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Patents/Enforcement

European Patent Litigation After Brexit- A View From London



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On June 23, the United Kingdom voted for “Brexit” in its referendum on continued membership of the EU.

The timing of decision to leave the European coincides with the planned commencement of the long-awaited Unified Patent Court in 2017. The UPC’s underlying rationale is to enable multinational European patent disputes to be determined conclusively by one court, rather than under the current set up under which pan-European patent disputes have to be fought simultane-

ously in parallel, country-by-country, the so-called national litigation route.

The most significant effect of Brexit on patent litigation strategies will be that the U.K. cannot continue to be part of the UPC, as the UPC is only open to EU member states. This creates uncertainties and opportunities for patent owners and their competitors, and will trigger them to reappraise their European patent litigation strategies.

At the same time, the Brexit may weaken the appeal of the UPC while increasing the importance of litigation in the UK.

Both the UPC and the national litigation route will co-exist post-Brexit, which will force users to decide how to deal with infringements in the U.K. Commercially, the U.K. is a vital market and a major patent jurisdiction, and cannot be left out of a European patent litigation strategy. It is the world’s fifth largest economy, and the EU’s second largest economy and second largest population, after Germany on both measures. Globally, the U.K. is one of the most sophisticated venues for resolving patent disputes, and is one of the key venues for patent litigation in Europe.

Strategic Implications.

Brexit will have a significant effect on patent litigation strategies.

First, it will mean that the U.K. can no longer be part of the UPC, as the UPC is not open to countries that are not EU member states. Without significant revision to the UPC Agreement, which seems unlikely, the U.K. cannot now participate in the UPC, and will have to relinquish the London seat of the Central Division with its specialist jurisdiction in pan-European life sciences and chemistry disputes.

The Brexit may increase the attractiveness of the current national litigation route alternative to the UPC. A diminished federal UPC system in Europe without U.K. participation runs the risk of being seen as less appealing by potential users, especially the global life sciences and technology companies. Companies are already giving active consideration to developing pan-European litigation strategies to avoid the jurisdiction of the UPC in whole or in part, either by opting out chosen existing European patents or by adopting national instead of European patent filing programs across Europe.

Brexit may make the U.K. a more important patent litigation venue than it would have been as merely part of the UPC system. The U.K.'s commercial significance means that companies will have to litigate in the U.K. as well as in the UPC. Brexit is also likely to increase the English patent judges' willingness to grant pan-European declarations of non-infringement covering all of a European Patent's national designations, not just the British national designation alone. This could create an element of competition between the U.K. and the UPC.

On the other hand, the Brexit will have no effect on the U.K.'s status as a signatory to the long-established European patent system created by the European Patent Convention. The EPC is not an EU system. The U.K. will therefore continue to be part of the EPC, Brexit will have no effect on existing patent portfolios, and the European Patent Office can continue to grant European patents that designate the U.K..

Importantly, the EPO will still function as the pan-European authority responsible for central pan-European post-grant oppositions to the validity of European patents. Brexit may, on balance, amplify the importance of EPO oppositions, particularly if the EPO is able to deliver on its announcement of a faster opposition process commencing on 1 July 2016.

The UPC – An Overview.

The UPC is, broadly, a new court established with jurisdiction in patent disputes for all participating EU member states. The key features of the UPC are its ability - through one single court proceeding - to grant an injunction to prevent infringement across all participating member states, together with pan-European damages, as well as to determine a patent's validity.

The UPC instrument of establishment, the UPC Agreement, is not yet in force, but was expected to receive the

requisite number of ratifications in early 2017. Importantly for present purposes, the UPC cannot begin to operate until the UPC Agreement has been ratified by 13 member states, and by all of the three largest EU member states – France, Germany and the U.K.

Certain features of the UPC are central to how companies will approach post-Brexit strategy setting.

Jurisdiction of the Court of First Instance

The UPC Court of First Instance has a Central Division, which is seated in Paris with sections in London and Munich. Each of the three seats of the Central Division has exclusive jurisdiction over different subject-matter.

Currently, the London section is allocated with cases involving human necessities, chemistry, and metallurgy. Munich has mechanical engineering, lighting, heating, weapons, blasting, and Paris will hear cases related to performing operations, transporting, textiles, paper, fixed constructions, physics, and electricity.

Member states can have their own local divisions, or participate in a regional division made up of two or more member states. These local/regional divisions will be the primary UPC infringement courts, although if there is a counterclaim for revocation in a local/regional division, then that court can decide whether to refer the entire case to the Central Division, retain the whole case, or bifurcate it by retaining the infringement proceedings and sending the revocation proceedings to the Central Division. It is expected that the majority of cases where there are revocation counterclaims will be referred to the Central Division, save the smaller or simpler cases.

If member states elect not to have either a local or a regional division, then patent infringement cases in their countries will be dealt with by the Central Division.

What Patents are Governed by the UPC?

Unless opted out within seven years of commencement of the UPC, all European patents fall within the court's jurisdiction. Unitary patents (UPs) will automatically do so from grant, without any ability to opt them out of the UPC's jurisdiction.

National patents will continue to be outside the jurisdiction of the UPC.

Which Countries are Part of the UPC?

Although some 38 countries (and two extension states) participate in the older European Patent Convention, which regulates the EPO and European patents – the main subject matter of the UPC - this does not qualify them for UPC participation.

The UPC is only open to participating EU member states. As matters currently stand, Spain, Poland and Croatia have already declared that they are not participating.

How will Brexit affect the UPC?

The President of the EPO, Benoit Battistelli, issued a statement on June 24, saying that –

“Concerning the Unitary Patent and the Unified Patent Court,

the Office expects that the U.K. and the participating Member States will find a solution as soon as possible which will allow a full implementation of these so-long awaited achievements.”

