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How the Unified Patent Court Will Shake Up the Landscape of Patent Courts Worldwide



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“The Unified Patent Court’s rules on territorial and subject matter jurisdiction and its rules of procedure lay out a clear, albeit somewhat complicated, framework to assess how this new court fits into the patent court landscape in Europe.”

The Unified Patent Court (UPC) plans to open for business on April 1, 2023. Its likely place among the world’s preeminent patent courts can be inferred, at least in part, from the



UPC in Munich, Germany

territorial and subject matter jurisdiction of this novel court.

1. Context

In Europe, several courts enjoy established reputations for patent litigation, notably in France, Germany, the United Kingdom, Holland and Italy. These courts, as well as the European Patent Office (EPO), which also enjoys a strong reputation for its case law, are the preferred venues of plaintiffs for enforcing or seeking to invalidate European patents. Due to the size and economic weight of the region, the importance of European patents, and the bench of experienced patent judges and practitioners, Europe will without doubt continue to attract a substantial share of patent litigation worldwide.

European patents can be applied for centrally with the EPO and, if granted, are registered for the countries selected by the patent owner among the European Patent Convention's (EPC) thirty-eight contracting states. Once granted, European patents confer the same rights as national patents in the designated contracting states, and infringement is determined according to national law in each designated country (article 64 (1) (3) of the EPC).

Enforcement and invalidity actions and counterclaims thus must be brought on a country-by-country basis, with attendant issues of forum shopping, parallel proceedings, and risk of conflicting outcomes. Decisions by some national courts in the European Union (EU) asserting cross-border territorial jurisdiction to other EU countries covered by a European patent led to a robust body of case law by the Court of Justice of the European Union (CJEU) refining the concepts of irreconcilable outcomes, exclusive jurisdiction in invalidity proceedings and *lis pendens* (related actions) (*see GAT v. LuK*, European Court of Justice (now CJEU), July 13, 2006, Case C-4/03; *Roche v. Primus*, European Court of Justice (now CJEU), July 13, 2006, Case C-539/03; *Solvay v. Honeywell*, July 12, 2012, Case C-616/10).

It is against this background that the UPC's effects and place among major patent courts in Europe and worldwide will be measured. The impact of the UPC's exclusive jurisdiction with respect to European patents with unitary effects is not discussed in detail in this short article.

2. The UPC's Jurisdiction

The UPC is set up as a common court of the EU member states that are a party to the Agreement on a Unified Patent Court (Council Agreement 2013/C175/01 (the "Agreement"), Articles 1 and 2 (b) (c)). As such, it is "*thus subject to the same obligations under [European] Union Law as any national court of the contracting Member States*" (article 1 of the Agreement). It comprises a court of first instance that currently has 13 (potentially 14) local divisions, one regional division and a split central division spread across much of the European Union, and a court of appeal sitting in Luxembourg. The Agreement contains detailed rules of territorial jurisdiction among the divisions of the UPC's court of first instance (article 33 of the Agreement).

The Agreement applies to European patents, European patents with unitary effect, and European patent applications, and to supplementary protection certificates on said patents (article 3 of the Agreement). For these patents, patent applications and supplementary protection certificates, the UPC has exclusive competence (*i.e.*, subject matter jurisdiction) for actions for infringement, declaration of non-infringement, invalidity, provisional measures, and damages, amongst others, including counterclaims and defenses (article 32 of the Agreement). For European patents, the territorial scope of the UPC's jurisdiction is the territory of the contracting member states for which the European patent is in effect (article 34 of the Agreement).

Except for questions relating to the application and interpretation of EU law, the UPC's court of appeal decisions are final, except that the court of appeal may refer a case back to a court of first instance in exceptional cases (article 75 (1) of the Agreement).

The UPC's international jurisdiction is established by EU Regulation 1215/2012 as amended by EU Regulation 542/2014, or by the Lugano Convention on jurisdiction and the recognition and enforcement of judgements in civil and commercial where applicable (article 31 of the Agreement). The court's subject matter jurisdiction for FRAND license disputes involving European patents with unitary effect is based on articles 8 of EU Regulation 1257/2012 and article 32 (1) (h) of the Agreement.

Certain UPC decisions with respect to jurisdiction could thus be subject to oversight by the CJEU.

Finally, during a provisional period of seven years from the date on which the UPC opens for business, the UPC will not have jurisdiction for European patents for which the patent owners choose to opt-out of the exclusive jurisdiction of the UPC before a lawsuit is brought before the UPC (article 83 (1) (3) of the Agreement). During this transitional period, which can be extended for up to an additional seven years, patent owners may withdraw their opt-out at any time unless a lawsuit is pending before a national court (article 83 (2) of the Agreement). For European patents that have been opted out, the established specialized national courts and the EPO will continue to hear and decide patent disputes.

3. Jurisdictional Issues

The rules on the UPC's territorial and subject matter jurisdiction outlined above set the stage for potentially significant litigation on *lis pendens*, related actions and exclusive jurisdiction.

