

The Future European Patent System

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International Patent Litigation

- Patent rights are territorial so historically patent litigation was less international
- Many disputes were determined by litigating in the US alone
- Globalization is leading to common international products and services and global businesses
- Courts share ideas and take notice of decisions in other jurisdictions – although do not always agree
- A seismic change – in future, EU Unified Patent Court will have single jurisdiction with 500 million people (in place of fragmented system) so most disputes will be heard in both US and EU
- The initial years will be uncertain
- Businesses need to consider their strategy now

The Future European Patent System

- Inefficiencies and inconsistencies arising from patchwork system led to desire for a unified European patent system
- Unitary patent protection (European patent with unitary effect) eventually covering 25 EU Member States (not Spain, Poland and Croatia)
- Three routes to patent protection
 - National
 - Classical European patent (available in 38 EPC countries), needs to be validated in designated countries
 - European patent with unitary effect
- New Unified Patent Court



European Patent With Unitary Effect

- Designate within one month of grant
- Renewal fees to be at a level equivalent to total sum of fees payable in top 4 states (DE, UK, FR and NL)
- Ultimately, no translation will be required with patent other than of claims in the other two languages of the EPO (per A.14(6) EPC)
- Translation required in the event of a dispute at request of defendant or court
- Transitional provisions between six and twelve years: if language of proceedings is FR or DE, full translation into EN is required. If language is EN, full translation into another official EU language is required



Unified Patent Court (UPC)

- A single patent court across the EU
- All EU countries have joined other than Spain (which had challenged the legality of the regime), Poland (waiting and seeing) and Croatia (joined EU after agreement)
- Won't cover Non-EU EPC states
- Exclusive jurisdiction over infringement proceedings, declaration of non-infringement proceedings and revocation proceedings involving:
 - New unitary patent
 - Classical European patent (non-exclusive during transitional period and note opt-out)
 - Supplementary Protection Certificates
- Doesn't cover national patents or utility models
- Probably starts in 2017 (possibly Q2)
- 13 EU Member States (including UK, Germany and France) need to ratify, starts four months later



Structure of the UPC

- Court of First Instance
 - Local and regional divisions
 - Every state entitled to have a local division – new forum shopping
 - Multinational panels with 3 “legally qualified judges” to ensure consistent standards (currently UK, Germany, France, Netherlands and regional divisions will have 2 local judges, others will have 1 local judge)
 - Can choose single judge
 - Technically qualified judge in some circumstances (including revocation proceedings)
 - Generally language is designated language of local division
 - Can be language of patent if parties agree or on application to President
 - Central division (Paris, London, Munich)
 - 2 legally qualified judges and one technically qualified
 - Language of proceedings is that of patent
- Court of Appeal
 - Based in Luxembourg
 - 3 legally qualified judges and 2 technically qualified judges



The New Forum Shopping

- Detailed rules allocating division of the Court of First Instance
- Infringement Action
 - any local or regional division where infringement takes place or where defendant has principal place of business (or else any place of business) OR
 - in central division if defendant has no place of business in contracting state OR
 - in central division where relevant contracting state has no local or regional division OR
 - in central division where revocation claim is pending OR
 - any division agreed by parties
- Action for Revocation or Declaration of Non-Infringement
 - central division, but ...



The New Forum Shopping

- Action for Revocation
 - starts in central division
 - unless infringement action is on foot in local or regional division
 - until infringement action is brought in local or regional division, when local or regional division decides what to do
- Action for Declaration of Non-Infringement
 - starts in central division
 - unless infringement action is on foot in local or regional division
 - until infringement action is brought in local or regional division, (provided this is done within three months) when stayed



The New Forum Shopping

- There will often be a number of options for a patentee, particularly where infringement occurs in more than one jurisdiction
- Factors influencing choice for patentee may be:
 - Approach to procedure (there is a single civil law/common law hybrid procedure but local jurisdictions may have a bias towards common law or civil law elements)
 - Experience of jurisdiction
 - Pro-patentee/anti-patentee perception and approach to law
 - Language of division
 - Bifurcation
 - Speed
- Scope for defendant to forum shop is extremely limited



