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Proposed structure of the Unified Patent Court  
Arwed Burrichter, Natalie Kirchhofer and Tobias Hoheisel  
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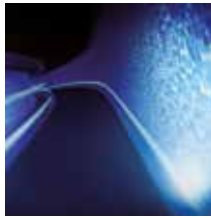
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# Proposed structure of the Unified Patent Court

By Arwed Burrichter, Natalie Kirchhofer and Tobias Hoheisel, Cohausz & Florack

The proposed Unified Patent Court (UPC) has long attracted the attention of both enthusiasts and critics. Whatever your opinion of the new system, now is the time to get acquainted with it: preparations for the UPC are in their final stages and legislators and organisational committees are working hard to ensure that the long-anticipated new system is fully operational by Spring 2017 at the latest. Given this momentum, it is unlikely that anything will stop the UPC from being established.

The UPC will have jurisdiction over not only the new unitary patent, but also traditional European patents that are currently enforceable only on a strictly national basis. The UPC will automatically affect every existing holder of a European patent that does not actively opt out of the system. Hence, a groundbreaking change in European patent litigation is on the horizon and users would be well advised to familiarise themselves with the UPC. This chapter summarises the nuts and bolts of the new system.

## Background

Enforcing European patents is currently a complex, fragmented and expensive enterprise. After grant, a European patent effectively becomes a bundle of national patents that are subject to the competence of the respective national courts regarding both infringement and invalidity. Parallel litigation of the same patent case in different countries often results in conflicting rulings. Further, unlike in the United States, no common appeals court exists to ensure uniformity in the law. As a result, many patentees decide to litigate their European patents in selected jurisdictions only, based on cost effectiveness and predictability. Germany is the venue of choice for more than two-thirds of all European patent litigation today. With the UPC, a single EU

patent court will be established, ensuring a more streamlined system and finally facilitating true pan-European patent enforcement and nullification. The new unitary patent will be a single right which can be enforced (and invalidated) only uniformly through a single action before the UPC.

At present, European patents are available for the 38 member states of the European Patent Organisation. Of these, only the 28 EU member states can participate in the new unitary patent/UPC system, which is founded on two EU regulations and the UPC Agreement. Thus, for non-EU member states such as Switzerland and Turkey, nothing will change. So far, all EU member states have signed the UPC Agreement except Spain, Poland and Croatia. For the UPC Agreement to come into force, it must be ratified by at least 13 EU member states, including Germany, France and the United Kingdom. Thus far, nine states have ratified: Austria, Belgium, Denmark, France, Luxembourg, Malta, Portugal, Sweden and Finland.

The UPC will have exclusive jurisdiction over the validity and enforcement of the new unitary patents and, subject to transitional provisions, existing European patents. Rulings of the UPC will have effect in the territories of participating EU member states. National patents will remain excluded from the competence of the UPC.

## Structure of the UPC

The UPC will comprise a court of first instance, a court of appeal and a registry. The court of first instance will comprise one central and several local and regional divisions (see Figure 1). The central division will primarily deal with standalone invalidity actions, whereas the local and regional

divisions are expected to handle the bulk of patent infringement actions, which may also include counterclaims of invalidity.

The local and regional divisions will be set up in participating member states at their discretion, with a maximum of four per country. Germany has already opted for local divisions in Dusseldorf, Mannheim, Munich and Hamburg.

Two or more contracting member states may set up a regional division. For example, Sweden, Lithuania, Latvia and Estonia have agreed to form a Nordic-Baltic division situated in Stockholm.

The central division will be divided territorially and by technical subject matter, with its headquarters in Paris (covering electrical engineering, among others) and branches in Munich (mechanical engineering) and London (chemistry and pharmaceuticals).

The UPC will also include a court of appeal in Luxembourg.

Like other EU member state courts, the UPC will have authority to refer questions of EU law to the European Court of Justice (ECJ) for a preliminary ruling. However, the UPC Agreement

was purposefully drafted as a purely international agreement, in order to minimise ECJ involvement.

