

Peter Meier-Beck

## The Future of Bifurcation

When I was invited to attend this conference and contribute to its programme and accepted with pleasure to deliver a keynote speech on the future of bifurcated patent litigation systems I expected the European Unified Patent Court (UPC) system getting into force in 2017. Then came Europe's Black Thursday, the 23 June 2016 and the so-called BREXIT referendum in the United Kingdom. Before 23 June I planned to explain you that there is no future for bifurcation in Europe. Now everything is different because it is uncertain whether the UPC-Agreement will get into force anyway and, in case it will do, when that will happen and how many of the current European Union member states will join the system. So you may expect my message to be different. But it is exactly the same: There is no future for bifurcation – or at least not for bifurcation in the literal meaning of the term.

A legal term of bifurcation (*"Bifurkation"* in German) is unknown, at least in Germany. Bifurcation means forking or branching something. The term is known to mathematicians and dentists and especially hydrogeologists. River bifurcation means that a river is split up to two different streams. An interesting example is the South American Río Fenix Grande which is divided near the Argentinian town of Perito Moreno. An artificial channel leads to the Río Deseado and therewith to the Atlantic Ocean, while the Río Fenix Chico flows to the Lago Buenos Aires and finally to the Pacific Ocean.

That is what bifurcation means. It shows that bifurcation of Patent litigation was not, as you may think, invented by the Germans but by the fathers and mothers of the UPC-Agreement.

If a party sues a competitor because of patent infringement before the UPC the defendant may bring a counterclaim for revocation before the very same court that has to deal with the claim for infringement. The court may decide both actions – and that is what you will expect a judge and a court to do: You will expect them to decide the cases which parties brought before them. But the UPC-Agreement says:

Well, the judges may also bifurcate. They may decide the infringement issue only and send the rest of the case, i.e. the counterclaim for revocation, to another division, i.e. the central division, of the very same court, staffed more or less in the very same way. Does that make any sense? I do not think so, at least not in ordinary cases. A different view may be justified if different divisions of the court have to deal with different infringement actions, all of them based on the same patent, and different defendants file different counterclaims for revocation. In that case all the different counterclaims may be sent to the central division which may deal with them in a single revocation hearing. But that will be a rare exception.

But is not the German patent litigation system a bifurcated one? No, it is not. It is a two-track system, where the infringement track is separated from the revocation (or invalidation or nullity) track from the very beginning, and because both proceedings are never united they can never be divided or bifurcated. Does that make a difference? Yes, it does.

Infringement and revocation proceedings are two quite different procedures.

Revocation proceedings are an administrative procedure. According to the law, the opposing parties in these proceedings are not the authority, i.e. the Patent Office, that granted the patent and a private party, i.e. the claimant, who wants to contest the administrative act (the grant of the patent) with the aim of having this administrative act overturned (the patent revoked). Instead of the authority that party has a right to defend the patent that was granted the patent, i.e. the patentee. This rule, deviating from administrative procedure, governs the participation in patent revocation proceedings. Nevertheless the issue here is the question under public law of whether, when a patent was granted, those requirements under substantive law were met under which the applicant may request the grant of a patent and under which the Patent Office is entitled to grant the applicant an absolute right limiting the rights of third parties, i.e. the patentee's competitors. The only issues the court has to deal with are the legal grounds for revocation, i.e. lack of patentability, insufficient disclosure, and added matter.

In contrast, infringement proceedings are not an administrative procedure, but a procedure governed by civil law. The subject matter of these proceedings is the claims (under private law) arising from an unlawful act (tort) which a claimant can assert when alleging that a defendant is using a subject matter to which only claimant has sole right to use and is thus infringing claimant's rights arising from the granted patent. There is a bunch of civil law questions the court may have to deal with. Is the claimant the proprietor of the patent or otherwise entitled to sue the defendant? Is the patent infringed? Are all of the defendants or some of them liable for patent infringement? Or are the defendants or some of them entitled to use the patent in suit? And any other question of substantive or procedural law that may arise from any other legal proceedings based on alleged tort may also arise in patent infringement proceedings.

Hence, it is not surprising that in Germany different courts deal with these two different kinds of proceedings. There is the special administrative court, i.e. the *Bundespatentgericht*, the Federal Patent Court, and there are the ordinary courts. These are the *Landgerichte*, the Regional Courts, and the *Oberlandesgerichte*, the Higher Regional Courts, as civil courts of the first and second instances. Patent Court and ordinary courts do not merely have different jurisdictions as jurisdiction for first-instance civil matters can lie within the jurisdiction of the local courts or the regional courts. On the contrary, those courts are also differently structured and have different compositions. An infringement court is a civil chamber of a regional court. These chambers are composed of three legal members who have the qualifications required for judicial office. By contrast, the court that hears revocation cases is the nullity board of the Federal Patent Court and such boards are composed of one legal member as presiding judge, one additional legally-trained judge and three technical judges who are experts in the technical field to which the invention protected by the disputed patent belongs. As is frequently the case under general and particular administrative jurisdictions (in particular financial jurisdiction), a number of judges come from that authority that has issued the decision to be reviewed. For

