

Patents 2021

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Contributing editors

Louis E Fogel and Shaun M Van Horn

Jenner & Block LLP

Lexology Getting The Deal Through is delighted to publish the eighteenth edition of *Patents*, which is available in print and online at www.lexology.com/gtdt.

Lexology Getting The Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique Lexology Getting The Deal Through format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on Israel, Singapore, Turkey and the United Kingdom.

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Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, Louis E Fogel and Shaun M Van Horn of Jenner & Block LLP, for their continued assistance with this volume.



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The Unified Patent Court

Anja Lunze, Verena Bertram, Philipp Krusemarck, Jan Phillip Rektorschek, Michael Schächinger and Alina Krukov
Taylor Wessing

What is the UPC?

The Unified Patent Court (UPC) is a future international court whose jurisdiction will apply to disputes concerning European unitary patents (UP) and European patents (EP). The legal basis is essentially formed by three legal acts: the European Regulations 1257/2012 on the UP, the Regulation 1260/2012 on the translation regime, and the international Agreement on the UPC (UPCA). The UPCA was signed by 25 EU member states in February 2013. For the court to start its work, the UPCA must be ratified by 13 EU states, including three contracting states with the most European patents in force, before the agreement was signed. UPs will take effect from this day onwards. In addition, there are the Rules of Procedure of the Unified Patent Court (current status: 18th draft of 19 October 2015).

What is the current status of the UPC?

So far, 16 ratifications have been made. As the UK deposited the formal withdrawal of its ratification on 20 July 2020, Germany, France and Italy are now the three relevant states with the most European patents in force.

France and Italy have already ratified the Convention. In Germany, the initial Consent Act for the ratification of the UPCA as passed in 2017 was declared null and void on formal grounds by the Federal Constitutional Court in February 2020 due to a violation of the majority requirement. The Consent Act was passed again in December 2020 by Parliament, meeting the required majority. As again two constitutional complaints with the application for a temporary injunction were lodged against it, the final execution of the law is currently stayed. The second decision of the Federal Constitutional Court is awaited, before the UPC can come into effect.

What is a unitary patent (UP)?

The UP is an independent IP right that exists in addition to the national and European Patents (EP). It has uniform effect in all participating member states. The European Patent Office (EPO) is responsible. The procedure for grant is identical to that for the EP.

UP will extend to patents filed and granted as EP, for which no opt-out is declared and that have the same claims in all participating member states. Otherwise, the EP can be opted out as applications or granted patent, the effect of opt-out is to give the national courts exclusive jurisdiction for each respective national validation of a European patent until expiry, just as it would have had without the UPC. UPs must be litigated in the UPC from the beginning of the new system and cannot be opted out. The opt-out of a patent also has the effect of opting out any SPCs based upon it. For an opt-out to be effective the application must be lodged by the proprietors of all designations of the patent (assuming that these are different or that there are co-owners) and likewise all holders of the SPCs based on the patent.

All EP granted after the entry into force of the UPCA may be granted as UP if the patent proprietor requests this at the EPO within one month after publication of the grant and if the formal requirements are met. If the patent proprietor chooses the UP, the EP validation in participating member states is no longer possible.

The UP has effect only in those member states that have ratified the UPCA at the time of its registration. There is no automatic territorial extension to member joining later. The new extended territory also applies only to those UPs that are entered in the UP Register after the accession of the respective member state.

In which language are UPs granted?

The translation requirements are tied to the EPO language regime and provide that UPs do not require translation and that machine translations suffice. It can be filed in all official languages admissible at the EPO. However, since the translation software is not yet sufficiently good at present, there is a transitional arrangement: All EPs registered as UPs that were granted in German or French must be accompanied by an English translation, and all those granted in English must be accompanied by a German or French translation. However, UPs must always be translated if they become the subject of legal disputes.

How much does a UP cost?

The fees for a UP are regulated by the Rules relating to Fees for Unitary Patent Protection (RFeesUPP). The fees are structured as exponentially increasing yearly fees, starting with €35 for the second year up to €4,855 for the 20th year.