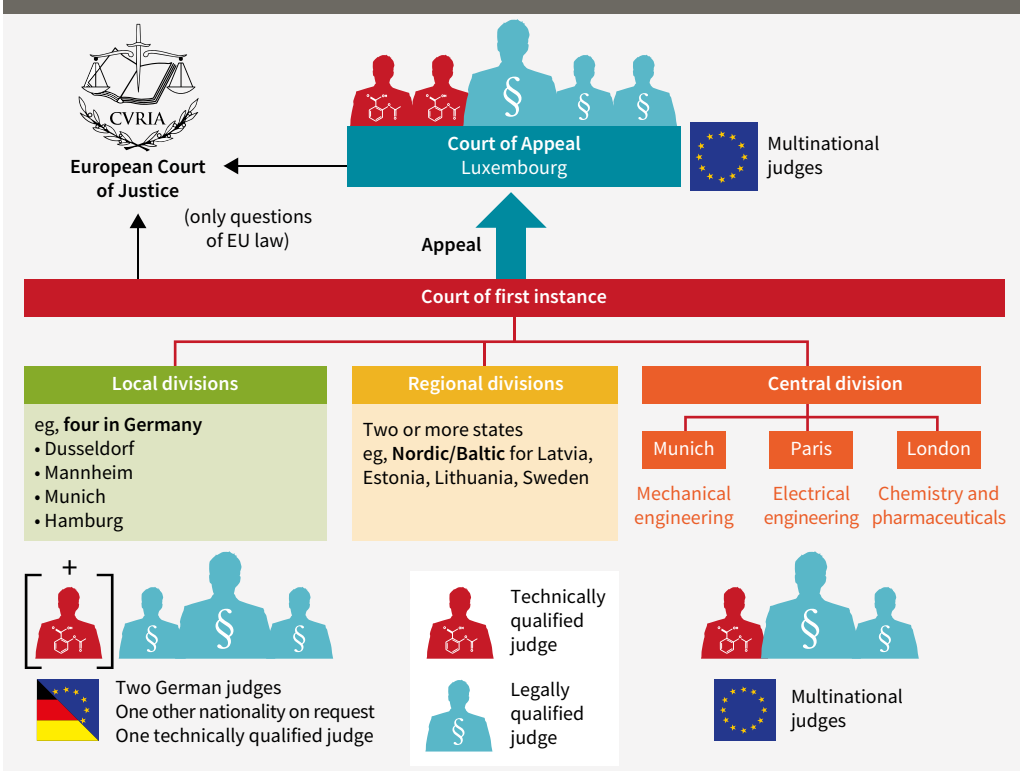
**Panel composition**

Since the central division is mainly concerned with revocation actions, its panels will usually comprise one technically qualified judge and two legally qualified judges. This follows the German tradition of having technically qualified judges hear revocation actions. The UPC’s technically qualified judges will be allocated from a central pool on a case-by-case basis.

All of the UPC’s panels will be multinational, with at least two of the three judges on the first-instance panels from different member states.

The panels of the local and regional divisions will consist of three legally qualified judges. For the regional divisions, two of these judges may be nationals of the region. For local divisions that hear fewer than 50 patent cases per year, only one of the three judges may be a national of the state in which the division is located. If the figure of 50 patent cases per year is exceeded – as is expected to be the case in Germany – two of the three judges may be nationals

**FIGURE 1.** Structure of the UPC



of that state (see Figure 1). This multinational set-up may help to provide training for judges from member states where little patent litigation takes place by more experienced foreign colleagues. Before the local and regional divisions, any party or the panel may request the allocation of a further technically qualified judge from the pool of judges (eg, in case a counterclaim for revocation is raised).

The panels of the court of appeal will comprise three legally qualified judges from different member states and two technically qualified judges.

### Division of competence and jurisdiction within the UPC

Besides infringement and revocation actions regarding European and unitary patents, the UPC will also hear cases concerning:

- damages or compensation derived from provisional protection by a European patent application;
- prior use rights;
- compensation for licences of unitary patents;
- decisions of the European Patent Office (EPO) carrying out administrative tasks for unitary patents; and
- motions for declaratory judgments of non-infringement.

Motions for declaratory judgments of non-infringement can be brought only before the central division, as with standalone revocation actions.

For infringement actions, the competent division is the local or regional division of the member state in which the infringement has occurred or the defendant has a place of business. Thus, in case of EU-wide infringement activities (eg, via internet offers), the plaintiff has considerable choice of venue. If the defendant has no place of business in a contracting member state, infringement actions may be brought before the central division.

Usually, if an infringement action is filed before a revocation action, the revocation action (if it concerns the same patent and parties) may not be brought before the central division; it may be brought only as a counterclaim before the local or regional division hearing the infringement action. The plaintiff has the choice of venue, opening up the possibility of forum shopping.

A local or regional division facing such a counterclaim for revocation can:

- request a technically qualified judge from the pool of judges and decide on both infringement and revocation;
- bifurcate by referring the revocation action to the central division and staying or continuing

the infringement action (this corresponds to the current German model); or

- refer both the infringement and the revocation to the central division, if the parties agree.

It will be interesting to see what trends emerge in local and regional divisions. Leading German patent judges have indicated that they do not necessarily intend to continue with the German bifurcation model when sitting on a UPC panel.

If the infringement action is filed after a central revocation action, the local or regional division may also proceed according to one of the three options outlined above.

### Language of proceedings

Each local or regional division may specify the language of the proceedings as either an official language of the state in which the division is located or one or more official languages of the EPO – English, French and German. For example, the language of proceedings before the Nordic-Baltic division will be English. Before the central division, the EPO official language in which the relevant patent was granted will be the default language of proceedings.