By way of example, the United Kingdom has left the EU, Spain and Poland are EU member states but not contracting member states of the UPC, and Turkey and Switzerland are not part of the EU. All five countries are members of the European Patent Organization, and European patents can designate these countries. Since the UPC's territorial jurisdiction is limited to EU

member states party to the Agreement (Contracting Member States), neither the United Kingdom, nor Spain, Poland, Turkey, or Switzerland would be under its territorial jurisdiction, even though they are members of the EPC and can be designated by a European patent.

For European patents designating a Contracting Member State as well as the United Kingdom, Switzerland, Turkey, Poland and/or Spain, this could result in the following potential venues and issues, not including the venue choices within the UPC pursuant to article 33 of the Agreement:

- (i) if a patent owner timely opted out of the UPC, national courts in the EU could invalidate (or not) a European patent in their respective countries, leading to potentially conflicting though, according to CJEU caselaw, not irreconcilable decisions;
- (ii) if a patent owner did not opt out, the UPC could invalidate (or not) a European patent for all designated EU countries, but not Spain or Poland, nor the United Kingdom, Switzerland, or Turkey;
- (iii) the UPC may not submit prejudicial questions on jurisdictional issues to the CJEU with respect to the three non-EU countries (United Kingdom, Switzerland and Turkey) or Spain and Poland;
- (iv) in parallel, EPO decisions on validity would affect European patents including for the non-EU countries listed above and Spain and Poland;
- (v) the UPC would only have jurisdiction to decide FRAND license disputes involving European patents as a defense in infringement lawsuits;
- (vi) UPC decisions in FRAND license disputes involving European patents with unitary effect would be limited to the EU member states participating in the enhanced cooperation in the area of the creation of unitary patent protection pursuant to EU Regulation 1257/2012, and could be subject to prejudicial questions put to the CJEU; its decisions would not cover the non-EU countries listed above or Spain or Poland, which arguably raises the question of whether and how the UPC could consider setting worldwide FRAND rates and terms;
- (vii) national courts in Europe, notably the United Kingdom courts, could consider that their jurisdiction in FRAND disputes involving European patents allows them to set worldwide FRAND rates and terms (*see e.g.*, UK [2017] EWHC 711 (Pat)).

As noted above, the foregoing is in addition to the detailed rules on *lis pendens* set out in article 33 of the Agreement regulating parallel proceedings among the local, regional and central divisions of the UPC's court of first instance.

Forum shopping among the different divisions of the UPC, as well as forum shopping between the UPC and the various national courts with subject matter and territorial jurisdiction over European patents, will doubtlessly take place as parties strategize their patent infringement, invalidity and FRAND licensing disputes to bend the rules and court systems to their best interests.

The UPC will thus not be the single, authoritative source of case law on European patents for the foreseeable future, as established specialized national courts and the CJEU may address some of these issues at the behest of litigants.

4. *Quo Vadis?*

Despite continued multiple sources of case law on European patents, the place and stature of the UPC is likely to grow rapidly.

The UPC's decisions will be based on the procedural rules and substantive patent law of the Agreement and the UPC's rules of procedure, EU law, the EPC, international agreements applicable to patents and binding on Contracting Member States, and national law (article 24 (1) of the Agreement). The substantive patent law and rules of procedure of the UPC draw on rules of civil procedure, evidence, and patent law from the four corners of Europe, including from English procedure and practice and from the EPC.

These laws, treaties and rules will be interpreted and applied, uniformly in principle, by the UPC's panels of legally qualified judges who will be drawn from various EU countries, many from the EU countries and their specialized courts that have the deepest bench of experienced patent judges. The UPC's court of first instance panels may and its court of appeal must also include technically qualified judges. Litigators from different EU countries may be arguing patent cases against each other directly for the first time.

The UPC's decisions may therefore often align with the national courts' case law on European patents in some or many respects. However, notwithstanding specialized professional judges and experienced practitioners, considerable uncertainty remains until the UPC's interpretation of these laws, treaties and rules becomes clearer. The impact of opt-out on the types of cases that are litigated before the UPC may also affect the contours of its case law.

The UPC's rules on territorial and subject matter jurisdiction and its rules of procedure lay out a clear, albeit somewhat complicated, framework to assess how this new court fits into the patent court landscape in Europe.

At a minimum, the UPC's decisions will have a direct effect across all Contracting Member States on the European patents and the parties to infringement and/or cancellation proceedings before the UPC. In addition, the UPC will be a source of case law for a very large

economic bloc and its decisions may therefore carry more weight or prominence, both internationally and with national courts in Europe deciding European patent cases, than the various national courts' decisions with respect to European patents. The weight of its authority may lead to a reduction of conflicting outcomes in patent litigation in the EU, though the United Kingdom courts may continue in splendid isolation to have different views on the same European patents.



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