Which law applies to ownership issues?

UP is considered to be a property under the law of the member state in which the applicant has either his or her seat or a place of business at the filing date, provided that this member state already participates in the UP system. Otherwise (ie, for a large part of UPs) the property right is governed by German law because the EPO is seated there.

What is the effect of the UP?

UPs can only be transferred or declared invalid for all member states for which they have effect. Licensing, on the other hand, is possible for part of the territories of the participating member states.

The UP allows the patentee to obtain an injunction relief within the territories of the member states participating in the UPCA, including damages and compensation, recall, destruction and information claims.

Correspondingly, the UPC also has the power to decide on the validity of UPs. Furthermore, the revocation claimant does not have to wait for any opposition proceedings before the EPO, but can appeal to the UPC in parallel.

Are there SPCs available based on unitary patents?

The UPCA applies to any SPC issued for a product protected by a UP. The SPC confers the same rights as the patent and is subject to the same limitations and obligations.

With regard to the transitional regime, an application to opt out extends to all SPCs based on the EP. For SPCs that have already been granted at the date of the opt-out application, the patentee and, if different, the SPC holder have to lodge the application to opt out together. For SPCs granted after lodging the opt-out application, the opt out takes effect automatically when the SPCs are granted. SPCs based on UPs cannot be opted out.

How is the UPC structured?

The UPC is composed of three institutions: Court of First Instance, Court of Appeal and Registry.

The Court of First Instance is competent for first instance patent infringement proceedings. It has its central division in Paris and two further divisions, one in Munich and another one where the seat still needs to be determined after it can no longer be London since the UK's leaving the UPC. Competency between the divisions depends on the World Intellectual Property Organization patent classifications: Paris is competent for (B) performing operations and transporting, (D) textiles and paper, (E) fixed constructions, (G) physics and (H) electricity, Munich for (F) mechanical engineering, lighting, heating, weapons, blasting and the third division for (A) human necessities and (C) chemistry and metallurgy.

Furthermore, upon request, local divisions can be set up in and for each contracting member state and regional divisions for two or more member states.

The Court of Appeal, competent for appeals against decisions of the Court of First Instance, is seated in Luxembourg where also the Registry is located.

Who are the judges of the UPC?

Any panel of the Court of First Instance and the Court of Appeal has a multinational composition. To this end, a pool of judges is established, from which legally and technically qualified judges from the member states can be allocated.

Any panel of a local or regional division of the Court of First Instance is composed of three legally qualified judges, whilst an additional technically qualified judge may be allocated from the pool of judges upon request by one of the parties.

Any panel of the central division of the Court of First Instance sits in general with a composition of two legally qualified judges and one technically qualified judge.

Any panel of the Court of Appeal comprises five judges, three of them legally qualified and two of them technically qualified.

While the three legally qualified judges of any panel of the Court of Appeal are simply judges from different contracting member states (article 9 (1) UPCA), the multinational composition of the local and regional divisions is more nuanced, depending on the average amount of patent cases in the member state.

In regional divisions, any panel is composed of three legally qualified judges chosen from a regional list of judges. Two are nationals of the member states concerned, one is not, and is allocated from the Pool of Judges (article 9 (4) UPCA).

In which language are proceedings held?

The language of proceedings at the central division is the language in which the UP was granted.

As a rule, the language of proceedings at a local or regional division is an official language of the member state hosting the division or an official EU language designated by the member states sharing

a division. Member states may also designate one or more of the languages of the EPO in their local or regional division.

Also at the local or regional division, the language in which the patent was granted may be the language of proceedings, if the parties agree and the competent panel approves the choice, if the panel decides so on grounds of convenience and fairness and with the parties' agreement and if the President of the Court of First Instance decides so based on grounds of fairness at the request of one party.

For which cases is the UPC competent?

