

The Unitary Patent Package and the Unified Patent Court



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On 19 February 2013, twenty-five Member States of the European Union (“the EU”) signed an agreement creating the Unified Patent Court (“UPC”) (hereinafter “the UPC Agreement”). The UPC Agreement complements European Regulation No 1257/2012, which establishes unitary patent protection by the European patent, and European Regulation No 1260/2012, which regulates the translation arrangements for this type of European patents. In 2014, European Regulation No 542/2014 was added to regulate the international competence of the new Unified Patent Court.

These four documents form a complex set of rules that entered into force on 1 June 2023.

The new system will be first briefly overviewed. The subsequent chapters deal with some specific issues in more detail.

Any company that may face infringement proceedings, whether as a patent owner or not, should evaluate its position and assess the impact of the reform.

CHAPTER 1 - GENERAL OVERVIEW

THE PREVIOUS SITUATION

Previously, the applicant for patent protection for an invention in the EU could choose between applying for one or more national patents (i.e. on a country-by-country basis; usually without prior patentability examination), or for a European patent (where the European Patent Office, hereinafter “EPO”, carries out a prior patentability examination). Once granted, the European patent has the same effect as a national patent in the countries where it applies. These two routes can also be combined in certain cases.

A long-standing drawback of the European patent is the cost and formalities of translations required by different countries to make the patent effective there. The same goes for the cumulative cost of annual fees for maintaining protection per country.

For both national and European patents, it has also been criticised that the patent owner who wants to maintain his monopoly and fight infringements in several European countries, has to conduct separate court proceedings for each territory.

The reform essentially aims to remedy these drawbacks.

THE EUROPEAN PATENT WITH UNITARY EFFECT

After multiple negotiation attempts, long debates and developments, which we will not go into, twenty-five EU Member States (i.e. not all of them) agreed to use the so-called enhanced cooperation procedure¹. Therefore, in accordance with the EU’s founding treaties, the regulations created as a result are also limited to these participating EU Member States.

The result was a package consisting of three European regulations and an international agreement called the “UPC Agreement” for short.

¹ Council Decision 2011/167/EU of 10 March 2011 (OJ L. 22 March 2011, vol. 76, 53).

The entire system is in force since 1 June 2023. However, it will initially apply only in 17 EU Member States².

Regulation 1257/2012 introduces the possibility for the holder of a granted European patent³ to attach a “unitary effect” to it. A declaration to this effect must be made within one month of the grant of the patent⁴. For convenience, the European patent with unitary effect is often referred to as a “unitary patent”.

The unitary effect refers to the fact that, on the one hand, the European patent has a unitary character, which means it can only be limited, transferred, revoked or expire for all the countries concerned at the same time. On the other hand, it also leads to uniform protection under the same monopoly, with the same exceptions, in all these countries.

Moreover, the unitary patent will be subject to lower annual fees than the sum of the annual fees payable in the States concerned (currently 17) for a “classical” European patent. It is meant therefore to be cheaper. However, this advantage raises questions in practice, given the Brexit (UK’s exit), the low economic importance of some countries belonging to the UPC area (and to which a classical European patent is not necessarily extended), the territorial impact of the unitary effect (all-or-nothing nature) and the average effective duration of patents (term of maintenance).

The unitary effect will apply in those Member States only that have ratified the UPC agreement itself – an international treaty. This does not necessarily include all Member States that agreed to the enhanced cooperation procedure at the time (e.g. Poland).

Regulation 1260/2012 provides for a less strict, and therefore less costly, regime on translations for the European patent with unitary effect⁵.

National patents will continue to exist and can still be applied for.

Classical European patents (too) will continue to exist since unitary effect is merely an option for the patent owner.

However, under the UPC Agreement and in the long term, the effects of classical European patents will not be the same in the future, both in terms of potential nullity, and infringement.

First, the substantive rules of uniform protection for European patents with unitary effect under the UPC Agreement will also apply to classical European patents.⁶ The protection of the latter will extend to all designated countries in the UPC territory. Second, the geographical scope of invalidation will have the same global effect for both types of European patents: it will affect the classical European patent in all designated countries in the UPC territory. Therefore, contrary to what has often been announced, the system does not simply add a third type of patent to classical European patents and national patents. In time, it will also significantly change the regime for classical European patents, i.e. without unitary effect.

Moreover, the EU has not harmonised national patent laws (which are however very similar among them) to bring them into line with the rules of the “legislative package” on the unitary patent.

The result culminates in a complex system, be it from a territorial, legislative or temporal point of view.

2 Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovenia and Sweden.

3 For all participating countries and with the same requirements.

4 Articles 3(1) and 9(1)(g) of Regulation 1257/2012.

5 After a transition period (maximum 12 years), no translation will be required, except in case of dispute and at the request of the alleged infringer or the court. During the transitional period, a full version will have to be prepared in English and, if English is already the language in which the document is issued, a full version in another language. This arrangement applies in participating countries.

6 Subject to the opt-out set out below.

THE UPC AGREEMENT

The UPC Agreement includes several aspects that can be summarized in two respects⁷.

On the one hand, the UPC Agreement establishes a “Unified Patent Court” (“UPC”), which will have exclusive jurisdiction to settle most disputes, not only on European patents with unitary effect, but also on classical European patents (as we know them today and which will remain obtainable in the future). All European patents will thus fall under the jurisdiction of the UPC.

However, during a transitional period of at least seven years, an action for infringement or invalidity concerning (exclusively) classical European patents⁸ can be brought not only before the UPC, but also before a national court. During the same period of at least seven years, the patent owner can withdraw a classical European patent from the jurisdiction of the UPC⁹ by filing a request to that effect (so-called “**opt-out**” mechanism, provided for by Article 83 of the UPC Agreement). Thus, this patent will be subject only to the national courts and national law of the Member State in question. Apart from this opt-out, which must be requested and will be limited to the term of the European patents for which the opt-out is requested, all European patents will be subject to the UPC regime. We discuss the reasons for using or not using the opt-out in the following chapter.

