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Global Patent Litigation: A Case Study Approach

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Global Patent Litigation: A Case Study Approach

Introduction

This article takes a slice of life approach to the tactical basics of domestic and cross-border patent litigation. We first take a pass through the issues that a technology company client needs to consider in planning for patent litigation, whether offensive or defensive. We (a) address basic domestic (U.S.) strategy from both such perspectives, (b) trace the contours, the up- and downsides of litigating patents in leading foreign forums, and (c) discuss the demands of cross-border discovery and a handful of key hurdles many companies face in satisfying such obligations.

Rather than approaching these issues purely academically, we take a practical bent—using a case study as an organizational paradigm. A long-time friend and client is taking her maiden voyage into patent litigation, turning to her trusted counsel for advice on the array of issues she must consider. Although fictitious, the case facts provide a framework and context for the decisions the client must make and then implement. Because patent litigation is neither fast nor easy, this article scratches the surface and provides reference material across each of these topics. We hope you find it useful.

Arsenal v. Bayern: A Tale of Two Companies

It is Friday afternoon in the office, and I am readying for the weekend, checking the weather and the sports lineups. I hesitate to grab the ringing phone, as I might end up on what is all too often a long call. I pick up anyway.

“Hey, it’s Loren.” Loren is my college classmate and old friend. She is now general counsel of Arsenal, an up-and-coming multinational technology company. Arsenal’s innovative products have gained a solid foothold in international markets in recent years, but Arsenal now is facing stiff competition in the U.S., Europe, and Asia. Like any sophisticated technology company, Arsenal has steadily grown its worldwide patent portfolio, but so have its competitors.

Arsenal believes that several competitors are already gearing up to sue it for patent infringement. In particular, Bayern, a German firm that makes products competitive with Arsenal’s, has stronger patents in several key jurisdictions and is making noises in sales and marketing channels that
cause Arsenal to believe that Bayern is preparing for suit. Loren understands that a patent battle on multiple fronts may be unavoidable and is seriously concerned that the costs and burdens of protracted patent litigation would be as seriously impactful as the potential outcomes.

Loren asks for advice in formulating a coordinated patent litigation strategy that will best suit Arsenal's current situation and its core business objectives. I agree to advise.

**Overall Strategic Considerations**

Forum selection—choosing where to sue—is a critical threshold decision that structures an entire patent infringement campaign. In order to get good advice, Arsenal must first articulate its business hopes, goals, and aspirations. I can then define how patent litigation fits into that plan and allow for strategic choices as to forum, scope, manner, and a host of more granular decisions before we effectuate that plan.

Arsenal must act in those jurisdictions where the most harmful infringing activities are transpiring, incorporating a sense of the geographic reach and strength of Arsenal's patent portfolio. Each forum’s costs, procedures, speed, and available remedies must be considered carefully in defining a global strategy. Decisions on forum selection must also be tuned—strategies differ based on the nature of the technology at issue, product life cycles, and other material timing issues. It is likely pointless to seek to enjoin a product that will be obsolete in two years if the particular court on average takes four years to adjudicate the merits. And these are not academic timeframes; as discussed below, mapping out strategies for the next two, five, or even ten years is not uncommon.

**Domestic Offensive Strategy**

I explain to Loren that Arsenal must first focus on U.S. forums—the magnitude of the U.S. market cannot be avoided, explaining why so many foreign companies resolve their global patent disputes in U.S. courts. There is simply no substitute for the value of an injunction blocking a

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3 It may be possible to purchase patents relevant to aspects of a competitor’s product line, or useful in particular geographies, to augment Arsenal’s organically-grown patent portfolio. It is usually less expensive to purchase such patents before litigation than after, and there is a growing trend toward such offensive acquisitions. See Chris V. Nicholson, *Apple and Microsoft Beat Google for Nortel Patents*, N.Y. TIMES DEALBOOK (July 1, 2011), http://dealbook.nytimes.com/2011/07/01/apple-and-microsoft-beat-google-for-nortel-patents/; Quentin Hardy, *Google Buys Motorola for Patent Parts*, FORBES (8/15/2011), http://www.forbes.com/sites/quentinhardy/2011/08/15/google-buys-motorola-for-patent-parts/.
product from the entire U.S. market, reaching 300 million users in fifty states, and resulting from perhaps just one case. Contrast that scenario to the situation in Europe, where achieving a similar landscape change might require twenty separate suits in as many jurisdictions.

U.S. district courts, the traditional forum for domestic patent disputes, offer a number of advantages to patentees: low barriers to entry, broad discovery, the potential for significant damage awards, and injunctive relief.¹

¹ I describe for Loren the liberal notice pleading standards under the U.S. Federal Rules of Civil Procedure. In most cases, a plaintiff need only provide a short and plain statement of the facts giving rise to an allegation of infringement. The Rules do not require that one prove any facts, and the allegations can be amended liberally later in the case as new information comes to light. See, e.g., 1-1 FEDERAL LITIGATION GUIDE §§ 1.30 (" Plaintiffs are granted broad discretion to determine the structure of their actions."); 1.122 ("A district court must possess a substantial reason to deny a request for leave to amend."); c.f. 6 ROBERT A. MATTHEWS, JR., General Aspects of Notice Pleading in a Complaint, in ANNOTATED PATENT DIGEST § 39:1, 2 (2010); Richard Alan Kamprath, Patent Pleading After Iqbal: Using Infringement Contentions As A Guide, SMU SCI. & TECH. L. J. (2010).

Regardless of these forgiving notice pleading rules, the standards are receiving attention, including from the Supreme Court. See Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 557–58 (2007) (tightening pleading requirements and noting that "[t]he threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings."); See Ashcroft v. Iqbal, 556 U.S. 662, 686–87 (2009) (raising notice pleading requirements).

U.S. courts are also known for broad discovery. See, e.g., Hickman v. Taylor, 329 U.S. 495, 506 (1947) ("It is said that inquiry may be made under these rules, epitomized by Rule 26, as to any relevant matter which is not privileged; and since the discovery provisions are to be applied as broadly and liberally as possible."). New Litigation — Cost Data Underscores Financial Logic of Defensive Patent Litigation, RPX, http://www.rpxcorp.com/index.cfm?pageid=14&itemid=6 (last visited Jan. 3, 2014) ("After surveying approximately 430 attorneys involved in patent assertions with between $1 million and $25 million in potential damages at risk, the American Intellectual Property Law Association (AIPPLA) determined that, for a single defendant in a case with only one patent at issue, legal costs through the discovery phase alone are averaging $1.8 million in 2009, up from $1.6 million in 2007. Total costs for such cases—including all outside counsel, paralegals, travel, analytics, expert witnesses, etc.—are averaging $3.1 million in 2009, almost 20 percent higher than the average of $2.6 million two years ago.").

Damages awards in the U.S. are often large and nonlinear, though a recent analysis suggests that certain factors frequently inform the likely size of an infringement verdict. See Michael Mazzeo, Jonathan Hillel, & Samantha Zyontz, Explaining the "Unpredictable": An Empirical Analysis of Patent Infringement Awards, 35 INT'L REV. OF L. & Econ. 58 (August 2013) (describing the factors affecting patent infringement damages awards).

Remedies are, of course, material to the decision as to where to sue. It is axiomatic that a patentee in a competitor suit will seek both damages and an injunction. See eBay Inc. v. MercExchange, LLC, 547 U.S. 388, 391 (2006) (discussing factors courts must consider in deciding whether to grant injunctive relief in patent cases).
The choice of district(s) depends on the particular circumstances, but there are generally applicable presumptions. Patentees generally prefer a venue that is pro-plaintiff, such as where juries are more likely to make the material decisions (as opposed to bench trials) or where such decisions come quickly, creating sufficient in terrorem threat or weight to cause certain behaviors in logical defendants. Popular districts include the Eastern District of Texas, the District of Delaware, and so-called “rocket dockets” such as the Eastern District of Virginia or the Western District of Wisconsin.

Where the technology is complex and that complexity runs in one’s favor, a patentee should consider a forum featuring patent-savvy and often technically-sophisticated judges, such as

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5 In patent cases, pleading personal jurisdiction and venue is often straightforward. A simple allegation that infringing products or services were sold or used within the district is sufficient to satisfy these standards. 35 U.S.C. § 1400(b) (2012) (“Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”); VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1583–84 (Fed. Cir. 1990) (finding proper the assertion of patent infringement jurisdiction wherever a corporation is subject to personal jurisdiction).

6 See Mark A. Lemley, Where to File Your Patent Case, 38 AIPLA Q. J. 401, 403 (2010). This study found that, as of 2010, the average pendency time (including cases that settled) ranged from 0.56 years in the Western District of Wisconsin to 1.32 years in the Eastern District of Pennsylvania. The Eastern District of Virginia had an average pendency of 0.64 years. Average times to trial, which reflects timing for more significant cases, ranged from 0.67 years in the Western District of Wisconsin to 3.51 in the Eastern District of Wisconsin. Average times to trial in the Eastern District of Texas and the District of Delaware were 2.13 years and 2.03 years, respectively. Patentee win rates in the Eastern District of Texas and District of Delaware were 40.3% and 45.3%, respectively, while the percentages of their cases that proceeded to trial were 8.0% and 11.8%, respectively.

7 See Twombly, 550 U.S. at 557–58 (quoting Dura Pharm., Inc. v. Broudo, 544 U.S. 336, 347 (2005)) (“The requirement of allegations suggesting an agreement serves the practical purpose of preventing a plaintiff with a largely groundless claim from taking up the time of a number of other people, with the right to do so representing an in terrorem increment of the settlement value. It is one thing to be cautious before dismissing an antitrust complaint in advance of discovery, but quite another to forget that proceeding to antitrust discovery can be expensive.” (internal quotation marks omitted)).

8 See Why East Texas Courts Are Back on “Top” For Patent Lawsuits, ARS TECHNICA, (Jan. 16, 2013 7:30 PM), http://arstechnica.com/tech-policy/2013/01/east-texas-courts-are-back-on-top-for-patent-lawsuits (“East Texas has other qualities that have made it perennially attractive to patent holders. Most importantly, defendants are very unlikely to win a case on summary judgment, as judges in the district are much more likely to find that it’s appropriate for juries to rule on patent issues. That dramatically raises the cost, and risk, for defendants.”)

9 See Associated Press, Virginia’s Rocket Docket for Patent Cases, LAW.COM (Sept. 28, 2011), http://www.law.com/jsf/awtechnologynews/PubArticleLTN.jsp?id=1202517003978&Virginias_Eastern_District_a_Rocket_Docket_for_Patent_Cases (“Patent cases in the district were resolved in less than eight months between 2000 and 2010. Defendants won thirty-two of the 373 patent cases filed during the period. Out of court settlements occurred in a vast majority of cases, according to a study authored by Mark Lemley.”).
those in the Northern District of California, which inspired the proliferation of patent local rules to most districts where patent suits are brought frequently.\textsuperscript{10}

I also remind Arsenal about the risk of transfer, whereby a defendant, in certain circumstances, can have a case transferred to a more favorable venue.\textsuperscript{11} In the current patent litigation environment, one must incorporate transfer risk into any venue calculus.

If one of Arsenal’s goals is to drive Bayern out of the U.S. market or to make such an entry more onerous, it must consider pursuing an administrative patent infringement proceeding against Bayern in the U.S. International Trade Commission (ITC).\textsuperscript{12} Such Section 337 investigations usually lead to a decision within twelve to eighteen months of initiation,\textsuperscript{13} and a finding of

\begin{quote}
\textit{Northern District of California Local Patent Rule 3-1 requires patentees to serve detailed infringement contentions explaining how an accused product infringes the asserted patent claims. Rule 3-2 requires a concomitant production of specific categories of documents that would generally be requested in a patent case such as documents relating to public use and sale of the invention. These documents must be produced without any document request; Rule 3-2 is effectively a mechanical court-ordered set of standard patent document requests. For a tabular summary of local patent rules see http://www.localpatentrules.com.}

\textit{In recent years, the Federal Circuit, which reviews transfer issues on appeal, has granted an unusually high number of petitions for \textit{mandamus}. In the last five years, as to cases in the Eastern District of Texas alone, the Federal Circuit has issued over a dozen writs of \textit{mandamus} requiring transfer. See, e.g., \textit{In re TOA Techs., Inc.}, No. 13-153, 2013 WL 5486763 (Fed. Cir. Oct. 3, 2013) (granting \textit{mandamus} and reviewing transfer factors).}

\textit{The ITC is “an independent, quasi-judicial Federal agency with broad investigative responsibilities on matters of trade.” \textit{About the USITC}, U.S. INT’L TRADE COMM’N, http://www.usitc.gov/press_room/about_usitc.htm (last visited Dec. 12, 2013). Section 337 of the Tariff Act of 1930 empowers the ITC to investigate and address unfair importation practices, including the importation of items that infringe a valid U.S. patent or that are made using an infringing process. 19 U.S.C. § 1337(a)(1)(B) (2012). An ITC investigation is an administrative proceeding overseen by an Administrative Law Judge pursuant to the adjudicative provisions of the Administrative Procedure Act. Answers to Frequently Asked Questions, U.S. INT’L TRADE COMM’N (Mar. 2009), http://www.usitc.gov/intellectual_property/documents/337_faqs.pdf, at 1–2. The proceeding is similar to federal district court litigation, but with the ITC’s Office of Unfair Import Investigations involved as a third party representing the public interest. Id. However, following any ITC determination that results in a finding of a violation, the President has the authority to reverse the finding on policy grounds. 19 U.S.C. § 1337(j)(2).}

\textit{The ITC must complete a proceeding “at the earliest practicable time.” 19 U.S.C. § 1337(b)(1). In recent years the average time to completion has ranged from 13.7 months in fiscal year 2011 to 18.4 months in fiscal year 2010. \textit{FY 2011 Highlights: USITC Sees Record Number of Intellectual Property Infringement Cases Filed}, U.S. INT’L TRADE COMM’N, http://www.usitc.gov/press_room/documents/featured_news/337_timeframes_article.htm (last visited Dec. 12, 2013). The procedural rules for an ITC proceeding help ensure the time to completion remains short. After a complaint is filed, the Commission has thirty days to decide whether to institute an investigation, 19 C.F.R. § 210.10 (2013). The complainant must also file any motion for temporary relief prior to the Commission making this determination, § 210.53, and the administrative law judge (ALJ) must decide on this motion within seventy days of publication of a notice of investigation in the Federal Register (120 days for complex cases). § 210.66. The respondent has only twenty days to serve a response to the complaint, § 210.13, and only ten}
\end{quote}
infringement may result in an exclusion order precluding altogether Bayern from importing its infringing goods into the U.S.  

