

# THE UNIFIED PATENT COURT AND ITS RULES OF PROCEDURE, BETWEEN EU AND NATIONAL LAWS AND JURISDICTION\*

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*The EU Regulations Nos. 1257/2012 and 1260/2012 and the Agreement on a Unified Patent Court (2013/C 175/01) established a new system of protection of patents in Europe with two pillars: a new patent having unitary effect, i.e. covering the territory of the EU members States that take part in the relevant enhanced cooperation (all of them apart from Spain) considered as a whole, and a Specialized unitary Court having competence all over Europe. As a result, while nowadays the judicial defence of patents in Europe must be managed on a state by state basis, what implies that the number of disputes can multiply thus increasing the risk of conflicting decisions, the new system will permit the patent owners to enforce their rights all over Europe, and likewise their competitors to challenge the validity of the relevant patents, through a single dispute. However the implementation of these brand new procedural rules, deriving from different juridical traditions, and the role of the EUCJ in assuring a consistent interpretation thereof will be a real challenge, especially during the transitory period, when the patent cases might still be brought before the national Courts as alternative forum to the Unified Patent Court.*

SUMMARY: I. The Unitary Patent and the Unified Patent Court: an introduction – II. The relationship between Unitary Patent and the Unified Patent Court in the frame of the EU legislation – III. The existing frame of patent protection – IV. The “competition” of the Unified Patent Court with the national Courts – V. Conclusions.

## I. THE UNITARY PATENT AND THE UNIFIED PATENT COURT: AN INTRODUCTION

A very recent development in the EU law concerning patents – and hence the legal protection of innovation, which is the very heart of development and competition in a globalised world – regards the establishment of the so called Unitary Patent (or rather, the European Patent with unitary effect) and of the Unified Patent Court, which

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\* This paper has been selected to be presented at the XXIV Biennial Colloquium of the Italian Association of Comparative Law held at the Università degli Studi Suor Orsola Benincasa – Napoli, June 15 – 17 2017. The Editorial Board of the Comparative Law Review decided to publish it relying on the double-blind Peer Review made by the Scientific Committee of the conference.

shall be competent to deal with all cases concerning validity and infringement of European Patents, either “traditional” or unitary.

From the point of view of the comparative lawyer this new system is extremely interesting from at least three points of view: first, it is the second case of application of the enhanced cooperation, i.e. the mechanism provided for by Article 326-334 TFUE, whereby a minimum of nine member States may ask to be authorized through an EU Regulation to establish a specific cooperation among them in a particular sector; second, it introduced common rules on both substantial and procedural law, establishing a multi-national Court which is in charge to enforce the new rules; third, notwithstanding it, this is not a “monistic” system, since companies still have got the chance of protecting their innovation through national patents still to be enforced before the national Courts, so introducing a sort of “competition” between different judiciary systems<sup>1</sup>.

As it is well known, even if “European patents” have been existing since many years, as a result of an international Agreement outside the European Treaty, the Munich Convention of 5 October 1973 (EPC, later reviewed in 2000: so called EPC 2000), the enforcement system at EU level of the same is still largely unsatisfactory.

What is really extremely positive in the existing system is that each European Patent (EP) is granted by a unitary administrative Board – the European Patent Office (EPO) in Munich – after passing a preliminary validity assessment. Furthermore the grant procedure can be followed by administrative contentious stage of the appeal procedure and opposition procedure, at a centralized level too.

The EP unitary nature, however, is confined in these stages, since the patent, once granted (and confirmed in opposition stage, if any), then splits in the European territory in a plurality of national patents that are as many as the designated countries (chosen by the patent owner) where the EP was in force (it is defined as a “bundle” of national patents). In this way the European patent remained subject to the grounds of invalidity and of infringement provided by the law system of each country and of the corresponding jurisdictions. In practice, that means that each national part of the same EP has to be litigated separately in each relevant jurisdiction, with potential inconsistent decisions on both validity and infringement<sup>2</sup>.

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<sup>1</sup> On the negotiations that led to the adoption of the Enhanced Cooperation on the Unitary Patent and of the Agreement on the Unified Patent Court, see A. ILARDI, *The New European Patent*, Oxford and Portland, 2015, at pages 27 ff.

<sup>2</sup> For a comprehensive comment on the European Patent system, see M. SINGER, D. STAUDER, *The European Patent Convention - A Commentary*, Köln-Berlin-Bonn-München, 2003.