The UPC is exclusively competent in respect of all actions and counterclaims listed in the exhaustive catalogue, namely:

- actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences;
- actions for declarations of non-infringement of patents and supplementary protection certificates;
- actions for provisional and protective measures and injunctions;
- actions for revocation of patents and for declaration of invalidity of supplementary protection certificates;
- counterclaims for revocation of patents and for declaration of invalidity of supplementary protection certificates;
- actions for damages or compensation derived from the provisional protection conferred by a published European patent application;
- actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention;
- actions for compensation for licences on the basis of article 8 of Regulation (EU) No. 1257/2012; and
- actions concerning decisions of the European Patent Office in carrying out the tasks referred to in article 9 of Regulation (EU) No. 1257/2012.

The courts of the member states remain competent for all remaining actions. However, it is unclear, whether and to what extent the UPC has parallel, non-exclusive competence in these cases, in particular regarding entitlement claims, employee inventions and licence agreements.

Actions relating to an EP may still be brought before national courts for a transitional period of a minimum of seven years. The exclusive competence of the UPC takes effect after this transitional period. However, a proprietor or applicant of an EP granted or applied for prior to the end of the transitional period may opt out from the exclusive competence of the UPC. The opt-out may be withdrawn at any time (opt-in).

Which local court can decide?

The place of actual or threatened infringement as well as the place of residence or business creates local jurisdiction at the relevant local or regional division. If the member state concerned does neither host a local division nor participate in a regional division, the central division is competent. A right to choose between alternative local jurisdictions allows for forum shopping to a certain extent.

How are nullity actions dealt with?

In general, the central division hears nullity actions. If, however, an infringement action between the same parties relating to the same patent has been brought before a local or regional division, only the same local or regional division is competent.

A counterclaim for revocation may be brought before the local or regional division dealing with an infringement action. Hearing such actions falls under the discretion of the respective local or regional division: it may request the allocation of a technically qualified judge and proceed with the infringement action and the counterclaim for

revocation or refer the counterclaim for revocation to the central division and suspend or proceed with the action for infringement, or it may, with the agreement of the parties, refer the entire case for decision to the central division.

Hence, bifurcation of the proceedings might occur if the local or regional division decides to split the proceedings by referring only the counterclaim for revocation to the central division.

Possible grounds for invalidity are only those set out in the EPC. Revocation of the patent has retroactive effect. Partial revocation is possible.

Who has standing to sue?

Natural persons and legal entities are entitled to bring an action in all proceedings before the UPC.

The UP proprietor as well as the exclusive licensee have the standing to bring infringement actions. The non-exclusive licensee is only entitled to bring an action if the licence agreement expressly permits it.

Nullity actions can be filed by anyone. It is not necessary to be affected in any way by the patent. The defendant is always the registered patent owner.

Who has power of representation in the UPC?

The party cannot represent itself before the UPC but must retain an attorney. Attorneys admitted to a court of a member state and European patent attorneys who are authorised to act as professional representatives before the EPO and who can prove that they are qualified to conduct patent litigation proceedings are authorised to represent parties. Patent attorneys who do not have the required qualification or are not entered in the Registrar's list may nevertheless participate in the proceedings and make oral submissions as contributing patent attorneys.

How are briefs served?

The service of all types of procedural documents in the UPC system will be handled entirely by the Registry, and it is planned that all service will be effected electronically. For this purpose, the UPC has set up its own Online Case Management System (UPC CMS). Although non-electronic service via the common 'analogous' service mechanisms shall only be an exception, particularly infringement defendants are likely to not yet have the required electronic address. Service will then be effected via the classical routes.

How are infringement proceedings handled?

The infringement proceedings on the merits before the Court of First Instance consist of the written, the interim, and the oral procedure.

The written procedure starts by lodging a statement of claim, followed by a statement of defence, a reply and a rejoinder. Further written pleadings can be allowed. If the statement of defence includes a counterclaim for revocation against the patent in suit, the reply includes a defence to the counterclaim and can also include an application to amend the patent. A reply and rejoinder regarding the counterclaim for revocation can follow.

The statement of claim is a typical front-loaded brief that shall contain the grounds, including an indication of the facts and evidence relied on as well as the name and address of the parties, details of the patent concerned, competence and jurisdiction of the division, the nature of the claim, and an indication of the value of the infringement action.