The pace of an ITC case can work in Arsenal's favor, as it can prepare most of the case materials before filing the petition and place Bayern in a fire drill—that is, where the defendant is forced to concurrently develop expedited noninfringement theories, expedited prior art searches, and expedited discovery. A more subtle advantage is that the ITC proceeding can also cause a stay in any parallel district court litigation, including any counterclaims a defendant/respondent raises. This is not an automatic stay, and only one party has the right to request it—so in theory, the district court case could proceed in parallel. Bayern does, of course, have the option of instituting an ITC investigation against Arsenal, so it is in Arsenal's interest to consider carefully all options.

I also warn Arsenal of some potential downsides to moving into the ITC. First, an ITC case will be very costly upfront because it compresses a full patent case, which would normally last years,

days to respond to any written motions. § 210.15. Motions for summary adjudication can be made as early as twenty days after notice of institution of an investigation. § 210.18. Parties may begin seeking discovery as soon as the notice of investigation is published, §§ 210.28–.31, and the ITC has nationwide subpoena power. See § 210.32. See generally PETER S. MENELL ET AL., SECTION 337 PATENT INVESTIGATION MANAGEMENT GUIDE 1-4 to 1-5 (2012) (charting the typical investigation timeline).


15 Under 28 U.S.C. § 1659 (2012), a party in a district court case who is also an ITC respondent is entitled to a stay until the investigation terminates upon timely request.

16 A respondent may raise counterclaims in the response, but must immediately “file a notice of removal with a United States district court in which venue for any of the counterclaims raised by the party would exist.” 19 U.S.C. § 1337(c); see also 19 C.F.R. § 210.14 (2013). The respondent then has the option of requesting a stay of the district court action pending termination of the ITC investigation, which the district court must grant if the request is made within thirty days. See 28 U.S.C. § 1659.

17 According to survey data, the median costs incurred through the end of discovery in an ITC investigation range from $375,000 in cases where less than $1 million is at stake, to $1.25 million where $1 million to $25 million is at stake, to $3 million where more than $25 million is at stake. AMER. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2013 I-153 to I-160 (2013). By the time an investigation terminates, the median costs range from $550,000 to $5 million. Id. Fact and expert discovery typically finish within four to six months of the ITC instituting an investigation, which means a party in a high-stakes case could be spending roughly $750,000 per month during the early stages of an ITC investigation. See MARK LYON & SARAH PIEPMEIER, PRACTICAL LAW CO., ITC SECTION 337 INVESTIGATIONS: PATENT INFRINGEMENT CLAIMS 9 (2011), available at http://www.gibsondunn.com/publications/Documents/LyonPiepmeier-ITCSection337Investigations.pdf.
into the span of months (although Bayern will bear similar cost burdens in defense). Second, Arsenal must also investigate its ability to satisfy the domestic industry requirement, which limits the ITC’s reach only to actions in which a legitimate U.S. industry requires the protection of the Executive Branch. Arsenal expressed some initial concern about this requirement since it does not manufacture its products in the U.S. But based on recent cases, Arsenal’s U.S. research and development relating to patented products may satisfy the domestic industry hurdle. Finally, since the ITC does not award damages for infringement, Arsenal would need to consider filing a parallel district court action, perhaps in a slower forum, to recover damages.

### Domestic Defensive Strategy

Arsenal also needs a defensive strategy to ward off the anticipated patent infringement claims from Bayern. Of course, a defendant wants the converse of what a plaintiff wants: defendants generally prefer slower venues, opportunities for careful review of dispositive motions, and proceedings before judges. Under some circumstances, an accused party can seek declaratory

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18 Section 337 applies “only if an industry in the United States, relating to the articles protected by the patent . . . exists or is in the process of being established.” 19 U.S.C. § 1337(a)(2). This is typically described as the “domestic industry requirement.” See generally MENELL ET AL., supra note 13, at 14-8 to 14-14 (discussing the domestic industry requirement). The requirement can be satisfied by showing “significant investment in plant and equipment,” “significant employment of labor or capital,” or “substantial investment” in exploiting the patent, “including engineering, research and development, or licensing.” 19 U.S.C. § 1337(a)(3). This requirement no longer sets a high bar—even licensing activities, standing alone, typically satisfy the domestic industry requirement. InterDigital Commc’ns, LLC v. Int’l Trade Comm’n, 690 F.3d 1318, 1330 (Fed. Cir. 2012) (collecting ITC cases finding licensing activities sufficient). However, investment in litigation is not sufficient to satisfy the domestic industry requirement. See Motiva, LLC v. Int’l Trade Comm’n, 716 F.3d 596, 600–01 (Fed. Cir. 2013).

19 See Microsoft Corp. v. Int’l Trade Comm’n, 731 F.3d 1354, 1362 (Fed. Cir. 2013) (requiring evidence that the domestic company’s “substantial domestic investment—e.g., in research and development—relates to an actual article that practices the patent, regardless of whether or not that article is manufactured domestically or abroad”); InterDigital Commc’ns, LLC v. Int’l Trade Comm’n, 707 F.3d 1295, 1303 (Fed. Cir. 2013) (“Under the clear intent of Congress and the most natural reading of the 1988 amendment, section 337 makes relief available to a party that has a substantial investment in exploitation of a patent through either engineering, research and development, or licensing.”); MENELL ET AL., supra note 13, at 14-11 to 14-13.

20 See Lemley, supra note 6. Popular slow venues include the Northern District of California (average pendency 1.28 years), the District of Massachusetts (average pendency 1.29 years) and, somewhat surprisingly, the Eastern District of Texas (average pendency 1.24 years). Times to trial, which more accurately reflects timing in more significant cases, are 2.92 years and 2.66 years for the Northern District of California and the District of Massachusetts, respectively.
judgment in a district court of its choice, asking the court to declare a patent invalid or not infringed.\textsuperscript{21}

Before one can sue for declaratory judgment, however, the patent owner must take some affirmative step to create an “actual controversy.”\textsuperscript{22} Such actions can include demand letters suggesting that Arsenal’s activities infringed Bayern patents or suggesting that Arsenal needs a license to continue with its current business activities.\textsuperscript{23} Before filing a declaratory judgment action, one must also consider whether the patent holder can make a compelling argument for transfer to its chosen forum, thus negating any potential forum selection advantages of the declaratory judgment action.\textsuperscript{24}

In the U.S., Arsenal also has the option of choosing from a number of defensive procedures available in the U.S. Patent and Trademark Office (PTO), in which the PTO administratively revisits the validity of patents at issue. The implementation of the America Invents Act (AIA) has radically increased the number of such procedures available. \textit{Ex parte} reexaminations, available since 1981, remain available under the AIA.\textsuperscript{25}

\begin{footnotesize}
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\item 21 A declaratory judgment action in federal court arises under 28 U.S.C. § 2201 (2012), which permits a court to “declare the rights and other legal relations of any interested party.” Such a declaration has the force and effect of a final judgment or decree. \textit{Id.}
\item 22 A federal court has declaratory judgment jurisdiction only over “case[s] of actual controversy.” 28 U.S.C. § 2201. The Supreme Court interpreted this jurisdictional requirement broadly. \textit{See MedImmune, Inc. v. Genentech, Inc.}, 549 U.S. 118, 137 (2006) (holding that a licensee is not required to terminate or materially breach its license agreement before bring a declaratory judgment action for noninfringement or invalidity).
\item 23 Whether a demand letter triggers declaratory judgment must be assessed on a case-by-case basis. A demand letter that contains a specific allegation of patent infringement or a specific demand for licensing fees will likely trigger declaratory judgment jurisdiction. \textit{See, e.g., Sony Elecs., Inc. v. Guardian Medial Tech.}, 497 F.3d 1271 (Fed. Cir. 2007). Nevertheless, a demand letter must typically also place the recipient on actual notice of the patent for purposes of accruing damages. Actual notice is given when the recipient is: (1) informed of the existence of the patent; (2) informed of the activity that is believed to be infringing; and (3) the notice is accompanied by a request to abate the infringing activity. \textit{SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.}, 127 F.3d 1462, 1470 (Fed. Cir. 1997). Thus, meeting the actual notice requirement while avoiding triggering declaratory judgment jurisdiction can mean walking a fine line for the patent holder.
\item 24 \textit{See} discussion \textit{supra} note 6.
\item 25 \textit{See} 35 U.S.C. §§ 301–307 (2012). \textit{Ex parte} reexaminations allow any party to raise invalidity arguments based on prior art references. They are inexpensive and offer the requester anonymity, but often take more than two years to complete. Note that the AIA eliminated \textit{inter parte} reexamination, replacing it with \textit{inter partes} review and post-grant review, as described below.
\end{itemize}
\end{footnotesize}
The new procedures under the AIA include *inter partes* reviews (IPR) and post-grant reviews (PGR). For Arsenal, the most attractive defensive option at the PTO may be an IPR, a proceeding before administrative law judges at the Patent Trials and Appeals Board (PTAB).

IPRs offer an alleged infringer (or a potential one) the ability to challenge patents without engaging in full-scale litigation in the courts, before a panel with significant technical and patent law expertise. IPRs are relatively fast, inexpensive, and do not afford reviewed patents a presumption of validity as district courts must do statutorily.

But IPRs also have some disadvantages. Unlike in a district court proceeding, one can only use prior art consisting of patents or printed publications to challenge patent validity in an IPR. Without equitable defenses such as inequitable conduct or laches, the patent has to be invalidated claim-by-claim. Also, any validity challenges raised (or which could have been raised) in an IPR cannot subsequently be raised in district court or in the ITC, so the challenger

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26 See 35 U.S.C. §§ 311–317 (2012). IPRs are unavailable until the later of (1) nine months from the patent’s issue or reissue date, or (2) the termination of an instituted PGR. 35 U.S.C. § 311(c). Furthermore, an IPR becomes unavailable after more than one year has passed since the petitioner was served with the patent infringement complaint, 35 U.S.C. § 315(b), or after the petitioner files a civil action challenging the validity of a claim of the patent. 35 U.S.C. § 315(a)(1). To institute an IPR, the petitioner must show a reasonable likelihood of prevailing on at least one claim challenged in the petition. 35 U.S.C. § 314(a).

27 See 35 U.S.C. §§ 321–329 (2012). PGRs, modeled after opposition proceedings in Europe, must be filed within nine months of the patent’s issue or reissue date. PGRs allow the requestor to raise any ground of invalidity, including those under 35 U.S.C. §§ 101 and 112. To institute a PGR, the requestor must show that it is more likely than not that at least one of the challenged claims is invalid. 35 U.S.C. § 324(a). (It is unclear whether this differs from the reasonable likelihood standard for instituting an IPR.) PGRs apply only to patents issued after March 16, 2013; as such, not many PGRs have been filed as of the date of this writing, but the authors expect that the numbers of PGRs will rise sharply in the coming years.

28 The AIA also introduced several additional procedures, such as a review procedure for covered business method patents and supplemental examination for a patent owner to cure potential inequitable conduct.

29 By statute, an IPR or PGR must be concluded within one year of institution (eighteen months for special cause). 35 U.S.C. §§ 316(a)(11), 326(a)(11).

30 An *inter partes* review costs $9,000 to file plus $200 for each claim over twenty; there is also a post-institution fee of $14,000 plus $400 for each claim over fifteen.

31 Juries often collapse the invalidity inquiry into a single analysis, finding an array of claims invalid or not based on asserted prior art. The PTO is more likely to engage in a disciplined claim-by-claim review.

32 See 35 U.S.C. § 315(e)(2). The estoppel provisions apply when a “final written decision” has been issued in an IPR/PGR, and precludes issues that petitioners raised or reasonably could have raised during the proceeding from being subsequently raised in district court, the ITC, or another PTO proceeding. There is some uncertainty regarding when estoppel is applicable. For example, it is currently unclear whether the estoppel provisions apply to claims raised by the petitioner, but not instituted by the PTAB. Another source of uncertainty is the scope of the “real
has to consider these estoppel effects and ensure that it has the best prior art at its disposal before filing such a challenge. Given these AIA provisions have been in effect for only one year, the district courts and Federal Circuit have not faced these estoppel issues, but the statutory language is tight, and the estoppel effects apply to all parties participating in the IPR.

From a tactical perspective, a well-timed IPR request can derail an opponent’s litigation schedule to yield an important tactical advantage. If Bayern had already sued Arsenal in district court, Arsenal’s best strategy may be to file for an IPR on the asserted patents and then seek a stay of Bayern’s case pending the outcome of the IPR. An IPR could take eighteen months or more to resolve, effectively stalling Bayern’s lawsuit while Arsenal’s offensive cases proceed. If Arsenal wins in the ITC or district court while Bayern’s case is bogged in the PTO, Bayern may be left without effective countermeasures.

**Effectively Using Foreign Forums**

Outside the U.S., Arsenal will need to consider the key foreign markets and largest economies, as reviewed below.

**Europe:** Patent rights in Europe are jurisdictional, forcing a patentee to sue separately in each country to enforce its rights across Europe. This will all change with the introduction of the European Union Unified Patent Court (UPC), which looks likely by 2017. Leading EU firm, Bardehle Pagenberg, has a comprehensive review of the UPC court at

party in interest” that the preclusive effect applies. The PTO has defined a “real party in interest” as one who “desired review of the patent,” which includes one who “funds and directs and controls an IPR . . . petition or proceeding.” 77 Fed. Reg. 48759 (Aug. 14, 2012).

33 District courts and the ITC have discretion to stay their proceedings pending resolution of parallel proceedings at the PTO, including IPRs and ex parte reexaminations. The factors that courts will consider in granting stays pending IPRs and PGRs have yet to develop, but will likely be similar to standards courts currently apply to stays pending ex parte reexaminations. Such factors include the time until decision, the state of the lawsuit, whether the PTO proceeding simplifies issues for trial, and whether there is undue prejudice to the non-moving party. See, e.g., *Achates Reference Publ’g, Inc. v. Symantec Corp.*, No. 2:11-cv-294 (E.D. Tex. Apr. 5, 2013) (granting stay pending IPR). Note that, while courts may be reluctant to grant stays for ex parte reexaminations because of their lack of a time limit, the fact that IPRs and PGRs must be resolved within eighteen months of institution favors stays. If a PGR or IPR petitioner later files a civil action challenging the validity of the patent, the civil action is automatically stayed unless the patent owner (1) moves the court to lift the stay, or (2) files a claim or counterclaim alleging the petitioner or real party in interest infringes the patent. 35 U.S.C. §§ 315(a)(2) and 325(a)(2).