The UPC consists of a court of first instance and a court of appeal. The first instance includes a central division in Paris (with a division in Munich and one in Milan), as well as local divisions (one to four per country) and a regional division. Each division will have one or more panels, where judges of different nationalities will sit; “technically” specialised judges are also appointed. The court of appeal in Luxembourg will include panels composed of three legally trained judges and two technically trained judges.

The language regime can be summarized as follows: the local division uses the language or languages of its country (or possibly in addition, if the State concerned has so provided, English, German or French as is the case for the Belgian local division in particular, where Dutch will also be available). The parties may also agree to use the language in which the patent was granted by the EPO; the central division always uses the language in which the patent was granted by the EPO; the court of appeal uses the same language as in first instance.

Three chapters hereinafter briefly discuss the rules on the material competences and the internal and international competence of the UPC.

The procedural rules for the UPC are extensive and complex. The UPC Agreement itself contains several jurisdiction and procedural rules, which already largely indicated the advantages and disadvantages of the system. We address the practical aspects of these procedures, including expected costs and fees, in the last chapter.

It should already be noted that when a patent invalidity action is brought before a local or regional divisional in response to an infringement claim, there will be several options, including the split treatment of the two claims (the so-called “*bifurcation*”).

Furthermore, for both classical European patents (excluding the “opt-out” during the transitional period)¹⁰ and European patents with unitary effect, decisions of the UPC will have effect throughout the territories of the States

⁷ To simplify this exposition, European patent applications and supplementary protection certificates (SPCs) are not covered in detail here.

⁸ And SPCs for products protected by European patents. The transitional period does not cover European patents with unitary effect.

⁹ By filing with the UPC registry. This choice belongs only to the patent holder and not to the company, defendant or potential defendant in infringement proceedings.

¹⁰ Article 34 of the UPC Agreement.

participating in the UPC Agreement¹¹. In other words, any decision, whether it concerns e.g. patent invalidity or infringement, including enforcement measures such as penalty payments, will have effects in all UPC States.

On the other hand, the UPC Agreement also contains several important substantive law rules: for instance, the UPC Agreement essentially defines direct patent infringement, indirect patent infringement and exceptions (“limitations”) to the exclusive right of the patent owner.

This substantive law will apply to all patents covered by the UPC Agreement (both European patents with unitary effect and classical European patents for which no opt-out has been made). To that extent (only), national law will be set aside.¹²

PATENT OWNER’S CHOICES

In the long term¹³, anyone applying for or owning patents **in the UPC territory** (the UPC States), will need to make a choice between:

- national patents under the laws of the countries considered, or
- a “classical” European patent in some or all of the UPC States, or a European patent with “unitary effect” (then always applicable for all UPC States), subject in both hypotheses to the jurisdiction of the UPC and the substantive rules of the UPC Agreement.

While the second option will expose the patent to invalidation for the entire UPC territory, it obviously offers great advantages in terms of effective and flexible prosecution of infringers before a specialised court. However, the procedural constraints and costs of such proceedings should be considered as well, including the risk of having to reimburse the winning party’s defence costs.

The choice whether to opt for this unitary effect or not once the European patent has been granted, instead of classical validation in a number of countries or instead of regular national patents, will be based in many cases on a financial trade-off of the total cost and the annual fees, which are lower here.

It is only during the initial seven-year transitional period (which may be extended to 14 years under the UPC Agreement) that the main question will be whether existing and pending “classical” European patents will require an “opt-out” declaration to remove them from the jurisdiction of the UPC. Without an “opt-out”, the possible invalidity of a European patent, which can be claimed before the UPC, will always apply to all designated countries in the entire territory of the UPC States (thus currently up to 17 countries). The patent owner should assess whether this risk is acceptable. Reminder : the « opt-out » shall never be available for the European patents with unitary effect.

Outside the UPC territory (e.g. Spain or Poland), no other choice than the national patents or the European patents (no option for a unitary effect is possible). The same outside the EU, of course (e.g. United Kingdom, Turkey).

¹¹ Articles 3(2), 5(1), 5(3) and 18(2) al.2 of Regulation 1257/2012.

¹² Thus, a company accused of infringement because of certain research activities will not be able to rely on a potentially broader exception in the applicable national law. This will be the case, for example, in Belgium, where the exception is currently broader than in other countries. More generally, it should therefore be noted that, even for classical European patents, UPC Member States will no longer have the freedom they have today to determine by themselves and for their respective territories the content of the statutory monopoly, and in particular the exceptions to it.

¹³ We leave aside here the temporary opt-out described above (and in the following chapter) for “classical” European patents during the transitional period.

THE POSITION OF THE COMPANY EXPOSED TO THE RISKS OF INFRINGING A PATENT

For all companies (regardless of whether they hold patents themselves or not), the ever-present risk of being sued for patent infringement will now be even more drastic if their counterparty prefers the European patent (with or without unitary effect), and thus the possibilities offered by the UPC Agreement, to a national patent.

Again, this raises questions about e.g. the scope of a judgment covering the whole UPC area, the (in principle) speedy procedures, and many other more uncertain aspects related to the UPC procedural rules (forum shopping by the patent holder, language, splitting of the dispute, litigation costs, etc.).

The risks are even greater when the company concerned intends to bring to the market some innovations while these by their very nature are more exposed to infringement proceedings.

Structural and operational precautions can be taken for reducing such risks.

In particular, the possibility of exploiting an innovation (“freedom to operate”) will gain importance and should, depending on the type of patents to be considered in a given technical field, take place earlier, for a wider territory and in as much detail as possible.

CHAPTER 2 - THE OPT-OUT

The reform of European patent law introducing a European patent with unitary effect is accompanied by the creation of a Unified Patent Court (UPC).

In this chapter: the possibility to opt out of the jurisdiction of the UPC, as offered in the Unified Patent Court Agreement (“UPC Agreement” or “UPCA”).

WHAT IS THE “OPT-OUT” ?

Underlying the UPC system is the exclusive jurisdiction of the court, not only for disputes over European patents with unitary effect, but also for disputes involving “classical” European patents to the extent that they have effect in the UPC countries (the Member States parties to the UPCA).