The defendant must lodge a statement of defence within three months of service of the statement of claim. It must contain information on the grounds for dismissal of the action, together with the relevant evidence, and a statement regarding the value of the case.

If the defendant lodges a counterclaim for revocation, such counterclaim must be accompanied by the grounds for revocation supported by arguments of law and explanation of the proposed claim construction, indication of facts, evidence, witness statements and (prior art) documents.

After service of the statement of defence and after consulting the parties, the judge-rapporteur will set a date and time for an interim conference as well as a date for the oral hearing.

Within two months of service of the statement of defence the claimant must lodge a reply and, if necessary, a defence to the counterclaim for revocation. This defence should include an application to amend the patent as any subsequent request to amend the patent may only be admitted into the proceedings with the permission of the court.

Within another one month (or two in case of a counterclaim), the defendant must lodge a rejoinder and reply to the defence to the counterclaim. In the latter case, the claimant can lodge a rejoinder within another month.

The interim procedure serves for managing the case. The judge-rapporteur gives directions to the parties in preparation for the oral hearing and has the discretion to hold one or more interim conferences or give procedural orders. It should be completed within three months.

The oral proceedings are usually scheduled for one day and begin with a preliminary introduction to the action by the presiding judge, followed by the hearing of the parties and, if necessary, of witnesses and experts.

The court will render its decision immediately after the closure of the oral hearing and provide its reasons on a subsequent date.

How is evidence taken?

There are means of evidence such as, for example, written evidence (in particular witness statements, drawings, reports, physical objects, electronic files and means of obtaining evidence such as, for example, hearing of the parties, requests for information, production of documents, hearing and questioning of witnesses or experts, or both, and ordering inspection, conducting tests, sworn statements).

As a basic principle, the burden of the proof of facts is on the party relying on those facts. Thus, evidence must be indicated or produced by the parties in their respective written submissions. If a contested product is identical to products derived by the process in suit for obtaining a new product, the burden of proof is reversed. A statement of fact that is not specifically contested by any party shall be held to be true as between the parties.

Questioning of witnesses and experts is under the control of the court and shall be limited to what is necessary.

If a specific technical or other question in relation to the action is to be reasoned, the court can of its own motion, and after hearing the parties, appoint a court expert based on suggestions of the parties. The court shall appoint a court expert by way of an order specifying, inter alia, the facts of the action, evidence submitted by the parties, and the questions put to the expert. The court expert must present an expert report in writing, attend the oral hearing if requested to do so by the court, and must answer questions from the court and the parties.

Can the claimant withdraw the complaint?

A claimant can apply to withdraw his or her action as long as there is no final decision in an action. The court will decide on the request after hearing the other party, whereas the application to withdraw must not be permitted if the other party has a legitimate interest in the action being decided by the court. In general, the costs of the withdrawal are likely to be imposed on the claimant. The withdrawal of an action by the claimant has no effect on any counterclaim in the action, but the court can refer any counterclaim for revocation to the Central Division.

What is the effect of an appeal?

In general, any decision or order of the Court of First Instance may be appealed to the Court of Appeal by any party that has been unsuccessful, in whole or in part. Orders that are not explicitly mentioned in the UPCA require prior leave to appeal by the Court of Appeal.

The appeal does not have suspensive effect unless it concerns a decision on actions or counterclaims for revocation. The Court of Appeal must decide without delay at the motivated request of one of the parties about a suspension.

How is the appeal procedure organised?

The appeal procedure is organised in the same way as the first instance (ie, written and interim procedure and the oral hearing).

The Court of Appeal can disregard requests, facts and evidence that have not been submitted by a party during proceedings before the Court of First Instance. When exercising discretion, the court must, in particular, take into account whether a party seeking to lodge new submissions is able to justify that the new submissions could not reasonably have been made during proceedings before the Court of First Instance, the relevance of the new submissions for the decision on the appeal, and the position of the other party regarding the lodging of the new submissions.