In present pre-UPC practice, patentees focus on a few important forums such as Germany, France, Spain, Italy, and the Netherlands, with Germany being the most popular. In Germany, as in most civil law jurisdictions, infringement and validity are bifurcated into separate proceedings. Infringement actions are brought before the German District Courts, especially those in Dusseldorf and Mannheim, while invalidity (nullity) actions are brought before the Federal Patent Court in Munich.

German District Courts have a patentee-friendly reputation. German District Courts can reach an infringement decision in under a year, often before validity can be determined, giving the patentee a time window where the alleged infringer may be subject to an injunction without an invalidity defense. Bayern will almost certainly consider suing for infringement in Germany, if this dispute is truly of global proportion.

If Arsenal’s European patents are strong, one strategy is preemptive—suing Bayern in Germany before Bayern does so. German patent litigation is highly efficient and has an associated low lost. Despite Bayern’s home country advantage, a suit brought in Bayern’s home market can be highly distracting for the company, and an injunction issued there could have devastating effects.

If Arsenal’s European patents are weak, a strategy to forestall Bayern’s European offensive is deploying an “Italian Torpedo.” This is a request for a declaration of patent noninfringement in

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35 Nicolas van Zeebroeck et al., Patent Litigation Across Countries, EPIP, (Sept. 9, 2011), http://www.epip.eu/conferences/epip06/papers/Keynotes/Nicolas%20VAN%20ZEEBROECK.pdf; Michael Knospe, Strategies for Successful Patent Enforcement in Germany, ROYAL SOC’Y OF CHEM., available at http://www.rsc.org/images/Michael_Knospe_tcm18-236901.pdf (finding that 1250 patent infringement suits were filed in Germany in 2011; in comparison, the number of patent infringement suits filed in France, Italy, U.K., and the Netherlands in 2011 were 280, 260, 53, and 50, respectively).

36 In the Dusseldorf District Court, where 38% of German patent cases were held in 2011, a sampling of cases from 2006 to 2010 showed that patentees won on infringement in 63% of cases. Knospe, supra note 35.

37 The German District Court has discretion to stay infringement proceedings if a revocation proceeding has been instituted, but the standard is high. A stay of a first instance infringement proceeding is appropriate only where it is “highly likely that the patent in suit will be cancelled or annulled in the validity proceedings.” Id. (citing Federal Court, GRUR 1987, 284).

Italy, which has the effect of giving Italy exclusive jurisdiction in Europe to decide matters relating to the patent.\textsuperscript{39}

Significant delays in most Italian courts will, regardless of the merits, “sink” the patentee by preventing it from suing in a faster European forum. Delaying Bayern’s case in Europe gives Arsenal the opportunity to win in other forums first, and then use these victories to leverage a favorable settlement in Europe.

\textit{China:} Despite China’s reputation for not effectively enforcing IP rights, Arsenal would be remiss to dismiss Chinese enforcement options. China has made significant efforts to curtail patent infringement, designating courts at multiple tiers to hear patent infringement cases.\textsuperscript{40} In China, as in many foreign jurisdictions, validity issues are bifurcated from infringement proceedings.

One can challenge validity in China before the Patent Reexamination Board, and the court that determines infringement may stay its proceedings pending the outcome of the Reexamination Board.\textsuperscript{41} Chinese patent infringement cases are tried relatively quickly from a U.S. perspective; first instance cases must be concluded within six months after the court accepts a case, and second instance cases (\textit{i.e.}, appeals) must be concluded within three months.\textsuperscript{42}

\begin{footnotesize}
\begin{itemize}
\item[40] First instance patent cases are usually brought before the intermediate People’s Courts. In some cases, China's Supreme People’s Court may also designate certain basic level courts to hear first instance patent cases. If the amount in controversy is high or if the case potentially has significant impact, the provincial or autonomous municipality high courts may become the first instance courts for hearing such patent cases. The superior courts directly above the first instance courts hear appeals of such cases. According to a 2012 White Paper on Intellectual Property Protection that the Supreme People’s Court released in April 2013, there are eighty-four intermediate courts and six basic level courts with jurisdiction over first instance patent disputes. Including the thirty-one high courts and the Supreme People’s Court, there are a total of 122 courts with jurisdiction over patent disputes in China. The number of patent cases in China is growing rapidly, with 9680 first instance cases filed in 2012 (a 23.8\% increase over 2011). See \textit{Chinese Courts Judicial Protection on Intellectual Property (2012)}, SUP. PEOPLE’S COURT OF THE PEOPLE'S REP. OF CHINA (2013-04-22 12:05), http://www.chinacourt.org/article/detail/2013/04/id/949841.shtml.
\item[41] Chinese courts typically will not stay a lawsuit for reexamination of Chinese invention patents. Courts are more likely to stay for reexamination of utility model or design patents, since neither is examined substantively before being granted.
\item[42] See Civil Procedure Law of the People’s Republic of China (promulgated by the Nat’l People’s Cong., Apr. 9, 1991, effective the same day; First Amendment issued on Oct. 28, 2007, effective April 1, 2008; and Second Amendment issued on Aug. 31, 2012, effective 2013), arts. 149, 176, 270. Note, however, that these time limits are inapplicable when the case involves a foreign party.
\end{itemize}
\end{footnotesize}
Litigating a patent case in China comes with a number of procedural hurdles. Chinese civil procedure laws do not provide for U.S.-style discovery. It is often critical to take steps to investigate privately and to preserve evidence. Under Chinese patent law, if a patentee has some evidence to show that another is infringing or will soon infringe, and such action will cause irreparable harm, the patentee can ask the court to “adopt measures for ordering the suspension of relevant acts and the preservation of property.” Under circumstances where evidence could be lost or will be difficult to obtain afterwards, a patentee may apply to a people’s court for evidence preservation before initiating legal proceedings. Such evidence preservation can be filed simultaneously when filing for a preliminary injunction, or can be filed separately without filing a preliminary injunction request.

While remedies for patent infringement may be limited, in some cases they may help further Arsenal’s business goals. Damages for patent infringement are calculated in ways similar to the U.S.: according to losses the patent owner has suffered, profits the infringer has earned, or according to reasonable royalties under similar circumstances. However, when the above approaches are “not possible” there is a statutory damages limit of RMB 1,000,000 (approximately USD $154,000).

Unlike the situation in the U.S., obtaining large (or even reasonable) damage awards in China is difficult. Although top damage awards can be significant, one must bear in mind that the goal of patent enforcement in China may be to secure injunctive relief instead.

In practice, if there is a foreign party involved in the suit, the first instance proceeding often takes one year or longer.


45 Id. art. 67.

46 Id. art. 65.

47 China’s largest patent verdict to date involves a utility model patent. See Chint v. Schneider Elec., Wenzhou Intermediate People’s Court (2007) (awarding patentee Chint RMB 330 million (USD $48.5 million); after two years, the parties settled for USD $23 million). Chris Neumeyer, China’s Great Leap Forward in Patents, IPWATCHDOG (Apr. 4, 2013)
Japan: In Japan, the first instance patent and utility-model litigations are heard in the Tokyo and Osaka District Courts, and patent appeals are heard in the IP High Court. These patent courts have significant technical expertise. Patent validity is generally bifurcated into separate proceedings at the Japan Patent Office. Patent litigation in Japan is relatively fast and inexpensive compared to the U.S. Patent cases in Japan are generally resolved within 18 months in the first instance, and within 9 months on appeal. Costs for a patent case in Japan through appeal are usually under USD $1 million. Despite these advantages in speed and cost and the economic importance of the Japanese market, Japan has developed a reputation as an unfavorable venue for patentees. In recent years, non-Chinese companies routinely under-appreciate and under-utilize China's utility model patents, which are not substantively examined.


The Japan IP High Court, established in 2005, is a special branch of the Tokyo High Court. The IP High Court hears appeals from district court patent and utility-model cases, appeals from decisions by the Japan Patent Office, and other civil and administrative cases requiring expertise on intellectual property matters. Law for Establishing the IP High Court, art. 2, translated at http://www.wipo.int/wipolex/en/text.jsp?file_id=187361.

The intellectual property divisions of the Tokyo and Osaka district courts are staffed with technical judges (Saibansho Chōsakan), typically from the JPO. Courts may have technical experts whom the Supreme Court of Japan appoints (Senmon Iin), who give the courts or parties neutral technical advice about a specific case. David W. Hill & Shinichi Murata, Patent Litigation in Japan, 1 AKRON INTELL. PROP. J. 141, 151-52 (2007).

An invalidity action may be filed in the JPO or the IP High Court. TOKKYO HÔ, Law No. 47 of 2003, arts.123(1),178(1), translated at http://www.cas.go.jp/jp/seisaku/hourei/data/PA.pdf. A court may stay a patent infringement proceeding pending the outcome of an invalidity action. Id. art.168(2). Since 2000, an accused infringer may assert patent invalidity as a defense in court proceedings. Texas Instruments v. Fujitsu Corp., H-10(o)364 (Sup. Ct., 2000), MINSHU, vol. 54, No. 4, 1368; see also Hill & Murata, supra note 50.

In 2012, the average pendency for first instance IP cases was 15.7 months, the average pendency for IP appeals was 7.1 months, and the average pendency for JPO invalidity proceedings was 8.0 months. These pendency times have held roughly steady over the past three years. Statistics, INTELL. PROP. HIGH CT., http://www.ip.courts.go.jp/documents/statistics/stat_03/index.html.

A 2010 estimate of a district court proceeding and a JPO invalidation proceeding, plus appeals at the IP High Court for both, is between USD $300,000 to $1,000,000. Masahiro Samejima, Is Japan a Hostile Environment for Patents? INTELL. ASSET MGMT. 88 (Jan./Feb. 2010).
years patentees have won fewer than one-in-three cases.\textsuperscript{54} Arsenal should probably avoid initiating suit in Japan absent other strategic reasons for doing so.

\textbf{Korea:} Korean patent litigation is strictly bifurcated. Civil actions for patent infringement are held at the District Courts and appealed to the High Courts. Patent invalidity proceedings are held at the Korean Intellectual Property Tribunal (KIPT) and appealed to the Patent Court.\textsuperscript{55} These proceedings usually run in parallel, and the decisions of both the High Courts and the Patent Court may be finally appealed to the Korean Supreme Court.\textsuperscript{56} Despite low pendency times,\textsuperscript{57} Korean tribunals are generally unfavorable to patentees.\textsuperscript{58}

\textbf{India:} While patent litigation in India is still in its infancy,\textsuperscript{59} the 2005 implementation of the third amendment to India’s Patents Act has led to a number of well-known patent disputes, particularly in the areas of food, chemicals, and pharmaceuticals.\textsuperscript{60} A patent infringement dispute in India is

\textsuperscript{54} For example, in 2011, patentees won only 31\% of first instance cases (11/35) decided on the merits. Patentees fared slightly better on appeal, winning 47\% of cases (8/17). \textit{See President Column, NRI CYBER PAT. CORP.} (Mar. 16, 2012), http://www.patent.ne.jp/company/column/20120316.html.


\textsuperscript{57} The average pendency times to judgment for first-, second-, and third-instance patent infringement actions are 17.2 months, 12.8 months, and 10.7 months, respectively, as measured over cases where the court rendered judgments between January 1, 2000 and June 30, 2009. Data courtesy of Samuel Sungmok Lee, Yulchon (Nov. 27, 2013) (citing KOREA INST. OF INTELL. PROP., \textit{STUDY ON INFRINGEMENT ACTIONS TO PROMOTE DEVELOPMENT OF THE PATENT-RELATED JUDICIAL SYSTEM} 133 (Sept. 2009)).

\textsuperscript{58} Depending on the district court, patentee first-instance win rates are typically around 30 to 40\%-percent. Lee, supra note 57. The KIPT is also much more likely to invalidate patents than to uphold them. For example, in 2012, the KIPT accepted 405 invalidation requests and rejected 207; an additional 165 requests were dismissed or withdrawn. KOREAN INTELL. PROP. OFF., \textit{ANNUAL REPORT 2012} 78–9, available at http://www.kipo.go.kr/upload/en/download/annualreport_2012_10.pdf.

\textsuperscript{59} 29 patent litigations were filed in India in 2009, representing a steady increase since 2006 (when 7 cases were filed). Resham Jain, \textit{Patent Disputes – Arbitrating All the Way! LAWYERS CLUB INDIA} (Sept. 30, 2013), http://www.lawyersclubindia.com/articles/Patent-Disputes-Arbitrating-All-The-Way--5698.asp#.UoNHjPiBMXs (citing BHOLA RAVI, PATENT PROCUREMENT AND ENFORCEMENT IN INDIA (2012)).

\textsuperscript{60} \textit{See, e.g.}, \textit{See} Rama Lakshmi, \textit{India Rejects Novartis Drug Patent}, \textit{WASHINGTON POST} (April 1, 2013), http://www.washingtonpost.com/world/asia_pacific/india-rejects-novartis-drug-patent/2013/04/01/bf5f13de-9ab6-11e2-9219-51eb8387e8f1_story.html (discussing Indian courts
initiated at the District Court and can be appealed to the High Court and subsequently to the Supreme Court. In India, only the High Courts have simultaneous jurisdiction over both infringement and invalidity matters. The High Court delegates adjudication powers over patent appeals and patent revocation to the Intellectual Property Appellate Board (IPAB). Given the growing importance of the Indian economy in the overall global economy, patent litigation in India will continue to rise, and India patent litigation strategy will be increasingly integral.

