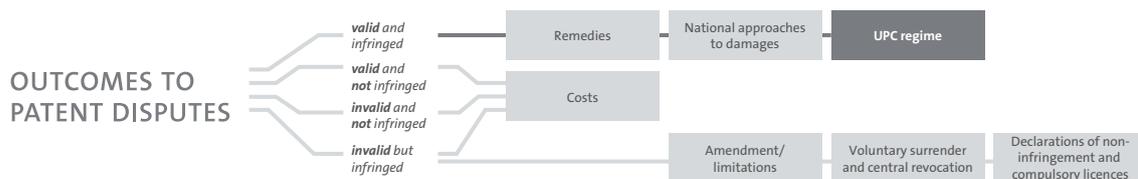


UPC regime

Essentials



Article 32(f) of the Agreement on a Unified Patent Court (UPC Agreement¹⁵) states that – subject to the transitional regime of Article 83 UPCA – the Unified Patent Court (UPC) has exclusive competence in respect of actions for damages or compensation derived from the provisional protection conferred by a published European patent application. The basis for this competence is found in Article 68 UPCA, which states that the UPC has the power to order an infringer who has infringed a European patent with unitary effect, a European patent or a supplementary protection certificate (SPC) to pay the injured party damages.

Article 32 UPCA
Competence of the court

Applicable law

With respect to unitary patents, **Regulation (EU) No. 1257/2012** (UP Regulation) does not contain any autonomous provisions on damages. Recital 13 UP Regulation states that the regime applicable to damages should be governed by the laws of the participating member states, in particular the provisions implementing Article 13 of Directive 2004/48/EC (Enforcement Directive). With respect to European patents and SPCs, the national laws of the country where the European patent or SPC has been infringed will be applicable to calculate damages. However, national laws relating to damages are harmonised in all EU countries under Article 13 Enforcement Directive. **Article 68 UPCA**, which the UPC must apply with respect to unitary patents, European patents and SPCs, is based on Article 13 Enforcement Directive. Therefore, while recognising the primacy of EU law, the determination of rules for damages will in principle be based upon the UPC's interpretation of Article 68 UPCA in light of

Regulation (EU) No. 1257/2012
of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection

Article 68 UPCA
Award of damages

¹⁵ The UPCA can be found at: www.unified-patent-court.org/sites/default/files/upc-agreement.pdf

Article 13 Enforcement Directive, which should be uniform throughout all UPC member states. In determining the correct approach to the application of the Enforcement Directive, the UPC must follow the Court of Justice of the European Union (CJEU). Article 24(1)(e) UPCA permits the UPC to apply national law to fill any gaps in EU, UPC, EPC and other treaty law. The UPC may refer to general principles common to the laws of the participating member states (**Article 340(2) Treaty on the Functioning of the European Union (TFEU)**), which refers to “principles common to the laws of the Member States”).

Article 340(2) TFEU

In the case of non-contractual liability, the Union shall, in accordance with the general principles common to the laws of the Member States, make good any damage caused by its institutions or by its servants in the performance of their duties.

Outline and principles of Article 68 UPCA

Article 68 UPCA differentiates between two types of infringer. Those who have knowingly infringed or who have had reasonable grounds to know of the infringement will be ordered to pay damages in accordance with Article 68(1)–(3). Other infringers, who may be ordered the recovery of profits or payment of compensation, will be dealt with in accordance with Article 68(4).

Article 68 UPCA Award of damages

Article 68(2) UPCA explicitly refers to three principles with regard to damages:

- The injured party shall, to the extent possible, be placed in the position it would have been in if no infringement had taken place.
- The infringer shall not benefit from the infringement.
- Damages shall not be punitive.

Fault (Article 68(1)–(3) UPCA)

Article 68(1) states that the UPC will order an infringer “who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity” to pay damages. What is relevant is the state of mind of the infringer at the date of the infringing activity. The reference to “reasonable grounds to know” suggests that the test is not a subjective test of the infringer’s state of mind, but an objective one: the infringer must have knowledge of facts from which a reasonable person would arrive at the relevant knowledge. The UPC will have to develop its own interpretation of these terms.

Article 4(1) of Council Regulation No 1260/2012 (Translation Regulation) (TR) states that in the event of a dispute relating to an alleged infringement of a unitary patent, the proprietor must provide, at the request and the choice of the alleged infringer, a full translation of the unitary patent into an official language of either the participating member state in which the alleged infringement took place or the member state in which the alleged infringer is domiciled. Article 4(4) TR states that in the

Article 4 Translation Regulation Translation in the event of a dispute → see below

event of a dispute concerning a claim for damages, the UPC will assess and take into consideration, particularly where the alleged infringer is an SME, natural person, non-profit making organisation, university or public research organisation, whether the alleged infringer acted without knowing or without reasonable grounds for knowing that he was infringing a unitary patent before having been provided with the translation referred to in Article 4(1) TR.

