

Kluwer Patent Blog

‘Judges will be important in limiting forum shopping at the Unified Patent Court’

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In the US, the potential for forum shopping in patent litigation has recently been reduced by the [TC Heartland ruling of the Supreme Court](#). But what can be expected at the Unified Patent Court, with its central, regional and local divisions? Amandine Léonard, PhD researcher at the KU Leuven Centre for IT & IP Law, thinks the situation in Europe is different from the US, though ‘risks still exist for forum shopping’. An interview by Kluwer IP Law.

Why was the situation in the US problematic?

‘Before the decision, it was possible for patent holders to sue alleged infringers in any US district of their choosing. Every district court having personal jurisdiction over alleged infringers as long as they conducted a business (or generally had some activities) on US soil. This was due to a somewhat loose interpretation of the US Court of Appeals for the Federal Circuit of the word ‘resides’ in the provisions dealing with venue ([28 U.S.C. § 1400\(b\)](#) read in combination with [28 U.S.C. § 1391](#)). Mostly because of this interpretation, there was a concentration of patent litigation in essentially two district courts, i.e. the Eastern District of Texas and the District of Delaware.

This situation was problematic because there is a general perception that these courts were more “patentee-friendly” than others. This contravened with the idea that US patent law should be applied and enforced in a uniform manner across the US territory.’

In the US, the main issue was the proper interpretation of the words ‘residence’ or ‘principal place of business’. In a recent blogpost, you wrote that at the UPC other provisions might turn out to be problematic in judging where proceedings can be started. Can you explain?

‘Art 33(1) of the Unified Patent Court Agreement essentially gives two options for patent holders to choose where to initiate proceedings. Either they can initiate an action on the territory of “the (i) place of (actual or threatened) infringement” or “(ii) where the alleged infringer has its residence or principle place of business”.

Two other options are also available to patent holders. First, in the absence of a residence or principal place of business, they can initiate proceedings before the local/regional division of “a place of business” of the defendant. Second, in cases where the defendant’s residence/principal place of business or place of business is located outside the territory of the participating Member States (MS) or there is no local/regional division on that territory, patent holders can choose to go to the relevant Central Division.



Amandine Léonard

It is essentially with regards to (ii) that I believe the UPC’s interpretation of “residence” or “principal place of business” may be less problematic than in the US and will limit the risks associated with forum shopping. By looking at different instruments of EU law on competence and jurisdiction, we can see that there is a general tendency to require a certain bound between a litigant and the place of litigation. As I mentioned in the blogpost, the wording used in different European instruments essentially revolves around a limited number of concepts, i.e. “residence”, “domicile”, “principal place of business”, “statutory seat” or “central administration”. These terms are sometimes used interchangeably, but they all demonstrate that simply having some commercial activities on the territory of a Member State may not be sufficient to justify the jurisdiction of a court.

Despite this positive interpretation of the UPCA, it should be pointed that other risks still exist for forum shopping. Notably the fact that three other options remain widely available to patentees. For example, it is possible to initiate proceedings where an alleged infringer has “a” place of business. Art 33(1) UPCA also allows the plaintiff to sue an alleged infringer “where the actual or threatened infringement has occurred or may occur”. A broad interpretation of “a place of business” and the fact that a patent holder will be able to sue where “a threatened infringement may occur” opens the door to potential forum shopping. A place of infringement can be almost anywhere on the territory of the participating Member States (MS).

In my blogpost, I evoke two scenarios which could be problematic. However, I do think that for both, a logical interpretation should lead to the avoidance of risks associated with forum shopping.

First, I wondered if, for example, the fact that goods may be in transit on the territory of one participating Member State of the UPC, would qualify as goods put on the market, and that such transit would be sufficient to justify the jurisdiction and competence of the division located on that territory. Under a certain interpretation, it could be sufficient. The market coverage of a Unitary Patent is the EU market (or at least the territories of the participating MS). Despite the fact that the goods in transit are meant to be sold on the territory of one of the MS, it could be argued that any UPC division is competent to assess if there is an infringement of the UP. Detached from the traditional territoriality and nationality principles, there will be no need to choose the division of the particular MS for which the products are actually meant for. On the other hand, and according

to an interpretation which would be more in line with the case law of the CJEU, it would only be the division of the MS for which the goods are destined to be sold, which would have jurisdiction over such a case.

In the second scenario, I had some questions about the potential impact on jurisdiction of the scale of infringement. In theory, the sale of very few products in a territory is sufficient to trigger the jurisdiction of the courts. With the UPC, I wondered if it was justified that the sale (or even potential sale) of only a few infringing products on the territory of one participating MS would prevent litigation at a division where major acts of infringement (for example where the alleged infringer actually manufacture its products) occur? I do believe that this scenario is hypothetical and should not raise many concerns. If there are acts of infringement on the territory of a MS, the scale of that infringement should not matter. The competence of the division located on that territory should not be questioned.'