Australia: In Australia, patent litigation is conducted almost exclusively in the Federal Court of Australia, which has jurisdiction over both patent infringement and patent revocation actions. Before filing a formal patent infringement pleading, a patentee must first send the alleged infringer a formal Letter Before Action, setting forth the infringing activity and demanding that it cease infringement. Where the patent owner can make a prima facie case of infringement, the court may grant preliminary discovery to allow it an opportunity to find additional facts supporting infringement. As an alternative to commencing an action by pleading, a patentee can seek an immediate interlocutory injunction against the infringing product or activity. Little empirical data

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63 The IPAB, headquartered at Chennai, was created under the 2002 Amendment to the Patent Act; the High Court transferred all patent appeals to the IPAB in 2007. While the IPAB has exclusive jurisdiction to adjudicate appeals arising from a district court decision, the High Court retains jurisdiction over counter-claims in patent infringement suits. Id.
64 The Court’s Jurisdiction, FED. CT. OF AUSTRALIA (Apr. 2013), http://www.fedcourt.gov.au/about/jurisdiction. While the Federal Court shares first instance jurisdiction over patent cases with the Supreme Courts of the States and Territories, in practice the latter have ceded their expertise to the Federal Court since the 1970s. Patent appeals are heard before a panel of three judges of the Federal Court. Id.
65 Data courtesy of Mark Vincent & Paul Harrison, Shelston IP (Nov. 11, 2013). A Letter Before Action should be sent only after a detailed examination of facts supporting a finding of infringement. If the patent owner subsequently decides against bring suit, the alleged infringer can sue for groundless threat of infringement. Id.
66 Id.
67 For an interlocutory injunction, a patentee must provide evidence justifying the urgency of the application. Similar to the bond requirement for preliminary injunctions in the U.S., the patentee must also provide an “undertaking as to damages,” allowing reimbursement to the alleged infringer for any losses suffered because of the injunction. Id.
is currently available on Australian patent litigation; an older study found that the patentee win rate is roughly 38 percent.68,69

Canada: Patent litigation in Canada is similar to that in the U.S. in many ways, keeping the following key differences in mind. Most patent cases in Canada are tried before a single judge of the Canadian Federal Court, and appeals are before the Federal Court of Appeal.70 Canadian Federal Courts have no juries.71 The Federal Court does not hold a separate pre-trial claim construction hearing; rather, claim construction is decided as part of the overall decision on the merits.72 Without a pre-trial claim construction ruling, judges are reluctant to grant summary judgment.73 Canada does not have U.S.-style depositions. Instead, questioning of each party is limited to one individual selected as a representative of that party, who is informed of the relevant information, and there is no opportunity to examine adverse expert witnesses before trial.74 While few patent cases are filed in Canada compared to the U.S., damage awards for patent

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68 Kimbeerle G. Weatherall & Paul H. Jensen, An Empirical Investigation Into Patent Enforcement in Australia Courts, 33 FED. L. REV. 239 (2005). This study of 50 patent cases between 1997 and 2003 that proceeded through judgment found that, through appeal, patentees succeeded on infringement allegations 55% of the time, on validity determinations 58% of the time, and both 38% of the time. Mean pendency was 1000 days for first instance and 419 days for appeals.


72 Patents in Canada are subject to “purposive constructions,” similar to practice in the U.K. Purposive claim construction involves reading the claims and specification and then separating essential from non-essential claim elements based on the intent and purposes of the inventor, as viewed in light of the level or ordinary skill in the art. This process usually excludes extrinsic evidence and the prosecution history. The result is that patents tend to be construed more broadly than in the U.S. See Shaughnessy & Bernstein, supra note 71.

73 See Bobker, supra note 71.

74 Id.
infringement can be significant, and Arsenal should consider Canada if Bayern is infringing Arsenal’s Canadian patents and impacting business there.

Brazil: Comprehensive patent laws were introduced in Brazil only in 1996, and Brazil is thus a relatively young forum for patent litigation. In Brazil, state courts decide infringement actions, while the federal courts hear actions involving the Brazilian Patent Office (e.g., appeals of nullity actions). There is little empirical data available about Brazilian patent litigation. An analysis of 64 cases filed in several major Brazilian patent litigation states shows that most cases involve patent invalidity, and that few injunctions have issued.

Mexico: In Mexico, both infringement and nullification proceedings are filed before the Mexican patent office in the first instance; appeals are taken before the IP Chamber of the Federal Tax and Administrative Tribunal and subsequently to the Federal Judiciary Appeal Courts. There have only been two- to three-hundred patent proceedings filed since 2001, and cases tend to be slow. Patent infringement damages are limited to statutory damages and collecting damages

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75 The largest patent infringement damage award in Canada of $119 million, which the Federal Court awarded in 2013 in Merck & Co., Inc. v. Apotex Inc. (2013 FC 751).
77 The major Brazilian states for intellectual property litigation are Rio de Janeiro and São Paulo, which have specialized IP courts. Rio de Janeiro has four specialized IP courts in the first instance and two in the second instance; São Paulo has one recently created specialized IP court in the second instance. Information courtesy of Marcello do Nascimento, David do Nascimento Advogados, Nov. 2013.
79 Empirical data about Brazilian patent litigation is available only after 2006, when Brazil started to digitize litigation information. Each state keeps separate digital records. A search of state courts in São Paulo, Minas Gerais, and Distrito Federal (but excluding Rio de Janeiro) showed 64 first instance patent cases filed since 2006, the majority of which are still pending. Average patent case pendency is 5–6 years, though such estimates can vary significantly from one court to another. do Nascimento, supra note 77.
80 Id.
81 Also known as the Instituto Mexicano de la Propiedad Industrial (“IMPI”), http://www.impi.gob.mx/. Data is from Tomás Arankowsky, Avah Legal, S.C.
82 Id. The IMPI handled ~2000 intellectual property cases since 2001, and roughly 10-15% of these are patent cases. The IMPI takes an average of 24 months to resolve each case, and each appeal can take from 12 to 18 months.
can be a daunting task;\textsuperscript{83} injunctions are possible but require that the requesting party post a bond.\textsuperscript{84}

\textbf{Table 1: Summary of Patent Litigation by Country}

<table>
<thead>
<tr>
<th>Country</th>
<th>Forums</th>
<th>Patent Cases per Year</th>
<th>Patentee Win Rate</th>
<th>Bifurcation of Inf/Inv</th>
<th>Tech. Expertise</th>
<th>Avg. Pendency</th>
<th>Top Damage Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>District Courts; Federal Circuit; ITC</td>
<td>6101 district court cases filed in 2013</td>
<td>11.5-55%, depending on district</td>
<td>No</td>
<td>No</td>
<td>0.56-1.32 years, depending on district</td>
<td>$1.67 billion (Centocor v. Abbott, 2009; reversed in 2011)</td>
</tr>
<tr>
<td>Germany</td>
<td>District Courts; Federal Patent Court</td>
<td>1250 cases filed in 2011</td>
<td>63% on infringement in Dusseldorf</td>
<td>Yes</td>
<td>No</td>
<td>&lt; 1 year</td>
<td>(not available)</td>
</tr>
<tr>
<td>China</td>
<td>Intermediate and Superior People’s Courts</td>
<td>9680 cases filed in 2012</td>
<td>(not available)</td>
<td>Yes</td>
<td>No</td>
<td>3-6 months (but longer for foreign parties)</td>
<td>$48.5 million (Chint v. Schneider Electric, 2007)</td>
</tr>
<tr>
<td>Japan</td>
<td>District Courts (Tokyo and Osaka); IP High Court</td>
<td>631 cases filed in 2010</td>
<td>37% (2011 cases, including first instance and appeal)</td>
<td>Yes, but invalidity may be raised as a defense in infringement proceedings</td>
<td>Yes</td>
<td>&lt;18 mo.</td>
<td>$74 million (Aruze Corp. v. Sammy Corp., as of 2005)</td>
</tr>
<tr>
<td>Korea</td>
<td>District Courts, High Court, KIPT, Patent Court</td>
<td>~46 cases decided per year from 2000 to 2009</td>
<td>30-40%</td>
<td>Yes</td>
<td>Yes</td>
<td>~18 mo. for first-instance proceedings</td>
<td>(not available)</td>
</tr>
<tr>
<td>India</td>
<td>District Court, IPAB</td>
<td>29 cases filed in 2009</td>
<td>(not available)</td>
<td>Yes, but High Courts have jurisdiction over both infringement and invalidity</td>
<td>No</td>
<td>(not available)</td>
<td>(not available)</td>
</tr>
<tr>
<td>Australia</td>
<td>Federal Court of Australia</td>
<td>(not available)</td>
<td>38%, including through appeal</td>
<td>No</td>
<td>No</td>
<td>2.7 years for first instance proceedings</td>
<td>(not available)</td>
</tr>
<tr>
<td>Canada</td>
<td>Federal Court and Federal Court of Appeal</td>
<td>101 cases in 2013 in the Federal Court and Federal Court of Appeal</td>
<td>(not available)</td>
<td>No</td>
<td>No</td>
<td>(not available)</td>
<td>$119 million (Merck v. Apotex, 2013)</td>
</tr>
<tr>
<td>Brazil</td>
<td>State courts</td>
<td>&gt;64 cases since 2006</td>
<td>(not available)</td>
<td>Yes</td>
<td>No</td>
<td>5-6 years</td>
<td>(not available)</td>
</tr>
<tr>
<td>Mexico</td>
<td>IMPI</td>
<td>~200-300 cases since 2001</td>
<td>(not available)</td>
<td>Yes</td>
<td>No</td>
<td>2 years first instance, 12-18 months on appeal</td>
<td>(not available)</td>
</tr>
</tbody>
</table>

\textsuperscript{83} Id. Damages awards cannot be less than 40% of the retail price of each infringing good or service. Industrial Property Law, art. 221-Bis. However, the IMPI and higher appeals courts do not rule on damages. Instead, because of precedent from the Mexican Supreme Court, the affected party must obtain a final ruling on infringement of its rights before collecting damages. Such proceedings can easily take four to five years, and collection is difficult.

\textsuperscript{84} Id. The enjoined party can post a counter-bond, equal to 140% of the patentee’s bond, to have the injunction lifted. The IMPI fixes the bond after the patentee requests the injunction.
Coping with Foreign Discovery

Having heard about the main litigation forums available to Arsenal, Loren asked how much exposure a global business like Arsenal will have to cross-border discovery obligations, and likewise how that will affect Bayern. I explain to Loren that multi-jurisdictional patent litigation typically requires parties to gather evidence from outside the U.S., whether its own evidence in the hands of overseas corporate affiliates, the adversary’s evidence, or third party evidence. International treaties and foreign laws complicate international discovery, including foreign blocking statutes, which forbid entities from producing in the U.S. the very sort of material of which U.S. courts require production.

A few pivotal facts determine what discovery methods are available to obtain information from a foreign entity: the foreign entity’s relationship to the litigation, whether the country that the foreign entity calls home is a Hague Convention signatory, and what type of information is sought. The foreign entity’s relationship to the litigation is a primary factor. If the foreign entity is a party to the litigation, it is subject to the personal jurisdiction of the U.S. court, and thus subject to the Federal Rules of Civil Procedure. If the foreign entity is not itself a party to the litigation, but subject to the control of a party, e.g., via a corporate affiliation or contractual obligation, the U.S. court can compel the party to exercise its control over the foreign entity.

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86 See Société Nationale Industrielle Aérospatiale v. U.S. Dist. Court, 482 U.S. 522 (1987). Société Nationale held that the Hague Convention does not provide exclusive or mandatory procedures for obtaining documents and information located in a foreign signatory’s territory, but merely one method U.S. litigants can choose to employ. Id. at 540–41. To decide whether litigants can conduct foreign discovery under the Federal Rules of Civil Procedure, U.S. trial courts conduct a balancing test that weighs “the particular facts, sovereign interests, and likelihood that such resort will prove effective. Id. at 541–46; see also In re Auto. Refinishing Paint Antitrust Litig., 358 F.3d 288 (3d Cir. 2004). When foreign blocking statutes are litigated before U.S. courts, they are usually trumped under the Société Nationale test because of the perception that such statutes are unfair and hostile to U.S. interests, especially where the blocking statute is invoked by a plaintiff who sought to avail himself of U.S. laws in the first place.
If the foreign entity is neither a party nor subject to the control of a party, then fewer options are available. The discovery procedures defined in the Hague Convention are likely available, though possibly of limited use. The type of discovery sought will affect the availability of process; the rules treat document discovery and testimony differently in some cases.

I recommend that Arsenal map out the global markets in which it may consider enforcement against Bayern. Once that is done, the various procedures and associated complexities discussed above can be assessed, weighed, and effectuated.

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87 Document discovery under the Hague Convention is typically carried out using a Letter of Request (also known as Letters Rogatory), a formal written communication from the domestic court where the action resides to the contracting state where discovery is sought. Under Hague procedure, the Letter of Request is transmitted to an official body of the foreign state known as the Central Authority, which then transmits the Letter of Request to the appropriate judicial body for execution. Letters of Request can be used to obtain both documents and deposition testimony and are the only way to compel evidence from an unwilling witness under Hague process. Hague Convention art. 2.

88 Letters of Request require the comity of foreign courts and are typically restricted by the laws of the jurisdiction where the information is sought. Foreign courts follow their own procedural laws in their execution of the Letter of Request; thus, parties’ procedural requests must be compatible with the laws of the jurisdiction, and must not be made impossible by the “practical difficulties” of the foreign jurisdiction’s practices and procedures. Hague Convention art. 9. Furthermore, a person may refuse to give evidence under the request insofar as he has a privilege or duty to do so under foreign law. Id. at art. 11. Even when foreign courts do cooperate with the request, they usually take several months to a year to execute. Additionally, the Hague Convention has specific limitations that prevent parties from using the broad pre-trial discovery tactics common in the U.S. For example, the Hague Convention allows any contracting State to “declare that it will not execute Letters of Request issued for the purpose of obtaining pre-trial discovery of documents as known in Common Law countries.” Id. at art. 23.

89 For example, many foreign courts will not permit parties to invoke Hague procedure to take depositions. French courts require one to provide translated questions to a magistrate, who conducts the inquiry on one’s behalf. China, one of the most restrictive jurisdictions for discovery, flatly prohibits the taking of depositions for use in U.S. courts because that would entail taking an oath to a foreign tribunal in Chinese territory. Depositions of Chinese nationals are usually at the U.S. embassy or in a nearby country such as Korea or Hong Kong. Since Japan is not a signatory to the Hague convention, similar procedures are used to depose Japanese nationals.
Lessons Learned: The Conclusion of the Client Conference

Success in high stakes global patent wars requires a comprehensive litigation strategy *ab initio*, with a clear understanding of the client’s goals, aspirations, strengths, and weaknesses. By using the timing, procedures, and remedies available in the various forums discussed above, one can move from weakness to strength and secure decisive competitive advantages in the global marketplace.