Article 4 Translation Regulation Translation in the event of a dispute

(1) In the event of a dispute relating to an alleged infringement of a European patent with unitary effect, the patent proprietor shall provide at the request and the choice of an alleged infringer, a full translation of the European patent with unitary effect into an official language of either the participating Member State in which the alleged infringement took place or the Member State in which the alleged infringer is domiciled.

[...]

(4) In the event of a dispute concerning a claim for damages, the court hearing the dispute shall assess and take into consideration, in particular where the alleged infringer is a SME, a natural person or a non-profit organisation, a university or a public research organisation, whether the alleged infringer acted without knowing or without reasonable grounds for knowing, that he was infringing the European patent with unitary effect before having been provided with the translation referred to in paragraph 1.

Who has standing to sue?

According to Article 68(1) UPCA, the injured party may file a request for payment of damages. Article 47 UPC defines the parties that are entitled to bring actions before the UPC. They are the patent proprietor, the exclusive licensee (unless the licensing agreement provides otherwise and after giving prior notice to the patent proprietor), and the non-exclusive licensee in so far as expressly permitted by the licence agreement and after prior notice to the patent proprietor.

Calculation of damages

Article 68(3) UPCA distinguishes between two different ways of calculating the damages incurred by the infringing party. In the first, the UPC takes into account all appropriate aspects. In the second, it may set the damages as a lump sum (royalty).

Under the first method, the aspects which the UPC must take into account include:

- (i) the negative economic consequences, including lost profits, which the injured party has suffered,
- (ii) any unfair profits made by the infringer, and
- (iii) in appropriate cases, non-economic factors, such as the moral prejudice caused to the injured party by the infringement.

This method is useful for situations in which the injured party is in a position to prove its damages, for example because it could have made the infringer's sales.

In some UPC member states, a distinction is made between the remedies of damages on the one hand and an account of profits on the other. However, under Article 68(3) UPCA, the UPC may award unfair profits made by the infringer as damages to the injured party.

The UPC can only apply the second method “in appropriate cases”. Under this method, it may set the damages as a lump sum on the basis of elements such as “at least” the amount of the (reasonable) royalties or fees which would have been due if the infringer had requested authorisation to use the patent in question.

Recital 26 of the Enforcement Directive refers to the application of this alternative calculation method “for example where it would be difficult to determine the amount of the actual prejudice suffered” and that the aim is “to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research.”

Appropriate cases are cases where it may be relatively easy to set the royalty rate, where the patentee exploits the patent by licensing, or where the proprietor of a unitary patent has filed a statement with the European Patent Office (EPO) to the effect that it is prepared to allow any person to use the invention as a licensee in return for appropriate consideration under Article 8(1) UP Regulation.

Regulation (EU) No. 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection

Causal link

According to Article 68(1) UPCA, the UPC will order the infringer to pay damages suffered as a result of the infringement. With respect to the infringer's unfair profits, there must also exist a causal link between the patent infringement and the unfair profit made by the infringer. In practice, it may be difficult to establish the causal link. Thus, the infringer might be able to point to other factors that have increased profits, such as other IP rights (e.g. use of famous marks) that have not been infringed, or to the fact that the infringed patent only covers a small part of an infringing product, or that the infringing product also infringes other IP rights of third parties.

Innocent infringer

Article 68(4) UPCA explicitly states that if the infringer did not knowingly, or with reasonable grounds to know, engage in the infringing activity, the UPC may (still) order the recovery of profits or the payment of compensation. The basis for this provision is Article 13(2) Enforcement Directive, an optional provision which has not been implemented in all the EU member states.

Period of limitation

Article 72 UPCA states that, to the extent that the UPC does not apply national law, actions relating to all forms of financial compensation may not be brought more than five years after the date on which the applicant became aware, or had reasonable grounds to become aware, of the last fact justifying the action.

The plaintiff may also be ordered to pay the defendant compensation for injury caused by court measures wrongly imposed.

Articles 7(4) and 9(7) Enforcement Directive state that, where orders to preserve evidence or provisional measures, such as an interlocutory injunction or seizure or delivery up of the goods suspected of infringing a patent, are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the court may order the applicant, upon request of the defendant, to provide the defendant with appropriate compensation for any injury caused by those measures.

Article 7(4) Enforcement Directive

Where the measures to preserve evidence are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

Article 9(7) Enforcement Directive [...]

Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

Procedural issues

The UPC may only order the payment of damages or compensation if this has been requested. The amount of the damages may be stated in an order in the infringement proceedings or determined in separate proceedings after the infringement proceedings. In the latter case, the successful party must lodge an application for the determination of damages no later than one year from service of the final decision on the merits (including any final decision on appeal) on both infringement and validity. Applications may include a request for an order to lay open the defendant's books.