

ORDER
of the Court of Appeal of the Unified Patent Court
issued on 6 August 2024
concerning service of a Statement of claim on defendants in China (R.273 and R.274 RoP)

HEADNOTE

- A defendant company in China cannot, as a starting point, be served a Statement of claim via a company within the same group in a Contracting Member State. Such a group company cannot automatically be seen as a statutory seat, central administration or principal place of business of a defendant company in China, nor a place where such defendant has a permanent or temporary place of business. Attempts to serve in China by any method provided for by the Hague Convention pursuant to R.274.1(a)(ii) RoP shall normally be made before service permitted by the law of the state where service is to be effected (R.274.1(b)) or by alternative methods or at an alternative place (R.275 RoP) is permitted.

KEYWORDS

- Service, Regulation (EU) 2020/1784, the Hague Convention, Service outside the Contracting Member States

APPELLANT (AND CLAIMANT IN THE MAIN PROCEEDINGS BEFORE THE CFI)

Nera Innovations Ltd., Dublin, Irland (hereinafter Nera Innovations)

represented by: Rechtsanwalt Dr. Thomas Adam (Peterreins Schley)

RESPONDENTS (1 AND 2; NOT SERVED, 3 AND 4; DEFENDANTS IN THE MAIN PROCEEDINGS BEFORE THE CFI)

1. Xiaomi Communications Co., Ltd., Beijing, China

2. Xiaomi Inc., Beijing, China

3. Xiaomi Technology Netherlands B.V., Den Haag, the Netherlands (hereinafter Xiaomi NL)

represented by: Eva Acker (Freshfields Bruckhaus Deringer Rechtsanwälte)

4. Xiaomi Technology Germany GmbH, Düsseldorf, Deutschland (hereinafter Xiaomi DE)

represented by: Eva Acker (Freshfields Bruckhaus Deringer Rechtsanwälte)

LANGUAGE OF THE PROCEEDINGS

German

PANEL AND DECIDING JUDGES

This order has been issued by the second panel consisting of:
Rian Kalden, Presiding judge and legally qualified judge
Ingeborg Simonsson, legally qualified judge and judge rapporteur
Patricia Rombach, legally qualified judge

IMPUGNED ORDER OF THE COURT OF FIRST INSTANCE

- Date: 24 April 2024
- Order of the Hamburg Local Division: ORD_22417/2024 concerning ACT_19746/2024, in the infringement action UPC_CFI_173/2024; leave to appeal was granted in the order.

ORAL HEARING

6 June 2024

PATENT IN SUIT

EP 2 642 632

POINTS AT ISSUE

Service of a Statement of claim on defendants in China

SUMMARY OF FACTS

1. Nera Innovations brought an infringement action against defendants 1-4 before the Court of First Instance, Hamburg Local Division. According to the information in the Statement of claim, defendants 1 and 2 (hereinafter jointly referred to as the Chinese Xiaomi companies) have their registered offices in China, while defendants 3 and 4 (Xiaomi NL and Xiaomi DE) have their registered offices in the Netherlands and Germany respectively.
2. Nera Innovations requested that service of the Statement of claim on the Chinese Xiaomi companies should be effected via Xiaomi DE, according to R.271.5(a) RoP.
3. The Hamburg Local Division dismissed Nera Innovation's request. The Local Division held that R.271.5 RoP is not (yet) applicable. Since the Chinese Xiaomi companies have their registered office outside the territory of the Contracting States of the UPCA and these companies have neither their statutory office, central administration or principal place of business nor their own permanent or temporary establishment in the Contracting States of the UPCA, service must be effected in accordance with R.273 and R.274 RoP. These provisions require at least a first attempt of service in accordance with R.274(a)(ii) RoP under the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of 15 November 1965, hereinafter 'the Hague Convention', as the People's Republic of China does not fall within the scope of Regulation (EU) 2020/1784 but is a party to the Hague Convention. The Hague Convention presupposes that the documents in question have actually been transmitted in accordance with a procedure provided for in Article 15(2)(a) of the

Convention. An attempt at service and actual transmission is an indispensable prerequisite for a decision on the merits.