Rulings admitting the possibility of cross-border measures concerning EP with effects all over the designated countries began to be seen mainly in decisions of the Dutch courts from the '90s on, but they had been also admitted within certain limits in other European legal systems<sup>3</sup>. The basis for all such rulings was the Brussels Convention of 27 September, later replaced in relations between EU Member States by EC Regulation 44/2001 and then by UE Regulation 1215/2012. In particular, the possibility of suing a number of parties from different States, each for the infringement of an individual part of the European Patent in effect in that State, before the national court of one of the parties, is provided by Art. 6 no. 1 of the Convention (and of the Regulation 44/2001), whereby should there be «a number of defendants» the action may be brought «in the courts for the place where any one of them is domiciled». On the other hand, the fact that the Brussels Convention and the Regulations that took its place provide for the exclusive jurisdiction of the courts of the State in which the patent was granted in deciding on its validity did not rule out – again according to case-law admitting cross-border injunctions – the possibility that the court of another State may decide on this validity *incidenter tantum* (i.e., by way of objection only) in proceedings relating to infringement of that patent.

However, two landmark ECJ decisions of 13 July 2006 brought down these two pillars in the legal construction favourable to the admissibility of cross-border injunctions. In fact, the C-539/03 decision held that the title of jurisdiction under Art. 6 no. 1 of the Convention and Regulation 44/2001 (now Art. 8 no. 1 of Regulation 1215/2012) does not apply when the cause of action invoked against foreign defendants is constituted by infringement committed by said defendants in their respective countries (other than that of the Forum) which concerns the (autonomous) national parts of the same European Patent in effect in these countries for which action has been brought against the defendant whose seat is in the State of Forum. What is more, the C-4/03 decision denied that the fact that the question of validity of a patent is examined only *incidenter tantum* rules out the reserve of jurisdiction provided by Art.16 of the Convention and Art. 22 of the Regulation 44/2001 (now Art. 24 no. 4 of Regulation 1215/2012), which means that the defendant need only claim that the foreign patent invoked against him is null in order to freeze the infringement action brought before a court other than that indicated in the above two articles. Scholars stressed the impression that there have been “political”

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<sup>3</sup> See C. GALLI, *Problemi e prospettive delle cross-borderinjunctions in materia di proprietà intellettuale*, in *Riv. Dir. Ind.*, I, 1999, at pages 21 ff.

decisions, aimed at rejecting cross-border injunctions in patent matters, possibly also because of the fears created by the different levels of maturity reached by the case-law of the various European countries in this delicate matter. In practice, after these decisions have been rendered, a (very limited) room for cross-border decisions in Europe remained for “pure” cases of infringement only, i.e. cases in which the validity of the right is not taken into consideration by means of an objection which is not raised as a clear pretext<sup>4</sup>.

## II. THE RELATIONSHIP BETWEEN UNITARY PATENT AND THE UNIFIED PATENT COURT IN THE FRAME OF THE EU LEGISLATION

In order to overcome this limit many projects have been arranged since the Seventies, to introduce a Community Patent, destined to remain “globally unitary” in all the countries of the European Union and subject to a common substantive and procedural law on the validity and infringement enforced by a supra-national IP Court. In fact, it was always considered fundamental the creation of a common jurisdiction in the patent field to avoid the disadvantages of different procedural approaches which render uncertain the outcome of the legal means of IP protection.

The new legal system (so called Unitary Patent Litigation System) was established first by two EU Regulations (1257/2012 and 1260/2012) concerning the European Patent with unitary effects and its linguistic regime, respectively. The new Unitary patent is an evolution of the Community patent, that never came into force, since it is characterized by the elimination of the translation of the patent in each and all the languages of the countries where the patent is validated. Furthermore, it is valid and effective in all the EU countries (apart from Spain, which has not yet joined the system, which was adopted through the Enhanced Co-operation procedure, and Croatia, that was not a member State at the time when the Co-operation was adopted, while Poland has not signed the Agreement on the Court) and protected unitary against violation committed in whatever territory of the Union thanks to a common Court system.

In this regard, a subsequent Agreement of 11 January 2013 introduced a new judiciary structure called Unified patent Court (UPC) characterized by multinational panels composed of judges belonging to different States for dealing with litigation concerning

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<sup>4</sup> On these decisions see C. GALLI, *La Corte di Giustizia C.E. restringe drasticamente lo spazio delle azioni cross-border in materia di brevetti*, in *Int'lLis*, 2006, III/IV, at pages 146 ff.

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Unitary patent (and European patent). It is worth noting that on 8 March 2011 the EUCJ gave a negative opinion on a first draft of agreement that provided “for a preliminary ruling mechanism which reserves, within the scope of that agreement, the power to refer questions for a preliminary ruling to the PC while removing that power from the national courts”. The solution was found in a supranational jurisdiction: the Unified Patent Court shall be equalized to a national Court of the member States and shall be entitled to refer questions for a preliminary ruling on the interpretation of EU rules to the EUCJ, exactly like a national Court<sup>5</sup>.

