

# Patently OBVIOUS?



*Fiona O'Beirne is a partner in McCann FitzGerald specialising in intellectual property and commercial litigation and is a member of the Law Society's Intellectual Property Law Committee*



*Aoife Murphy is a partner in Whitney Moore specialising in intellectual property and litigation and is a member of the Law Society's Intellectual Property Law Committee*

The EU has plans for a Unified Patent Court, but there are concerns about the proposal, particularly regarding the constitutional implications and the impact on Ireland's aspiration to be a 'knowledge economy'. **Fiona O'Beirne** and **Aoife Murphy** put on their thinking caps

Plans to create a unitary patent that is valid in all EU member states and enforceable in a single court have been in the pipeline for more than 30 years – with no success. However, in December 2012, the European Parliament approved a package of plans relating to an EU-wide patent system, including the creation of a unitary patent under the enhanced cooperation procedure and a Unified Patent Court (UPC).

The intergovernmental agreement on a UPC will establish a new court with exclusive competence to deal with all disputes relating to both infringement and revocation of European patents and the new unitary patents – that is, patents granted under the provisions of the *European Patent Convention* that benefit from unitary effect by virtue of the Council of the EU implementing enhanced cooperation.

On the sidelines of the meeting of the council on 19 February, 22 member states signed the international agreement. Once the agreement enters into force, the signatory countries will form a unified area in terms of patent law. It will enter into force after it has been ratified by at least 13 member states, to include Britain, Germany and France, and when the necessary changes to the *Brussels I Regulation* have been implemented.

## The proposed UPC

Under the current proposal, the UPC is to be “a court common to the contracting member states”, that is, member states that are parties to the agreement (article 1),

and subject to the same obligations under EU law as any national court of the contracting member states. It will consist of a Court of First Instance, a Court of Appeal and a Registry (see article 6(1)).

The Court of First Instance includes a central division and local and regional divisions.

The central division will have its seat in Paris, with subdivisions in London and Munich. The subdivision in London will hear cases related to chemistry, pharmaceuticals, biotechnology and human necessities, including medical devices. The subdivision in Munich will deal with cases related to mechanical engineering. Paris will hear other matters, including cases relating to electronics, software and physics.

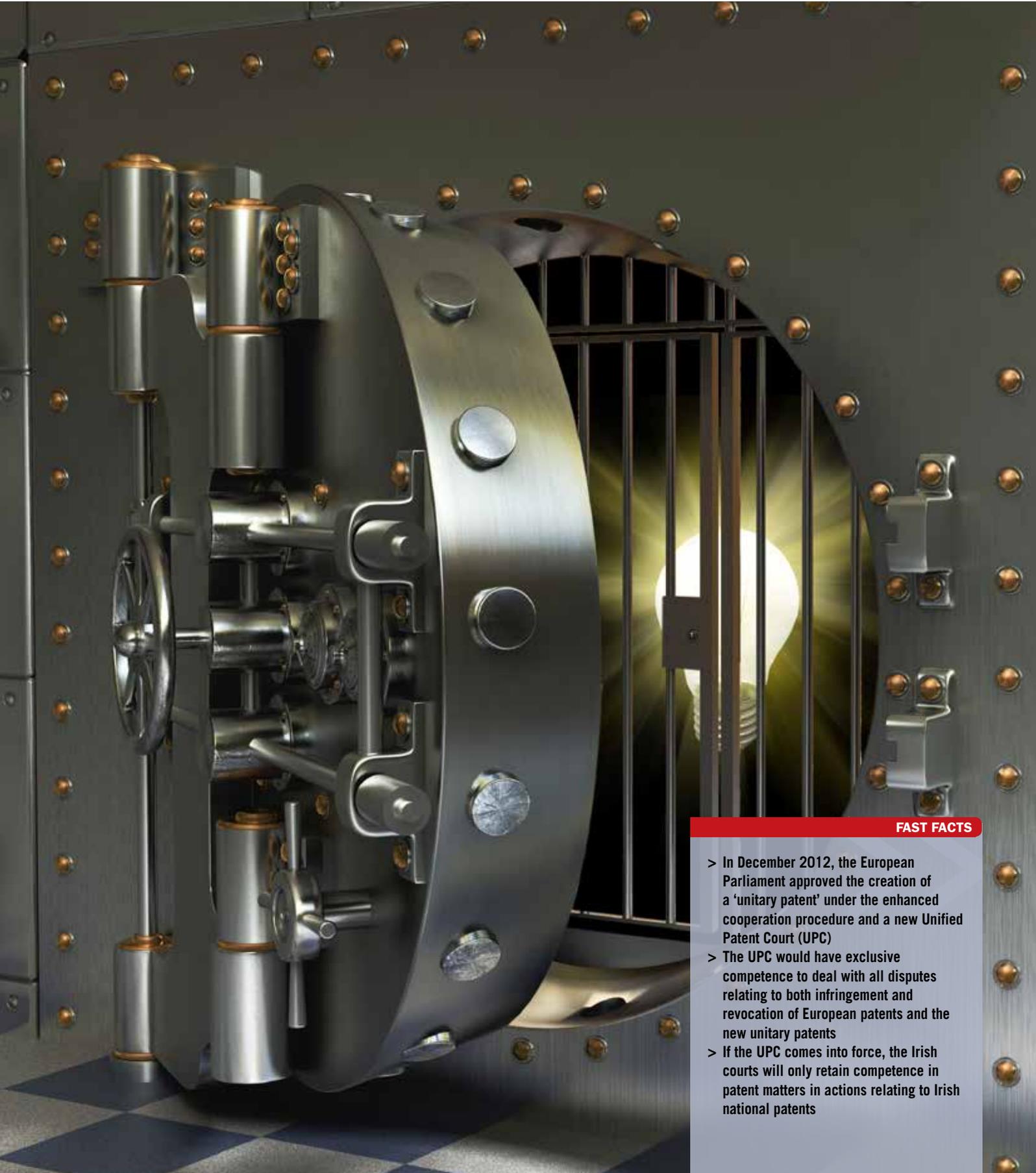
A local division will be set up in a contracting member state upon request (see article 7(3)). A regional division will be set up for two or more contracting member states upon request. A regional division