4. Nera Innovations has appealed the order.
5. Since the Chinese Xiaomi companies have not been served the Statement of claim, they have not yet become parties to the proceedings before the UPC. The Court of Appeal has consequently not communicated the appeal with those companies. Such communication would furthermore require service of the Statement of appeal and other documents, and the legal assessments made in the choice of method of service would precede and predict the outcome of the point at issue pending in the appeal proceedings.
6. With the consent of the parties, the case has been heard together, in the English language, with case APL_21602/2024, UPC_CoA_183/2024, a similar case which concerns service in China and Taiwan.
7. At the oral hearing, Nera Innovations presented an auxiliary request that the Court of Appeal should order that the service of the Statement of claim on Xiaomi DE was good service on the Chinese Xiaomi companies, specifying that the place of service is the address of Xiaomi DE as indicated in the Statement of claim, that the Statement of claim is deemed served on the Chinese Xiaomi companies on the date Xiaomi DE was served (auxiliary: on the date of the decision of the Court of Appeal), and that the period for filing the Statement of defense for the Chinese Xiaomi companies started on the date of service of the Statement of claim upon Xiaomi DE (auxiliary: on the date of the decision of the Court of Appeal).
8. These auxiliary requests were dismissed by the Court of Appeal at the oral hearing. The auxiliary requests were first brought at the oral hearing. Nera Innovations was not able to justify that the auxiliary requests could not reasonably have been made earlier and allowing them would have contravened the interests of the other party (R.222.2 RoP).

INDICATION OF PARTIES' REQUESTS

9. Nera Innovations has requested that the impugned order be set aside and that the Hamburg Local Division be directed to serve the Statement of claim on the Chinese Xiaomi companies via Xiaomi DE.
10. Xiaomi NL and Xiaomi DE have requested that the appeal be rejected and that the Court of Appeal shall order that Nera Innovations shall bear the costs of the appeal proceedings.

PARTIES' SUBMISSIONS

Nera Innovations – in summary and insofar as relevant – has argued as follows.

11. The references to Regulation (EU) 2020/1784 in the RoP only concern the procedure for service, but not the question of whether service should only be effected between the Contracting Member States of the UPC. R.271 RoP governs the process of service within the UPCA territory, whereby only the place of the requested service is decisive, not the actual headquarters of the defendant.

12. The question whether service must be effected abroad (i.e. here: outside the UPCA territory) is left open in the Hague Convention and is to be decided according to the *lex fori* and thus according to the law applicable in the jurisdiction of the court in which the action was brought.
13. The Hague Convention is therefore not necessarily applicable to a service constellation that has any foreign connection. The Hague Convention does not stipulate any obligation to effect service abroad. The *lex fori*, i.e. the law applicable at the place of the court seized, in this case the UPCA and the RoP, is therefore decisive for the question.
14. R. 271.5(a) RoP is broadly worded and allows service to be effected according to a second category, namely "at any place within the Contracting Member States where the company or other legal person has a permanent or temporary place of business". The provision is also broad in another aspect, as it also refers to any merely "temporary" place of business. The latter is likely to concern trade fair cases where a foreign defendant exhibits its goods for a limited period of time within the Contracting Member States.
15. The wording of R.275.1(a) RoP provision is unambiguous, i.e. any party which is a company (as opposed to natural persons, which R.275.1(b) RoP deals with), whether or not it is established in the UPCA territory, may be served at any place in the UPCA territory where that party has a "place of business", which place of business may be either permanent or temporary.
16. R. 271.5(a) RoP is applicable to notifications to an independent legal entity, such as a subsidiary, when the provision is interpreted in accordance with Art.7(5) of the Brussels 1a (Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters). According to this provision a person domiciled in a Member State may be sued in another Member State as regards a dispute arising out of the operations of a branch, agency or other establishment, in the courts for the place where the branch, agency or other establishment is situated.
17. Xiaomi DE acts as the permanent establishment of the Chinese Xiaomi companies because it acts in functional cooperation with them by way of a centrally controlled business relationship.
18. The Chinese Xiaomi companies will obtain reliable knowledge of the existence and content of the statement of claim via Xiaomi DE if the statement of claim is served via Xiaomi DE.

Xiaomi NL and Xiaomi DE – in summary and insofar as relevant – have argued as follows.

19. The reasoning of the Hamburg Local Division is supported. The distinction between Section 1 and Section 2 of Part 5, Chapter 2 of the RoP must be made according to the statutory seat (headquarters) of the defendant. The applicability of R.271.5(a) RoP correctly presupposes that the defendant's principal place of business must be within the Contracting Member States.
20. The wording of R.271.5(a) RoP reinforces the view expressed by the Hamburg Local Division, and so does a systematic interpretation, and the purpose of the rule, which is to avoid circumvention of the foreign service rule.

