptional cases, the Court of Appeal may decide to use another official language of a Contracting Member State, subject to the agreement of the parties.

## 2.6 Applicable Law and ECJ's Limited Jurisdiction Over UPC Decisions

**2.6.1** Various sources of law shall apply before the UPC. It is one of the most sensitive issues. A strong lobby has been developed to



limit as much as possible the scope of jurisdiction of the ECJ over the UPC decisions. The solution that has been adopted is the transfer of the rules on infringement from the Patent Regulation to the UPC Agreement.

**2.6.2** Arts. 5 and 7 of the Patent Regulation provide that the applicable law of the infringement should be that of the domicile of the patent applicant. If the applicant is not domiciled in one of the Contracting Member States, then the laws of Germany should apply. This reference to national law is intended to include Arts. 25 to 30 of the UPC Agreement which provide rules on the scope of protection of patents before the UPC. Under Art. 24, these provisions take priority over diverging national provisions. Whether the provisions of the Agreement really have to be regarded as part of the national law may in some countries still depend on the implementation, whereas in other countries the Agreement automatically has this effect. In this way the ECJ should not have control over infringement questions which are governed by the Agreement.

**2.6.3** On the other hand, the ECJ will maintain jurisdiction over:

- the uniform protection of Unitary Patents (Art. 5 of the Patent Regulation), exhaustion of rights (Art. 6 of the Patent Regulation), licence declarations (Art. 8 of the Patent Regulation);
- any EU Regulation or Directive (as for national courts): SPC Regulation; Paediatric Extensions Regulation; Biotech Directive; and Enforcement Directive, etc.; and
- the EU Treaty (e.g. competition law).

### 3. Implementation of the New System

#### 3.1 Unitary Patent

A special Select Committee of the Administrative Council of the EPO has been set up to implement and manage unitary patents. The prosecution of unitary patents is no different from traditional European patents, since the unitary effect can only arise after grant. However, a new unitary patent registry needs to be set up, as well as a fee system. 50% of the renewal fees will be paid to the national patent offices of the participating countries. The discussion on the level of renewal fees is quite complicated.

#### 3.2 Unified Patent Court

In February 2013 a declaration was signed by the participating states next to the UPC Agreement. This declaration is an agreement with immediate effect without requirement of ratification. The declaration provides for setting up a Preparatory Committee, which has indeed been established. The Preparatory Committee is doing all the preparatory work needed for the court to go live. A roadmap was adopted at its 11 June 2013 meeting. There are various subcommittees that have each been allocated specific tasks.

The Preparatory Committee will do a preliminary selection of judges, for which it will rely on a group of advisors who will most likely become the Advisory Committee later on. Judges will have to be educated and trained. The participating states have taken on the obligation to provide internships at their courts, which burden in practice will be on the more experienced states. Education should start by November 2013. However, depending on the applications, the Preparatory Committee may have underestimated this, especially taking into account the fact that the court will not only need to apply patent law, but also a large variety of procedural law and international as well as national substantive law.

The Committee will also set up an electronic filing and case

management system, which is unprecedented in Europe and will require a public tender. This is actually the main bottleneck that is likely to determine when the system will go live. The plan is to have this finished and tested as early in 2015 as possible.

The Rules of Procedure have been developed by a drafting committee that has been working on them since early 2009. A public consultation will run until 1 October 2013, a public hearing on a new draft will be held in February 2014 and a final decision will be taken by the Preparatory Committee mid-2014.

Setting the court fees is another important task. The system is supposed to be self-supportive, although initially there will be investments by some countries that may need to be recovered later. A first draft is expected October 2013.

Concrete plans for the mediation and arbitration centre and for litigation certificate for patent attorneys are also expected late 2013.

Premises for the court are intended to be provided by the countries hosting the various divisions, who should also provide the necessary local staff. This should be ready by the end of 2013 and early 2014. However, more final premises may be made available much later.

All the preparatory work will need to be confirmed by the Administrative Committee once the Agreement actually enters into force. Since the composition of both committees will be the same, this will mainly be a planning issue, there will not be any substantive discussions.

One issue is not on the roadmap: the code of conduct for representatives. National codes of conduct and bar rules have many conflicting provisions that can create serious problems, for instance if in the same case one lawyer is allowed to give the judge-rapporteur a call and the other isn't. This needs to be picked up by CCBE and EPI.

All relevant documentation as well as Q&A's is available through the Preparatory Committee's website at [www.unified-patent-court.org](http://www.unified-patent-court.org).