However, during an initial transitional period of seven years (extendable to 14 years), national courts will retain jurisdiction regarding classical European patents, concurrently with the UPC. During that same period, holders of these patents retain an option to ensure that disputes involving a classical European patent (thus : without unitary effect) are conducted before national courts only. A choice thus presents itself between the UPC and national courts. This choice is important, given the UPC’s jurisdiction to decide on a classical European patent by virtue of a court decision *with effect in all relevant UPC countries*; the UPC has also its own and strict procedural rules, in particular very short deadlines. As a result, the UPC procedure is not without risk: even a classical European patent (without unitary effect) can be declared invalid in a single UPC judgment in all the UPC countries where it was validated (although, conversely, the UPC procedure also offers the advantage that the patent holder can obtain a declaration of infringement over an extended territory).

Under the opt-out system, owners of European patents, European patent applications and supplementary protection certificates (SPCs) based thereon have the option of withdrawing these titles from the jurisdiction of the UPC during the aforementioned transitional period. In contrast, European patents with unitary effect are not covered by this transitional regime and can never be subject to an opt-out.

Without “opt-out”, the European patent (or SPC) in question falls within the possible jurisdiction of the UPC as of 1 June 2023. While the “opt-out” choice can also be made later, it cannot be made once a dispute relating to the European patent in question is pending before the UPC. Deferral is thus not without risk for the patent owner, particularly if he wishes to avoid the possibility that his European patent would be declared invalid by a single court decision in all designated UPC countries. The owner of a patent portfolio is free to “opt-out” for some patents and leave other patents under the UPC system.

An “opt-out” is valid for the entire lifetime of the patent, or until the patent owner decides to undo the “opt-out” and bring his patent within the jurisdiction of the UPC by a so-called “opt-in”. Such “opt-in”, however, cannot be undone again.

Official information regarding the opt-out under the UPC can be found on the website <https://www.unified-patent-court.org/en/registry/opt-out>.

WHO CAN FILE THE “OPT-OUT”?

The “opt-out” is reserved for patent owners. Consequently, licensees cannot directly file an opt-out themselves for the patents under which they have rights. Licensees who see merit in an opt-out should best discuss this with their licensors. Conversely, the owner of the patent (licensor) should consider the interests of the licensee, especially if he intends not to use the opt-out, while the territory of the license in question includes UPC countries. License agreements are therefore best reviewed considering these issues.

Co-owners of patents can only opt-out if all of them declare that they wish to opt-out.

Finally, the fate of an SPC follows that of the patent: if a European patent is opted-out, the same happens for the SPC based on it. If the owner of the SPC is not the owner of the patent, then they will have to find an agreement between them.

WHY AN “OPT-OUT”? WHAT BENEFITS OR RISKS?

In general, the UPC system offers potential advantages and disadvantages for patent owners. This is also the case as far as the “opt-out” is concerned. Therefore, the choice to opt-out is best considered on a case-by-case basis.

One of the main features of the UPC lies in the risk of central revocation (invalidity) of the patent, including for classical European patents without unitary effect. A negative decision for the patent owner regarding the validity of the patent will apply in all Member States of the UPC Agreement. The flip side of the coin is that a decision on validity that is favourable for the patent owner, will also apply in all UPC countries. Therefore, a rule of thumb is that strong, robust patents may be served by the UPC system, while this is less true for patents that are more sensitive to nullity concerns. For the latter, an “opt-out” at least deserves consideration.

Also in terms of infringement, a ruling in favour of the patent owner has effect in all UPC countries. This advantage falls away if the opt-out is chosen. If a patent can be considered strong in the sense that the risk of a successful counterclaim for invalidity is limited, the advantages in terms of territorial effect of UPC decisions speak against opting out.

It should also be noted that, until an “opt-out” is filed, the UPC and national courts effectively have concurrent jurisdiction during the transitional period (7 or max 14 years from the start-up of the UPC). Each party can still choose the court where it brings an action. However, this also means that, without a formal “opt-out”, a third party can bring a claim for invalidity of the patent in question directly before the UPC at any time, with the potentially extensive territorial consequences that this entails.

The uncertainty about the unknown, especially how UPC case law will evolve, also leads to hesitation. To be cautious, this can be handled tactically too, for example by opting out quickly, then waiting and seeing how the UPC case law evolves in the first years after its coming into force, and on that basis, at a later stage, deciding whether an opt-in is appropriate or not. In some cases, it is also important to realise that those who opt-out patents that may give rise to litigation, forego the experience of, and influence on, UPC case law. Especially in its first years, the UPC will most probably hand down some directional court decisions, and parties can play a role in the outcome of these cases.

Finally, opting out also requires a cost analysis. If the patent owner places his European patent without unitary effect outside of the UPC, he accepts to face proceedings in different countries concerning the same patent,

except if the patent is opted-in at the time of filing an effective action. The potentially higher costs of such parallel proceedings should be weighed against the costs of centralised proceedings before the UPC.

HOW AND WHEN TO APPLY FOR AN “OPT-OUT”?

Opt-out applications must be filed through the so-called *Case Management System*, the online digital system of great importance in proceedings before the UPC, which will mainly take place electronically. In that online system, the patent number or patent application number should be entered, after which the owner will have to confirm that he has the authority to file an “opt-out” for the patent. No cost is foreseen for an “opt-out”. However, some preparatory steps are necessary for accessing the electronic system and submitting the necessary certifications.

The opt-out application can be filed until one month before the end of the transitional period provided for in the UPC Agreement, i.e. 7 years after the start of the UPC on 1 June 2023, i.e. before 1 May 2030. This initial transition period will be extendable by the UPC States for an additional period of up to 7 years, i.e., until 2037. There is thus a possibility that the “opt-out” option will remain available for 14 years. Each “opt-out” applies for the entire life of the affected European patent, in principle 20 years after its initial filing.

Prior to the start of the UPC, a run-in period or so-called *sunrise period* of 3 months was applicable, during which “opt-out” applications were already possible. By using it, the patent owner avoided any risk of a central invalidity claim for the UPC when it entered into force on 1 June 2023.