The appeal must be lodged within two months of the date of service of the decision or 15 calendar days of service of an order. The statement of grounds of appeal must be lodged within four months of service of the decision or 15 days of service of the order.

It is also possible to file a cross-appeal, which may be filed together with the notice of appeal, irrespective of the general time limit for appeal.

How does rendering of information and account and determination of damages take place?

Infringement of a UP may lead to claims for information, which are subject to proportionality. Also, third parties may be obliged to provide information.

Rendering account is decided in the proceedings on damages. Having decided on the request for rendering the account, the UPC continues the proceedings for damages based on the result of the accounting. For the calculation of damages, all appropriate aspects have to be taken into account, especially lost profits, infringer's profit and non-economic factors (eg, moral prejudice). In contrast, the UPCA provides for damages as a lump sum based on a licence analogy only 'in appropriate cases'. The infringer that did not knowingly, or with reasonable grounds to know, commit the infringement can be ordered the recovery of profits or to pay compensation at the discretion of the UPC. The UPCA does not provide for punitive damages.

Can negative declaratory actions be filed?

The negative declaratory action before the UPC requires that either the patentee or licensee has already asserted the (alleged) patent infringement, or the plaintiff has requested the patent proprietor or licensee in writing to provide a written acknowledgement of non-infringement and has provided him with full particulars in writing of the act in question and this acknowledgement has been refused or not provided within one month. Apart from that, the procedure following the filing of a negative declaratory action corresponds to that of infringement proceedings, but with significantly shortened deadlines for briefs. Negative declaratory actions may be lodged together with revocation actions.

How are decisions enforced?

Judgments and orders of the court are enforceable in all contracting member states. Decisions of the UPC shall be enforced in the member states under the same conditions as decisions given in the respective member state. It may be subject to the provision of security or an

equivalent guarantee. The UPC has also the power to impose periodic penalty payments in the event of a breach of an enforced order.

Are provisional measures, in particular preliminary injunctions, possible?

The UPC may issue the following provisional orders:

- injunction against the alleged infringer or an intermediary under threat of periodic penalty payments or order that the continuation of the infringement may only take place against the provision of a security intended to ensure compensation to the right holder;
- seizure or surrender of products suspected of infringing a patent; or
- precautionary seizure of movable or immovable property of the alleged infringer, including the freezing of bank accounts, if the applicant shows credibly that the fulfilment of his or her claim for damages is doubtful.

How are preliminary injunction (PI) proceedings organised?

If main proceedings are already pending, the same chamber dealing with the main action shall have exclusive jurisdiction to hear the application for interim measures. If no main action is pending, the applicant may choose a competent court in accordance with the general rules. If the applicant requests the issuance of the PI ex parte (ie, without hearing the defendant) he or she must additionally explain why the defendant should not be heard. In addition, any pre-litigation correspondence between the parties concerning the alleged patent infringement must be produced.

The applicant is obliged to communicate to the court all relevant facts known to him or her that are likely to influence the court's decision whether or not to hear the defendant. It is in the court's discretion whether to inform the defendant of the PI application and give him or her the opportunity to submit written observations or to directly summon both parties to the oral hearing or even to summon only the applicant to the oral hearing. In exercising its discretion, the court has to take into account, in particular whether the patent has been maintained in opposition proceedings before the EPO or has been the subject of other court proceedings, the urgency of the matter and whether the applicant has requested the grant of the interlocutory injunction ex parte and the reasons given for this appear well founded and whether a protective letter has been filed by the defendant.

What are the requirements for the grant of a preliminary injunction?

With regard to the substantive requirements for the issuance of a PI, it is only required that 'a threatened violation must be prevented'. The court must exercise its discretion to weigh the interests of the parties, taking into account in particular the possible damage that could result to one of the parties from the issuance of the injunction or the rejection of the application.

The urgency of the matter is not defined as such as an explicit condition for the grant of a PI. However, the court must take into account any unreasonable delay in applying for an interim injunction.