In practice, full U.K. participation is unlikely to be the case without a remarkable degree of political as well as legal cooperation. Unless there is significant revision of the UPC Agreement, the U.K. cannot now participate in the UPC, and will have to relinquish the specialist life sciences and chemistry London seat of the Central Division. The UPC will have no choice but to change its shape given that the UPC is not open to countries who are not members of the EU.

Whilst it is likely that the UPC will simply contract in size and reallocate the London seat of the Central Division, probably to Italy or the Netherlands, there is nonetheless a risk that Brexit could unravel the whole UPC and UP project, or introduce significant delays. A start date in 2017 now looks unlikely. These “corrective” steps would require significant amendment to the UPC Agreement. The history of the political battles in the gestation of the UPC suggests that the remaining UPC participating countries could treat this as an opportunity to re-visit the wider structure of the UPC. Agreement could therefore take some time, and implementation be yet further delayed. There are already discussions whether London should be replaced by Milan or by The Hague.

Brexit’s Effect on Pan-European Litigation Strategies

The introduction of the UPC is undoubtedly the most significant change to the European patent landscape since the European Patent Convention of 1973. It will have a profound effect on how companies set about their patent strategies – from filing through exploitation to enforcement.

This is not to say that the national litigation strategy route has been consigned to history. The UPC and UP are by no means absolutes. The continued existence of the national patent system across Europe – and the ability for patentees to opt out of the UPC system for the first seven years post-commencement – means that the national patent litigation strategy will still play a vital part in any carefully thought out patent litigation strategy.

Counterintuitively, Brexit may have shifted the strategic balance, making the U.K. a more important patent litigation venue than it would have been as part of the UPC system. A diminished federal-style UPC system in Europe without U.K. participation runs the risk of being seen as less appealing by its potential users, especially the global life sciences and technology companies.

The existence of two distinct yet parallel systems for enforcing patents in Europe (the UPC, and the current national route involving suing in relevant individual countries), and the subtle interplays around the ability to opt patents in and out of the UPC system, means that there are already a significant range of options and strategies available.

As matters currently stand, Spain, Poland and Croatia

have already declared that they are not participating in the UPC. Together with the U.K., these countries account for 18% of the EU’s population. The U.K., Spain and Poland are respectively the second, fifth, and eighth largest EU economies. Patent owners are always concerned to defend significant markets, so in practice will have to give serious consideration whether or not to litigate in these markets in addition to litigating in the UPC.

From a strategic perspective, companies are already litigating in multiple countries across Europe, as the UPC has not yet come into force. Brexit means that U.K. national litigation will continue to be a feature of the post-UPC patent litigation landscape, reducing the impact of, and savings from, the single procedure of the UPC.

Patent owners are already giving active consideration to developing pan-European litigation strategies to avoid the jurisdiction of the UPC in whole or in part, either by “opting out” chosen existing European patents or by adopting national instead of European patent filing programs across Europe (See Article 83(3) of the Agreement on a Unified Patent Court of February 19, 2013). Anecdotally, this strategy is becoming increasingly more prominent in the life sciences and high-tech sectors, who have every interest in defending their patent monopolies in European markets with large consumer populations, and do not wish to risk these being revoked across the entire UPC in one action.

Even before the UPC reached its final shape, the English Courts developed a new extraterritorial power with the potential to change the way that European patent litigation is conducted (See *Actavis U.K. Limited v. Eli Lilly & Company* [2015] EWCA Civ 555, Court of Appeal). The English Courts will now grant pan-European declarations of non-infringement covering all of a European patent’s national designations elsewhere in Europe, not just the British national designation alone. This has significant strategic implications for companies involved in pan-European patent litigation, or who are crafting such strategies.

Coupled with the recent Court of Justice of the European Union decision in *Solvay v. Honeywell* permitting interim pan-European injunctions in patent cases, which has been expressly acknowledged by the English Court, this opens the prospect for patent litigants of a real alternative to the current European national litigation route (*Solvay SA v. Honeywell*, Case C-616/10 [2012]).

Effect on Patent Filing Strategies.

Brexit will not have an immediate effect for patent owners for the simple reason that there is currently no ‘community patent’ whose scope and enforcement could be impacted by the U.K.’s decision to leave the EU. English parts of European patents, as well as national English patents, will remain unaffected. Likewise, companies from the U.K. can continue to apply for protection in EU member states, either via the EPO route or before the national patent offices across Europe.

Brexit will have no effect on the U.K.’s status as a signatory to the long-established European patent system cre-

ated by the European Patent Convention. The EPC is not an EU system. Brexit will have no effect on existing patent portfolios, and will not affect the U.K.'s continued participation in the EPC, which already has ten members who are not EU member states, as well as various extension states.

The decision to leave the EU will also not affect access to the European Patent Office. European patents that designate the U.K. will therefore continue to be granted irrespective of Brexit.

However, Brexit will prevent the U.K. from being part of the proposed new unitary patent, as participation is limited to EU member states. But the impact of this will be diluted by the ability of U.K. businesses to obtain UPs in those other EU member states that are part of the sys-

tem at the relevant time. This is because the process for obtaining such patents via the EPO will be the same as that currently in place for the EPO grant of the existing European patents, and because at grant the applicant can elect whether to receive the European patent bundle of national patents or the proposed UP.

Patentees should already be working on the basis that the advent of the UPC advances the decision point for European patent litigation to the time of filing the patent application, as this dictates which courts who will have jurisdiction over any subsequent litigation. Concerns in some industries about the ability of the UPC to revoke all protection across all signatory states at once has already suggested that companies are already considering filing national patents to avoid the UPC's reach.