

Rules that reflect different traditions

Some practitioners outside Germany have concerns about bifurcation. In a response to the previous article, **Adam Cooke** considers how it will work in practice in the UPC

1 MINUTE READ

Once the Unitary Patent and UPC come into effect (possibly next year), the patent litigation landscape will offer more options and be more complex, with various divisions in different countries. The so-called injunction gap and the possibility of bifurcation of cases led to much discussion during the drafting of the UPC Agreement and Rules of Procedure, which now provide three options for divisions of the Court in the event of a revocation counterclaim. The latest version of the Rules include provisions that address some of the concerns about bifurcation, which should ensure that its use to provide an undue advantage to patentees would effectively be removed, while preliminary injunctions would still be available. The Rules successfully synthesise the varied and widely differing litigation traditions of the UPCA countries, and a final version is keenly awaited.

The proposed Unitary Patent and Unified Patent Court (UPC) could well be available in Europe later next year, 2016. Initially, it will extend to at least 13 EU member states, including France, Germany and the UK. The introduction of a unitary patent and the UPC is a very exciting prospect. Somewhat paradoxically however the new patent litigation landscape in Europe will offer more options and be rather more complex than at present: three types of patent will be available: national patents, European bundle patents and the new Unitary Patent. Furthermore, during a transitional period of at least seven years, it will be possible to litigate European bundle patents not only before national courts but also before the UPC.

The UPC will consist of a central division with its seat in Paris and sections in London and Munich. The number of local divisions in any country will depend upon the historic number of patent cases in that country. This is not quite as straightforward as it may seem as in some countries such as Germany each patent is accorded a separate case, and infringement and validity are dealt with by separate courts. As a result, whereas in the UK an infringement and validity litigation involving say five patents would count as a single case, in Germany it would be counted as ten separate cases. Statistics as to the number of cases therefore have to be treated with some caution. Nonetheless, Germany will have four local divisions whereas England and Wales will only have one. But it will be a big one. And it will be located in London as this is where the specialist patent courts of England & Wales have always been situated.

The criteria for the grant of injunctions and the possibility of bifurcation of the assessment of infringement and validity have led to a lot of debate in the course of the drafting of both the UPC Agreement and the procedural Rules. The UPCA was

signed in 2013 and the Rules are now in their 17th and, in all likelihood, penultimate draft. In the case of permanent injunctions, industry has expressed particular concern as to the risk of pan-European injunctions being granted too readily to non-practising entities (or patent trolls). The focus of this article however is bifurcation.

Bifurcation concerns

Bifurcation is a hallmark of patent litigation in some countries, especially Germany and Austria and, further afield, China. For patentees, the possibility of infringement being decided separately from validity can be very attractive, as experience in Germany shows. All the more so if the infringement litigation proceeds on a faster track than any parallel validity proceedings. Where an unsophisticated defendant or one with few resources is faced with an injunction, it is more likely to capitulate than to endure the expense and delay of separate validity proceedings. This is good for patentees. But patentees aren't invariably claimants. If they are making or supplying products themselves they could equally be sued for infringement of third party patents, *viz* the concern in the high-tech sector about the grant of injunctions to NPEs.

In contrast to the practice in those few jurisdictions having a bifurcated system, in common law countries such as the UK the issues of infringement and validity are regarded as inextricably linked. The established view is that an invalid patent cannot be infringed. And there is no presumption of validity. This is not because the English judges do not have a high regard for the skill and expertise of the examiners in the EPO or the UK IP Office. It is because they recognise that the role of patent offices is to grant patents (and therefore examiners should give the benefit of the doubt to applicants) and that the time and resources available to examiners are limited compared to those available to litigants.

As to the latter, the UPC Rules of Procedure provide for the appointment of experts by the parties as well as by the UPC itself. In patent litigation in common law countries, experts appointed by the parties are usually individuals with deep academic and/or practical expertise in the technical field in question in the years leading up to and spanning the priority date of the patent in issue. Their evidence is usually therefore of great value to the court, especially when assessing validity even where the presiding judge is technically as well as legally qualified.

Bifurcation in the UPC

Under Article 33(3) UPCA, where a defendant in an infringement action before a local or regional division counterclaims for the revocation of the patent, the division may (a) proceed with both the claim and the counterclaim, (b) refer the counterclaim to the central division, or (c) with the parties' agreement, refer the entire case to the central division.

Bifurcation is therefore permitted under Article 33(3)(b). At first sight this may seem surprising to practitioners outside Germany and Austria. But the possibility of bifurcation caters for

situations such as where there are parallel litigations in respect of the same patent (European bundle or Unitary Patent) or where a regional division with less experienced judges wishes to take advantage of the experience of the judges of the central division. In the former case, bifurcation provides a mechanism for trying to ensure that the decisions made as to validity of the same patent are consistent with each other (as validity could be determined by the central division in such cases).

If, under Article 33(3)(b), the local or regional division bifurcates the proceedings by referring the counterclaim to the central division (in Munich, London or Paris depending upon the nature of the technology), it may either suspend or proceed with the infringement action. Under Rule 37.4, a stay of the infringement proceedings may continue until the central division has made a final decision in the revocation proceedings. But the local or regional division must stay the infringement proceedings where "there is a high likelihood that the relevant claims of the patent (or patents) will be held to be invalid on any ground by the final decision in the revocation procedure".

The 17th draft of the Rules includes some new provisions that were added to try to address concerns about bifurcation, namely the risk of an injunction being granted before the validity of the patent has been sufficiently assessed:

New Rule 37.5 states that where the local or regional division decides to refer the counterclaim to the central division but not to stay the infringement proceedings, "the judge-rapporteur of the regional or local division shall communicate to the central division the dates set for the interim conference and for the oral hearing..."

New Rule 40(b) requires proceedings before the central division to be accelerated where the regional or local division has referred the counterclaim for revocation to the central division but has not stayed the infringement action in the meantime. In such a situation, the judge-rapporteur of the panel of the central division "shall endeavor to set a date for the oral hearing on the revocation action prior to the date of the oral hearing of the infringement action".

New Rules 37.5 and 40(b) go a long way to resolving the potential unfairness of the so called injunction gap, that is the risk that an injunction could be granted in respect of an invalid patent. But the Rules would benefit from being refined further to ensure that the central division's decision on revocation is actually issued before the regional/local division's decision on infringement, and/or that an injunction should not be enforced until after the decision on validity or unless the patentee has provided suitable security (under Rule 352) to protect the alleged infringer in the event that the patent is subsequently revoked by the central division.

If the Rules were refined as above, the risk of bifurcation being used to provide an unfair advantage to patentees would effectively be removed. But patentees need not fear as preliminary injunctions and other provisional relief would still be available to protect them in the period before the main hearing (Article 62 UPCA). When deciding whether or not to grant a preliminary injunction, revised draft Rule 211 requires the court to be

satisfied “with a sufficient degree of certainty” that the patent in question is valid and infringed (or infringement is imminent). In addition, the court must (i) take account of the potential harm to either of the parties if a preliminary injunction were granted on the one hand or were not granted on the other; and (ii) take account of any unreasonable delay by the patentee in seeking a preliminary injunction.

Different litigation traditions

The Rules drafting committee has done an extraordinary job in successfully synthesising a comprehensive set of rules that reflect the varied and widely differing litigation traditions of the UPCA countries. The committee's last hurdle is to produce the final version of the Rules. It is keenly awaited.



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