

## Understanding the Unified Patent Court: The Next Rocket-Docket for Patent Owners?

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Much like Americans, Europeans are revising their patent laws to include a new litigation-style proceeding to determine patent validity and infringement. These proceedings will take place in the Unified Patent Court (UPC), which will be installed together with the unitary patent (UP), the latter allowing a single patent for nearly all of Europe. Such a revision will be the greatest change in European patent law since the establishment of the European Patent Office (EPO) in the 1970s. American patent practitioners need to understand how the new UPC will operate. Europeans can learn from the American experience of establishing the Patent Trial and Appeal Board (PTAB) at the United States Patent and Trademark Office (USPTO).

The upcoming UPC is based on an international treaty; however, only European Union (EU) member states can join. The UPC will be competent for infringement and validity of UPs and all European patents, including those issued prior to ratification. This article will only discuss validity procedures.

### Summary of the UPC System

There will be a number of courts of first instance from which patentees de facto can choose (forum shopping). Concerning patent litigation, all of them have the same competence.

These courts are divided into local chambers (one or more per country), regional chambers (e.g., Baltic states), and one central chamber (resident in Paris, London, and Munich). At this point, Germany may have four local chambers and France and Italy may have two local chambers, based on 2011 numbers; however, the two latter countries have announced that they probably will waive the right to have a second chamber.

The court of second instance (i.e., appeal) will be in Luxemburg. It is unclear whether the European Court of Justice will have any patent role in the future as currently in biotechnology.<sup>1</sup>

The UPC is a full litigation court and therefore can handle all issues raised in typical patent infringement suits. This differs importantly from PTAB proceedings within the USPTO, which only handles validity issues.

### **Post-Grant Procedures before the UPC**

The UPC has several post-grant procedures to invalidate patents or avoid patent litigation. Third parties<sup>2</sup> can file revocation actions against patents and supplementary protection certificates (SPCs),<sup>3</sup> which are similar to post-grant petitions in the PTAB. The UPC will also resolve declarations of noninfringement, which are similar to declaratory judgment actions of noninfringement filed in U.S. district courts.

In the UPC, potential infringers or interested third parties can file:

1. - Actions for revocation of patents;
2. Declarations of noninfringement; and
3. Counterclaims for revocation in infringement suits.

These first two, however, must be filed before the central chamber. For declarations of noninfringement, the patent owner can remove to a UPC chamber of choice within three months, if the patent owner files a patent litigation accordingly, and the declaration of noninfringement will be stayed.

Counterclaims will probably be the most common invalidation practice before the UPC. Accused infringers must, however, file counterclaims for revocation in their first reply, after receiving a statement of claim from the patent owner, with a three-month deadline. While the USPTO has several inter partes post-grant proceedings, they only concern either derivation (i.e., filing a patent application on an invention that is not yours) or patentability/validity—infringement is never an issue.

There is no time limit for filing a declaration of noninfringement or counterclaim for revocation. However, when a patent has lapsed, i.e., expired, the party filing the declaration or counterclaim must show a legitimate interest.

Any suit before the UPC is divided into three phases: the written procedure, the interim procedure, and the oral hearing. The UPC action is essentially a paper trial, and thus it is expected that it will largely follow today's German or EPO standards. This means:

- - Written evidence will play a pivotal role.
- - Expert declarations will be the exception, and expert testimony and cross-examination will be even more of an exception. The timeline for the action is relatively short, making it difficult to properly prepare an expert declaration. Furthermore, in Germany as well as the EPO, expert declarations are considered biased because they are filed by one party. In Germany, if an expert comes into play, it is ordered by the court, and this expert is considered neutral. The times that experts come into play are when the technology involved is based in pharmaceuticals or biotechnology.
- - The suit will focus on technical rather than on procedural questions.

Unlike the PTAB, the UPC has no page limits on its submissions. However, a practitioner would be wise to practice concise writing since “[e]ffective writing is concise writing.”<sup>4</sup> The PTAB and UPC both have strict deadlines and possibilities for the tribunal to dismiss submissions as untimely.

### **Written Procedure**

In the written procedure of the UPC, each side has the possibility to file submissions; however, they are within strict deadlines. Usually every side will have two submissions (including the first statement of the claim by the plaintiff).

While deadlines may be prolonged (also retroactive) by a single judge (the “judge-rapporteur”) handling the UPC action, this likely will not be a rule, rather an exception. The judge-rapporteur may also allow further submissions from the parties in the action. The procedure permits later evidence to be submitted upon approval of the UPC, but it is not clear how much additional evidence the UPC will allow in. The EPO, for example, will accept test results, but will not allow an expert to testify.

### **Interim Procedure**

The interim procedure of the UPC is where a judge-rapporteur sees the submissions and the evidence and prepares the oral hearing.

During the interim procedure, the judge-rapporteur looks at the case and, if necessary, asks the parties to clarify their submissions, file further evidence, etc. There may be an interim conference, which may be conducted by telephone. The interim conference has been considered by many crucial for the case, because here for the first time the court will dive deeply into the case, and it may be hard to change the court’s opinion in the later phase of the case.