Do you think the UPC provisions on choice of forum are too flexible?

'The provisions on choice of forum follow a very classical formulation that we can find in national and European legislations. It is generally accepted that an action can either take place at the place of infringement or that we should follow the rule according to which one must sue on the territory of the domicile of the defendant. The scenarios under which (a) the defendant has no connection at all with any MS and (b) the fact that certain MS will not host a division, had to be envisaged for the UPC system. Concentrating such cases at the central division does not seem a bad option.



The concerns I have, reside essentially in the fact that “a place of business” and the fact that the place where “threatened infringement may occur” will be sufficient to trigger the competence of the divisions. Moreover, there is room for interpretation of the provision, which is actually a double-edged sword in this case. It is of course difficult to know in which direction the jurisprudence will go and how the UPC divisions will actually interpret the rules.

Could the UPC provisions cause a lack of balance and harm the rights of for instance alleged infringers?

'In theory, it is possible that the UPCA leads to a misbalanced system as many options are offered to patent holders concerning choice of forum, while alleged infringers do not benefit from such flexibility. However, the UPCA contains some safeguards for alleged infringers who would be sued in a division other than the one where they have their domicile/residence or principal place of business.

For example, with regards to the language of proceedings, Art 49.5 of the UPCA stipulates that: “At the request of one of the parties and after having heard the other parties and the competent panel, the President of the Court of First Instance may, on grounds of fairness and taking into account all relevant circumstances, including the position of parties, in particular the position of the defendant, decide on the use of the language in which the patent was granted as language of proceedings.” Article 51 UPCA also provides for translation requirements.

On a more general level, it should be recalled that, as mentioned in the preamble of the UPCA, the Unified Patent Court notably aims at striking a fair balance between the interests of right holders and other parties while taking into account the need for proportionality and flexibility. One of the goals of the system being to improve the enforcement of patents, but also the defense against unfounded claims and patents which should be revoked, as well as to enhance legal certainty. The level of discretion left to UPC judges, and which shines through the different sets of rules governing the UPP, should avoid disproportional and unfair outcomes.’

Do you see other risks?

‘The general concern is obviously that certain divisions of the UPC will develop their own interpretation of the rules or their own practice within the framework of the more general Rules of Procedure of the UPC which could be detrimental to litigants (being patent holders or alleged infringers). On this note, it should also be noticed that forum shopping is not always an advantage for patent holders. We saw in the past that alleged infringers benefited from certain leeway in selection of forum in Europe and engaged in so-called “torpedo actions”. The risks associated with these torpedo actions at the UPC are limited due to the way in which the UPCA is formulated.

However, it should not be forgotten that alleged infringers also have this possibility of starting a revocation action or a declaration of non-infringement proceeding at the central division, before a holder initiates an infringement action at a local or regional division. If the patent holder does not start proceedings before a local or regional court within 3 months of the date on which the action was initiated before the central division, the central division will have full control over the case. This provides for a possibility for defendants (though very limited compared to the options provided to patent holders) to take the matter in their own hands before patent holders do.’

Do you expect many differences between the local, regional and central divisions of the UPC? In other words, will there be opportunities to forum shop in this system, where the composition of the panels of judges will vary as part of the judges will be chosen from a pool?’

‘I do think that having panels of judges coming from different countries, having different expertise and embracing an interdisciplinary approach with the presence of technical judges, will be of great benefit to the patent litigation system in Europe. A concern might actually be for divisions which do not benefit from such diversity, e.g. divisions with a majority of national judges. In this case, there will be less “cultural” exchange and approaches that are more traditional could be favored. Finally, the role of the Court of Appeal should also be highlighted, as it will hold the cards to correct potential discrepancies due to forum shopping.’

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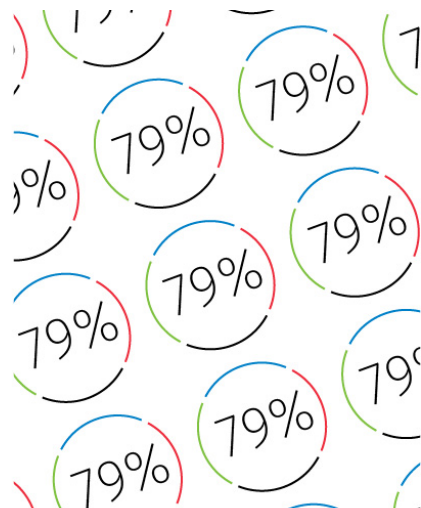
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