In summary: as soon as a dispute relating to a patent without opt-out is brought before the UPC, the possibility to opt-out ceases to exist. Conversely, as soon as an opted-out patent (or, where applicable, a SPC based on that patent) becomes the subject of litigation before a national court, the opt-in option lapses.

CHAPTER 3 – THE COMPETENCES OF THE UNIFIED PATENT COURT

PART 1: MATERIAL COMPETENCES

The introduction of the European patent with unitary effect is accompanied by the creation of the Unified Patent Court (“UPC”), a unified court with exclusive competences to hear certain actions relating to this new type of patent and some other similar titles. We discuss here, without going into too much detail, the main rules concerning the material competences of the UPC. This relates to the subject matter and nature of actions before this court.

As a reminder, the structure of the UPC has two levels: a Court of Appeal based in Luxembourg and a Court of First Instance that consists of a central division (three sections: Paris, Munich and Milan), regional divisions (common to several UPC states; only one has been established so far) and local divisions (specific to one UPC state, e.g. several divisions in Germany, one in France, one in Belgium) (no section has been established in some UPC states, e.g. the Grand Duchy of Luxembourg, Malta and Bulgaria).

TITLES WITHIN THE COMPETENCES OF THE UPC

The UPC, as the “common” court of the UPC states, has competences to hear disputes concerning:

- European patents with unitary effect;
- European patents without unitary effect, except those for which an opt-out has been filed during the transitional period (at least the first seven years);
- European patent applications, except those for which an opt-out has been filed during the transitional period (at least the first seven years);
- supplementary protection certificates (“SPC”) granted for products (medicinal products) protected by a European patent, except where an opt-out has been filed during the transitional period (at least the first seven years).

MATERIAL COMPETENCES OF THE UPC

The UPC’s competences are exclusive, i.e. excluding national courts¹⁴, but limited to the actions listed in Article 32 of the UPC agreement:

- **actions for infringement**, including related measures such as **damages** and defences against them, including **counteractions for invalidity** or actions concerning licences of the invoked patent,
- **actions for declarations of non-infringement**,
- **actions for revocation** (invalidity),
- actions for **provisional and protective measures** or injunctions,

¹⁴ During the transitional period (at least the first 7 years after the entry into force of the system), also the national courts will have jurisdiction on the classical European patents (not the so-called “unitary” patents). Furthermore, this will exclude the jurisdiction of the UPC if the classical European patent is “opted-out”.

- actions for damages based on the **provisional protection conferred** by a **published European patent application**; what this “provisional protection” concretely leads to is not defined in the UPC agreement and will depend on the application and interpretation by the UPC,
- actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention; the UPC agreement does not clarify the precise scope of these terms. If this terminology refers to one type of actions, then in Belgian law one can compare it to the exception of prior personal possession provided for by Article XI.36 of the Code of Economic Law (“CEL”),
- actions for **compensation for licences** under Article 8 of Regulation (EU) No 1257/2012. These are disputes concerning the “appropriate consideration” for licences “de jure”, i.e. licences applied for after the proprietor of a European patent with unitary effect has filed a statement to the EPO that he is prepared to grant a licence to use the invention against payment of “appropriate consideration”. Only claims concerning “consideration” for such licences are mentioned here, which seems to exclude other aspects,
- actions concerning **decisions of the EPO** when performing the tasks referred to in Article 9 of Regulation (EU) No 1257/2012. This provision covers in particular the tasks of the EPO in relation to applications for registration of unitary effect and the register of unitary protection.

NATIONAL COURTS

The national courts of the UPC States retain competences to hear disputes concerning:

- a. all claims concerning national patents and national SPCs (arising from national patents),
- b. all claims concerning classical European patents and SPCs (based on such European patents) for which an opt-out was filed during the transitional period (at least the first seven years),
- c. claims during the transitional period and concerning classical European patents and SPCs (based on such European patents) not covered by the “opt-out” because of the then concurrent jurisdiction of the UPC and the national courts as regards these patents and SPCs, and in particular those claims not within the exclusive material competences of the UPC,
- d. claims after the transitional period and concerning classical European patents and SPCs (based on such European patents) provided such claims are not within the exclusive material competences of the UPC,
- e. and even claims concerning European patents with unitary effect, when not within the exclusive material competences of the UPC.

Points (c), (d) and (e) include, e.g., a claim for revindication of such patent or a claim for a contractual licence or a compulsory licence (which differs from the licence “de jure” referred to in Article 8 of Regulation (EU) No 1257/2012). Such claims are not within the exclusive material competence of the UPC.

TRANSITIONAL PERIOD AND OPT-OUT

As a reminder (see chapter II *supra*), during a transitional period of (at least) seven years from the date of entry into force of the UPC agreement, an action for infringement or invalidity of a European patent without unitary effect (or an SPC based on such patent) may still be brought, at the option of the claimant before the UPC or the competent national courts.

The patent owner will be able to avoid the jurisdiction of the UPC, and in particular the possible invalidation of his patent for all UPC States by a single court decision, thanks to an “opt-out” to be filed as soon as possible. The benefit of the “opt-out” applies to the patent in question (and, if applicable, to the SPC based thereon) for its entire term of validity.

It is advisable to file the declaration of opt-out as soon as possible. After all, this option expires as soon as invalidity proceedings against, or a declaration of non-infringement of, the European patent in question are filed with the UPC.

The expiry of the transitional period does not affect claims pending before a national court at the end of that period.

PART 2: INTERNAL COMPETENCES OF THE UNIFIED PATENT COURT

The following is a brief outline of the rules applicable within the UPC States' territories to determine the competent division of the UPC Court of First Instance. Some procedural implications are also discussed when there are multiple actions.

As a preliminary reminder (*cf. supra*), the UPC's material competences are limited to the actions listed in Article 32 of the UPC agreement (mainly infringement actions, declarations of non-infringement, invalidity actions or actions against decisions of the EPO concerning unitary effect).

Actions outside these competences are handled by national courts and are distributed internationally under the rules-of-competence of the so-called Brussels Ia Regulation, the Lugano Convention (2007) (which no longer binds the UK) and other applicable rules.