21. An interpretation taking into account the requirements of European and international law also require the defendant's principal place of business – and not the place of service – to be decisive for determining whether service was effected within the Contracting Member States (within the meaning of R.270 RoP *et seq.*) or outside (within the meaning of R.273 RoP *et seq.*).
22. Only the contracting states of the UPCA are legally bound by these provisions. The law of the recipient state must be applied to the international service of process agreement applicable in the recipient state, as the recipient state has not modified its law applicable to service of process by the UPCA by means of a law approving the UPCA. In order to safeguard the sovereignty of states when concluding an international treaty and to protect the addressee when determining the relevant international convention on service of process, it is therefore necessary to refer uniformly to the defendant's principal place of business. Art. 7(5) of the Brussels Ia Regulation does not lead to a different result. Even if one were to accept the argumentation of Nera Innovations, it is not clear why the definition of the term "seat" should correspond to the terms "branch, agency or in particular establishment" from Article 7(5) Brussels Ia Regulation.
23. The effective enforcement of rights is not jeopardised by compliance with the international regulations for service abroad. Article 15(2)(a) of the Hague Convention presupposes that the documents in question have actually been transmitted in accordance with a procedure provided for in the Convention.
24. R.271 RoP is not applicable because the Chinese Xiaomi companies are defendants which have their seats in the People's Republic of China, thus outside the Contracting Member States. Instead, R.273 to 274 RoP apply.
25. The group structure alone does not justify an imputation of knowledge.
26. Xiaomi DE is in any case not a permanent or temporary place of business of the Chinese Xiaomi companies. Each are independent legal entities that act with different bodies. Xiaomi DE is an independent company with an independent legal personality that was founded under German law, and a subsidiary of Xiaomi NL.

GROUNDS

27. Rules on service of documents are essentially there to ensure that the court, before delivering a default judgment can verify whether the means by which a document instituting proceedings was served were such that the rights of the defence have been respected (Case C-14/07, Weiss und Partner, ECLI:EU:C:2008:264, para 51).
28. The guarantee of actual and effective receipt of documents, that is to say, service on the defendant, together with the existence of a period of time sufficient to enable the defendant to prepare his or her defence, is a requirement of respect for the right to effective judicial protection enshrined in Article 47 of the Charter of Fundamental Rights of the European Union. Authority for a subsidiary to receive on behalf of its parent company judicial documents intended for it cannot be presumed, otherwise there is a risk of prejudicing the parent company's rights of defence. (See judgment of the CJEU of 11 July 2024 in Case C-632/22 Volvo (Assignation au siège d'une filiale de la défenderesse), ECLI:EU:C:2024:601, paras 50-51).

29. Article 24(1)(d) of the Agreement on a Unified Patent Court (UPCA) stipulates that the Court shall base its decisions on other international agreements applicable to patents and binding on all the Contracting Member States. In compliance therewith, the RoP provisions on service of documents are designed in conformity with EU law and the Hague Convention.
30. The relation between Regulation 2020/1784 and the Hague Convention is touched upon in Article 29 of Regulation 2020/1784, entitled “Relationship with agreements or arrangements between Member States”: The Regulation shall prevail in relation to matters to which it applies over other provisions contained in bilateral or multilateral agreements or arrangements concluded by Member States, and in particular the Hague Convention, *in relations between the Member States party thereto* (emphasis added). Article 15 of the Hague Convention is furthermore applicable according to Article 28.4 of Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, where Regulation 2020/1784 is not applicable and if the document instituting the proceedings or an equivalent document had to be transmitted abroad pursuant to that Convention.
31. The Hague Convention has been acceded to by all EU Member States. Although the Convention does not have a clause allowing the EU itself to accede, accession to the Convention falls within the exclusive external competence of the EU following the adoption of EU internal rules on service of documents (see for example Proposal for a Council Decision authorizing Austria and Malta to accede to the Hague Convention, COM/2013/0338 final). The Convention, improving the transmission of judicial and extrajudicial documents abroad is particularly important for the EU and its Member States because it facilitates judicial cooperation in cross-border litigation in relations with third states. The EU in its external relations has been promoting the accession of third countries to the Hague Convention as an efficient and reliable system for the service of judicial and extrajudicial documents (COM/2013/0338 final).
32. It is thus clear that while Regulation 2020/1784 is intended for intra-Community service, the Hague Convention applies (insofar as is relevant here) for transmission of judicial documents abroad in cross-border litigation in relations with third states. This is reflected in the RoP.
33. Although there is no definition of what constitutes service within and outside the Contracting Member States respectively there is a systematic division between these two types of service. As can be seen from the headings of Sections 1 and 2 of Part 5, Chapter 2 of the RoP, service within the Contracting Member States is governed by R.270 through 272 RoP. Service outside the Contracting Member States is instead governed by R.273 and 274 RoP.
34. Service within the Contracting Member States, where Regulation 2020/1784 applies (R.270.1 RoP), shall be effected at the following place according to R.271.5(a) RoP: where the defendant is a company or other legal person, at its statutory seat, central administration or principal place of business within the Contracting Member States or at any place within the Contracting Member States where the company or other legal person has a permanent or temporary place of business (see also (R.278.2(a) and 3(a) RoP).