The New Forum Shopping

Defendant's forum shopping tactics for non-opted out classical European patents – to keep them out of the UPC

- Revocation proceedings in one or more national courts?
- Declarations of non-infringement in one or more national courts?
 - But DNIs in national courts of UPC members may be excluded by the UPC Agreement
 - Pan-European declaration of non-infringement brought in a non UPC Member (e.g. Spain) not so excluded – but would need local designation and domicile



The New Forum Shopping

Defendant's forum shopping tactics for non-opted out classical European patents – to keep them in the UPC and to choose division

- Revocation proceedings in central division
 - Before infringement starts or
 - In the name of a party that cannot be sued for infringement (but subject to risk of consolidation)
- Declaration of non-infringement in central division
 - Before infringement starts



The New Forum Shopping

Defendant's forum shopping tactics for opted out classical European patents

- Pan-European DNI proceedings in national court, which will also prevent withdrawal of opt-out and so block proceedings in the UPC
- Revocation proceedings in national court preventing withdrawal of opt-out



The Procedure

- Completely new procedure
- Continental civil law and common law hybrid
- Predominately written procedure
- Three stages: written, interim and oral
- Detailed pleadings
- Some discovery (if ordered)
- Written evidence
- Some oral fact and expert witness evidence (if ordered) including cross-examination (at a separate hearing?)
- One-day trial
- Flexibility may allow local divisions to have own practice to an extent, limited by court of appeal and multinational panels



Bifurcation

- Separation of infringement and validity/revocation proceedings
- If counterclaim for revocation is brought CFI can:
 - (i) hear both infringement claim and counterclaim
 - (ii) refer counterclaim to central division
 - (iii) refer counterclaim and stay infringement claim
 - (iv) refer everything to central division
- Controversial
- Germany is very attached to it (but several of their judges are not)
- Other jurisdictions are hostile to it



Bifurcation

- Compromise – leaves to court to decide
 - Decision is after pleadings stage so arguments already set out
 - Power to stay infringement proceedings
 - Must stay if “high likelihood” patent will be found invalid
 - If doesn’t stay, judge-rapporteur of central division “shall endeavour” to set date for invalidity hearing before infringement action
 - Judgment and orders conditional on validity



Transitional Period and Opt-out

- UPC agreement was rushed through
- New Court, with new procedure, has unprecedented powers (pan-European injunctions, declarations of non-infringement and revocations)
- This has led to understandable reticence
- Need to consider strategy in light of transitional provisions



Transitional Period and Opt-out

- Seven-year transitional period (extendable by a further seven years)
- Dual jurisdiction during transitional period for classical European patents. Proceedings can be brought in UPC, or in national courts (provided no action has already been brought in the UPC)
- Can opt out classical European patents from “exclusive” jurisdiction of UPC up to one month before the end of transitional period unless an action has already been brought in the UPC
- Can withdraw opt-out (once) unless national proceedings have commenced
- Opt-out sunrise period, may start in November 2016 or before
- Does not apply to unitary patents

Opt-out and Filing Strategy: Factors

Staying In v. Opting Out (or National)

Factors supporting opting out

- Risk of pan-European revocation – how significant that is depends on value of patents
- If an opposition is pending, should opt out
- Greater risk of pan-European declaration of non-infringement if patents are not opted out
- If likelihood will enforce patents is low, less need to be concerned about benefits of pan-European injunction
- Procedural or substantive benefits of national courts e.g. bifurcation and German contributory infringement doctrine
- Court filing fees considerably higher than in some national jurisdictions
- No opt-out fee

Opt-out and Filing Strategy: Factors

Staying In v. Opting Out (or National)

Factors supporting not opting out

- Benefit of pan-European injunction (how many jurisdictions are of importance?)
- National courts may have less influence once UPC starts
- Influence on the development of jurisprudence
- Negative perception of opting out (especially if opt out only weak patents)
- Due diligence required to establish proprietorship, and number of patents in portfolio