may hear cases from multiple locations. It seems that Ireland does not intend to request to host a local division of the court, but is likely to participate in a regional division, along with Britain and Portugal. The Court of Appeal will be in Luxembourg.

Where a party begins an action by seeking revocation or a declaration of non-infringement, these matters will be heard by the central division.

The local or regional division will hear actions for actual or threatened infringement, either where the infringement has occurred or where the defendant has his residence or place of business. These courts will be competent also to

***“The uniformity of patent judgments in Europe on foot of such an array of possible jurisdictions is questionable”***



**FAST FACTS**

- > In December 2012, the European Parliament approved the creation of a 'unitary patent' under the enhanced cooperation procedure and a new Unified Patent Court (UPC)
- > The UPC would have exclusive competence to deal with all disputes relating to both infringement and revocation of European patents and the new unitary patents
- > If the UPC comes into force, the Irish courts will only retain competence in patent matters in actions relating to Irish national patents

hear related applications for provisional and protective measures, including injunctions, orders for seizure or delivery up of products, freezing or blocking of bank accounts and other assets. If an infringement action in respect of a patent is taken before the local or regional division and a counterclaim for the revocation of the patent is initiated, as often happens, the local or regional division will have the discretion to:

- Hear both the infringement and revocation actions together,
- Refer the revocation counterclaim to the central division and suspend or proceed with the infringement proceedings, or
- Refer the entire case to the central division if both parties agree.

### Implications for Ireland

There are currently two types of patents with effect in Ireland: (a) Irish national patents that have been filed with the Irish Patents Office, and (b) European patents, filed through the European Patent Office based in Munich, which designate Ireland as a jurisdiction in which the patent is to have effect.

Litigation often arises in several European jurisdictions concerning the same European patent. Despite Ireland's small size, it has been a significant jurisdiction for patent litigation because many market-leading pharmaceutical and life sciences companies use Ireland as a manufacture and supply centre for Europe.

The Commercial Court's proactive case-management system has made Ireland a more straightforward and attractive place to litigate patents.

If Ireland ratifies the agreement, and it comes into force, the Irish courts will only retain competence in patent matters in actions relating to Irish national patents.

Because infringement cases will have to be brought in the local or regional division where the infringement occurred or the defendant has its seat, if Ireland does not host a local division of the court, then actions

relating to actual or threatened infringing activity taking place in Ireland (and related applications for provisional and protective measures, including injunctions) may no longer be brought in Ireland.

Stand-alone revocation actions and actions seeking declarations of non-infringement can only be brought in the central division. The Irish courts will have no jurisdiction over claims to revoke a patent (other than a national patent), even in circumstances where a product in respect of which the patent provides protection is being manufactured in Ireland.

### Issues of concern

There are significant areas of concern and uncertainty with this proposal, particularly in respect of the constitutional implications and its potential impact on Ireland's aspiration to be a 'knowledge economy'.

*Impact on the knowledge economy:* As a developing smart economy with a mission to attract foreign direct investment, Ireland must maintain a strong legal system for the development, exploitation and protection of intellectual property rights, including patent rights.

There is a serious question about the impact of Ireland's decision to divest its courts of jurisdiction over aspects of the legal system that fundamentally and directly affect important and valuable commercial activity and R&D being conducted in Ireland.