DISTRIBUTION OF DISPUTES WITHIN THE UPC

The parties may, by mutual agreement, bring their disputes falling within the competences of the UPC before any division. An exception is an action against decisions of the EPO (registration of unitary effect), which must always be brought before the central division of the UPC.

Absent such agreement, the following **rules** apply:

- **infringement actions** may be brought at the option of the claimant:
 - before the local or regional division of the **place of infringement**,
 - **or** before the local or regional division of the **defendant's residence** or principal place of business or, failing that, one of its places of business,
 - **or** before the **central division**, if no local division exists in the territory of the UPC State concerned and said State does not participate in a regional division (this applies e.g. to the Grand-Duchy of Luxembourg).
- **Counterclaims for invalidity (revocation)** brought in response to infringement actions can lead to three possible scenarios:
 - the division itself **decides** on the infringement action and the counterclaim,
 - **or** the division refers the counterclaim to the central division and decides on the infringement action or stays the decision on it (split or so-called “**bifurcation**”),

- or the division **refers the entire** case to the central division, with the agreement of all parties.

In case of **split or bifurcation**, the Rules of Procedure provide that the division is obliged to suspend its decision on the infringement action if there is a high probability that the claims of the patent in question will be invalidated by the central division.

- **Main actions for invalidity (revocation)** and **declaration of non-infringement** fall within the competence of the **central division**.

However, if an infringement action between the same parties is already pending before a local or regional division in relation to the same patent, these proceedings can only be brought before the same local or regional division. In this case, all three scenarios described hereinbefore are possible, including “bifurcation”.

If an action for **invalidity (revocation)** of the patent at stake is already pending before the central division, an action for infringement between the same parties for the same patent may be brought before **any division** (local, regional or central division). If the defendant then brings a counterclaim for invalidity of the patent, the three scenarios are possible, including splitting the proceedings.

Unless the parties agree otherwise, the central division must stay proceedings on the invalidity action until the division concerned will decide on how to proceed further. The Rules of Procedure provide that when deciding how to proceed this division must consider the state of the revocation action before the central division.

- An action **for declaration of non-infringement** before the central division is suspended if, within three months of its launching, an action for infringement of the patent is introduced before a local or regional division.
- **Actions for ‘consideration’ for licenses** under Article 8 of Regulation (EU) No 1257/2012 (“de jure” licenses) fall within the competence of the local or regional division of the **defendant’s residence**, principal place of business or one of its places of business.

SPECIAL RULES

An action may be brought before the same division against **multiple defendants located in different UPC states** only if those defendants have a commercial connection and the action relates to the same alleged infringement.

Situations of *lis pendens* (different claims between the same parties concerning the same patent) are resolved by a preference rule in favour of the division implicated first.

PART 3 : “INTERNATIONAL” COMPETENCES

Here is an overview, without going into too much detail, of the main rules concerning the “international” competences of the UPC, in particular regarding EU Member States that have not ratified the UPC Agreement and “third” (non-EU) States (e.g., the UK, the US or China).

As previously mentioned, **national courts** retain certain competences in patent matters. For them, the rules on international competence remain unchanged. These rules derive from Regulation (EU) No 1215/2012 of 12 December 2012 (“Brussels 1a Regulation”), the Lugano Convention concluded in Lugano on 30 October 2007 (“Lugano Convention”), in force between Iceland, Norway, Switzerland and the Member States of the European Union (“EU”), and national rules on international competences (including any bilateral treaties entered into by States).

The Convention concluded in Lugano on 30 October 2007 between Iceland, Norway, Switzerland and the EU Member States, known as the **Lugano Convention**, remains unchanged. Its application in the UPC context raises some difficult issues, which will not be addressed in the limited scope of this overview. What is indicated below about parties located outside the EU should therefore be understood subject to the possible application of the Lugano Convention for the countries that are parties to it.

For proper understanding, we recall the distinction between the “internal” competence of the UPC, i.e. the competence within the borders of the States that have ratified the UPC agreement (the “UPC States”) (cf. *supra*), and its “international” competence. We briefly discuss the latter from two perspectives:

- UPC competence in respect of EU Member States that are not members of the UPC agreement and,
- UPC competence over “third party” States, outside the EU and outside the scope of the Lugano Convention.

ADAPTATION OF THE BRUSSELS 1a REGULATION: GENERAL

The “international” competence of the UPC is determined by Regulation (EU) No 1215/2012 of 12 December 2012 (“**Brussels 1a Regulation**”), as amended by Regulation (EU) No 542/2014. The latter amendment seeks to insert the UPC in the Brussels 1a Regulation. While the UPC is labelled as a “common” court for the UPC States, this qualification was not sufficient to apply all the provisions of the Brussels 1a Regulation without adaptation. The establishment of the UPC required several adjustments to this legislation.

Regulation 542/2014 therefore provides provisions that complement the EU rules-of-competence as well as the mechanisms of *lis pendens*, related actions, recognition and enforcement of judgments, between the UPC and the courts of EU Member States that have not ratified the UPC agreement.

Furthermore, this regulation supplements the Brussels 1a Regulation with rules in respect of defendants residing outside the EU (the Lugano Convention is not examined here). Indeed, for these defendants (“foreign defendants”), the Brussels 1a Regulation refers to national law in certain matters, which reference is inappropriate in the context of the UPC, since the latter has an autonomous legal regime.

THE ASSIMILATION OF THE UPC TO A NATIONAL COURT AND ITS IMPLICATIONS

First, for the purposes of the Brussels 1a Regulation, the UPC is assimilated to a national court.

This assimilation allows, for example, the UPC’s territorial competences to be justified in cases where the Brussels 1a Regulation did not allow it previously. Consider, for example, the case of an action for infringement of a European patent *without* unitary effect (“standard EP”) (and not opted-out) by a Polish patent owner against a defendant residing in the Netherlands. The Dutch division of the UPC will be able to invalidate the European patent invoked in response to a counterclaim, not only for the Netherlands, but also for all other UPC States covered by this European patent (which Article 24(4) of the Brussels 1a Regulation did not allow by itself).