### III. THE EXISTING FRAME OF PATENT PROTECTION

As a result, Judges, scholars, practitioners and companies will face new challenges with the entering into force of the Unified Patent Court. In particular, the enforcement strategies of the patents owners will change, as well as the defensive strategies of those suspected of infringement.

The reduction of patenting costs, and also judicial protection costs, will most likely allow to free resources to do and to defend innovation, allowing to react more strongly to the violation of the rights: if, nowadays, the patent owners base the judicial disputes for infringement on the larger markets criterion, with the new mechanism it will be more convenient to attack in the producing States, and Italy may become a competitive venue for infringement claims, especially considering that, although it has a high number of patent legal proceedings (more than 400 new proceedings each year), Italy chooses to have a single local seat of the Unified Patent Court, located in Milan.

During the transitory period, of course, the case might still be brought before the national Courts, and it will be mandatory for the patents “opted out”. In this case, Italy could be a valuable venue too, since, contrary to common belief, the Italian Civil Courts have reached a high level of efficiency in IP matters, due in part to their keenness to:

- grant urgent measures (eg, injunctions, seizures and orders for the withdrawal of goods from the market); and

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<sup>5</sup> On the legal nature of the Regulations and of the Agreement see again A. ILARDI, *The New European Patent*, Oxford and Portland, 2015, at pages 39 ff. (Regulations) and 49 ff. (Agreement). See also M. SCUFFI, *Il nuovo sistema europeo dei brevetti*, Milano, 2017, at pages 14 ff.

- order the judicial investigation of evidence (eg, description orders, normally granted *ex parte*).

This compensates the duration of the proceedings on the merits, which has been improving in the next years, but is still higher than the European average. Furthermore under Article 131 of the Code of Industrial Property, urgent measures should be granted in case of an imminent IP rights violation or a risk of repeated violation, even if the violation has been going on for some time. Urgent measures are typically examined and granted quickly, normally within a few months for patents (where a court expert is usually appointed). Urgent measures, including protective measures, are granted by an individual judge appointed by the president of the competent specialised division. They may be subject to appeal before a panel of three judges belonging to the same division. The panel, which does not include the first judge, normally issues a decision within one to two months.

In patent matters, preventive measures can also be obtained on the basis of a national or European patent application. In the case of a European application, a translation of the claims must be filed with the Italian Patent and Trademark Office. The judge will always appoint an expert to ascertain validity and infringement – even in urgency proceedings (as expressly laid down by Article 132 of the Code of Industrial Property, as amended in 2010), and at the appeal stage. The expert's conclusions often form the basis of the ruling. However, it is not uncommon for judges to deviate from the expert's opinion (see Court of Rome, September 6 2010) or to appoint a new expert or panel of experts, especially at the appeal stage.

The accounts of the alleged infringer are often seized, which facilitates the calculation of any compensation to be paid. Following the implementation of the EU IP Rights Enforcement Directive, the rights holder may receive a sum which corresponds to either the infringer's profits or the rights holder's lost profits, whichever is the greater. Compensation for any further damage, such as expenses incurred for responding to the infringement or damage to image, may also be added to the amount. Compensation for damage caused to the rights holder's reputation is often calculated as a fraction of the advertising expenses incurred by the rights holder or the cost of an advertising campaign to mitigate the negative impact of the infringement on the public. Relevant damages are often awarded (eg, on June 14 2016 the Court of Milan awarded more than € 2 million damages for patent infringement).

Also from a substantive perspective, patent protection is rigorous in Italy. In particular, Law No. 214/2016 that authorized the Italian Government to ratify the UPC Agreement) introduced a specific rule on contributory infringement, fully consistent with the one contained in the UPC Agreement<sup>6</sup>.

#### IV. THE “COMPETITION” OF THE UNIFIED PATENT COURT WITH THE NATIONAL COURTS

What is going to change, then, with the “competition” of the UPC with the national Courts in European patent matters?

In this respect we need to consider that both the Agreement and its detailed implementing rules, the Rules of Procedure (RoP) were aimed to striking a balance among different legal systems and tradition. However, while the Agreement had been conditioned for a great deal by “political” concerns and in its drafting the influence and prestige of some legal systems (mainly the German and the English ones) clearly prevailed, the RoP have been drafted by experts, Judges and practitioners and tried to introduce the existing best practices in Europe and find reasonable solutions for the most debated issues.

