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Unified Patent Court system in Europe  
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# *Patents in Europe*

## *2015/2016*

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Published by **iam**<sup>®</sup>

The IP Media Group 

# The proposed structure of the Unified Patent Court system in Europe

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The adoption of an agreement for the Unified Patent Court (UPC) marked a milestone in European patent history, ending a 50-year quest for a single court system for European patents. As preparation for the new court system proceeds rapidly, the vision has become a not-too-distant reality. This chapter takes a closer look how the new court is structured.

## Nature of the UPC

The UPC Agreement is part of the EU Council's compromise patent package and is open only to EU member states (which are a sub-group of the 38 member states to the European Patent Convention (EPC)). The agreement aims to address the problems associated with litigating bundles of European patents on a national basis by establishing a specialised patent court with exclusive jurisdiction over litigation relating to European patents and European patents with unitary effect (unitary patents). The agreement was opened for signature on February 19 2013 and so far all EU member states except Poland and Spain have signed it. The agreement will need to be ratified by at least 13 contracting states – including France, Germany and the United Kingdom – to enter into force. At the time of writing, Austria, Belgium, Denmark, France and Sweden have all ratified the UPC agreement. It is expected that ratification will be completed by the middle of 2015, at best, and that the UPC will be operative by then.

The UPC will be a court common to the contracting states and will thus be part of

their judicial system. It will have exclusive competence in respect of European patents and unitary patents, although there will be exceptions to this during the transition period. The UPC's rulings will have effect in the territory of those contracting states that have ratified the UPC Agreement. The UPC will have no jurisdiction over national patents.

## Structure of the UPC

An illustrative chart of the basic court structure and the composition of the panels is outlined in Figure 1 on the next page.

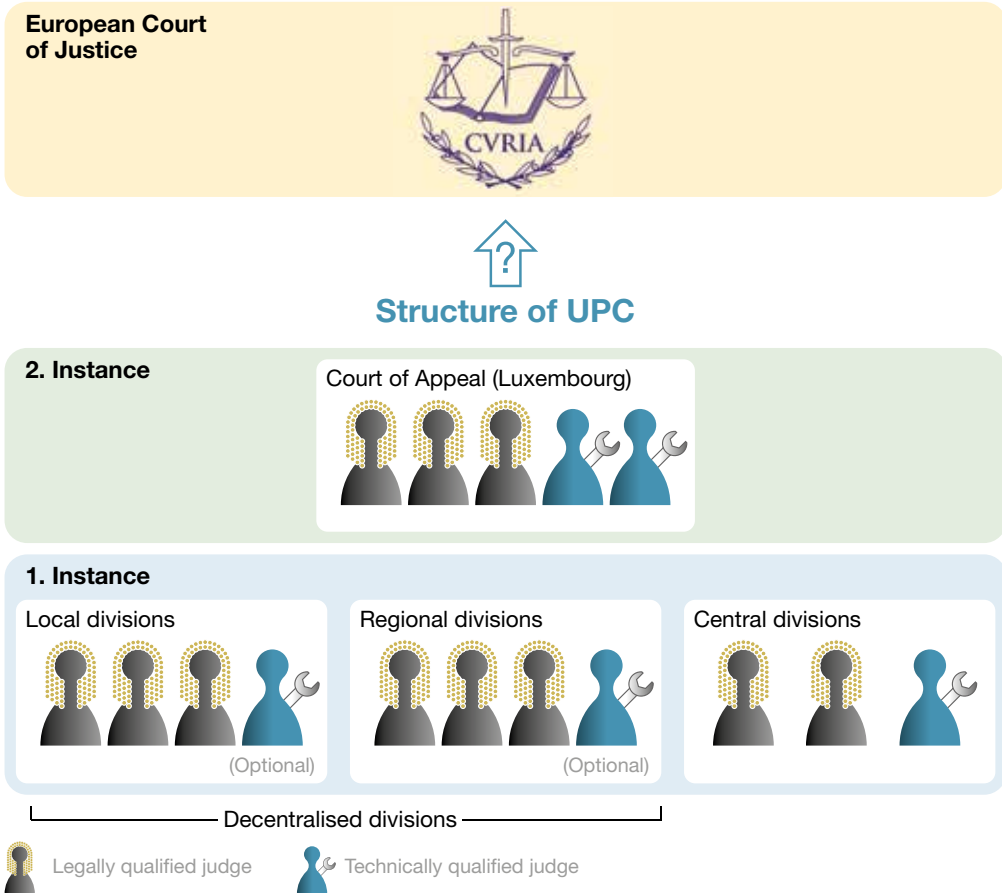
The UPC will consist of a court of first instance, a court of appeal and a registry.

The court of first instance will be made up of a central division and (decentralised) local or regional divisions.

The seat of the central division will be in Paris, with sections in London and Munich. The location of the central division was one of the most controversial political issues, which was finally resolved with this subsection compromise. The London section will hear cases related to Patent Classifications A and C (chemistry, including pharmaceuticals and human necessities). The Munich section will deal with cases related to Patent Classification F (mechanical engineering).