### 4. Unitary Patent Litigation - Tactical Considerations

**4.1** Far from being unitary, in the sense of uniform, the court system that will be established under the Agreement will be diverse because of differences in the composition of judicial panels, with each judge bringing his or her own background and thinking as to how patent cases should be run. It is also to be expected that there will be competition between divisions in terms of speed and perceived pro-patentee or pro-defendant tendencies. Differences in readiness to direct bifurcation of infringement and validity issues, grant preliminary injunction, *saisie* and/or disclosure orders and allow detailed cross-examination of witnesses will, over time, become apparent. This we have called *couleur locale*, which will probably have echoes of the differences seen in the United States in the Federal Court system. For some litigants the choice of the languages likely to be used by the relevant division may be important, not only because of the language of the prosecution of the patent and the native language of the litigant, but also because of the native language of the litigant's preferred legal representatives.

**4.2** As discussed above, one of the key decisions patent and SPC owners will need to make is whether to opt-out their patents/SPCs during the transitional period (which under Art. 83 of the Agreement will be 7 years, extendible by up to 7 years by the Administrative Committee). Because of the possibility under Art. 83 of withdrawing the opt-out, this means that patent/SPC owners

have the choice of relying on the "old" system of national courts for enforcement or electing (whenever they choose) to rely on the "new" unified court system. The decision to opt-out, or withdraw the patent may well be governed by considerations of technical subject matter (for example, owners of life sciences patents may be less ready to withdraw their opt-outs because they are reluctant to put their patents at risk in a central attack on validity) and business model (for example, non-practising owners of large portfolios of mobile telephony patents may choose to withdraw their opt-outs in the expectation that pan-Contracting State injunctive relief is likely to be a key incentive to licensing negotiations, especially if there will be patentee-friendly local or regional divisions and even more so if those bifurcate).

**4.3** Having made the decision not to opt-out, or to withdraw an opt-out, the tactical possibilities available in the unified court system are complex and as of yet not fully understood. Within the framework of the Agreement, there are various particularities to watch out for:

- under Art. 33(2) of the Agreement if an action for infringement is pending in a regional division and the infringement has occurred in the territories of three or more regional divisions, then the regional division concerned shall, at the request of the defendant, refer the case to the central division. For quite some time this provision was expected to be of little relevance, but there are now negotiations on three regional divisions: the Nordic Division (Sweden, Finland, Denmark, Lithuania, Latvia, Estonia); the Czechoslovakian Division (Czech Republic and Slovakia); and the Southeast Division (Romania, Bulgaria, Slovenia, Cyprus, Greece). This may well create an interest in references to the Central Division, especially for cases started in the Southeast Division;
- under Art. 33(4) of the Agreement an action for a declaration of non-infringement or for revocation must be brought in the central division, but if an action for infringement on the same patent and between the same parties has already been brought in a local or regional division then the declaratory or revocation action must be brought before the same local or regional division;
- under Art. 33(5) of the Agreement when an action for revocation is brought in the central division then an action for infringement of the same patent between the same parties may be brought before any division that would normally have jurisdiction on infringement as well as before the central division, but if in the local or regional division the court has a discretion to proceed with the infringement action in parallel with the revocation action in the central division, suspend the infringement action or refer the infringement action to the central division, but of course a simultaneous

decision on both issues is only guaranteed in the central division;

- under Art. 33(6) of the Agreement if an action for a declaration of non-infringement is pending in the central division, an infringement action is brought between the same parties or between the holder of an exclusive licence and the party seeking a declaration within 3 months, then the declaratory action in the central division shall be stayed. In this case, the infringement action cannot be brought by way of counterclaim in the central division which is confirmed in the Rules of Procedure; and
- under Art. 47(5) of the Agreement the validity of a patent cannot be contested in an action for infringement brought by the holder of a licence where the patent proprietor does not take part in the proceedings – in that situation the party that wants to contest the validity of a patent shall have to bring actions against the patent proprietor of the patent. However, this has been changed dramatically by the Rules of Procedure: if in such action the defendant brings a counterclaim for invalidity, such counterclaim is served on the patent owner by the Registry. Rule 25.3 now provides that the patent owner thereby becomes a party to the proceedings, regardless of whether he appears in court. This means that patent owners cannot prevent being dragged into such proceedings, except if they deny their licensees the right to enforce the patent in the licence agreement. The European Commission has already notified the Preparatory Committee that the Rules of Procedure do not sufficiently protect the position of defaulting defendants as protected under the Brussels Regulation.

**4.4** It is therefore apparent that litigants in the UPC system will need to carefully plot the alternative scenarios that may play out after initiating litigation, so as to ensure that the relief that they are seeking (rather than that their adversary is seeking) is the first to be decided, and preferably in the forum of their choice.

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