In this case example, Loren thanked me for the advice and agreed that we, collectively and collaboratively, needed to initiate an immediate, deeper dive into the facts, strategies, and tactics outlined above. As discussed above, cross-border patent litigation has been growing and will continue to do so over the next decade, and the upward trends in nearly every forum discussed in this Article bears out that Arsenal needs to be fully apprised of cross-border patent litigation strategies, risks, and keys to success.

Key Takeaways

- The key to any successful enforcement strategy is ensuring that the defined IP enforcement goals are in full alignment with the client’s business and strategic goals. IP enforcement strategies rarely make sense in a vacuum and must be used to further defined business goals.

- As such, first and foremost, the client and patent litigation counsel must be on the same page—that is, together, they must reach and operate from a clear understanding of the client’s strategic needs and goals with respect to the domestic or cross-border patent enforcement campaign.

- Based on that predicate understanding of how they will later assess whether the campaign was a success, client and counsel can develop and agree on a plan that accounts for tactical choices as to forum, scope, and manner, and a host of more granular decisions, such as which patents to assert and which to hold back.
Resource management is a critical aspect of any successful strategy, so the client should prioritize action in those jurisdictions where the most harmful infringing activities are transpiring. Each forum’s costs, procedures, pace, and available remedies must be considered carefully with the defined strategic goals in mind.

There is no single strategy that works for all clients, industries, or situations. Strategies will differ based on the nature of the technology at issue, product life cycles, and the nature and scope of the competitive harm being done. The shortest time to injunctive relief may be dispositive of strategy in some situations, while in others a slower strategy and more definite damages recovery may drive decision-making.

Using a mix of domestic forums, district courts and the ITC, much of a client’s global strategic calculus can be addressed through enforcement actions in the U.S. alone. Supplementing that strategy with key foreign enforcement actions, particularly a European strategy that accounts for the changes the UPC will bring, can make sense when resources allow, especially when dealing with a blockbuster consumer electronics device or pharmaceutical.
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6. Conclusions
1. Introduction

Whereas the unitary patent is a creation of the European Union, it is fundamentally different from the other industrial property titles of the EU, the Community trademark, the Community design and the Community plant variety: It is not granted by an EU agency but by the European Patent Office (EPO).

Various attempts to create a community patent, i.e. a patent of the Union which is self-contained in respect of grant and validity, have been made since the late fifties of the last century and turned out to be in vain. Over the decades, the main contested issues were a common court system and the language problem, which is always a delicate question in Europe, in the present context regarding the question into which languages the patent has to be translated.

Eventually two developments made it possible to overcome the obstacles on the way to a unitary patent for the Union:

First, the possibility of “enhanced cooperation” among a group of EU states, created by the Treaty of Amsterdam for situations in which not all EU states are prepared to cooperate. It makes progress possible, even if unanimity cannot be reached.

Second, the decision to connect the new EU-title in the simplest manner with the grant proceedings before the EPO and to design it as a mere option for the applicant.

2. The Patent-reform package

2.1. Legal basis

The creation of the unitary patent required three legislative acts which constitute the patent-reform package, that is

- the Regulation on the unitary patent (hereinafter UPR),
- the Regulation on the language regime for the unitary patent (hereinafter UPTR),
- the Agreement on a Unified Patent Court (hereinafter UPCA).^1

The two Regulations were published on December 31, 2012.\(^2\) The Agreement was signed by 24 of the then 27 EU States on February 19, 2013.\(^3\)

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1 OJ EPO 2013, 287.
3 Out of the 25 countries participating in the enhanced cooperation, Poland has not signed so far. Italy and Spain are not participating in the enhanced cooperation, but Italy signed the Agreement nonetheless.
The 38 EPO Member States and their participation in the patent-reform package:
24 EU Member States participating in the enhanced cooperation have signed the UPCA:

- Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Germany, Denmark, Estonia, Finland, France, United Kingdom, Greece, Hungary, Ireland, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Portugal, Romania, Sweden, Slovenia, Slovakia.

One EU Member State participating in enhanced cooperation has not signed the UPCA: 
Poland.

One EU Member State not participating in the enhanced cooperation has signed the UPCA: 
Italy.

One EU Member State has neither participated in the enhanced cooperation nor signed the UPCA: 
Spain.

Croatia has become an EU Member as of 1 July 2013. It is not yet sure whether Croatia will take part in the enhanced cooperation between the EU States.

10 EPO Member States – Albania, Switzerland/Liechtenstein⁴, Iceland, Monaco, Macedonia, Norway, Serbia, San Marino and Turkey – are not EU Member States.

The patent-reform package does not involve any change for non EU Member States. They stay with the European bundle patent and the jurisdiction of the national courts. A special situation exists for Italy which has signed the UPCA but has not (yet) participated in the enhanced cooperation. The situation is the other way around in Poland, which participates in enhanced cooperation but has not signed the UPCA. Whereas the UPCA may enter in force for Italy even without enhanced cooperation, the two regulations will not be applicable in Poland without entry into force of the UPCA (see in detail, pts. 2.4 and 5.1 below).

2.2. Legislative objectives

The unitary patent is intended to foster scientific and technological advances and the functioning of the internal market

- by making access to the patent system easier, less costly and secure;
- by improving the way of enforcing and defending patents before a single court competent for deciding on the infringement of a unitary patent and on its validity with respect to all states in which it has taken effect.

⁴ Obligatory common designation under the EPC.
2.3. The legal instruments

The unitary patent system has been realized by three different legislative acts because there are different legislative competences for the different subjects.

2.3.1 The Regulation on the unitary patent (In the following: UPR)

The UPR governs in particular the creation, the validity and the effects of the unitary patent. Unitary patent protection is offered to the applicant as an option which is an alternative to the traditional and well established European bundle patent having the effect of a national patent in the designated Contracting States. This option can be chosen at the end of the grant proceedings. Thus, the course of procedure for applying for a patent and examination of the application remains exactly the same. After publication of the mention of the grant, the applicant has one month within which to decide whether he wants to file a request for unitary effect. If such a request is not filed, the effect of the bundle patent persists.

Notwithstanding the unitary character of the unitary patent, it may be licensed in respect of the whole or part of the states in which it has taken effect.

In order to maintain the unitary patent, renewal fees have to be paid to the EPO. The amounts have to be fixed by a Select Committee of the Administrative Council of the EPO in which the states participating in the enhanced cooperation are represented.

The unitary patent shall have a unitary character. It can only be limited, transferred or revoked, or lapse, in respect of all the states in which it has taken effect. With respect to validity, the grounds for revocation pursuant to Article 138 (1) a) to c) EPC apply which are identical to the grounds for opposition. However, different from opposition, can an action for revocation be based on a conflicting national application, i.e. an application filed before but published after the date of filing or priority of the unitary patent. So far, it has only been possible to rely on such state of the art, which is only relevant for assessing novelty, in national proceedings and at best with effect to the respective national branch of the bundle patent. As a consequence of the unitary character of the unitary patent, the novelty destroying effect of a prior national application affects the unitary patent with respect to its whole territory.

The unitary patent shall provide uniform protection and shall have equal effect in its whole territory, on the other hand the Regulation refers to national law in respect of the acts against which the patent provides protection. However, this “national” law is the law laid down in Article 25 et seq. UPCA which is again common to the participating states. As a supplement, the UPR confirms the principle of Union-wide exhaustion as developed by the CJEU. This means that the patentee cannot take action against the circula-
tion of goods within the participating Member States which have been placed on the market in the Union by him or with his consent.

The UPR stipulates in detail which administrative tasks are entrusted to the EPO. Among those are in particular administering the requests for unitary effect, keeping a Register for unitary patent protection as part of the European Patent Register and the collecting and distribution of renewal fees.

2.3.2 The Regulation on the translation arrangements for the unitary patent (In the following: UPTR)

A European patent application may be filed in any language. If it is not filed in one of the official languages of the EPO, i.e. English, French or German, a translation in one of these languages has to be filed. The language of the translation becomes the language of the proceedings, i.e. the language in which the proceedings are conducted and in which the patent is granted. Before grant, translations of the claims in the two official languages other than the language of the proceedings have to be filed. This language regime remains the same for the unitary patent.

In case of an infringement dispute, the patentee has to provide the alleged infringer at his request and choice a full translation of the unitary patent in the language of the state of the alleged infringement or the state of the alleged infringer’s domicile. In addition, the competent court may require a full translation in the language used in the proceedings before that court.

As a rule, no further translations are necessary; in particular not for validating the patent in the states in which the unitary patent has taken effect. However, for a transitional period, a full translation of the specification has to be filed with the request for unitary protection. If the patent was granted in German or French, the translation has to be in English, if the patent was granted in English, the translation may be filed in any other official language of the Union.

The transitional period will be 6 to 12 years. After six years, an independent expert committee will carry out an evaluation of the availability of high quality machine translations of patent applications and patents into all official languages of the Union, satisfying the public’s need for information, and make proposals to the EU Council for terminating the transitional period.

2.3.3 The Agreement on a Unified Patent Court (In the following: UPCA)

The UPCA establishes the Unified Patent Court as a common court for the Member States to
the Agreement comprising two instances. The Member States confer on the Court the exclusive competence for actions for infringement of the unitary patent (see in detail pt. 3 below).

2.4. Entry into force and application of the provisions

Both regulations, UPR and UPTR, entered into force on January 20, 2013. The entering into force of the UPCA depends on three conditions. It will enter into force:

- on January 1, 2014, or
- on the first day of the fourth month after ratification by 13 Member States, including Germany, France and the United Kingdom, or
- on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) Brussels I in order to adapt it to the UPCA⁶, whichever is the latest.

Both regulations make a significant difference between entering into force and application. Whereas they have already entered into force, they are not applicable until the UPCA will have entered into force. This means that the patent-reform package will be applicable only as a whole. Considering the progress made so far, the only requirement still lacking for the entry into force is the necessary ratification by the thirteen states.

Even after entry into force of the UPCA, the unitary effect of a unitary patent will be restricted to those Member States in which the Unified Patent Court has acquired jurisdiction at the date of registration of the unitary effect of the respective European patent. This means that there will be no unitary effect for states participating in the enhanced cooperation which have not yet ratified the UPCA after its entry into force. It cannot be assumed that all signatory states will ratify the UPCA at the same time. Thus, the patent-reform package will become applicable step-by-step, depending on the state of ratification of the UPCA, and at the outset only for the 13 states which are required for its entering into force.

3. The Unified Patent Court (UPC)

3.1 Organization

The Court of First Instance comprises three types of divisions:

- the central division,
- local divisions set up upon request of a Member State, and
- regional divisions set up upon request of two or more Member States

The seat of the central division was one of the most controversial political issues. Finally, a compromise was reached and the seat will be in Paris and two sections will be established in London and Munich. The cases will be distributed within the central division on the basis of the Sections of the International Patent Classification. Cases in Section A (human necessities) and Section C (chemistry) are allocated to London, cases in Section F (mechanical engineering, lighting, heating, weapons, blasting) are allocated to Munich and the other cases are to be handled in Paris.

It is up to the signatory states to decide in which states local and regional divisions will be set up. Not all states have finally made up their mind. In Germany, there will be four local divisions in Dusseldorf, Hamburg, Mannheim and Munich. Austria, Belgium Denmark, Finland, France, Ireland, the Netherlands, and the United Kingdom each plan to set up one local division. Sweden, Estonia, Latvia and Lithuania have concluded an agreement on the creation of a Nordic-Baltic division having its seat in Stockholm. Further regional divisions may be set up for the Czech Republic and Slovakia as well as for Bulgaria, Cyprus, Greece and Romania.

The seat of the Court of Appeal is Luxembourg. A third instance dealing only with questions of law is not foreseen. Contested questions of the interpretation of EU law have to be clarified by preliminary rulings of the European Court of Justice (see below pt. 3.7).

3.2. Competence

The Member States confer on the UPC the exclusive jurisdiction for litigation in respect of European patents, i.e. not only in respect of unitary patents but also in respect of European bundle patents and supplementary protection certificates based on such patents. The main competence concerns infringement cases and the question of validity.

Within the Court of First Instance, the local or regional division of the state of the alleged infringement and those of the state of the residence of the defendant are competent. If there is no local or regional division for the respective Member State, or if the defendant has no residence within the Member States, also the central division is competent.
Only the central division is competent for actions for revocation and for declaration of non-infringement. A counterclaim for revocation may be raised before the division before which an infringement action is pending; this may be a local, a regional or the central division. Having heard the parties, a local or regional division may

- proceed with both the action for infringement and with the counterclaim for revocation;
- refer the counterclaim for revocation to the central division with the possibility of staying the proceedings; or
- with the agreement of the parties, refer the whole case to the central division.

If the local or regional division proceeds with the revocation case itself, it is enlarged by a technically qualified judge.

In case an action for revocation is pending before the central division, a local or regional division remains competent for a subsequent infringement case. In parallel, also the central division is competent. After an action for declaration of non-infringement before the central division, an action for infringement can be brought before a local or regional division with the consequence that the proceedings before the central division shall be stayed.

If opposition or limitation proceedings are pending before the EPO, the Court may stay its proceedings, without being obliged to do this. This means that – different from German law – opposition proceedings do not block the possibility of filing an action for revocation.

3.3. The judges

3.3.1 Composition of the panels

Any panels of the UPC shall have a multinational composition and shall be chaired by a legally qualified judge.

As a rule, the panels of the local divisions sit in a composition of three legally qualified judges. Two of them have to be nationals of the state for which the division is set up if this state has 50 or more patent cases per year; otherwise there is only one judge from this state. The additional judges are allocated from the pool of judges. This applies to the regional divisions with the proviso that two judges always come from the region. Upon request of a party, any panel of a local or regional division requests the allocation of a technically qualified judge. It may make such a request of its own motion.

The central division sits in a composition of two legally qualified judges of different nationality and a technically qualified judge.

The Court of Appeal sits in a composition of three legally qualified and two technically qualified judges.
preliminary rulings on EU law

Court of Appeal

Luxembourg 2nd Instance

Court of First Instance

Local Divisions
Regional Divisions
Central Division

for single states
for two or more states
IPC B, D, E, G, H
IPC A, C
IPC F
All legally and technically qualified judges of the Court of First Instance are members of the Pool of Judges. The technically qualified members of the Pool are also available to the Court of Appeal. The judges may be full-time or part-time judges. Both may exercise judicial functions at national level. The President of the Court of First Instance allocates the judges to the divisions of the Court of First Instance if they are not appointed as permanent member of the respective division.