A local division may be set up in a contracting state upon its request; the contracting state hosting a local division shall designate its seat. There may be up to three additional local divisions in one contracting state for every 100 patent cases per year heard in that contracting state.

Figure 1. **New court structure**



Accordingly, Germany – in which more than two-thirds of all European patent cases take place – may request up to four local divisions (eg, Dusseldorf, Mannheim, Munich and Hamburg).

A regional division may be set up for two or more contracting states upon their request. This may hear cases in multiple locations. For example, the Scandinavian and Baltic contracting states (ie, Denmark, Finland, Sweden, Estonia, Latvia and Lithuania) may request a regional division.

The seat of the court of appeal will be in Luxembourg.

The role of the European Court of Justice

(ECJ) remains unclear. Although it is clear that the court of first instance and the court of appeal may refer questions to the ECJ, it is unclear whether this includes questions on patent infringement or solely questions on the interpretation of EU law.

**Panel composition**

UPC panels will have both legally and technically qualified judges from all over Europe. As technically qualified judges have proven their value in German patent nullity procedures, it comes as no surprise that the composition of panels in both the court of appeal and the central division will be similar

to that of the German Federal Patent Court in Munich.

Panels in the local/regional divisions will be made up of three legally qualified judges. In addition, it will be possible to appoint a technically qualified judge from a pool of judges, either on the request of one of the parties or on the panel's own initiative. Two of the three legally qualified judges must be nationals of the contracting state in which the division is set up if this state has 50 or more patent cases per year; otherwise, there need only be one judge from this state. This is designed to provide on-the-job training for the non-national judge from his or her (presumably) more experienced colleagues. This also applies to the regional divisions, with the proviso that two judges must always come from the region.

Panels in the central division will be made up of two legally qualified judges who are nationals of different contracting member states and one technically qualified judge with qualifications and experience in the relevant technological field. When hearing actions concerning certain EPO decisions, the panel is composed of three legally qualified judges.

Panels in the court of appeal will be made up of three legally qualified judges who are nationals of different contracting member states and two technically qualified judges with qualifications and experience in the relevant technological field.

### Language of proceedings

In the court of first instance the language of proceedings in the local/regional divisions will be the official language or one of the official languages of the contracting state hosting the local division or the official language(s) designated by the contracting states sharing a regional division. The language of proceedings in the central division will be the language in which the patent was granted.

However, it will be possible for contracting states to designate one or more of the official languages of the EPO (ie, English, German or French) in addition to or instead of the official language of the contracting state(s) as the language of proceedings of their local or regional division. It will also be possible

under certain conditions to change the language of proceedings of the local or regional division to the language of the patent.

The language of proceedings before the court of appeal will remain the same as in first-instance proceedings, unless the parties agree to use the language of the granted patent.

### Competence of the UPC

The UPC will have jurisdiction over both traditional European patents and unitary patents. The central division will have jurisdiction to hear independent actions for nullity, whereas patent infringement actions will be heard before local/regional divisions of the contracting state in which the infringement occurred or where the defendant is domiciled.

The local/regional divisions will be competent to hear:

- infringement actions;
- actions for damages or compensation for provisional protection conferred by a published patent application;
- actions for provisional and protective measures and injunctions; and
- actions relating to prior use rights.

The central division will be competent to hear:

- actions for declarations of non-infringement (although the central division will suspend the case if an infringement action related to the same patent between the same parties is initiated before a local or regional division);
- actions for revocation of a patent (including counterclaims for revocation referred by a local/regional division);
- actions for the grant or revocation of a compulsory licence;
- actions on compensation for licences; and
- actions against defendants domiciled outside the territory of the contracting states.

### Counterclaims for revocation – bifurcation

Where an infringement action is pending before the local/regional division and a

counterclaim for revocation of the patent at issue is made, the local/regional division will have three options:

- It may proceed with both the infringement action and counterclaim for revocation (and, if appropriate, request the appointment of a technically qualified judge with qualifications and experience in the field of technology concerned);
- It may refer the counterclaim for revocation to the central division and then either suspend or proceed with the infringement case (similar to the German bifurcation system); or
- It may refer the entire case to the central division, upon the parties' agreement.

The second option is referred to as bifurcating the questions of infringement and validity and is seen as critical, as it may result in a pan-European injunction for a patent which is later found invalid. As Germany has an established tradition of bifurcation, practitioners in other countries fear that the German local divisions will often bifurcate and hence be especially attractive to the main users of the system. However, according to indications from German judges, this fear is overrated – at least for the German local divisions.

### **Transition period for traditional European patents**

The UPC Agreement provides for a transition period to allow holders of traditional European patents (although not holders of unitary patents) to avoid the (untested) UPC in the beginning and increase acceptance by users of the EPC system. During the seven-year transition period, a holder of or applicant for a traditional European patent may opt out of the UPC's exclusive competence for infringement or revocation actions. Hence, national courts will have concurrent jurisdiction during this transition period. Unless an action has already been brought before a national court, holders of or applicants for traditional European patents that have opted out may withdraw their opt-out at any time (ie, they may opt in). There will be an administrative fee for registering the declaration, but it is not yet known how much this will be.