technical judges, in particular, starting their career at the Patent Office before being appointed to the Patent Court is more or less the only way to become a Federal Patent Court judge. A presiding judge of a technical board of appeal has repeatedly switched from the Patent Office to the court and back in the course of his or her career. As is the case in any other civil lawsuit, the procedural law in infringement proceedings is the German Code of Civil Procedure. By contrast, in revocation proceedings the particular procedural law of the German Patent Act applies. This permits recourse to the Code of Civil Procedure only in the absence of specific patent law provisions and if this does not obstruct the particular nature of the revocation proceedings. Consequently, like in other administrative proceedings, the principle of ex officio investigation applies, although that does not mean that research for prior art is the task of the judges. Revocation proceedings in Germany are something in between inquisitory and adversarial (contradictory) proceedings. In any case, they are in many respects different from infringement and other civil proceedings.

Therefore, it makes sense to have different and differently equipped courts for those different purposes. It allows those different courts to deal competently and efficiently with their different tasks. If those differences do not exist like in the, hopefully, future UPC system bifurcation makes no sense.

Nevertheless, the disadvantages of the two-track system cannot be overlooked.

Two different courts have to understand and interpret (construe) the same patent and in doing so they may come to different results. That happens from time to time although much more seldom than critics of the German system allege. And it is not a specific of a two-track system that two different courts may come to two different results. In any case, the *Bundesgerichtshof*, the German Federal Court of Justice, is the court of last resort in both kinds of proceedings and generally in a position to reconcile inconsistent decisions from the two different tracks. And it is an advantage of the system that each court is forced to consequently think through the problem it has to deal with, i.e. the question of infringement or validity of the

patent in suit, in doing so also considering the arguments brought forward by the parties in the respective other proceedings, and cannot muddle through by assessing, e.g., the patent either not to be infringed or to be invalid.

But there is another problem of the two-track system and it is its biggest one. This problem is the so-called injunction gap. Usually, the patentee is the one who starts litigation. So infringement proceedings make headway before revocation proceedings that use to be a reaction to the claims for injunctive relief and compensation are even filed, and patentee enjoys time advantage from the very beginning. But this is a first mover advantage and the system is not to blame for. The problem is that the time gap between the infringement decision and the revocation decision is much bigger than the mere time difference between the start of infringement proceedings and the start of revocation proceedings. For several reasons, revocation proceedings take much more time to final decision. If the Regional Court decides in favour of the patentee and the Federal Patent Court revokes the patent, let us say, twelve or eighteen months later, the patentee may meanwhile enforce the decision of the Regional Court and urge the defendant to settle the case before any decision on the validity of the patent has been made. Of course, the Regional Court can avoid this scenario by staying infringement proceedings until the Federal Patent Court will decide. But the Regional Court will do so only if it expects the patent in suit probably to be revoked and the Regional Court may be wrong expecting the patent to be upheld and therefore refusing the stay of infringement proceedings which the defendant needed and asked for. This can be seen as an unfair profit which the German system grants, at least from time to time, to the patentee.

Is there a remedy or is that lack of balance good reason for a fundamental change of Germany's two-track system? I think before changing an, on the whole, well working system we should try to rebalance it.

On the one hand, revocation proceedings should be reorganized by the Federal Patent Court and accelerated. On the other hand, the German legislator should adapt the provisions of the Code of Civil Procedure on the enforcement of first in-

stance judgements to the special needs of two-track patent proceedings. If the defendant attacks the patent in suit without undue delay by filing a revocation action with the Federal Patent Court, injunctive relief granted in favour of the patentee should, as a rule, not be enforceable unless and until the Federal Patent Court dismisses the claim for revocation. Only a special interest of the patentee should justify immediate enforceability of the first instance judgement before validity of the patent in suit has been affirmed by the Federal Patent Court. That could be easily achieved by an amendment to the Patent Act or the Code of Civil Procedure and would be an important contribution to a rebalanced two-track patent litigation system. Personally I would prefer such an amendment to a competence of the Regional Court to examine validity of the patent in parallel to revocation proceedings. For examination of patent validity would be a heavy additional burden to the Regional Courts, and the outcome of that examination and the outcome of parallel revocation proceedings might be different. And the more the Federal Patent Courts succeeds in accelerating revocation proceedings the less the right of the patentee to enforceable injunctive relief is affected by the remaining delay which will be caused by a delayed enforceability of granted injunctive relief.

This leads me to my final remarks: Bifurcated patent litigation makes no sense and there is no future for a bifurcated system, especially not in the UPC-system whenever this system may come. But the two-track system as established in Germany brings forward good and well-reasoned results and has proven its effectiveness and efficiency. Intensified efforts to accelerate revocation proceedings and amended provisions on the enforceability of first instance judgements in case of contested validity of the patent would strengthen fairness and worldwide acceptance of that system and ensure continuance of the German two-track system, even if it were to compete with a future UPC system.

Thank you very much for your kind attention.