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UPC jurisdiction for EP patents: should I opt out or stay in?

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The Unified Patent Court (UPC) is planned to open for business at the start of 2017. 2016 is the year to choose whether or not to opt out of the UPC jurisdiction. Companies need to make a decision for each of their current EP patents, as well as for each of their EP patent applications and EP-based Supplementary Protection Certificates (SPCs).

An online register is planned to open in 2016 to allow opting out ahead of the UPC Agreement (UPCA) itself entering into force. This 'sunrise' register allows you to opt out before a competitor or potential infringer lodges an action for revocation or for a declaration of non-infringement at the UPC on the very first day of entry into force of the UPC Agreement. Therefore, it is advisable to decide on opting out or not opting out as soon as possible before the UPC Agreement enters into force.

If a company does not opt out, the UPC and the national Courts will both retain jurisdiction. Therefore, the first litigation on the EP patent (or patent application or SPC) will determine the jurisdiction. If the UPC is first selected, e.g., by a competitor claiming revocation of a company's EP patent, or by a company



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claiming infringement of its EP patent, national Courts cannot be selected any more. Conversely, if a national Court is first selected, the UPC loses jurisdiction on the company's EP patent. Therefore, opting out has to be decided before any litigation has begun. The sunrise register, which is planned to open in 2016, allows companies to do so.

If a company does not opt out, a competitor may bar it from deciding on the jurisdiction by lodging an action at a national Court before the company decides to act. If a company does opt out, it stays out of the UPC jurisdiction and may later decide to withdraw the opt out, thereby restoring UPC jurisdiction. Therefore, at first glance, opting out appears to be the solution to retain the choice of jurisdiction.

However, there is also some risk in opting out. Indeed, withdrawal of the opt out is not permitted if the patent has ever been subject to national proceedings. Therefore, a company might be barred from withdrawing its opt out by a competitor lodging an action for revocation at a national Court.

Therefore, whether or not a company opts out, it is not in full control of the choice of jurisdiction. Opting out incurs the risk of being barred from reverting to the UPC jurisdiction,

whereas not opting raises the risk of being barred from escaping from the UPC jurisdiction.

So what are the potential advantages and drawbacks of the UPC compared to a national Court?

Potential advantages

Reducing litigation costs and having a faster litigation schedule. The UPC imposes a precise procedure to be complied with. For example, the statement of defence must be lodged no later than three months from the statement of claims being served, the defence to a counterclaim for revocation must be lodged within two months of the counterclaim being served, and the president-judge must endeavour to complete the oral hearing within one day. In the case of pan-European litigation, the one-stop-shop UPC may well reduce companies' litigation costs and time.

Technically-qualified judges. The UPC provides companies with the opportunity to have a technically-qualified judge in the Court's panel, which may be helpful if the patent involves advanced scientific notions, such as genetic engineering or IT.

One preliminary injunction for the whole UPC territory. The UPC may provide a pan-European preliminary

injunction, which is enforceable across the whole UPC territory. This may be very attractive for the pharmaceutical industry, for example.

In situ inspection and preservation of evidence. Some national Courts are already familiar with in situ inspection and preservation of evidence (e.g., France, Belgium), whereas others do not or rarely provide such means (e.g., the common law EU countries). By contrast, the UPC will provide such means across the whole UPC territory.

Securing the licensee's entitlement and the proprietor's capacity to recoup damages. The entitlement of a licensee to act or join in an infringement action is not defined at the EU level, but at each national level, with considerable differences between countries. For example, a licensee may be entitled to act or join in the French national litigation, but is not entitled to do so in the UK and Ireland. In accordance, with the UPCA, a non-exclusive or exclusive licensee may be entitled to bring actions before the UPC Court, provided that the patent proprietor is given prior notice, and in so far as expressly permitted by the licence agreement. Therefore, UPC jurisdiction might be advantageous if the patent proprietor is the parent company, but the patented invention is being implemented by an



affiliate company in the UK or Ireland though a licence agreement. UPC opting out would result in the affiliate not being entitled to sue or join in an infringement action in the UK or Ireland, and may even place the patent proprietor at risk of not recouping lost profits incurred in the UK or Ireland.

Avoiding EPO-divergent national Court positions. Some national Courts (e.g., France) have adopted EPO-divergent approaches on some patentability issues, such as medical inventions defined by dosage regimen, or computer-based inventions. The position of the future UPC is, of course, not yet known. However, the fact that the panel of judges must have a multinational composition speaks in favour of an EPO-compliant approach rather than an EPO-divergent approach, at least on issues which have been decided by the EPO Enlarged Board of Appeal.

Bolar exemptions. Bolar exemptions can be broader nationally than at the EU level. For example, the EU legislation to be applied by the UPC exempts clinical trials from infringement in so

far as they relate to generics, whereas some countries (e.g., France) extend this exemption to all clinical trials. From a patentee's point view, UPC might therefore be a better choice to sue for infringement.

Potential disadvantages

Centralised revocation. Revocation at the UPC results in the loss of the patent throughout the whole UPC territory. The UPC might therefore be viewed by competitors as an extension of the EPO opposition proceedings but without any deadline for lodging the suit.

Lack of UPC case law. The absence of UPC case law generates uncertainty, more particularly on the financial security to be provided for compensation of wrongly granted interim injunctions.

UPC territorial scope. The UPC territory will not include those EPC states which are not members of the EU, such as Switzerland or Norway.

The above list of potential advantages and disadvantages of the UPC is far from exhaustive, but may provide a preliminary view of aspects to be taken

into account when deciding whether or not to opt out of the UPC jurisdiction.

Additional issues to be considered

For a company that is a licensee, it should be noted that licensees are not entitled to request opting out. This request must be filed by the patent proprietor of the patent, or patent application or SPC. Therefore, the licensee should check how the opting out decision process can be organised with the proprietor.

If the company is the holder of an EP-based SPC, but is not the proprietor of the EP patent, the holder of the SPC must lodge the application to opt out with the patent proprietor. Therefore, the holder of the SPC must obtain the agreement of the patent proprietor to file the opting out request.

If the company is a proprietor of the EP patent, but is not registered as such, it should be noted that the default of EPO registration does not alter its entitlement to act at the UPC, but the company needs to provide documentary proof that it is the proprietor. ■