### **Court fees**

The actual amounts of court fees are not yet known. However, they will consist of a fixed fee and a value-based fee. Natural persons who are unable to meet the costs of the proceedings may apply for legal aid. Support measures for small and medium-sized enterprises are possible (and may be necessary).

### **Rules of procedure**

Although the UPC's rules of procedure are not yet fixed, its basic design is unlikely to change. The preparatory committee has now published the 16th draft of the comprehensive rules of procedure, which contains 382 rules.

The rules are designed to ensure that a first-instance decision is rendered after a one-day oral hearing within one year. To this end, the focus is on written procedures and the proceedings utilise a frontloading system (ie, the parties set out their full case as early as possible in the proceedings, with new facts and evidence usually precluded on appeal). However, there is flexibility for complex actions which may require more time and procedural steps. This ambitious timeframe will need strict case management by the court and the parties and includes setting up an electronic filing system.

The main stages of the proceedings before the court of first instance include the following.

### **Written procedure**

In this first stage, two briefs from each side are exchanged in electronic form, unless this is not possible for some reason, within a strict timeframe. The stage is conducted by the judge rapporteur, who may allow the timeframe to be extended. The written procedure should usually take between eight and nine months.

### **Interim procedure**

This stage is still conducted by the judge rapporteur. It is designed to prepare the case comprehensively for the oral hearing and to clarify the parties' position with respect to the main contested issues. To this end, the judge rapporteur may hold an interim conference,

which may take place via telephone or video. This stage should be completed within three months.

### Oral hearing

The judge rapporteur then summons the parties to the oral hearing and informs the presiding judge that the interim procedure is now closed. At this point the presiding judge takes over the case management. The oral hearing takes place before the panel and should be completed within one day. The decision on the merits of the case should be issued as soon as possible after the oral hearing; in exceptional cases it may be pronounced immediately after the oral hearing. The written and reasoned decision on the merits should be issued within six weeks of the oral hearing.

### Evidence

Any means of evidence (eg, documents, drawings, expert opinions, affidavits, prototypes and audio or videotapes) may be relied on in UPC proceedings. In addition, evidence may be obtained by hearing witnesses and party or court experts. The court may order a party to the proceedings to produce evidence. Such an order may be requested by a party which submits reasonable and plausible evidence to support its claims and specifies the evidence which is in the control of the other party. If a party fails to comply with an order to produce evidence, this will be taken into account in the court's decision.

The UPC may issue orders to preserve evidence, such as the inspection of physical objects or premises and the taking of samples. It may also order the seizure of allegedly infringing goods and the materials for producing such goods (so-called 'saisie' orders). Freezing orders are possible and, under particular circumstances, may be issued without hearing the defendant. However, pre-trial discovery such as that in the United States is not foreseen.

### Summary

While the unitary patent is effectively just another kind of European patent, the UPC agreement breaks new ground in establishing

the first pan-European patent court system. As such, it is hardly surprising that the UPC is the result of political compromises and, during the transition period, will add a further layer of complexity to the existing European patent system.

The UPC is a combination of established national litigation court systems, and provides for centralised and decentralised courts with multinational panels composed of legally and technically qualified judges, applying a balanced language regime. The procedural law which the courts will apply combines well-established traditions of different national jurisdictions and basically

## Contributing profiles



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Rainer K Kuhnen is a partner with renowned IP law firm Kuhnen & Wacker. He specialises in patent prosecution in the fields of electrical engineering/electronics, physics, information and computer technology and network technology. Mr Kuhnen has a master's degree in electrical engineering from the Technical University of Munich. He is a qualified German and European patent attorney, as well as a European trademark and design attorney, and holds an LLM degree in European IP law.

He is frequently invited to lecture on German and European patent practice, and has attended conferences and given presentations in several Asian countries and the United States. He is a member of numerous IP organisations.

provides for a frontloaded written procedure which should render a first-instance decision within one year.

Although the court fees are not yet fixed, it seems likely that the costs will be higher than in some existing national courts. However, it remains to be seen whether the UPC system will ultimately offer cheaper pan-European litigation.

The quality of the judges will be a key factor in the UPC's success or failure. While there is a training centre for the UPC in Budapest, experience is indispensable. It is unlikely that a high number of experienced judges who speak several languages will be available when the UPC opens for business. Moreover, if a mass opt-out deprives the UPC of cases, the judges will be unable to gain more experience.

There is a real risk of mass opt-outs, as owners of high-quality patents or owners of patents which do not need wide territorial

coverage will most probably choose not to risk being subject to a single-action revocation, but wait until the UPC has been sufficiently tested. It remains to be seen what effect such a slow start could have on this long-awaited forum. **iam**



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