Ireland has invested heavily over many years in attracting and keeping multinational pharmaceutical and life sciences companies.

Under the proposed agreement, freedom-to-operate issues and other critical issues that arise for those companies in respect of patent rights and their ability to proceed with their activities in Ireland will not be determined by an Irish court but by a court in (most likely) London, or possibly Munich, Paris or Lisbon.

While the amount of patent litigation in Ireland is small relative to some of the larger countries in Europe, some very significant cases have been heard here in recent years. The risks of the implementation of this agreement by Ireland is that the country will become irrelevant in patent litigation terms and that patent litigation in Ireland will effectively disappear, along with the expertise to provide specialist advice in relation to patent matters required by multinational corporations operating or considering establishment in Ireland in the pharmaceutical and life sciences area.

In marked contrast to Ireland, British

lobbying has ensured that it has secured a central role in the new system, which it has been estimated will confer benefits worth billions of pounds on the British economy.

*Constitutional implications:*

The transfer of competence in respect of patent rights relating to Irish citizens and residents and activities taking place in Ireland from the Irish courts to the new contractually based court based outside Ireland has obvious implications, having regard to the Constitution of Ireland, and is likely to require a constitutional amendment.

*Implications for SMEs and 'forum' shopping:* Apart from issues specific to Ireland, the

agreement, as currently framed, gives rise to some significant areas of concern and uncertainty, particularly about the tactical use of 'forum shopping'. Actions for infringement will, in general, be brought before the local (or regional) division where the infringement has occurred or where the defendant has his residence or place of business. An Irish SME with trade across the EU may, therefore, find itself before the local division of any member state into which its goods have been sold. If it decides to counterclaim for revocation, before the local (or regional) division, that court may choose to bifurcate infringement and validity issues (as currently happens in Germany), where the local (or regional) division of the court would hear the infringement action and the central division would hear the action for revocation (see article 15 (a)). Moreover, these divisions could potentially hear these issues in different languages.

***"Irish-based pharmaceutical and life sciences companies are likely to be the target of applications for injunctive relief in the future and these actions will be heard by the proposed UPC if, as anticipated, the agreement is ratified"***

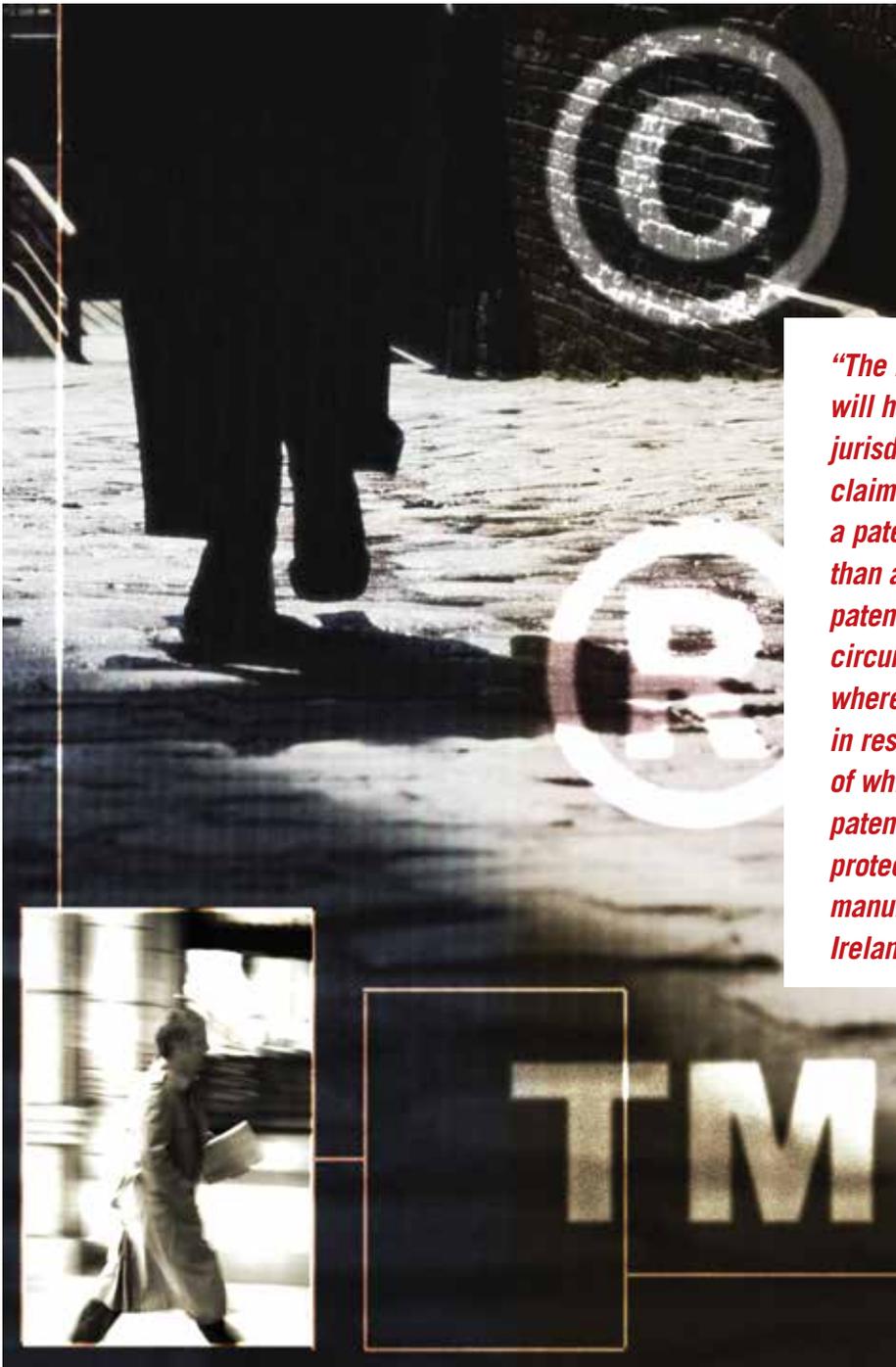
### GREATER UNIFORMITY?