Bifurcation is a clear example of such an exercise. The Agreement expressly provided for the possibility that a case concerning infringement (before the local/regional divisions of the Court) and a case concerning validity of the same patent (revocation action, to be filed before the Central Court go ahead separately, even if the second one is clearly prejudicial to the first one, as it happens in the German system (where such a bifurcation, however, is mandatory, while the agreement admits a counterclaim for revocation to be filed by the assumed infringer before the local/regional division). Instead the RoP not only allows the patent owner to file a counterclaim for infringement before the central division (Rule 50), where it has been sued for revocation, but expressly provides for the possibility for the Judge of the infringement action to stay the same if “... *there is a high likelihood that the relevant claims of the patent (or patents) will be held to be invalid on any ground by the final decision in the revocation procedure...*” (Rule 37.4); and even that the Chairperson of

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<sup>6</sup> For a comprehensive view of the Italian rules on the protection of patents after the 2010 Reform Bill of the Code of Industrial Property see C. GALLI, G. CICCONE, V. G. CATELLI, S. CORONA, in C. GALLI (a cura di), *Codice della Proprietà industriale: la riforma 2010*, Milano, at pages 149 ff.

the central division schedules the discussion hearing in the revocation action *before* the corresponding hearing in the infringement action of the same patent (Rule 40)<sup>7</sup>.

The reasonable solution to the problem of the bifurcation provided by the last version of the RoPallows, indeed, to overcome most of the concerns that the system had initially aroused, especially because also the liability of the plaintiff will be taken into account in case of claims based on patents then declared void due to prior art that could not have been ignored by the owner. The possibility, acknowledged by the RoP, to enforce in a sole dispute (if not contrary to opportunity reasons) the nullity or the infringement of more than one patent, that is a critical issue in a lot of sectors (i.e. television, telephony, where the infringing products will often include a great number of patents), but also in case of dependent patents, in order to avoid the duplication of procedural activities and the increase of costs will play a significant role on the parties' strategies.

In the same way, the defense strategies are positively influenced by the circumstance that the RoP clarified that the nullity action and a subordinated action for declaration of non-infringement may be filed and discussed together for procedural economy reasons. However, the legal interest for a declaration of non-infringement, according to the system of the UPC, seems to be much less compelling of the current Italian procedural system, where it essentially it plays the role to prevent the risk of measures taken *inaudita altera parte*. The protective letters with unitary effects (i.e. automatically extended to all the Divisions, central, regional and local) and with a duration of 6 renewable months, that the subject that is afraid to be sued for infringement may send, basically protecting himself within the EU borders from the risk of urgent measures adopted without having heard his reasons play an important role in the defensive strategies of those who are afraid to be attacked for infringement<sup>8</sup>.

It should entail a great advantage especially for small and medium business, no longer obliged to act for first (by means of a declaration of non-infringement and nullity, often filed with separate actions), and reducing the costs and the multiple expenses, each to be faced in the language of the State of the venue, and especially, the force of the subject provided of greater economic means. Always in this perspective, furthermore, the new system will allow to more easily invalidate, with a single proceedings, those patents that do not meet the patent requirements, notwithstanding the granting of the same.

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<sup>7</sup> See again M. SCUFFI, *Il nuovo sistema europeo dei brevetti*, Milano, 2017, at pages 91-92.

<sup>8</sup> On the origin of the protective letter from the German *Schutzschrift* see M. SCUFFI, *Il nuovo sistema europeo dei brevetti*, Milano, 2017, at pages 116-117.



## V. CONCLUSIONS

What is more, it is certain – and in my opinion this is the most significant data – that the Unified Patent Court will drag to a definitive end of the dangerous illusion of the “national road to the patent litigation” from the substantial law point of view, cancelling also what still remain – now being overcome also by the most authoritative European judges – of the idea that the validity and the infringement (the latter in particular under the perspective of the equivalence) shall be assessed pursuant to different criteria from those resulting from the EPC (and, for equivalence, from its executive protocol), to whom all the European legal system have fully adhered from a legislative point of view<sup>9</sup>. This further progress in terms of certainty of the law will most likely be the most important result – both for the patent owners and for those accused of infringement – of the new system of the Unitary Patent and the Unified Patent Court. However the new system shall prove to be really effective on the “battlefield”, convincing the users to prefer the UPC to national Courts during the transitional period: this challenge may encourage the improvement of both systems and a positive deferring of the respective experience, again in a way that both IP and comparative lawyers cannot but warmly welcome.

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<sup>9</sup> This “local” approach was deeply criticized in C. GALLI, *Per un approccio realistico al diritto dei brevetti*, in C. GALLI (a cura di), *Atti del Convegno “Innovazione e internazionalizzazione. Competere con i brevetti sul mercato globale”*, in *Il Dir. Ind.* 2010, at pages 133 ff.