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More exciting than you may think: How Germany intends to implement the UPC Agreement (UPCA)

Thorsten Bausch (Hoffmann Eitle) · Sunday, March 6th, 2016

Two draft bills implementing the UPCA in the German legal system have recently been proposed by the German Ministry of Justice (BMJV) and shall be considered in the following. The **first** is the ratification law itself consisting of only three articles. The **second one** is a relatively complex draft bill mainly amending the German Act on International Patent Agreements (Gesetz über Internationale Patentübereinkommen, hereinafter: IntPatÜG) and one section of the Patent Act. While it may sound a bit dull to report on a draft bill implementing the UPCA, the specific way how the German government intends to do that includes a few surprises which will likely be welcomed by stakeholders, particularly by patentees.

1. The Ratification Law

The proposed ratification law is pretty unspectacular. Article 1(1) simply states that the UPCA and the Protocol for its Preliminary Application signed on 1.10.2015 are approved.

The only point of interest is how German intends to deal with future amendments of the UPCA: In brief, amendments pursuant to Art. 87(2) UPCA where the Administrative Council just fulfils its obligations under European Union law or under an International Treaty will be simply noted and published in the official bulletin. In contrast, if the Administrative Council amends the UPCA according to Art. 87(3) UPCA, then the German government must object to such an amendment within one year, unless the Bundestag (parliament) has previously approved it. This underlines the character of the UPCA as directly applicable law in Germany, which implies that changes to the law must also be reviewed and approved by the lawmaker, i.e. the German parliament.

The draft ratification law is accompanied by a quite comprehensive memorandum of the BMJV on the UPCA itself, which partly just summarizes the content of the UPCA, but also partly provides interesting comments thereon and discusses the impact the UPCA will likely have on the German economy. In particular, the UPCA is presented as a means for strengthening patent protection that should have a clearly positive effect on German industry which makes up for 40% of grants of EP patents. It is admitted, though, that the effect is not exactly quantifiable.

Of interest is also the number of UPC cases that the BMJV expects for the next years: about 180 UPC cases in the first year after ratification, which are to be handled by 20 judges. A maximum number of between 1800 and 2200 cases per year is assumed for year 10 after ratification.

2. Amendments to the Act on International Patent Agreements (IntPatÜG)

Various amendments to the Act on International Patent Agreements (IntPatÜG) and the Patent Act were conducted to ensure a seamless incorporation of the European Patent with Unitary Effect and the UPC into the German patent system.

Firstly, Art. II Sec. 6(1) IntPatÜG has been clarified by specifying that (classic) European Patents can only be declared null and void by the German courts, if the German courts remain competent to do that. One may wonder whether this amendment was really necessary, since if the German courts are not competent, they will not decide on the merits of the case anyway. Be that as it may, the amendment/clarification is in the draft bill.

With the enactment of the UPCA, the UPC will become competent for nullity actions against both European Patents with Unitary Effect (EP-UE) and classic EP patents. However, during a transition period of seven years pursuant to Art. 83(1) UPCA national courts also remain competent to hear nullity actions. Moreover, pursuant to Art. 83(3) UPCA, the applicant or proprietor of a classic EP may opt out, in which case the UPC does not become competent, even after the expiry of the transition period.

Secondly and most importantly, the draft bill proposes a substantial change in the provision of Art. II Sec. 8 IntPatÜG that used to prohibit double protection of the same subject-matter by an EP patent and a parallel DE patent. The new rule will be that double protection of an EP and a DE patent is normally possible, unless the applicant or proprietor of the EP patent has opted out from UPC jurisdiction. If so, the previous rules prohibiting double protection continue to apply. In other words, if the patent proprietor declares an opt out after the EP patent has been granted and the opposition period has expired with no opposition having been filed or after conclusion of EP opposition proceedings, then the German patent (to the extent it protects the same subject-matter) irrevocably loses its effect when the opt out becomes effective. However, if the patentee accepts UPC jurisdiction and does **not** opt out, he has the choice to either enforce his German national patent or his EP patent or both (but not against the same defendant).

In essence, this means a strengthening of the position of patent proprietors, who now have option to defend and enforce their IP by filing both an EP application (which may later turn into an EP-UE or an EP bundle patent) and a national German patent application in parallel.