Opt-out and Filing Strategy: Factors

Unitary Patent v. Other

- Cost (level of renewal fees) and number of designations in existing strategy (NB pruning is not possible)
- Importance of pan-European injunction (but available with classical European Patents, if stay in)
- Influence on UPC jurisprudence
- Pan-European revocation (cannot opt out)
- May attract more attention than European patent designating a small number of states
- UPC filing fees

After Transition:

Cost will be main factor as cannot then opt out European patent, although national patents will always be out of UPC



Opt-out and Filing Strategy

- No one size fits all – need to consider particular circumstances and do so now, in advance of sunrise period
- Consider opting out at least key existing European patents and any patents subject to opposition proceedings
- Consider not designating key future patents as unitary patents, and opting out (or filing as national patents)
- Can opt back in if required, although may lose possibility of doing so if defendant has taken steps in national court (e.g. revocation action or declaration of non-infringement)
- Consider allowing other European patents to remain in or designating future patents as unitary patents so as to have some exposure to UPC
- Use of divisionals for best of both worlds in relation to particular inventions



Opt-out and Filing Strategy

- No opt-out fee (Preparatory Committee, *25 February 2016*)
- However, opting out will require significant due diligence:
 - Need to specify all correct proprietors (including SPC holders), not necessarily who has been registered as proprietor
 - Errors in the application (including proprietorship) will invalidate opt-out (but may not be noticed before national revocation proceedings are commenced)
 - Need to carry out any necessary consultations with licensees or obtain consents



Opt-out and Filing Strategy

Declarations and Conditions*

- The Applicant for opt-out hereby declares that the Applicant is authorized by each proprietor/applicant pursuant to Rule 8.5 to lodge this application and declares that the Applicant has the authority of all holders of the SPCs if listed above to opt-out all such SPCs.

- The Applicant for opt-out hereby declares that the details provided above are correct and acknowledges that if any such details are missing or incorrect, the opt-out shall be ineffective until such details are added or corrected.

- The Applicant for opt-out hereby declares that the Applicant is not aware of any action before the UPC Court regarding the above mentioned patent/application/SPCs.

Note for the applicant

This opt-out will be effective in respect of any further SPC granted after the registration of this opt-out pursuant to Rule 5.2 (b).

If the application for a patent to which this opt-out relates is granted as a European patent with unitary effect this opt-out is deemed to be withdrawn from the date of grant pursuant to Rule 5.10.

After the button is pressed, you will be able to finalise and lodge the application. At that moment the application will be entered on the register.



Opt-out and Filing Strategy

- Requires advance identification of patents to be opted out, and due diligence to establish correct proprietorship of each patent/application, SPC, and each designation if different (and execution of any assignments)
- Opt outs become automatically effective in the various Contracting States as they ratify – keep under review
- Latest estimate is that court will commence in Q2 of 2017, with the sunrise period commencing in November 2016, possibly earlier
- Work on identifying opted out patents and due diligence should be undertaken **now**, in advance of sunrise period



Licenses and Collaborations

- Proprietor lodges opt-out applications. Licenses should provide who decides as between Licensor and Licensee whether (i) to seek unitary effect and (ii) whether to opt out European patents and opt back in
 - Priorities may be different
 - Exclusive licensee determines?
 - Unanimous decision required?
 - Consultation?
- In case of co-owned patents (including where ownership of different designations is split) all proprietors need to apply to opt out so license and collaboration agreements should provide mechanism for deciding



Licenses and Collaborations

- National law governing unitary patent as an object of property is that of Member State where applicant has residence or principal place of business, or else any place of business, otherwise German law
- In case of joint applicants, order of applicants determines governing national law
- National law relating to disposal of interest in co-owned patents differs around the EU
- Agreements should provide for order of listing or include provisions regarding disposal and exploitation



A Brave New World

- It's here to stay
- In medium term, likely to be a success with great advantages (costs, efficiencies and consistent decisions)
- A seismic change that will hugely impact European patent litigation and global patent litigation
- But early days will be uncertain and there is a need to consider opt-out and filing strategy now



Questions?

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