To substantiate the allegation of infringement, the applicant must already set out all facts and evidence in the PI application. The court has to take into account the validity of the patent, in particular whether it was maintained in opposition proceedings before the EPO or whether other national proceedings were pending.

The court has to weigh the legal and economic disadvantages and damages threatening the right holder if the PI is refused but it subsequently turns out that it should have been granted, against the legal and economic disadvantages and damages threatening the defendant if the PI is granted but it subsequently turns out that it was wrongly granted (eg, because the patent is finally found not to be infringed or declared invalid).

Under which circumstances can a preliminary injunction be lifted?

The PI can be appealed within 15 days of its service. An appeal against the PI does not prevent the continuation of parallel proceedings on the merits as such, but the court of first instance shall not give a decision on the merits of the case until the court of appeal has decided on the PI appeal.

If proceedings on the merits are not yet pending, it may be requested to revoke the PI if the applicant does not file an action on the merits within 31 calendar days or 20 working days, whichever is longer.

How can a patentee safe evidence or undertake inspections?

Filing of the application, which is possible before starting proceedings on the merits, and the course of the procedure largely correspond to the handling of PI cases. Protection of confidential information must be ensured and the group of people having access to the information is restricted. An order to preserve evidence may be directed in particular to: detailed description with or without taking samples, physical seizure of allegedly infringing products or materials and implements used in the production or distribution of these products, as well as the preservation and disclosure of digital media and data and the disclosure of passwords necessary to access them. An order for inspection is directed to the inspection of products, devices, methods, premises and the local situation.

What does litigation under the UPC cost?

The calculation of court fees for infringement proceedings is close to the German principle and calculated by a fixed portion (€11,000) plus a variable portion depending on the value in dispute (VID) of the proceedings, which lies between €0 (VID up to €500,000) and €325,000 (VID about €50 million). In particular, for nullity proceedings (€11,000 for a nullity action and maximum €20,000 for an invalidity counterclaim) and interim injunctions (€11,000), only maximum fees or fixed flat fees have to be paid without the VID-based portion.

There are also tables for VID based maximum amounts of recoverable attorney's fees, which also shall take into account reasonability criteria. However, it can be assumed that these amounts will often be exhausted. The maximum limits for recoverable lawyers' fees lie between up to €38,000 (VID up to €250,000) and up to €2 million (VID about €50 million). These maximum limits may be increased 'to a certain extent' if the complexity to a maximum amount of up to €5 million for VID of about €50 million.

The Administrative Committee of the UPC will issue a guideline setting out general principles for the determination of the VID. A calculation on the basis of a fictitious licence fee is explicitly considered to be simpler than one based on the lost profit or the infringer's profit. In terms of time, both the sales or market shares in the past (on the basis of the actual infringing acts) and those (fictitiously) for the future (on the basis of a hypothetical continued infringement) are to be included. If there are several patents in suit or several defendants, a combined licence for all parties and all patents shall be taken as a basis. If damages are claimed only via declaratory motion, the value determined according to the above calculation shall (initially) be set at 50 per cent. Information and accounting claims shall be taken into account with an appropriate additional amount.

The values determined in this way shall apply in the same way to the court fees and the recoverable costs of infringement proceedings.

A reduction of the costs to be reimbursed to the prevailing party, on the other hand, should be possible without a general limitation of the amount if it concerns microenterprises, small or medium-sized enterprises, non-profit organisations, universities, public research institutions or natural persons.

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Does a security for the litigation need to be paid?

At any time during proceedings, following a reasoned request by one party, the court may order the other party to provide an adequate security – either by deposit or bank guarantee – for the legal costs and other expenses to be incurred by the requesting party. If the court issues an interim injunction, it may order the applicant to provide security for the damage suffered by the defendant in the event that the interim injunction is subsequently revoked. In the case of an ex parte interim injunction, the provision of security is mandatory.

Are compulsory licences possible in the UPC?

There is no provision on compulsory licences in the UPCA. Recital 10 of the UP Regulation No. 1257/2012 states that compulsory licences for UPs should be governed by the laws of the member states as regards their respective territories.

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