The members of the Pool of judges are not yet appointed. Their qualification will be of decisive influence on the success of the unitary patent system as a whole.

### 3.3.2 Qualification and selection

The Administrative Committee foreseen in the UPCA decides on the appointment of the judges. It takes its decisions on the basis of a list of candidates established by an Advisory Committee comprising patent judges and practitioners experienced in patent law and patent litigation.

In respect of the eligibility criteria, the UPCA sets a high yardstick, at least at first glance. Judges shall ensure the highest standards of competence and shall have proven experience in the field of patent litigation. On closer inspection, the Draft Statute annexed to the Agreement puts this requirement into perspective: The necessary experience may be acquired by training foreseen in the Statute. As usual in EU institutions, the principle of geographical distribution is a very important selection criterion. Legally qualified judges shall possess the qualifications required by national law for appointment to judicial offices. Technically qualified judges have to have a university degree and proven expertise in a field of technology.

### 3.4. Procedure

#### 3.4.1 Language of proceedings

As a rule, the language of proceedings before a local or regional division is the official language of the state hosting the division. The respective state may allow the use of additional languages. The majority of states will allow the use of English as an additional language. This takes into account that two thirds of the European patents are granted in English. With the agreement of the division, the parties may choose the language of the granted patent. If the Court disagrees, the parties may request that the case be referred to the central division. The language of the proceedings before the central division is the language of the granted patent.

Before the Court of Appeal, the language of the proceedings remains the same as in first instance proceedings, unless the parties agree on the use of the language of the granted patent.

The Agreement allows for some flexibility if other language arrangements appear to be appropriate in particular situations.
3.4.2 Rules of Procedure

It is the task of the Administrative Committee to adopt the Rules of Procedure of the UPC on the basis of a broad consultation with the stakeholders. The present draft which already considers the results of a public consultation comprises some 382 Rules concerning inter alia the different stages of the proceedings, the role of the judge rapporteur, the case management by the judge rapporteur and the chairman, the means of evidence and the conduct of oral proceedings.

3.5. Stages of the proceedings

3.5.1 First instance proceedings and timing

Proceedings before the Court of First Instance consist of several stages. The first stage consists of written proceedings in which normally two briefs from each side are exchanged within a rather strict timetable. The pleadings are to be submitted in electronic form, unless this is not possible for any reason. This stage is conducted by the judge rapporteur who may in reasoned cases allow exceptions from the given time schedule, e.g. allow extension for time limits. The written proceedings should normally not exceed eight to nine months.

The second stage is the interim procedure, also conducted by the judge rapporteur. Its aim is to comprehensively prepare the case for the oral hearing and to clarify the position of the parties in respect of the contested relevant main issues. To this end, the judge rapporteur may hold an interim conference which may take place as a telephone or video conference. This stage should be finished within three months.

As the next step, the judge rapporteur summons the parties to the oral hearing and informs the presiding judge of the closure of the interim procedure. From this point in time, the presiding judge takes over the management of the case. 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 given 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 from the oral hearing.

3.5.2 Bifurcation

As set out at pt. 3.2, the local or regional division at which the action for infringement is pending may deal with the counterclaim for revocation, refer it to the central division or refer the whole case to the central division. The defendant has to include in his statement of counterclaim a statement of his position in respect of these alternatives. In the same way, the plaintiff has to state his position in respect of these alternatives in his defence to the counterclaim.

After the closure of the written procedure, the panel decides how to proceed with the case. An oral procedure is not foreseen for this purpose.
In case the division proceeds with infringement as well as with validity, the judge rapporteur requests the allocation of a technically qualified judge if this has not already been done. If the counterclaim for revocation is referred to the central division, the action for infringement is stayed, provided there is a high likelihood of invalidity. Otherwise, the decision on staying the infringement procedure is within the discretion of the Court. If the action for infringement is not stayed, the Court may render its decision under the condition that the patent is not held invalid in parallel proceedings.

It is possible that, at least at the outset, divisions in different states or regions, as the case may be, will treat these questions differently. In Germany, there has been for a quite long time the tradition favoring the plaintiff to deal with infringement and validity in separate proceedings before the Civil Court and the Federal Patent Court. So far, infringement proceedings have only been stayed if the Civil Court has seen a high likelihood of revocation which has rarely been the case. Some comments of German judges indicate that referral to the central division might not become a very significant option.

3.5.3 Evidence

In proceedings before the UPC any means of evidence may be relied on, in particular documents whether written or drawn, photographs, expert reports, affidavits, physical objects, and audio or video recordings. Evidence may also be obtained by hearing witnesses and party or court experts. The UPC may order a party to the proceedings and even a third party to produce evidence. Such an order may be requested by a party which has submitted reasonable and plausible evidence in support of its claims and has specified evidence which lies in the control of another party. If a party fails to comply with an order to produce evidence this has to be taken into account in the Court’s decision.

The UPC may order to preserve evidence, like the inspection of physical objects or premises and the taking of samples. It may also order provisional measures like the seizure of allegedly infringing goods and the materials for producing such goods, also freezing orders are possible. Under particular circumstances, such orders may be given without hearing the defendant. However, a US type pretrial discovery is not foreseen.

3.5.4 Appeal procedure – basic outline

All final decisions and orders of the Court of First Instance are subject to appeal. Any party may appeal if it is adversely affected, i.e. if its requests turned out to be unsuccessful. The statement of appeal against a final decision has to be filed within two months and the statement of grounds of appeal within four months of its notification. The appeal may be based on points of law and points of fact. New facts and evidence may only be introduced where the submission thereof could not reasonably have been expected during first instance proceedings. An appeal has no suspensive effect unless the Court of Appeal decides otherwise on a party’s
request. In principle, the conduct of appeal proceedings is similar to first instance proceedings. Also in second instance the judge rapporteur prepares the case for the oral hearing. At the end of the proceedings, the Court of Appeal takes a decision on the merits of the case. In exceptional cases, the Court may refer the case back to the Court of First Instance.

Procedural orders are subject to appeal if the Court of First Instance grants leave. If a request to grant leave is refused, a request for a discretionary review to the Court of Appeal may be allowed. The details are still under discussion.

3.6. Court fees

In proceedings before the UPC, court fees have to be paid. Concrete amounts are not yet known, the level of the fees has to be fixed by the Administrative Committee. The UPC contains principles for fixing the fees. They will consist of a fixed fee, combined with a value-based fee. Natural persons, unable to meet the costs of the proceedings, may apply for legal aid. Support measures for SMEs are possible.

3.7. The future role of the Court of Justice of the EU (CJEU)

UPR and UPTR are legal instruments of the legal order of the EU. It is the primary role of the CJEU to interpret the Union law. Therefore, the UPCA stipulates that the UPC is obliged, in the same way as a national court, to request preliminary rulings of the CJEU in order to clarify questions concerning the interpretation of EU law. The draft of the UPR contained in its Articles 6 to 8 definitions of the acts against which the patent provides protection. This resulted in concerns relating to the involvement of the CJEU in the interpretation of the substantive law on patent infringement. These were expressed by national patent judges and representatives of interested circles in view of the highly specialized character of this matter. This question was on the verge of letting the whole project fail at the very last minute, even after the Heads of State had come to an agreement. Neither the Parliament which wanted to maintain these provisions nor the Council of Ministers which wanted them to be deleted seemed prepared to give in.

Eventually, a compromise was found according to which Article 5 (3) UPR refers to the applicable national law in respect of the acts against which the patent provides protection. This “national law” is to be found for the Member States of the UPCA in Article 25 et seq. of the Agreement defining the privileged acts and their limitations. Whether or not this compromise can achieve its objective to keep the law of patent infringement separate from EU law is an open question considering Article 5 (3) UPR and its reference to common treaty law.
4. The course of implementation of the unitary patent

4.1 The Select Committee of the Administrative Council of the European Patent Organisation

For some time, the EPO has been in a position to make administrative preparations for fulfilling its tasks pursuant to Article 9 EPR. Within the Administrative Council of the European Patent Organisation, a Select Committee pursuant to Art 145 EPC has been established which has to take the necessary legal and financial decisions. In particular, the Committee is competent for fixing and distributing the renewal fees.

The procedural provisions for the unitary patent will be comparable to those of the EPC and its Implementing Regulations including such means of redress as re-establishment of rights and late payment of renewal fees with surcharge. The publication of Draft Rules relating to unitary patent protection may be expected in early 2015. Previous drafts only have become available on an informal basis.

4.2 The Preparatory Committee of the Unified Patent Court

The UPCA has not yet entered into force, thus no final decisions can be taken. However, the signatory states of the UPCA have established a Preparatory Committee which takes preparatory measures for the committees foreseen in the Agreement, i.e. the Administrative Committee, the Budget Committee and the Advisory Committee. The Preparatory Committee has established five working groups. Already in 2013, the 15th Draft Rules of Procedure of the UPC were published for written public consultation. The 17th Draft was discussed in a public hearing on November 26, 2014. The most discussed points were:

- the technical problems for declarations of opt-out at the entry into force of the UPCA (Rule 5)
- the German initiative to allow a further language for only part of the proceedings (Rule 14.2 c)
- the wish of some users to fix criteria for exercising the discretion when deciding on injunctive relief (Rule 118.1)
- the conditions for the review of procedural orders by the Court of Appeal (Rule 220.2)
- the review of decisions rendered by the EPO on entries into the Register for unitary patent protection, considering the deadlines for validation

The Preparatory Committee intends to present the final Draft of the Rules in May 2015. The Preparatory Committee convened an expert panel comprising representatives from the users’ side for giving advice in its further work; the first meeting was held in September 2014.
The start of the training of the future judges is planned for January 2015. The training center foreseen in Article 19 UPCA has already been opened. The training programme comprises stations at specialized patent courts in France, Germany, the Netherlands and the United Kingdom. For preparing the appointment of the judges, candidates were given the opportunity to express their interest. Some 1,300 applications were received. On this basis, a list of several hundred candidates deemed eligible was established. At the outset, the majority of judges may be expected to act as part time judges. Finally, the Preparatory Committee will deal with the court fees. To this end, a public hearing will be organized to discuss a proposal still to be drafted.

Special efforts are necessary for the development of the IT-structure since the Rules provide that documents should be lodged electronically, where possible. A prototype has been made available which allows to file an infringement action as test case.

As to the ratifications by the Member States, the first optimistic expectations of the EU Commission have by far not become reality. They had envisaged the 13 ratifications by November 2013 in order to have the first unitary patents registered in the first half of the year 2014. Until the end of 2014, Austria, France, Sweden, Belgium and Denmark have deposited their instruments of ratification. In Germany, the first draft of a Bill had been announced for the second half of the year 2014. Actually, two bills are being drafted, but not yet published: a bill for the ratification of the UPCA and a second one for adapting the national law. It remains to be seen how the British “Euroscepticism” and a possible referendum on the EU membership may affect the ratification. The Intellectual Property Act 2014 has entered into force. However, it has to be noted that even after entry into force of the Act, the deposit of the instrument of ratification requires a further parliamentary approval.

In Denmark a referendum on the unitary patent was held together with the elections for the European Parliament; the ratification was adopted by a majority of 62.5%. A referendum is likely also for Ireland.

Ratification may be delayed by political objections, e.g. from interested circles which are not satisfied with the results or do not want to accept interferences with their established business. Finally, the states may reassess their interests following the example of Poland which has participated in enhanced cooperation but not signed the UPCA, considering that as a whole the economic disadvantages for the country predominate. Similar considerations have become known from the Czech Republic. The progress in the ratification process will influence the speed of the further preparatory work. At present, the deadline for this work is the end of the year 2015.

The implementation of the unitary patent system is not to be expected before the CJEU has decided on the actions taken by Spain.
against UPR and UPTR. The Attorney General proposes in his opinion of November 18, 2014 to dismiss both actions. A decision of the CJEU may be expected from spring 2015 on. If the decision is delayed unexpectedly and the parliamentary proceedings for ratification are terminated in the 13 states before the decision of the CJEU is available, delaying the deposit of the 13th instrument of ratification until the decision of CJEU may solve the problem.

4.3 National Preparatory Work

The signatory states of the UPCA have to aim at a speedy ratification of the Agreement. Besides that, they have to do some preparatory work within their own area. The states hosting sections of the central division, local divisions or regional divisions have to provide in particular appropriate buildings with their facilities and the administrative staff. Paris, London and Munich will host sections of the central division as well as local divisions. At the present state of the preparations, the planning in Germany is performed separately by the Federal Republic and the Bavarian state. The Federal Republic plans to accommodate the section of the central division as a kind of subtenant in the building of the Federal Patent Court at Munich’s outskirts. By contrast the Bavarian state is looking downtown for accommodation for the local division. This course of action is neither commensurate with the importance of the Court nor can it meet functional and financial requirements. Considering that a completely new procedure is going to be established, it might be expected that at least at the same seat in Munich the preconditions for a harmonized administrative handling of the cases are created. It does not seem very economical to provide the necessary staff and to develop the IT-structures for two divisions of the same court at two different locations. The judges concerned may be forced to work at three different locations when appointed as part-time judges of the UPC.

5. Alternatives for the applicant

Requests for unitary effect may be filed for all European patents granted after entry into force of the UPCA. Therefore, after that entry into force, the applicant has to make speedy decisions as to which of the available alternatives to choose. He has to balance which routes imply which advantages and disadvantages. In this respect, simple and global answers cannot be given. Rather, the interests in the individual case have to be assessed, which may be different from patentee to patentee, and even for different patents of the same proprietor. In addition, the situation in the starting period for initially 13 Member States will be different from the full implementation of the system after the end of the transitional period and ratification by possibly all EU States. A
realistic assessment depends on the question of whether or not the unitary patent can achieve the legislative aims and thereby fulfill the expectations of the users.

5.1. Cost benefits of the unitary patent

For the sake of clarity, it has to be noted in advance that the European bundle patent will remain effective even if a request for unitary effect has been filed for

- the Contracting States of the EPC which are not EU Member States,
- the EU Member States which are not participating in the enhanced cooperation, and
- the participating Member States in which the UPC has not yet entered into force.

For the last group of countries, the decisive point in time is the date of the entry into the register for unitary patent protection. The unitary effect arises only for those states in which the UPC has acquired jurisdiction as the consequence of the entry into force of the UPC four months after deposit of the instrument of ratification. Entry into force of the UPC at a later date for further states does not enlarge the territorial scope of the unitary patent.

