

CLIENT ALERT

Unified Patent Court: The Competent Court — Part II

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In our [previous alert](#), we explained for what matters the UPC will be granted exclusive competence, and how parties can best avoid this exclusivity: (i) during a transitional period of seven or up to fourteen years from entry into force of the UPC Agreement, several specific claims can still be brought either before the UPC or before the national court (Article 83(1) UPC Agreement); (ii) patentees also have the possibility to completely opt-out from the exclusive competence of the UPC (Article 83(3) UPC Agreement).

In the second part of this UPC alert, we will describe more fully the legal framework in order to determine the exact national court or the exact division of the UPC that will be competent to rule on a specific issue.

1. How to determine whether the UPC or the national courts have competence?

As [explained in our first alert](#), there are various circumstances in which the parties can choose to bring their claim either before the UPC or before a national court. This is the case during the transitional period, but also thereafter in cases where the UPC has a non-exclusive competence. European Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the so-called Brussels I Regulation (recast), hereafter the Regulation) will apply to determine the competent court in international matters (Article 31 UPC Agreement). The Brussels Regulation has even been amended specifically in the light of the UPC (Regulation 542/2014 amending Regulation 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice, or hereafter the amended Regulation).

- *When the defendant is domiciled in one of the participating member states*

In accordance with the new Article 71 of the amended Regulation, the UPC will have jurisdiction over claims regarding the unitary patent when the defendant is domiciled in a participating member state. In the cases of shared or parallel competence of the UPC and the national courts (*cf.*, *supra*), the competent court will be determined on the basis of the general rules of the new Regulation 542/2014 (Article 31 UPC Agreement).

Particularly significant is the proposed amendment which explicitly states that the UPC will be considered a “court” within the meaning of the Regulation, competent to settle disputes relating to classic European patents that have not been opted out and European patents with unitary effect (Article 71a of the amended Regulation). This will have interesting consequences. For instance, since the UPC as a whole is deemed a “court” in the sense of the Regulation, Article 4 of the Regulation can come into play: this Article grants jurisdiction to the court of the defendant. However, this is not a guarantee that a defendant will always play a UPC ‘home game’. Due to the internal division of competences among the different divisions of the UPC, a defendant could end up before a division of the UPC court that is located in another participating member state of the UPC.

Example:

As Sweden is one of the UPC participating member states, a Swedish defendant could be sued before the UPC.

However, Sweden does not have its own UPC local division. Another division of the UPC will therefore have jurisdiction, such as for example the Central Division (in Paris, London or Munich) or the Baltic-Nordic regional division.

Courts of a non-UPC state could even be competent to hear a dispute relating to a unitary patent right.

Example:

If a Spanish patent holder of a unitary patent suffers damage in Spain, it could choose to initiate an infringement action before the Spanish national court (note: Spain is not a participating member state) against a French defendant allegedly infringing its unitary patent in France (Article 7.2 Regulation). (For example, this may happen if the Spanish assets or profits of the unitary patent holder are damaged by the alleged patent infringement in France.) In that case, it would be possible for the Spanish national court to establish its jurisdiction on the basis of Article 7.2 Regulation and pronounce judgment regarding unitary patent rights that concern territories beyond its forum.

- *When the defendant is not domiciled in one of the participating member states*

The Regulation being applicable, also means that defendants domiciled in non-participating member states could be sued before the UPC on the basis of other jurisdictional rules, such as “the place where the harmful event occurred or may occur” (Article 7.2 Regulation).

The new Article 71ter (2) of the amended Regulation furthermore provides that Chapter II of the Regulation will replace the national private international rules in case the defendant is not domiciled in a participating member state and the competence of the UPC is not otherwise established.

Example:

A Chinese defendant can be brought before the UPC for infringement of a European patent (whether with or without unitary effect) if that infringement has occurred in one of the participating member states having ratified the UPC agreement.

Moreover, the amended Regulation provides for an entirely new “long-arm jurisdiction” for the UPC which would even be competent to rule on damages suffered outside the Union resulting from the infringement of a European patent. Such jurisdiction will only be established if property belonging to the defendant is located in one of the UPC participating member states and if the dispute has sufficient connection with any such member state.

- *Choice of forum by the parties?*

Pursuant to the general rule of Article 25 Regulation, parties can always include a choice of court clause in their licensing contract. This competence will be exclusive and does not relate to the domicile of the parties.

As the UPC has very limited competence to pronounce judgment on contractual issues (with the exception of contractual issues constituting a “related defense” against an infringement claim), the practical relevance of this choice of forum will be rather limited.

2. Which court will have jurisdiction when the same parties have brought the same issue before different courts?

The application of the general *lis pendens* principle, stipulated in Articles 29-32 Regulation provides that, where proceedings involving the same cause of action and between the same parties are brought in the courts of more than one member state, any court other than the court first seized shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seized is established. This principle applies to the shared competence of the UPC and the national courts of participating member states during the transitional period, as well as to the division of competence between the UPC and the national courts of non-participating member states.

However, when the same issue between the same parties is pending between two different divisions of the UPC, the provisions of the UPC Agreement will apply (Article 34 UPC Agreement).

