

Why the UPC will be rewarding for US businesses



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Pinsent Masons and Sterne, Kessler, Goldstein & Fox consider why the Unified Patent Court, due to open on June 1, 2023, will make Europe a more attractive patent litigation venue for US businesses.

Patents are presently enforced and challenged in Europe on a country-by-country basis.

National decisions may be inconsistent, relief is confined to smaller markets, and—compared with US patent litigation—the potential for large damages awards is limited.

From June 1, 2023, the [Unified Patent Court](#) (UPC) will provide an additional forum for enforcing patents or establishing freedom to operate across the large market of (currently) 17 EU countries, for all businesses with operations in Europe.

It will have exclusive jurisdiction for disputes relating to infringement and validity of new unitary patents, as well as for classic European patents/applications that have not been 'opted out' and not enforced in national courts during a seven-year transition period (this may be extended to 14 years).

The UPC has one set of rules, aimed at harmonising patent laws and enforcement procedures across a large part of Europe. For US attorneys, working with one legal team in Europe will enable easier coordination of European patent litigation, consistent legal positions and reduction of costs.

All US businesses with European patents should immediately evaluate the strength of their patent portfolio and make positive choices as to whether to submit to the UPC's jurisdiction, or opt out. Opt-outs can be filed now, in the three-month 'sunrise period' before the court opens.

National litigation will remain an important part of a business's strategy, because opting a European patent out of the UPC will maintain the status quo, and such patents would be enforced or challenged in the national courts.

For patents not opted out, during the transitional period litigants may choose where to bring proceedings—national courts or the UPC. The uncertainties of an untested UPC may swing the pendulum in favour of familiar national litigation, but both US attorneys and businesses may be swayed by the benefits of the new system and the patenting strategies it will facilitate.

Cross-border relief

UPC decisions will have effect in the 17 UPC participating member states, including major markets such as Germany, France, and the Netherlands. Drawing parallels with decisions taken by a US federal district court, the UPC will permit the enforcement of, or challenge to, a patent across a geographically and economically large market in one action.

For patentees, valuable preliminary injunctions (PIs) or final injunctions would apply to infringing activity in all UPC territories where the patent is in force. If an earlier action has been commenced in an individual UPC member state, it may be possible to carve that designation of the patent from the UPC action (this is untested and beyond the scope of this article).

Such geographically wide remedies would be useful if infringing activities occur in multiple countries, often the case in IP-rich sectors including life sciences, technology, automotive, green tech and energy.

While European courts have traditionally avoided large damages awards in contrast with the US, the UPC will offer the potential for higher awards since it will grant relief over a wider territory. This will bring European patent litigation closer to that in the US, and will be attractive to US-based litigants and litigation funders.

For third parties seeking freedom to operate, the UPC may revoke a non-opted out European patent or a new unitary patent across all participating member states. Pursuing revocation via the UPC may offer significant cost savings and avoid the complexities of navigating multiple national actions, with potentially different outcomes.

Earlier commercial certainty?

Reaching a first-instance decision may take several years in some European national courts, and 18 to 42 months from commencement of proceedings before US district courts. UPC first-instance decisions will be quicker, within 12 to 14 months from the initiation of proceedings. This will provide earlier commercial certainty, while European rather than US decisions may facilitate earlier global resolutions.

The UPC structure will benefit parties who are familiar with the US court system. US federal courts have exclusive jurisdiction over patent infringement actions, which can be filed in any federal district court where personal jurisdiction and venue requirements are met.

Infringement and PI actions will be brought before either the UPC local or regional division in the member state where the infringement has occurred, or where the defendant has residence or principal place of business—or, if neither of these apply, the central division. This structure may provide choices as to where to file an action, leading to division shopping.

Judicial panel composition will also be important in determining where to commence proceedings. In the early days, differences in interpretation by UPC judges based on their experiences from their national systems are expected. While one of the central aims of the UPC is to reduce the risk of inconsistent decisions, these nuances may influence litigation strategy, and should be considered in the context of commercial objectives. It is expected that a body of case law from the Court of Appeal in Luxembourg will provide consistency over time.

At a granular level, evolution of UPC case law may influence strategy. [European Patent Office](#) (EPO) case law is likely to be persuasive when assessing validity, but there is no existing, harmonised body of case law on how to assess infringement, and in particular the role of the doctrine of equivalents.

This has been a recognised part of US patent law for more than 150 years, but has only featured in the assessment of infringement in some European countries more recently, and national interpretations have differed. This may benefit either the patentee or alleged infringer, depending on the factual matrix.

Powerful procedural tools

UPC litigants may deploy certain procedural tools, which will help inform litigation strategies and allow businesses to keep costs down by not having to repeat such measures in different countries.

The UPC will have the power to order inspection of premises and preservation of evidence by seizing infringing products, similar to the French *saisie-contrefaçon*. This will be a powerful tool for patentees, and is likely to prove attractive to US litigants.

The UPC may order a party to produce documents similar to the US pre-trial discovery procedure. A single disclosure process may reduce costs by not having to produce different types and amounts of documents in different jurisdictions.

Third parties may protect their position by filing a protective letter with the UPC. This is an outline of why an application for provisional measures, such as an *ex parte* PI, should be rejected and can be a valuable defensive tool.

Winner takes all?

UPC court fees comprise a flat fee and a value-based fee. This structure provides some certainty for litigants, and while not inconsiderable, fees will be lower than those in major markets such as Germany, making UPC litigation more cost-effective than multiple national litigations.

The UPC will be particularly advantageous in the case of robust patents because it has the power to award costs against a losing party. If the UPC finds in the patentee's favour, they may recover "reasonable and proportionate" legal costs from the infringer, which could be significant.

There is a sliding scale of recoverable costs depending on the value of the claim, which may be raised for complex cases or lowered if the amount would threaten the economic viability of a party. This flexibility makes the UPC an attractive forum for both large and small disputes.

Continuing role of national proceedings

The UPC will sit alongside national litigation because not all EU countries will participate in the UPC. Spain, Poland and Croatia are, at the time of writing, notable exceptions, as are non-EU countries, including the UK.

US attorneys will still need to coordinate national proceedings in those jurisdictions, which will continue to play an important role in European patent litigation strategies. Analysing supply and distribution chains will reveal which courts and defendants should be pursued.

Litigants may issue UPC jurisdictional challenges in an attempt to slow down UPC proceedings and allow national proceedings to overtake them in the hope of securing a favourable decision to influence the UPC.

This begs the question as to what extent foreign decisions may be taken into consideration by the UPC. As it will be several years before the UPC has a harmonised body of case law, there is no reason to think that foreign decisions will not be influential.

This is particularly pertinent with UK decisions, which are well respected due to the robust, adversarial system. The UK is also noted for using creative solutions, such as Arrow declarations, to resolve disputes, and this will still be attractive to litigants once the UPC opens.

The UK will not, however, exist in a vacuum. Although it will take time before there are consistent trends in UPC case law because there are always developing areas of law, recent comments from UK judges have indicated that they would welcome UPC decisions from which to draw.

While mutual respect across the European judiciary is unquestionable, there will inevitably be areas of divergence. Litigants will need to monitor such developments with an eye on their business objectives and litigation strategies will need to evolve.

Conclusion

The UPC offers a single European venue with one set of rules and case law, where a patentee or third party could bring one action and be awarded relief over a large territory. There are parallels with US litigation, and it will make Europe a more attractive patent litigation forum for both US attorneys and litigants to drive global settlements.

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