For all three groups of states, only the traditional bundle patent remains applicable. Thus, no cost benefits can arise for these states. Switzerland, Italy and Spain belong to the first and second group, all of them with a high validation rate. The potential benefits for the third group are determined by the successive ratifications of the UPCA. At present, it is not apparent that Poland would be prepared to initiate ratification proceedings in the near future.

5.1.1 Renewal fees

It is apparent that the unitary patent will significantly simplify the payment of annuities. Presently, all Contracting States of the EPC require the annual payment of renewal fees. A wide range of formal requirements is applicable in each country and may often change, such as types of payment, accounts or amounts of fees or specific rules of representation for payments. Thus, the payment of low amounts of fees may involve an excessive amount of administrative efforts for patent proprietors. Only a single renewal fee will be payable to the EPO for the unitary patent as it is already the case for pending European patent applications and each European patent attorney is well acquainted with the requirements for payment.

Regarding the amounts of the renewal fees for a unitary patent to be paid to the EPO after grant, the prospects appear by far less encouraging for patent proprietors. Considering that the national patent offices have been relieved from the burden to administer granted patents, one might expect that the justification for collecting fees is at least diminished. The EPC provides that the income from renewal fees for granted patents is split between the Contract-
ing States and the European Patent Organisation and the share of the European Patent Organisation shall not exceed 75%. The Contracting States had initially set the EPO’s share to 60%. In 1985, it was reduced to 50%, which made the EPO more dependent on procedural fees – to the applicants’ detriment. This rate is now maintained for the unitary patent.

This has to have its consequences for the future revenue from renewal fees for unitary patents. For assessing the user’s financial burden from renewal fees, the future revenue has to be compared with the present revenue. What this revenue is supposed to cover is meaningful for the future revenue. Pursuant to the UPR, these are the following items:

- The entire costs of the EPO for registering and managing unitary patent protection;
- A balanced budget of the European Patent Organisation together with procedural fees for the grant procedure;
- An increased share of the Member States having a different official language than the EPO;
- A minimum share of the Member States with low patent activity;
- An increased share of new Contracting States of the European Patent Organisation;
- A compensation system for compensating translation costs for filing in an EU language other than one of the official languages of the EPO for the benefit of small entities and further privileged applicants.

Thus, the future revenue from renewal fees has to cover considerable additional expenditures. As a result, current beneficiaries of the revenue would have to forego earnings if the overall amount of revenues was to remain stable. So far proposals from the states in this direction have not become public and to hope for them would perhaps be naïve. Accordingly, it would amount to squaring the circle, to meet the general requirement of the UPR that the annuities for the unitary patent are to correspond to the amount of annuities payable for the average geographical coverage of a European bundle patent. A cross-financing from the general budget of the EPO for bundle patents is expressly excluded in the UPR.

Summarizing the above, it is not unreasonable to expect that the Select Committee, when fixing the level of renewal fees, will be guided by the argument that the patent proprietor is granted comprehensive territorial protection for which he has to pay higher fees. Whether or not this argument will convince a high number of applicants depends to a large degree on the question whether applicants have a serious interest in a broader territorial scope of protection. In any case, it appears to be an unrealistic hope for European applicants to arrive at a situation which is comparable to the situation of their competitors in the US, China, Japan or Korea, with respect to the level of renewal fees to be paid for patents in their home market.

Although the EPO has made fee calculations based on different scenarios for the Select Com-
mittee, precise amounts for the renewal fees have not yet become known. Decisions of the Select Committee can hardly be expected before mid-2015.

5.1.2 Validation

The essential progress achieved by the European Patent Convention is the single examination and grant procedure. The applicant only has to deal with a single examination authority in a single language for obtaining a patent granted for all designated Member States of the EPC. At the grant stage, this uniformity comes to its end and the European patent splits into a bundle of national parts each having its individual fate which, after the opposition stage, is subject to national law, the only exception being the substantive criteria of patentability.

Currently, the patent proprietor incurs substantial costs for validating the European patent in its designated states, in particular for filing the necessary translations.

Regarding translation costs, a significant reduction was achieved by the London Agreement on the application of Article 65 EPC. This is to be kept in mind when comparing costs of the current European bundle patent and the new unitary patent, in particular for states which participate in the enhanced cooperation but which also joined the London Agreement. This currently applies to 13 states out of the above explained total of 25 states participating in the enhanced cooperation for the unitary patent. Five of these 13 states share an official language with the EPO – Germany, France, the United Kingdom, Ireland and Luxembourg – and do not require any translation at all pursuant to Article 1 (1) of the Agreement. Pursuant to Article 1 (3) of the London Agreement, the remaining states of this group require a translation of the claims. They dispense with a translation of the description, some only if the patent was granted in English* and the others irrespective of this requirement†. The 12 states participating in enhanced cooperation which did not join the London Agreement presently require a full translation of the patent specification if the patent was not granted in one of their official languages. They represent the potential for substantial savings. In respect of savings resulting from the abandoned translation requirement, not only the cost of the translations as such has to be considered. Other costs have to be considered as well, e.g. for a national representative required in some countries or fees for filing the translation with the national office.

Pursuant to Article 6 UPTR, a full translation of the granted patent has to be filed with the EPO during the transitional period of at least 6 and no more than 12 years (see pt. 2.3.2). If the language of the proceedings is German or French, an English translation has to be filed;
if the language of the proceedings is English, the translation may be filed in any other official language of the EU.

5.1.3 The relevant comparison

Thus, the patentee has to ask himself two questions: In which countries can I achieve savings and for which countries do I need protection. For the first question he has to look at the expenses for validation incurred hitherto and to follow the ratification status of the UPCA, for the other question he will be influenced by the validations made so far.

In this respect it is remarkable that according to an impact assessment of the EU Commission, 50% of granted European patents are only validated in up to three EU Member States. First of all, these will be the countries with the highest number of existing granted patents, that is Germany, France and the United Kingdom. No translation is required for these countries pursuant to the London Agreement. However, for a unitary patent a translation has to be filed during the transitional period in all cases, as mentioned above. Thus, for patents validated in these countries, the unitary patent actually leads to an increase of the translation costs. For the sake of completeness, it is to be added that pursuant to Article 65 EPC, in addition to the five countries never requiring a translation, a translation is not necessary for Malta if the language of the proceedings is English, for Belgium if the language of the proceedings is French, and for Austria and Belgium if the language of the proceedings is German.

The other extreme are about 1,000 patents which are – according to an estimation of the Commission – annually validated in all EU Member States. The Commission estimated the related validation costs to exceed EUR 32,000. It is obvious that an applicant who needs such a broad territorial protection will achieve great cost benefits with the unitary patent. This applies even at the outset, when the patent-reform package will only be applicable in 13 Member States.

Thus, whereas the cost assessment is rather clear for about half the granted European patents, the circumstances of the individual case have to be examined for the majority of the remaining ones, i.e. the individual interest in broad protection, the present requirements of translation in consideration of the London Agreement and the status of ratification of the UPCA.

In this exercise, the interest in the territorial scope of protection should not be put on the same level with validations made in the past. Two aspects have to be considered. First, it may be assumed that the continuing integration within the internal market results in an increasing interest in protection for more countries. Second, there is a windfall gain in the border area of the cost comparison: If the patentee can obtain with moderate additional expenditure
protection in say 15 instead of 5 countries, such additional investment may appear rewarding.

However, an important factor for a realistic comparison is still lacking since concrete figures for the level of renewal fees to be expected are still lacking. Finally, the proprietor’s obligation to pay the full single renewal fee for the whole life of the unitary patent has to be taken into account, whereas the bundle patent allows decreasing the financial burden during the term of the patent by allowing it to lapse in individual designated states.

5.2. National jurisdiction or Unified Patent Court

It will be a key question for the success of the unitary patent to which degree patentees are prepared to place confidence in the new court system. In this respect, the principle derived from experience may apply that the known even with its weaknesses appears more trustworthy than the unknown. In particular, patentees in countries with experienced and established patent courts may be inclined to follow such tendency.

For the patentee, the route to the UPC has the advantage that he can enforce the unitary patent and the European bundle patent in one single procedure with effect in all states for which the UPCA has entered into force. Whereas this increases the economic impact of the patent, it implies at the same time the indispensable risk that the patent may be invalidated in one single procedure for its whole territory, be it in isolated revocation proceedings, be it in infringement proceedings in which a counterclaim for revocation has been raised. After revocation, there is still a second chance in appeal proceedings before the Court of Appeal in Luxembourg. However, different from the present situation, there is no chance to save the patent in another country before another court.

Establishing local and regional divisions serves the purpose of integrating existing systems. According to an enquiry of the Commission preceding the work on the unitary patent, more than 90% of the then estimated 1,500 – 2,000 patent cases in the Union were litigated before courts in Germany, England, France and the Netherlands. This means on the one hand that in the majority of countries there were no courts with judges experienced in patent matters, and on the other hand that there are human resources in the said four countries which can be deployed for a common court, the majority in Germany. These resources are especially used by the provision in the UPCA according to which local divisions in a country with more than 50 patent cases per year sit in a composition with two judges from this country and one judge from another country.

To a large extent, it is within the control of the patentee before which local division litigation takes place. He has the choice between the residence of the defendant and the place of infringement. Even if the alleged infringer files
an action for declaration of non-infringement at the central division, the patentee may have the case treated at a local or regional division by filing an action for infringement at the competent division of his choice himself. This possibility also exists if the alleged infringer files an action for revocation at the central division. Whereas it is within the discretion of the local or regional division to refer a revocation case to the central division, it cannot refer the infringement action to the central division, unless both parties agree.

The plaintiff can hardly expect to have judges coming from his national jurisdiction with which he is familiar attend the central division. At the central division, the principle of geographical distribution of staff will have a significant effect because it can be applied to the local and regional division only to a limited extent. In the latter divisions, there will be a majority of judges from countries with experienced national patent courts. This will have the consequence that more judges from other countries will sit in the central division.

In this respect, it has to be noted that according to the UPCA a regional division has to refer the case to the central division at the defendant’s request if the alleged infringement has occurred in the territories of three or more regional divisions. This may make the regional divisions less attractive and have the consequence that the local divisions are preferred for infringement actions.

5.3. The bundle patent – opt-out and opt-in

A transitional arrangement which only applies to bundle patents and not to unitary patents is intended to increase acceptance by the users. During the transitional period, there is a concurring jurisdiction of the national courts. In addition, the applicant or patent proprietor may exclude the exclusive jurisdiction of the UPC up to one month before the end of a transitional period (opt-out). The declaration is to be submitted to the Registry of the Court and is entered into the Register of the Court.

The UPCA does not explicitly exclude that the UPC retains concurrent jurisdiction after an opt-out; however, this may be concluded from the purpose of provision. The declaration may also be withdrawn (opt-in).

Attention has to be drawn to the fact that the jurisdiction of the UPC is not limited to European bundle patents granted after the entry into force of the UPCA. Rather, it also comprises patents granted before and valid for the States in which UPCA has become effective. Thus, at the entry into force of the UPCA, the patentee has to check his whole portfolio of European patents whether he wants to exclude the jurisdiction of the UPC. The Draft Rules of Procedure require the payment of an opt-out fee. Obviously, the purpose of such a fee is to cover the administrative expense. An intention behind the fee may also be to deter applicants and patentees from opting-out. If the fee is set
at a deterring level, the users would be faced with considerable costs: First of all, this would affect users who want to opt-out in respect of a considerable existing patent portfolio. In this way those not willing to use the UPC system would have to raise its start-up funding. Users have submitted their political and legal concerns about this requirement. This may have resulted in comments from the Preparatory Committee envisaging a level of the fee only compensating the administrative costs.

An opt-out declaration can be submitted within a transitional period of 7 years which can be extended up to 14 years. Its effect is intended to exclude the jurisdiction of the UPC for the whole term of the patent. However, this is not clearly expressed in the UPCA. According to its provisions, the parallel jurisdiction of the national courts exists only for actions filed until the end of the transitional period and Article 83 (1) UPCA does not confer on them jurisdiction after this period. Nevertheless, the Preparatory Committee has taken the position that the effects of an opt-out declared before the end of the transitional period remains valid for the whole term of the patent.

Both, opt-out and opt-in, are subject to the requirement that no action has been filed yet at the court which had jurisdiction until the relevant declaration. Accordingly, a patent proprietor may file a declaration of opt-out for the time being, assuming that he can withdraw this declaration if he eventually comes to the conclusion that he wants to make use of the advantage resulting from the enforcement of the patent before the UPC with effect to all UPCA states. However, this possibility is lost as soon as an alleged infringer files an action for revocation at a national court.

The transitional regime laid down in Article 83 UPCA raises a number of open questions for which the Agreement has not the clear answers one would wish to have. One of them is the question whether an opt-out only excludes the exclusive competence of the UPC or the application of the Agreement as a whole. Whereas the Preparatory Committee has taken the position that the competence of the UPC is a precondition for applying the Agreement, in literature the opinion has been voiced that the provisions of the UPCA on infringement have to be applied in a contracting state of the Agreement even if the national court has to decide as a consequence of an opt-out.

This and other ambiguities in the transitional regime have led to the proposal, that the contested points be clarified in an explanatory protocol to the Agreement binding the courts competent for applying the provision.

6. Conclusions

In order to come to a final political agreement many compromises had to be accepted. Not all of them can contribute to a convincing result. For example, the splitting of the central division will result in additional costs and may have the
consequence that a different manner of conducting the procedure develops at the three different places.

The fundamental controversy concerning the common or separate treating of infringement and validity has resulted in a system giving the court the discretion whether or not to treat the validity question. This may have the consequence that plaintiffs prefer divisions separately treating infringement and validity and staying proceedings only in case of a high likelihood of revocation, as it has been hitherto the practice of German courts.

As to the language problem, traditional and national reservations have precluded the most simple and cost-efficient solution: English only. On the other hand, it was a success that the complicated multiplicity of the language regime of the EU could be avoided.

In respect of the costs to be expected, the essential factors are still unknown. Concrete figures are not available either for the renewal fees or for the court fees. For the renewal fees, it would be desirable that the Select Committee keeps the level of fees elsewhere in mind: In the US for example, annuities of 12,600 US Dollar have to be paid for the whole term of the patent. By contrast, the renewal fees for Germany alone for the same term amount to 13,170 €.