The priority for the court first seized moreover only applies to the extent that both proceedings relate to the patent rights for the same territory. Difficulties could arise when an infringement action is pending before the national court of a participating member state and another infringement action is initiated before the UPC. The national court can only pronounce judgment with respect to the limited territory of that participating member state, whereas the decisions of the UPC cover all territories of all participating member states. Article 34 UPC Agreement does not seem to allow for a territorially limited judgment. Given that the UPC will have to stay its proceedings in the event that a national infringement action is initiated first, it would seem that a national ‘torpedo’ remains a possibility, at least during the transitional period. However, these *lis pendens* provisions are not applicable to temporary injunction proceedings (Article 35 Regulation). Hence, a request for preliminary measures can always be filed with the UPC, even pending a national infringement action.

Example:

When an infringement action is pending before the Spanish national court (note: a non-participating member state), the Spanish court in principle has jurisdiction to rule only on the infringement committed on the Spanish territory. If a second action relating to the same patent and between the same parties is thereafter initiated before the UPC, the *lis pendens* principle will not require the UPC to stay its proceedings.

Moreover, in case of the “long-arm jurisdiction” of the UPC, the UPC might also have to stay its proceedings if a court of a non-participating member state is seized with proceedings between the same parties concerning the same cause of action.

Example:

If in the previous example, damage were suffered in Spain, the UPC would also be competent to rule upon that damage if the defendant owns property in one of the participating member states and the dispute moreover has a sufficient connection with one of the UPC participating member states.

However, given that the infringement action with related damages claim is pending before the Spanish national court, the UPC will have to stay its infringement proceedings of its own motion. Another possibility is of course that the UPC declares itself not competent to rule on the damages incurred in Spain. In that case, the UPC will be able to pronounce judgment on all remaining issues.

3. Before which division of the UPC can a claimant bring its claim?

Article 33 UPC Agreement contains detailed jurisdictional rules regarding the competence of the various divisions of the Court of First Instance of the UPC. The principle: It explicitly allows the parties to agree to bring their action before the division of their choice, including the central division (Article 33(7) UPC Agreement). However, if no agreement is made, which will be the most likely scenario, the rules of Article 33 UPC Agreement apply.

The following cases will be brought before the local division hosted by the participating member state **where the actual or threatened infringement has occurred** or may occur, or the appropriate regional division for that participating member state:

- Infringement actions with respect to patents and SPCs and related defenses.
- Actions for provisional and protective measures and injunctions.
- Actions against defendants having their residence, or principal place of business or, in the absence of residence or principal place of business, their place of business, outside the territory of a participating member state.

The following cases will be brought before the local division hosted by the participating member state where the defendant or, in the case of multiple defendants, one of the **defendants has its residence**, or principal place of business, or in the absence of residence or principal place of business, its place of business, or the appropriate regional division for that participating member state:

- Infringement actions with respect to patents and SPCs and related defenses.
- Actions for provisional and protective measures and injunctions.
- Actions for damages or compensation for licenses of right (published patent applications, prior use, etc.).

The **central division** will be competent for the following cases:

- Actions for declaration of non-infringement of patents and SPCs.
- Actions for revocation of patents and invalidity of SPCs.
- Actions concerning decisions of the European Patent Office in carrying out the administrative tasks referred to in Article 9 of Regulation (EU) No 1257/201.
- Actions against defendants having their residence, or principal place of business or, in the absence of residence or principal place of business, their place of business, outside the territory of a participating member state.
- If the participating member state concerned does not host a local division and has no appropriate regional division.
- If an action referred to in Article 32(1)(a) is pending before a regional division and the infringement has occurred in the territories of three or more regional divisions, the regional division concerned shall, at the request of the defendant, refer the case to the central division.
- Counterclaims for revocation of patents and for declaration of invalidity of SPCs, when the local or regional division, competent to hear the infringement claim, decided to refer the counterclaim or the entire case (with the agreement of the parties) to the central division.

4. Can the defendant bring another claim before a different division?

No. Pursuant to Article 33(2) UPC Agreement, any action between the same parties on the same patent may not be brought before any other division.

If the same action between the same parties and relating to the same patent is brought before different divisions, the division first seized will be competent for the entire case. The divisions seized later must declare the action inadmissible.

The defendant can nevertheless request that the case be referred to the central division if the infringement has occurred in the territories of three or more regional divisions.

Moreover, if the defendant wants to bring a counterclaim for revocation, it is up to the local or regional division to choose whether or not to bifurcate the proceedings. In accordance with Article 33(3) UPC Agreement, the local or regional division concerned has the discretion (i) to proceed with both the infringement action and the counterclaim for revocation, or (ii) to refer the counterclaim to the central division and, accordingly, to suspend or proceed with the action for infringement, or (iii) provided both parties agree, to refer the entire case for decision to the central division.

5. Which court is competent when multiple defendants are involved in the proceedings?

An infringement action can only be brought against multiple defendants when all of the defendants have a commercial relationship and in case the action relates to the same alleged infringement (Article 33 (1)(b) UPC Agreement). No further explanation has yet been provided on the interpretation of “commercial relationship”.

When actions relating to the same patent (whether or not between the same parties or involving defendants without a commercial relationship) are pending before different divisions of the UPC, the divisions concerned may decide that it is in the interest of the proper administration of justice and necessary in order to avoid inconsistent decisions to join these cases (Rule 340 Rules of Procedure). This decision can however only be pronounced after hearing the parties and if the proceedings are sufficiently connected.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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