This assimilation is expressly meant to the effect that the UPC is competent from the moment the matter falls within its material competence where, under other provisions of the Brussels 1a Regulation, a national court of a UPC State would be competent.

Thus, under these rules, for a **defendant residing in the EU**, all the ordinary rules of competence apply: competence may derive from the defendant’s residence or place(s) of business, the place of infringement, the country where the European patent is in force, etc.

Even for a **defendant residing in a “third party” State** (i.e. outside the EU; the so-called “foreign defendant”), the usual rules of the Brussels 1a Regulation may apply. Consider, for example, the competence of the UPC to hear an action for invalidity of a patent with unitary effect or of a “classical” European patent (not opted-out) in one or more UPC States, or the competence resulting from a competence clause contractually designating the UPC as the competent court, subject to certain limitations.

Finally, Regulation 542/2014 provides for the application of the usual rules of the Brussels 1a Regulation on *lis pendens*, related actions, recognition and enforcement of judgments. Rules on *lis pendens* and related actions allow for instance to regulate the relations between the UPC and a national court when both are dealing with a classical European patent non-opted-out during the transitional period.

EXTENSION OF THE BRUSSELS 1a REGULATION TO DEFENDANTS RESIDING OUTSIDE THE EUROPEAN UNION

However, the usual rules applicable to the foreign defendant under the Brussels 1a Regulation are limited.

Apart from some special rules as mentioned above, in the case of a foreign defendant, the ordinary regime in the Brussels 1a Regulation refers to the national rules on international competence. Since the UPC cannot apply these non-uniform national rules of international competence, Regulation 542/2014 provides that, in the case of a defendant residing outside the EU, Chapter II of the Brussels 1a Regulation will apply (“where appropriate”, a mysterious qualification in the rule).

Consequently, except (obviously) the application of the rule of competence in favour of the court of the country where the defendant is residing or has its place of business (here, per hypothesis, outside the EU), the rules known within the EU and made applicable by the reform will be able to give rise to competence of the UPC over actions against a foreign defendant. This applies *inter alia* to the competence rule based on the place of infringement: the UPC is competent regarding a foreign defendant if the place of infringement is in a UPC State or the effects of the infringement occur there.

Very curiously, when applying Chapter II of the Brussels 1a Regulation to a foreign defendant, the competence of the UPC is limited when dealing with damages arising outside the EU as a result of an infringement committed in the EU. Indeed, this aspect of competence is subject to the double condition that (1) the foreign defendant’s property is located in a UPC State and (2) the dispute is sufficiently connected to a UPC State. This unclear provision has already raised questions and criticism.

CHAPTER 4 - PROCEDURAL ASPECTS & COSTS

This chapter outlines the main aspects of the UPC proceedings based on the Unified Patent Court Agreement (“UPCA” for short) and the detailed rules of procedure contained in the UPC Rules of Procedure. We also consider what UPC litigation will cost.

A PARTICULARLY STRICT PROCEDURE

On 18 July 2022, the UPC Administrative Committee enacted the Rules of Procedures (“RoP”) (Article 41 UPCA). These rules came into force on 1 September 2022.

The Rules of Procedure comprise a detailed but comprehensive set of rules governing the conduct of proceedings for each of the UPC’s divisions, as well as on appeal. The rules in the Rules of Procedure supplement the procedural rules of the UPCA itself¹⁵. A good overview and understanding of the procedure is indispensable for anyone wanting to initiate or facing a case before the UPC. The current version of the Rules of Procedure can be found [in the UPC website](#).

We focus here on the course of first instance proceedings before the UPC, in particular as regards the infringement and nullity claims. These are just two examples of claims within the UPC’s jurisdiction (Article 32(1) UPCA), but the most important ones. We then touch on some aspects of the UPC appeal procedure. We will not detail all the possible sidetracks and incidents that may, depending on the case, impact the course of proceedings.

We further draw attention to the so-called Case Management System (“CMS”), which is the online file management system, specific to the UPC, through which in principle all communication happens, and to the important aspect of evidence.

Finally, we look at the expected cost of UPC litigation.

UPC FIRST INSTANCE PROCEEDINGS

The first-instance proceedings before the UPC consist of three stages:

- the written procedure (rules 12 et seq. RoP),
- the interim procedure (rules 95 & 101 et seq. RoP) and
- the oral procedure (rules 96 & 111 et seq. RoP).

A case must be brought before the UPC division competent for the dispute in accordance with Article 33 UPCA, which determines territorial competence.

The court should, throughout the proceedings, explore the possibility of settlement between the parties and, where appropriate, facilitate its achievement (rule 11 RoP).

1. Strict formal requirements and deadlines apply in the **written procedure**. At this stage, the parties have successive periods of between one and three months to file their claims and defences. The parties must develop

¹⁵ We can mention the principles of proportionality and fairness that the UPC must implement in its litigation (Article 42), electronic case management, which manifests itself in particular in the so-called “CMS” (Articles 43-44), the principle of public proceedings (Article 45), etc.

all their pleas and arguments at this stage and from the very beginning. The proceedings start with the filing of the so-called Statement of claim by the plaintiff. Within a period of just one month, the defendant can object the jurisdiction of (the local or regional division of) the UPC and the language of the proceedings chosen by the plaintiff. The defendant can also point out that the European patent invoked for protection has been “opted-out” and is therefore not within the jurisdiction of the UPC (see chapter 2, *supra*).

a. The infringement action at the written stage

The infringement proceedings start with the filing of a Statement of claim by the claimant. The Rules of Procedure set out the formal requirements that the Statement of Claim must satisfy, as well as the associated costs (rules 13 et seq. RoP). The initiating Statement of Claim must describe the facts, i.e., the alleged infringement (including the date and place of infringement), identify the infringed patent claims and already include the evidence on which the infringement claim is based, if necessary, with an indication of further evidence to be provided by the claimant. One must argue in detail the reasons why the facts constitute patent infringement. This is not a mere summary of the claim and pleas. The proceedings are front-loaded, meaning that arguments and evidence must be put on the table from the start and are not systematically built up during the proceedings. This requires thorough preparation on the part of the claimant. The alleged infringing party is given a period of 3 months (from the service of the Statement of claim) to prepare and file its Statement of defence. This statement of defence must also comply with specific formal requirements (rules 23 et seq. RoP). If the defendant accused of infringement wishes to object, by way of counterclaim, the validity of the patent, a counterclaim must be filed to that effect (revocation) in this first Statement of defence (with payment of the corresponding court fee). Otherwise, the UPC does not examine the validity of the patent.