If a counterclaim for revocation has been filed, the court, at the beginning of the interim procedure, will decide whether it will bifurcate proceedings. Bifurcation means that the revocation action is transferred to the central chamber. The infringement court can then also decide whether it will stay the proceedings and wait for the outcome of the revocation action, or it may continue the infringement action. If a patent owner files an infringement action in a national court and the accused infringer files a revocation action in the UPC, the national court may exercise discretion to stay the infringement action. This could result in possible *Fresenius*<sup>5</sup>-like issues. Several rule amendments were made to lower the possibility that the infringement action is decided before the revocation, and it is not very likely as more amendments to the rules occur. It is commonly believed that bifurcation will be a rare occurrence, and thus the court deciding the infringement issue will also decide validity.

### **Oral Hearing**

Oral hearings are intended to be one day in length. The hearings will likely follow the German style, i.e., the presiding judge will set the agenda and ask questions instead of the parties having room to fully argue their case. Although witnesses and experts may be heard, it is believed that this will be rather rare. This differs from U.S. practice in which the PTAB allows counsel to present arguments; however, it is similar to U.S. practice in that oral hearings rarely include live testimony. After the oral hearing, the

court will give its verdict, either directly after the hearing or, probably more often, in writing, as it is done in Germany. An appeal against the decision is possible. The deadline for the formal appeal notice is two months, with reasons (i.e., the brief) due in four months, as with the EPO today.

The appeal procedure follows the first instance, with the notable exception that only one submission per party is allowed. This means that the appeal brief of the appealing party is its only submission in the case. Decisions of the appeal court are final.

### **Comparison between Proceedings**

The table provides a comparison of the PTAB proceedings and the UPC revocation proceedings.

PTAB	UPC	
Petition	Article 32 Action for Revocation of a Patent <sup>6</sup>	
Patent Owner Preliminary Response (~3 months)		
Institution Decision (3 months)		
Patent Owner Response/Motion to Amend (~3 months)	Reply (without amendment, 2 months)	Application to Amend (2 months)
Petitioner Reply/Opposition to Motion to Amend (~3 months)	Counter-Reply (2 months)	Defense to Application to Amend (2 months)
Patent Owner Reply to Opposition to Motion to Amend (~2 months)	Rejoinder (1 month)	Reply to Defense to Amend (1 month)
		Rejoinder (1 month)
	Interim Procedure	
Oral Hearing	Oral Hearing	

The PTAB construes claims under the broadest reasonable interpretation (BRI) standard. The UPC construes claims under the eyes of the person skilled in the art, probably similar to current EPO practice.

The court fees associated with a UPC action depend on the value of the case and may go from €11,000 up to about €240,000 according to a proposal published by the Preparatory Committee. Similar as in Germany, it is intended to provide the prevailing side reimbursement for attorneys’ fees, which are also calculated by the value of the case. Here the maximum recoverable costs are—according to the same proposal—from €50,000 to €3,000,000. Costs will typically be on the low end—in Germany, usually 90 percent of all cases are within one to four times of the basic fee when it comes to cost.

Fees for filing and institution at the PTAB range from \$23,000 (inter partes review) to \$30,000 (post-grant review/covered business method patent review). Fees can further increase by hundreds to thousands of dollars when many claims are at issue. Sometimes petitioners will also need to file multiple petitions and pay multiple fees when there are many claims to challenge.

**Effects of These Proceedings**

America has seen a marked decrease in litigations being filed, though the cause could be attributed to a number of factors, including the establishment of post-grant proceedings and changes to 35 U.S.C. § 101 jurisprudence.

Interestingly, some fear the opposite outcome when the EU establishes the UPC. This is because patent owners will be able to sue for EU-wide infringement in a single court, rather than having to relitigate infringement in member states. Furthermore, it will then be possible to have a preliminary injunction that is effective in all UPC states (or the countries where the corresponding EP-patent is validated). On the other hand, patent owners must be aware that with the installment of the UPC it will be possible to revoke a patent in the UPC territory with a single procedure. Nevertheless, especially in view of the

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quick procedure and the expected reasonable costs, it is widely expected that the possibilities of the new court will be widely used and that there will be a shift toward the UPC as was the experience in Europe after the installment of the Office for Harmonization in the Internal Market (OHIM) in the field of trademarks and designs.

### Endnotes

1. See Directive 98/44/EC, of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions, 1998 O.J. (L 213) 13.
2. The third party can be an accused infringer, a competitor, or anyone interested in revoking the patent.
3. An SPC gives further protection in the pharmaceutical and agricultural fields and is the European equivalent (albeit a protective right on its own) to the extended protection available in the United States for patents in this area.
4. *Spaziano v. Singletary*, 36 F.3d 1028, 1031 n.2 (11th Cir. 1994).
5. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) (holding that cancellation of claims in reexamination moots nonfinal judgment of infringement).
6. It should be noted that in a revocation action, counterclaims for infringement also are possible. The procedure then becomes more complicated and will not be discussed here.