### Transition period for European patents

The UPC will be a game changer, generating patent litigation outcomes that are hard to predict. In particular, patentees will face the threat of a central revocation for the entire UPC territory. To acclimatise to the new system, owners of traditional European patents will have the chance to opt out of the exclusive jurisdiction of the UPC for a seven-year transition period, meaning they can test out the new system at their discretion. No opt-out will be possible for the new unitary patents. European patents for which an opt-out has been declared remain subject to the existing national litigation system. For these, it will be possible to opt back into the UPC system, provided that no national litigation is pending. Contrary to previous announcements, according to the most recent provisions the opt-out will be free of charge.

### Court fees and costs

The current draft on court fees limits the fee for revocation actions to a maximum of €20,000. Counterclaims for revocation will incur the same fee as the co-pending infringement action, also subject to the €20,000 limit. For other actions (eg, infringement, compensation, appeals and other counterclaims), the court fee is proposed to consist



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of a fixed fee and a value-based fee – the latter being subject to a limit of €220,000.

Besides court fees, the costs of attorney representation, experts and translations will contribute significantly to litigation expenses. Cost-shifting provisions will require the losing party to reimburse the prevailing party for its litigation expenses.

**Procedural aspects**

The latest 18th draft of the Rules of Procedure of the UPC Agreement contains 382 detailed regulations on procedures, formalities, electronic filing, time limits, fees and the content of actions brought before the UPC.

First-instance UPC proceedings are intended to be fast and will usually conclude with a one-day oral hearing approximately one year after the complaint has been filed. To this end, a front-loaded written procedure and an interim procedure will be implemented, with strict timeframes. During both, the judge-rapporteur (one of the legal judges on the panel) will be responsible for case management.

The written procedure will usually last eight to nine months and involve an exchange of two briefs from each side.

The interim procedure will be flexibly managed by the judge-rapporteur to prepare for the oral hearing. Among other things, an interim conference will allow him or her to issue orders to produce further documents and hold preparatory discussions with witnesses and experts in the presence of the parties. The interim conference will normally be a telephone or video conference and, like the oral hearing, will be recorded for future reference.

A one-day oral hearing before the first-instance division will usually conclude the proceedings. It will involve both attorney arguments and hearing of witnesses and experts, if applicable. In the absence of a confidentiality order issued by the UPC, the oral hearing will usually be public. It is envisioned that the UPC will hand down its final decision within six weeks of the oral hearing.

**Evidence and provisional measures**

Admissible evidence will include:

- documents;
- written and oral testimony of parties, experts and witnesses;
- inspection reports; and
- expert and experimental reports.



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Tobias Hoheisel graduated in chemistry and obtained a PhD in materials science from ETH Zurich. After his PhD, he worked as a postdoctoral researcher at Cornell University, United States, supported by a fellowship from the Swiss National Science Foundation. At Cohausz & Florack, Dr Hoheisel mainly works on issues relating to general chemistry and polymers.

The UPC will also have the power to order third parties to produce evidence and order measures to preserve evidence. Failure to comply with an order to produce evidence will be taken into account by the UPC when deciding on an issue. Attorney-client privilege and an attorney work-product doctrine will be in place to protect privileged communications. A discovery procedure similar to that in the United States is not currently envisioned.

Under the proposed system, an application for the procedure to preserve evidence (similar to the French *saisie-contrefaçon*) may be lodged before or after infringement proceedings on the merits have started. The evidence may be preserved – for example, by seizure of goods or materials, inspection by an expert or preservation of digital media and data, including the passwords necessary to access it. In urgent cases, the preservation order may also be issued *ex parte*.

Similar orders will also be available for inspection of potentially infringing products or a party's premises and freezing of assets. The UPC may also issue *ex parte* preliminary injunctions in urgent cases.

As a proactive defence mechanism, potential defendants will be able to file protective letters

against such preliminary measures with the UPC registry in the language of the patent.

### Representation

For the vast majority of UPC proceedings, including litigation, parties will need representation. Two types of representative will be admitted:

- lawyers authorised to practise before a court of a contracting member state; and
- European patent attorneys with an appropriate additional qualification (eg, a litigation certificate).

### Summary

The UPC represents a milestone in the development of a unified European patent system. The establishment of a court with jurisdiction over one of the largest economies in the world, with a population of close to 550 million and gross domestic product comparable to that of the United States, has been long awaited by practitioners and patentees alike. Having been shaped by different national views on patent litigation, stakeholder lobbying and various political agendas, the UPC Agreement contains many structural and procedural compromises. Nonetheless, the resulting product should establish a remarkably powerful and balanced legal system that is worth testing by future litigants.

The number of initial cases and the quality and predictability of initial decisions will determine the success or failure of the UPC system. The flexibility offered by the rules of procedure will give the individual local and regional divisions ample opportunities to develop their own local procedural practice and case law. No doubt, there will be competition among the individual local and regional divisions. Given the plaintiff's choice of venue, they will be incentivised to provide attractive and efficient proceedings and strong enforcement possibilities for patentees. The common court of appeal and the multiple nationalities represented on the panels will hopefully ensure a uniform application of the UPC Agreement. The dawn of the UPC heralds exciting times for litigants and legal practitioners alike. **iam**

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