Faced with a Statement of defence, which may or may not contain a revocation claim, the plaintiff has a two-month period to formulate a response to the alleged infringer’s defence and to defend against the revocation claim, if any.

If no revocation counterclaim was filed, the defendant is given a period of one month to submit a final supplementary defence. If the defendant did lodge a revocation claim, a period of two months is provided to

- formulate a final defence as regards the infringement claim; and
- respond to the claimant’s defence regarding the revocation claim.

If the latter happens, the claimant is given a further period of one month to formulate a final defence to defendant’s final arguments regarding the revocation claim.

The written phase of infringement proceedings (including the revocation claim) thus lasts up to 8 months, during which the parties must have developed and submitted all their arguments, counterarguments, exhibits, etc.

In the same hypothesis of a counterclaim for revocation, the division will decide which of the three following scenarios it will follow: either handle the entire case, or – with the agreement of both parties – refer the entire case to the Central Division, or “split” the case (so-called bifurcation), i.e., refer the revocation claim to the Central Division and continue or suspend the main action for infringement.

b. The independent revocation action at the written stage

Revocation proceedings directed against a specific patent under UPC jurisdiction are initiated (always before the Central Division) with a Statement for revocation by the claimant. The Rules of Procedure determine the formal requirements and associated costs (rules 44 et seq. RoP). The defending party must file its defence within a period of two months. This defence contains the factual and legal reasons why the revocation should be rejected, and describes the independent patent claims that the defendant considers valid. At the same time, the defendant may file a request to amend the patent and/or initiate infringement proceedings as a counterclaim.

N.B.: An infringement action may also be brought before another division than the Central Division where the revocation action is already pending. This then leads to a similar choice as described above and thus to a possible bifurcation of the proceedings (*cf. supra*).

The claimant also obtains two months to reply to the defendant. The defendant may file a final defence within a period of one month.

2. The **interim procedure**, lasting up to three months, serves to prepare for the oral proceedings. The judge-rapporteur may ask the parties for clarification on certain points or order the production of certain evidence or documents. The judge may set a schedule for the further course of the proceedings and/or examine whether a settlement is possible between the parties (rule 104 RoP). To this end, he may organize an interim conference with the parties. The interim proceedings are concluded by fixing the pleading date and inviting the parties to the hearing. The parties are notified of the pleading date at least two months in advance unless they agree on shorter deadlines (rule 108 RoP).
3. The **oral procedure** is the final stage of first instance proceedings and includes the oral hearing, which is open to the public (rule 115 RoP), unless the court decides on confidentiality in the interest of the parties, third parties or the public interest. This oral phase of the proceedings must normally be completed in one day (rule 113 RoP).

The UPC shall render its decision within six weeks of the oral hearing. However, a division may also immediately announce a decision at the hearing and communicate the precise reasons for the decision later.

UPC APPEAL PROCEEDINGS

Appeals against a first instance decision of the UPC must be lodged by the parties within a period of two months after the service of the decision. The appeal procedure also distinguishes three stages (the written, interim and oral stages). Here too, strict deadlines and formalities apply as laid down in the Rules of Procedure (rules 220 et seq. RoP).

In the appeal proceedings, new facts and evidence can only be introduced if - and to the extent - that they could not reasonably have been introduced during the first instance proceedings (Article 73(4) UPCA). In other words, in principle, the appeal can only relate to what was already submitted during the first instance. This confirms the front-loaded nature of the UPC proceedings with all its consequences in terms of workload and costs.

A decision of the UPC Court of Appeal is a final decision. There is no possibility of cassation.

The Court of Appeal can annul a first instance decision and determine the case itself. In exceptional cases, the case can also be referred back to the first instance.

The appeal does not have a suspensive effect. However, a party may request that the Court of Appeal rules otherwise.

THE CMS

The UPC has the particularity of using a digital IT system, known as the Case Management System (CMS), and which is accessible online, for procedure and case management.

Representatives of parties, i.e., both lawyers and qualified patent attorneys must therefore register in advance in the CMS. All communication with the UPC is done through this system, which is structured according to a strict workflow for each procedural step. Documents can be certified via electronic signature.

Parties should file their written submissions, as well as all other documents (exhibits, etc.), electronically, using the CMS.

It is always the registry of the UPC that will serve the filed documents, again electronically, on the other party or parties (unless in the case of *ex parte* unilateral proceedings). If electronic service is not possible, registered mail with acknowledgement of receipt serves as an alternative (rule 270-279 RoP).

Both the summons (Statement of claims) and decisions are served on the parties by the UPC clerk in the same manner.

EVIDENCE AT THE UPC

As indicated earlier, for the UPC, the party bearing the burden of proof must immediately provide the necessary exhibits to substantiate its allegations, be it when filing the Statement of Claims or when filing a counterclaim. One cannot count on being able to provide or add to the evidence at a later stage of the proceedings. It is therefore important to prepare each claim and know what means of proof can be used.

Article 53(1) UPCA provides a broad non-exhaustive list of admissible means of evidence in UPC proceedings ranging from the mere production of documents to hearing of parties, hearing of witnesses, expert opinions or affidavits, as well as measures of inspection, intelligence gathering or testing and experimentation.

Rule 170 RoP builds on that list, but distinguishes between the means of evidence, and the ways in which they can be obtained. It is notable that means belonging to various legal orders and traditions are available. It remains to be seen how the UPC judges will make concrete use of them.

As for the means of obtaining evidence, among other things, a party is allowed to ask for certain preservative measures. This can take the form of an order to preserve evidence (article 60 UPCA, rule 192 et seq. RoP), but also by means of an order allowing inspection of the premises of the suspected infringer (article 60 UPCA, rule 199 RoP), and all this even *ex parte* and prior to the initiation of proceedings on the merits. Such procedures are similar to the counterfeit seizure proceedings known in Belgium.