To balance out the proposed new possibility of double protection, the BMJV proposes a new section 18 in the draft bill which in essence is a double litigation estoppel. That is, a defendant is protected against being sued twice for the same act and on the basis of EP/DE patents protecting the same invention. Namely, the defendant of an infringement action based on a DE patent granted for an invention, for which the same inventor or his successor in title has already been granted an EP or EP-UE patent, can object to the filing of the infringement action based on the DE patent before the start of the main oral proceedings under the conditions that (i) the corresponding EP patent has already been or is currently litigated between the same parties, (ii) if the defendant is sued in view of the same arguably infringing activities, (iii) if and to the extent that both patents protect the same invention. If such an objection is filed, the infringement action based on the DE patent will be declared inadmissible. Note that if the DE patent is somewhat broader, it can still be asserted to that extent.

What is the upshot of this? The main consequence is that even if an EP or EP-UE patent is declared

invalid e.g. in EP opposition proceedings, the proprietor of the DE patent will still be able to enforce his national DE patent in Germany. This is a significant change to the current situation, which will be to the benefit of patent proprietors. Moreover, the estoppel objection only applies in regard to the same parties. It does not seem to be excluded, for example, that the patent proprietor asserts the EP patent against a defendant, while its exclusive licensee asserts the DE patent. According to the BMJV, strawman constructions should, however, not be used to artificially generate “different parties”, as this would be contrary to the principle of good faith.

It is up to the defendant to raise the double claiming objection. If he is interested in a decision of the German courts on the merits, he does not have to object. However, the German courts always have the discretion to stay the proceedings pending the outcome of parallel UPC proceedings (new Sec. 18 (2) IntPatÜG).

Finally and importantly, the double claiming objection only applies to proceedings on the merits and not to preliminary injunction (PI) proceedings. That is, if the UPC proves to deal with PI proceedings comparatively slowly, the proprietor of the parallel DE patent can use this DE patent to obtain fast preliminary protection against e.g. generic competitors, as it is common in Germany today.

The Draft Bill of Ratification further includes various new sections in the IntPatÜG governing certain issues surrounding EP-UEs in Germany:

- o Sec. 15(2) regulates the situation if a request for unitary effect has been filed and becomes effective. Then the patent loses its effect as a national patent, which means e.g. that no national renewal fees are due. On the other hand, if the request for unitary effect is finally rejected, national renewal fees will immediately be due (Sec. 15(3))
- o Sec. 16 stipulates that EP-UE's are to be treated like national patents in proceedings for a (national) compulsory licence, which will only be effective in DE.
- o Sec. 17 stipulates the (unsurprising) rule that waivers to an EP-UE cannot be filed with the GPTO.

Finally, the Draft Bill of Ratification provides rules for the enforcement of a decision by the UPC in Germany. Fundamentally, decisions by the UPC can be enforced by the same mechanisms as decisions by DE courts, with two notable exceptions: (i) decisions by the UPC do not need to bear an execution clause and (ii) to the extent the decision is in a different language, a German translation must be provided before the execution may begin (Sec. 19).

If and when these requirements are met, the German infringement courts will act as enforcement courts assisting the UPC in Germany. For example, the German courts and their bailiffs will assist the UPC in executing claims by the UPC (e.g. a penalty payment ordered by the UPC according to Art. 82(4) UPCA). They may also assist in ordering witnesses summoned by the UPC in court, repayment of legal aid unlawfully granted etc.

It remains to be seen whether the draft bill will pass parliament unchanged, or whether the legislator will want to amend certain portions thereof. The general political will is certainly there to ratify the UPCA, even though I would expect the Bundestag to wait with the ratification until the UK referendum has taken place. Be that as it may, it can at least be said that the BMJV tried to make the EP-UE and the UPC system as palatable as possible to German applicants/patentees by opening them the opportunity of putting their eggs into *two* baskets. By allowing a national DE patent to stay in full force even after the parallel EP patent has been granted, the BMJV has at the same time also strengthened the attractiveness of a parallel national patent (application) in

Germany. And at least to some extent the EP/UPCA and the national patent system may now truly begin to compete with each other.

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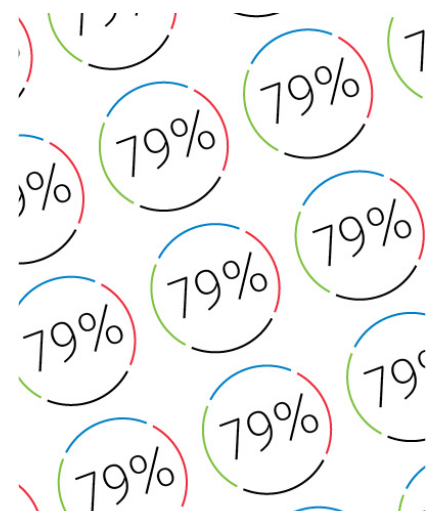
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