Patentees considering the unitary patent as not (yet) attractive in respect of the renewal fees and the obligatory translation have to consider how to react to the jurisdiction of the UPC for bundle patents. A further possibility in addition to opt-out – is escaping the UPC by filing national applications. In this context, a remarkable increase of German patent applications filed by Japanese applicants may be noted. However, it has to be taken into account that a definite decision between the alternatives of a national patent and the national court on the one hand and a European patent and the UPC on the other hand is not necessary before the transitional period has lapsed and an opt-out is no longer possible.

Patentees choosing the unitary patent with the obligatory exclusive jurisdiction of the UPC who don’t want to dispense with any access to national courts may consider filing utility models in Germany. They offer cost-efficient protection which can be obtained quickly, within a few weeks from filing at present. Parallel protection by a utility model can be requested before and to a certain extent even after grant of a European patent. The applicant may use the text intended for grant by the Examining Division of the EPO for filing the application for a utility model. However, utility models are only available for products, not for processes. In the field of biotechnology, utility models are expressly excluded.

Several contracting states have made use of the possibility foreseen in the EPC to forbid parallel European and national patent protection in respect of the same invention. In Germany, it has been suggested to lift the ban on double
protection when ratifying the UPC. It remains to be seen whether the legislator will take this up. Similar endeavors have become known from the United Kingdom. The ban on double protection has anyway no effect if the claims in the national application are directed to modified subject-matter. This also applies if the applicant proceeds double track on the European way by filing a divisional application and chooses the unitary patent once and the other time the bundle patent declaring an opt-out. Evidently, the latter approach is the most expensive one.
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The following are some of his more notable engagements.

- **Dow AgroSciences LLC.**, representing the company and its affiliates in multiple patent actions, involving molecular biology, biochemistry and plant molecular genetics.
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- **LG Electronics**, in an action concerning 4G wireless technology.
- **EchoStar and DISH TV**, representing the company in multiple actions concerning its DVR technology.
- **Acer Inc.**, in patent infringement actions before the International Trade Commission and the Eastern District of Texas, related to wireless devices, notebook computers, desktop computers and color display monitors.
- **Nintendo Corp.**, in patent infringement actions before the International Trade Commission and the federal courts, involving the Wii.
• **Ajinomoto Company** in an action in the International Trade Commission related to their technology for large-scale fermentative production of l-lysine.

• **Foxconn Electronics, Inc.**, in a patent infringement action involving ball grid array connectors for integrated circuits.

• **Jiangsu Sopo Corp.**, representing a Chinese state-owned enterprise in a complex international trade secrets action involving the manufacture of acetic acid.

• **Kozmo.com, Inc.**, in a trade secrets action involving the home delivery of consumer goods.

• **American Diagnostica** in a trade secrets action involving medical diagnostic tools.

• **Binary Arts**, in a copyright action involving the number-one selling puzzle game.

• **Patent counseling** for various clients, including GE Plastics and Credit Suisse First Boston.

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Mr. Chachkes is frequently quoted in the media on intellectual property law issues, including in the *Wall Street Journal* and the *New York Times*.

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Publications
- "Small Claims Won't Fix Rising Patent Litigation Costs," published in both *Corporate Counsel* and *The Recorder*, 2013
- "The Constitutionality of Enhancing Damages for Failure to Discharge the 'Due Care' Requirement," *IP Litigator*, 2007


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Mr. Setty is a trial lawyer and an IP partner, splitting his time between the firm's San Francisco and Silicon Valley offices.

Nick has tried 20 IP cases to verdict and been lead counsel in more than 150 IP cases. His clients have ranged from leading global businesses - Siemens, Samsung, HTC, LG, McKesson, Cipla, and EchoStar - to high growth technology companies such as Ruckus Wireless, Witness Systems, CipherTrust, Blue Pumpkin, AirDefense, and others.

Nick has been featured and recognized in *Chambers USA, American Lawyer, Law360, Diversity, SuperLawyers* and *Managing Intellectual Property*.

Nick is a frequent lecturer and author on IP-related topics for the ABA, PLI, AIPLA, ACI, and other Bar and professional organizations.

**Engagements**

Nick’s current and past representations include:

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- Lead counsel for AT&T entities in five-patent infringement case involving VoIP products and services. *AIP v AT&T, Inc.* (D. Del. 2014) (Sleet, J.)
- Lead counsel for Amazon (with Neel Chatterjee) in infringement case involving patent directed to multi-tier cloud-based software applications. *Kaavo v. Amazon* (D. Del 2014).
- Trial counsel for Ruckus in five-patent case involving antenna and software for advanced WiFi systems. *Netgear, Inc. v. Ruckus Wireless, Inc.* (D. Del. 2011, 2013 trial, Robinson, J.) (tried two-week jury trial (with Neel Chatterjee and Denise Mingrone) and won full defense verdict of noninfringement after being hired to try the case two months before trial).
- Trial counsel for HTC in 2012 in a post-Therasense inequitable conduct trial resulting in a full defense judgment. *Intellect Wireless v. HTC Corp.* (N.D. Ill. 2010, Hart, J.)
- Counsel for HTC in multi-patent cases involving 3G standard and various telecommunications patents. *Wi-Lan, Inc. v. HTC Corp.* (E.D. Tex. 2011, Davis, J.)


• Lead counsel for Extricom in dispute involving patent infringement claims relating to WLAN and WiFi technologies and advanced managerial functions. *Extricom, Inc. v. Meru Networks LLC* (D. Del. 2010)


• Lead counsel for Samsung entities in false marking dispute involving USPN 5,060,220, 5,099,204, 5,103,459, and 5,107,225 and Samsung consumer electronics products, such as LCDs, DVDs, DVRs with expired patent markings. *I*Rise Learning Center & Outreach, LLC v. Samsung Telecommunications America, LLC & Samsung Electronics America, Inc.* (W.D. Mo. 2011 Kelly, J.)


• Counsel for defendant Scantron Corp. in dispute involving the false marking of test-scoring apparatus. *Michael M. Mueller v. Scantron Corp., Harland Clarke Holding Corp. and M & F Worldwide Corp.* (SD CA, Major, B.)


• Lead counsel for 724 Solutions in dispute involving mobile device web interface and data rendering systems. *Openwave Systems v. 724 Solutions, Inc.* (N.D. Cal. 2010, Seeborg, J.)


• Counsel for plaintiff AVL in misappropriation and non-compete action involving satellite dish positioning systems; case currently in discovery. *AVL Technologies, Inc. v. General Dynamics Satcom Technologies, Inc. and General Dynamics Corporation* (Sup. Ct. N.C. 2009)

• Lead counsel for LGE in five-patent dispute in E.D. Texas versus several large LCD television makers; case stayed pending resolution of ITC proceedings. *LG Electronics, Inc. v. Vizio, Polaroid Corporation, Proview, Westinghouse Digital* (E.D. Tex. 2008; Folsom, J.)


- Lead counsel for Witness in patent infringement claim involving 10 patents in the fields of telecommunications, voice recording, databases and storage, VOIP conferencing and conference recording, etc. and damages claim of US$276M; tried case to jury in 2008, which ended in mistrial. *NICE Systems, Ltd. and NICE Systems, Inc. v. Witness Systems, Inc.* (D. Del. 2006; Farnan, J.)

- Lead counsel for Bank of America in patent infringement case involving web-based formatting and rendering systems; succeeded in transfer motion to N.D. Cal.; case currently in discovery. *Ablaise Ltd. & General Inventors Institute A, Inc. v. Bank of America Corp.* (D. Del. 2006; Robinson, J.; N.D. Cal. 2006, Armstrong, J.)

- Lead counsel for Cellnet and Hunt in patent infringement claim involving "Smart Meter" technologies and networks, including Automated Meter Reading (AMR) and Advanced Metering Infrastructure (AMI) technologies; case resolved favorably. *IPCO, Inc. v. Cellnet Technologies, Inc., Hunt Technologies, Inc.* (N.D. Ga. 2006; Carnes, J.)

- Lead counsel for AirDefense in trade secrets case involving wireless network security systems and technologies; case settled

- Lead counsel for McKesson in multi-defendant patent infringement claim involving Picture Archiving and Communication Systems (PACS); chosen to argue Markman positions for all co-defendants; case settled favorably after Markman. *DR Systems, Inc. v. McKesson Information Systems LLC* (S.D. Cal. 2006; Brewster, J.)

- Lead counsel for Blue Pumpkin in patent infringement claim involving various aspects of scheduling software and systems; case settled favorably. *Blue Pumpkin Software, LLC v. IEX Corp.* (N.D. Ga. 2005, Story, J.)

- Lead counsel for Cellnet in multidefendant (three co-defendants) patent infringement claim involving mesh network technologies for use in the utilities industries, including Automated Meter Reading (AMR); case stayed in favor of reexamination during discovery. *IPCO, Inc. v. Cellnet Technologies, Inc., et al.* (N.D. Ga. 2005, Cooper, J.)


- Lead counsel for defendants in patent infringement action involving network latency in massively multi-player gaming environments; settled case highly favorably in discovery and after disclosure of prior art. *iEntertainment, Inc. v. Valve LLC and Vivendi Universal Games, Inc.* (W.D.N.C. 2004)


- Lead trial counsel for a witness in patent infringement claim involving Voice over IP (VOIP) recording patents, including original asserted patent dismissed with covenant not to sue, two additional patents prosecuted during litigation dismissed with covenant not to sue and bench trial in 2008 on fourth


- Lead trial counsel for a transportation software optimization software company in trade secrets and tortious interference case; case tried in 2004; defense judgment on all counts. Nominated as one of the defense verdicts of the year for 2005 to the National Law Journal. CAPS Logistics, Inc. v. Velant, Inc. et al. (Fulton Superior Court, Ga. 2003)

- Lead counsel for an email security systems provider in action involving patent on intercepting e-mail traffic for virus scanning before availability to other network resources. Hilgraeve, Inc. v. Ciphertrust, Inc. and Sophos, Inc. (E.D. Mich. 2002)

- Lead counsel for SITA, telecommunications vendor to airline industry, in multi-defendant (13 codefendants) action involving six patents covering flight notification systems to passengers; case dismissed with prejudice against SITA after client produced Swiss witnesses who established noninfringement. Arrival Star v. SITA Information Technology Computing USA, Inc., et al. (N.D. Ga. 2002; Forrester, J.)


- Lead counsel for Witness Systems in declaratory judgment action concerning two patents covering integration of learning management systems (LMS) and telephone interaction recording and evaluation systems used in call center environments; received highly favorable Markman ruling in 2005; case settled favorably thereafter. Witness Systems, Inc. v. Knowlagent, Inc. (N.D. Ga. 2002; Story, J.)

- Counsel for EchoStar in complex patent infringement litigation involving three patents owned by SuperGuide, licensed to Gemstar in certain fields of use, and directed to various aspects
of interactive program guides (IPG) software and systems used in satellite television services; summary judgment of non-infringement on all three patents, affirmed in part and reversed and remanded in part at Federal Circuit. SuperGuide Corp. v. DIRECTV Enterprises, Inc., EchoStar Technologies, Inc., Thomson Consumer Electronics, Inc. v. Gemstar Development Corp. 169 F. Supp. 2d 492 (W.D.N.C. 2001)

- Lead counsel in a declaratory judgment action based on noninfringement, invalidity, and unenforceability of Duraline patent on behalf of DOT Connectors, a manufacturer of electrical connectors used in roadway lighting; highly favorable settlement. DOT Connectors, Inc. v. J.B. Nottingham, Inc. d.b.a. Duraline, 4-99-CV311-WS (N.D. Fla. 2000)

Life Sciences and Chemical Representations:


- Counsel for Perrigo in ANDA litigation involving PATANASE olopatadine hydrochloride nasal spray. Akon Pharmaceuticals, Ltd. v. Perrigo Co and Perrigo Israel Pharmaceuticals Ltd. (N.D. Tex. 2011, Means, J.)


- Lead counsel for Bio-Kor in unfair competition matter involving CHRISTINA line of spa and high-end cosmetics and treatments. Bio-Kor Metics, LTD. v. Five Star Form., Inc. (N.D. Cal. 2010, Armstrong, J.)
- Lead counsel for Shionogi (Sciele) in pharmaceutical patent infringement case involving Sular®; case resolved favorably. *Shionogi Pharma, Inc. v. Mylan Pharmaceuticals, Inc.* (D. Del. 2007; Sleet, J.)
- Counsel for Weston in patent litigation involving methods for removing polychlorinated biphenyl compounds (PCBs) from contaminated soil and sludge. *Recycling Sciences, Inc. v. Roy F. Weston, Inc.* (N.D. Ill. 1995)
Admitted in
• Georgia
• United States Patent and Trademark Office

Memberships
• APAA (Asian Patent Attorneys Association)
• NASABA (North American South Asian Bar Association)
• NAPABA (National Asian Pacific American Bar Association)
• Atlanta Bar Association
• State Bar of Georgia
• INTA (International Trademark Association)

Publications
• "Q&A With Sheppard Mullin's Nick Setty," Law360 (April 26, 2013)
• "Enablement and Written Description - Sometimes Forgotten and Often Confused Defenses to Patent Infringement," 841 PLI/Pat 399, Patent Litigation (2005)

**Speeches & Programs**

- “Protecting Your Intellectual Property,” TIE Vista Summit (Atlanta, 2011)
• “What Israeli Companies Really Need to Know About IP in the US” (Tel Aviv, 2011)
• “Mock Markman Hearing,” NASABA – South Asian Bar (Boston, 2010)
• “Current Issues in Patent Damages,” University of Virginia School of Law (Charlottesville, 2010)
• “In re Bilski – Practical Implications,” Bar Ilan University (Tel Aviv, 2010)
• "Patent Marking after Bon Tool,” Georgia State University School of Law (Atlanta, 2010)
• “IP Issues for the Israeli-American Company,” American Israeli Chamber of Commerce (Atlanta, 2010)
• “Patent Marking After Bon Tool,” Southeastern Medical Device Association (SEMDA) (Atlanta, 2010)
• "How to Develop Business," MCCA Annual Meeting, New York (November 19, 2008)
• PLI "Patent Litigation," (2008; co-chair)
• "How to Prepare for and Conduct Markman Hearings," speaker, Claim Construction from the Appellate Perspective, Practicing Law Institute Program, Atlanta (2004)