COSTS OF UPC PROCEEDINGS

Court fees for initiating proceedings are set and will be periodically reviewed by the Administrative Committee (the administering body of the UPC). They consist of a fixed fee, which may or may not be combined with a value-based fee.

A Statement of claim is officially filed only after the fees have been paid. Payment of a value-based fee is not provided for all types of claims. It applies to an infringement or non-infringement claim, but not to a nullity claim.

The Administrative Committee approved a table summarizing costs (both fixed fees, and criteria for determining value-based fees).

By way of example, part of this table is reproduced hereafter:

Fixed fees	Infringement action	11.000,00 €
	Revocation action:	20.000,00 €
	Action for declaration of non-infringement	11.000,00 €
Value-based fees	Up to and including 500,000.00 €	0 €
	Up to and including 750,000.00 €	2.500,00 €
	Up to and including 1,000,000.00 €	4.000,00 €
	Up to and including 1,500,000.00 €	8.000,00 €
	Up to and including 2,000,000.00 €	13.000,00 €
	Up to and including 3,000,000.00 €	20.000,00 €
	Up to and including 4,000,000.00 €	26.000,00 €
	Up to and including 5,000,000.00 €	32.000,00 €
	Up to and including [...] €	[...] €
More than 50,000,000.00 €	325.000,00 €	

Finally, parties considering proceedings before the UPC should also keep in mind that the unsuccessful party will have to bear the “*reasonable and proportionate legal costs and other expenses incurred by the successful party*” (Article 69(1) UPCA), in addition to all its own costs. This includes all costs, e.g., expert and patent attorney costs as well as lawyers’ costs. These reimbursable amounts, although capped, are at a considerably higher level than the litigation costs in Belgium.

A summary of the foreseen recoverable costs is as follows (extracted from the UPC website)¹⁶:

Ceilings for recoverable costs (value-based)	Up to and including 250,000.00 €	Up to 38,000.00 €
	Up to and including 500,000.00 €	Up to 56,000.00 €
	Up to and including 1,000,000.00 €	Up to 112,000.00 €
	Up to and including 2,000,000.00 €	Up to 200,000.00 €
	Up to and including [...] €	Up to [...] €
	More than 50,000,000.00 €	Up to 2,000,000.00 €

¹⁶ https://www.unified-patent-court.org/sites/default/files/upc_documents/d-ac_10_24042023_ceiling_e_for_publication.pdf

ENFORCEMENT OF DECISIONS AND PENALTY PAYMENTS

Belgian court decisions are accompanied by an “enforcement order” allowing enforcement through the intervention of a bailiff. By analogy, decisions of the UPC are accompanied by an “*order for the enforcement*” (article 82(1) UPCA).

In case of infringement proceedings, the successful party will have to inform the UPC of the parts of the decision he wishes to enforce. He must provide a translation of the decision with the order for the enforcement in the language of the Member State where enforcement is to take place. The registry will then serve these documents on the other party, after which enforcement can effectively commence (rule 118.8 RoP). Enforcement may be subject to the provision of security or an equivalent assurance (Article 82(2) UPCA). Once initiated, enforcement takes place in line with the procedures and conditions applicable in the Member State concerned (rule 354 RoP).

Penalties are possible if the order is not complied with. It is the UPC that determines the amount of the penalty payment in proportion to the importance of the order to be enforced (Article 82(4) UPCA). What is to be understood by such ‘proportionality’ remains to be seen. In case a decision that provided for penalty payments is not enforced by the losing party, one may request the UPC to determine the amount of penalty payments due, but the UPC may also determine this of its own motion (rule 354.4 RoP). Such penalty will always be payable to the UPC.

From the foregoing, the following should be taken away: companies wishing to initiate proceedings before the UPC should not only prepare very thoroughly on the legal front, in particular the pertinent arguments should already be developed and the supporting evidence collected, but should also make a cost analysis, given the potentially large financial impact of such litigation.

For the defendant as well, who does not necessarily expect to be implied in proceedings, these strict procedural rules and deadlines with their associated workload, costs and risks will undoubtedly create a heavy burden in many cases.

USEFUL LINKS

European Patent Office - click [here](#)

Unified Patent Court - click [here](#)

Belgian IP Office

- **European patent application with unitary effect** - for french click [here](#), for dutch click [here](#)
- **The Unified Patent Court** - for french click [here](#), for dutch click [here](#)

SIMONT BRAUN IP team : for a long time involved in the project and its developments !

Since the very beginning of the reflections on a unitary protection and a new judicial system in the late nineties, Simont Braun was closely following the successive drafts and discussions. With colleagues across Europe, Fernand de Visscher co-founded EPLAW, the Association of European Patent Lawyers, of which he was a board member (and Secretary while also publisher of the yearbooks during the ten first years) (still active as advisory board member). Eric De Gryse also was a board member of EPLAW and is presently still active as advisory board member. The association followed these developments very closely for years and is still involved in the start-up phase of the UPC and many related practical issues.

Recently, with colleagues of the University of Louvain, Fernand de Visscher co-edited the book *The Unitary Patent Package and Unified Patent Court – Problems, Possible Improvements and Alternatives* (April 2023), analysing the system in several perspectives and contributed by more than twenty-five colleagues across Europe (<https://zenodo.org/record/7875960>). He authored there a contribution on possible changes and improvements. In June 2023, Emmanuel Cornu and Fernand de Visscher attended a meeting of patents academics and practitioners in Paris where they shared their views about the concrete procedural aspects of the enforcement of UPC orders at national level. Eric De Gryse published several articles on the UPC and the unitary patent and participated in September 2023 to a panel guiding through the first experiences and case law.

All partners and some associates of the Simont Braun IP team are registered as UPC representatives.
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CONTACT US

For any questions or assistance, please reach out to our Intellectual Property Team | upc@simontbraun.eu

This newsletter is not a legal advice or a legal opinion. You should seek advice from a legal counsel of your choice before acting upon any of the information in this newsletter.