

# CLIENT ALERT

## Unified Patent Court: The Competent Court – Part I

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*Crowell & Moring's series of alerts provides practical information and professional comment on all the ramifications regarding the introduction of the Unified Patent Court (UPC). For further information, please contact the lawyers listed near the bottom of each alert. To view other alerts in this series, [please click here](#).*

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The Unified Patent Court (UPC) raises a number of very interesting questions with respect to jurisdiction and choice of forum. Indeed, there is no such thing as a (single) UPC. The newly created court will consist of central, regional and local divisions scattered throughout Europe. This implies that UPC proceedings can take place in many different locations and languages. A possible reaction is then to rely on classic European patent litigation and therefore “opt out”, *i.e.*, withdraw a patent from the exclusive jurisdiction of the UPC. In most cases, and in particular during the transitional period (see below), this does not in any way simplify the question of jurisdiction.

Parties who understand the implications of these jurisdictional rules will definitely be able to plan their UPC strategy better than those who remain in the dark about how the UPC jurisdiction rules can be used to gain an advantage. Some rules could even create a disadvantage for likely opponents. In this alert we will shed some light on UPC jurisdictional issues and on how some of these should be handled.

### 1. Which claims and actions must be brought exclusively before the UPC?

Pursuant to Article 32 of the UPC Agreement, claims and actions under the exclusive competence of the UPC fall into the following three categories:

With respect to infringement, the UPC will have exclusive competence for:

- Infringement actions with respect to patents and SPCs and related defenses.
- Actions for declaration of non-infringement of patents and SPCs.
- Actions for provisional and protective measures and injunctions.

With respect to validity, the exclusive competence of the UPC will cover:

- Actions for revocation of patents and invalidity of SPCs.
- Counterclaims for revocation of patents and for declaration of invalidity of SPCs.

Other claims and actions falling within the exclusive competence of the UPC will relate to:

- Actions for damages or compensation for licenses of right (published patent applications, prior use, etc.).
- Actions concerning decisions of the European Patent Office in carrying out the administrative tasks referred to in Article 9 of Regulation (EU) No 1257/201.

## **2. What is to be understood as a defense “related” to an infringement action?**

There is certainly scope to argue about what is covered by “related defenses” in an infringement action. The UPC Agreement seems to grant broad competence to the UPC where infringement actions are concerned. From a procedural economic point of view, this indeed makes sense. Were the UPC to have to refer all related defenses to the respective competent (national) courts, this would significantly slow down the infringement proceedings before the UPC.

Article 32(1)(a) UPC Agreement explicitly identifies counterclaims concerning licenses as “related defenses” within the exclusive competence of the UPC, where the UPC is competent to rule upon an infringement action. This wording seems to imply that the UPC is indeed competent to decide upon the interpretation of a contractual clause in a licensing agreement. A logical next question would be is the UPC competent to decide upon the interpretation of a fair, reasonable and non-discriminatory (FRAND) license? In classic European patent disputes about essential patents the FRAND license obligations are typically brought up as a defense against alleged infringement. It is therefore very likely that this will also be the case in UPC proceedings and that a FRAND defense will be considered “related” to an infringement action.

## **3. Can the exclusive competence of the UPC be avoided?**

There are several ways to elude the exclusive competence of the UPC.

During a transitional period of seven or up to fourteen years from entry into force of the UPC Agreement, parties can choose to bring certain specific claims either before the UPC or before the national courts. Article 83(1) UPC Agreement provides that during that transitional period, (i) an action for infringement or for revocation of a European patent or (ii) an action for infringement or for declaration of invalidity of a SPC issued for a product protected by a European patent can still be brought before national courts. This parallel competence of the national courts mitigates the exclusive competence of the UPC during these first seven (or fourteen) years. This provision does not impose any further conditions and is applicable to all European patents with unitary effect.

Secondly, and unless an action has already been brought before the UPC, patentees shall have the possibility to completely opt-out from the exclusive competence of the UPC (Article 83(3) UPC Agreement). An opt-out must be requested during the transitional period and entails a complete removal of the European patent or the SPC from the exclusive jurisdiction of the UPC. It appears from the textual and teleological interpretation of Article 83(3) UPC Agreement that the opt-out also removes the European patent or SPC from the non-exclusive or parallel jurisdiction of the UPC. This view was confirmed in an interpretative note of the Preparatory Committee of 29 January 2014, where it is clearly stated that in the event of an opt-out “the Agreement no longer applies”.

Given all the existing uncertainties, it is important that patent holders decide sooner rather than later whether or not to opt-out from the UPC. Once the UPC enters into force, any patent can be challenged before the UPC, and if that happens, an opt-out pursuant to Article 83(3) UPC Agreement will no longer be possible and the UPC will have competence with regards to that patent for the remainder of its life span.

#### **4. How long will the effects of the opt-out last?**

An opt-out pursuant to Article 83(3) UPC Agreement will last for the whole life of that patent. That is why an opt-out can be notified until the very last day of the seven (or fourteen year) transitional period. This implies that the national courts could maintain their jurisdiction with respect to the opted-out European patents until 2050 (maximum fourteen years transitional period + twenty years patent life).

In this regard, it should be noted that during the life of the patent, patent holders can at any time choose to withdraw their opt-out (Article 83(3) UPC Agreement). This will immediately bring the patent concerned under the competence of the UPC. Once a patent falls under the competence of the UPC it can no longer be opted out. In other words, 're-opting-out' will not be possible.

#### **5. Does Article 83(1) UPC Agreement provide an *exhaustive* list of cases in relation to which the UPC exclusive competence can be opted out of?**

As mentioned, Article 83(1) provides that during the transitional period only (i) an action for infringement or for revocation of a European patent or (ii) an action for infringement or for declaration of invalidity of a supplementary protection certificate issued for a product protected by a European patent may still be brought before national courts or other competent national authorities. It does not mention either an action for declaration of non-infringement or an action for provisional and protective measures. Therefore, it remains unclear whether those actions can still be brought before national courts or not.

One could argue that an action for a declaration of non-infringement is indeed nothing more than the other side of the 'infringement action' coin and therefore should fall under the scope of Article 83(1) UPC Agreement. In a similar manner, it can be said that an action for provisional measures is nothing more than a 'prelude' to an infringement action. However, the fact that only a limited number of specific court proceedings are explicitly mentioned in Article 83(1) UPC Agreement, seems to confirm the limited and exhaustive character of the list of cases in relation to which exclusive competence can be opted out of.

#### **6. How to establish jurisdiction of the national courts or of a specific UPC Division?**

As mentioned, the UPC will have exclusive competence for all actions enumerated in Article 32 UPC Agreement. For all other actions relating to patents and SPCs, parties can choose to litigate either before national courts or before the UPC. Furthermore, during a transitional period of seven (up to fourteen) years, parties can bring infringement or invalidity actions either before the UPC or before the competent national courts of the contracting member states.

In those cases, it will be the choice of the parties themselves whether or not they want to litigate before the national courts. All actions falling under the non-exclusive competences of the UPC can be litigated before a national court. During the transitional period, national courts will additionally remain competent to rule on infringement and invalidity actions.

The complexity of the rules governing competence in the UPC Agreement makes it possible, depending on the facts of the case at hand, to come up with a number of different jurisdictional scenarios and related problems. Our next alert will provide more insight into exactly which national court or which specific division of the UPC will have jurisdiction.

*This article is part one of two. Part two is forthcoming.*

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