**Under the new proposal, there would be five overlapping levels of patent protection in Europe, which would all co-exist alongside each other:**

- 1) National patents granted by national patent offices will be litigated before the relevant national court,
- 2) European patents will be litigated in the regional, local or central division of the UPC,
- 3) European patents that have opted out of the system of the agreement during the transitional period will be litigated before the relevant national court or other

- competent national authorities,
- 4) European patents designating one or more non-contracting member states outside the system of the agreement will be litigated before the relevant national court or other competent national authorities, and
- 5) European patents with unitary effect in respect of the participating member states will be litigated under the regional/local division or central division of the UPC.

**The uniformity of patent judgments in Europe on foot of such an array of possible jurisdictions is questionable.**



***“The Irish courts will have no jurisdiction over claims to revoke a patent (other than a national patent), even in circumstances where a product in respect of which the patent provides protection is being manufactured in Ireland”***

not be adequately compensated by an award of damages at the full trial of the action. Well-established equitable principles apply in respect of such remedies. The impact of the proposed remedy on the party to be enjoined, and indeed third parties (such as workers in the plant in question), are among the significant elements to be weighed up by an Irish court.

While article 62(2) of the agreement provides that the UPC shall have “the discretion to weigh up the interests of the parties and in particular to take into account the potential harm for either of the parties resulting from the granting or refusal of the injunction”, we do not know how the prospect of unemployment in regions in Ireland will be weighed by a centralised patent court having its seat in London, Paris or Munich. We can, however, be reasonably certain that Irish-based pharmaceutical and life sciences companies will be the target of applications for injunctive relief in the future and that these actions will be heard by the proposed UPC if, as anticipated, the agreement is ratified.

#### **Costs and fees for the UPC**

Very little consideration has been given to other fundamental issues, such as how the court is to be set up, administered and financed. How are the judges to be selected and trained? How will they retain their independence? How much will it cost to fight a case?

Under the current proposal, the UPC is to be subsidised by the contracting member states for the first seven years, in proportion to the number of European patents having effect in the territory of the respective state and to the number of infringement or revocation actions that have been brought before the national courts of that state in the three years preceding entry into force of the agreement (see article 37(3)).

After the initial transitional period of seven years, by which time the court is expected to have become self-financing, any necessary contributions by the contracting member states will be determined in accordance with the scale for the distribution of annual renewal fees for unitary patents applicable at the time (see article 37(4)). It seems clear that a significant share of the costs of running the UPC will need to be taken over by contracting member states. **G**

If the SME loses in the local division or in the central division, wherever that may be, it may appeal. The Court of Appeal will be in Luxembourg. In those circumstances, the Irish SME would have to litigate in three different jurisdictions. This system would be particularly attractive to holders of vulnerable patents and patent trolls who might be able to secure an injunction, achieving their commercial aims, before the validity of the patent has ever properly been tested. While the SME may go on to try to have the patent revoked, in the interim, its product is off the market and the SME may

well never be able to reintroduce it.

Bifurcation may have a further significant consequence. Some local divisions will be more likely than others to adopt this practice. Those divisions that allow bifurcation will naturally attract certain plaintiffs hoping to secure injunctions before the validity of the patent can be tested, which will encourage forum shopping.

*Injunctions:* An applicant for interlocutory relief in patent-infringement proceedings must satisfy the court that the actions of the defendant, if allowed to continue, will cause him irreparable harm and that he would