35. The wording of R.271.5(a) RoP strongly suggests that it only applies to service on companies or other legal persons with their statutory seats, central administration or principal place of business within the Contracting Member States. This is demonstrated by the choice of wording in the second part of the sentence where reference is made to “the company”. The reference to “the company” refers back to the first part of the sentence where such a company is defined, that is, a company with its statutory seat, central administration or principal place of business within the Contracting Member States.
36. The wording of the second part of R.271.5(a) RoP thus provides for places where service can be effected within UPC territory, as an alternative to service on a company with its statutory seat, central administration or principal place of business within the Contracting Member States. This provision thus provides for alternative places of service for a defendant that is domiciled within UPC territory. Service can then be made at any place within the Contracting Member States where the company or other legal person has a permanent or temporary place of business.
37. For service of a Statement of claim outside the Contracting Member States, the Registry may serve by any method provided by: (i) The law of the European Union on the service of documents in civil and commercial matters (Regulation 2020/1784) where it applies; (ii) The Hague Service Convention or any other applicable convention or agreement where it applies; or (iii) to the extent that there is no such convention or agreement in force, either by service through diplomatic or consular channels from the Contracting Member State in which the sub-registry of the relevant division is established (R.274.1(a) RoP).
38. The reference to Regulation 2020/1784 *where it applies* in R.274.1(a)(i) RoP stems primarily from the fact that not all EU Member States are Contracting Member States. Service in EU Member States that are not Contracting Member States will normally be carried out in accordance with Regulation 2020/1784. However, R.274.1(a)(i) RoP can also be understood to convey that there are substantive limitations to the applicability of Regulation 2020/1784 (see for example Article 1 of that Regulation).
39. R.274.1(b) RoP provides for service by any method permitted by the law of the state where service is to be effected or as authorized by the Court, where service in accordance with R.274.1(a) could not be effected.
40. Section 3 of Part 5, Chapter 2 of the RoP deals with service by an alternative method. R.275 RoP provides that where service in accordance with Section 1 or 2 could not be effected the Court on an application by the claimant that there is a good reason to authorise service by a method or at a place not otherwise permitted by Chapter 2, the Court may by way of order permit service by an alternative method or at an alternative place (R.275.1 RoP). Furthermore, on a reasoned request by the claimant, the Court may order that steps already taken to bring the Statement of claim to the attention of the defendant by an alternative method or at an alternative place is good service (R.275.2 RoP).
41. Article 15.2 of the Hague Convention provides that each Contracting State shall be free to declare that the judge may give judgment even if no certificate of service or delivery has been received, if all the following conditions are fulfilled: a) the document was transmitted by one of the methods provided for in the Convention, b) a period of time of not less than six months, considered adequate by the judge in the particular case, has elapsed since the date of the transmission of the document, c) no

certificate of any kind has been received, even though every reasonable effort has been made to obtain it through the competent authorities of the State addressed.

42. The implication of Article 15.2 of the Hague Convention is that an attempt shall normally be made to serve the Statement of claim by any method provided for by the Hague Convention, before the Court authorises or orders service by an alternative method or at an alternative place (R.274.1(b) and R.275 RoP).
43. The Chinese Xiaomi companies are companies with registered offices outside the Contracting Member States and outside the EU. As said, R.271.5(a) RoP does not apply to these companies. The Court of Appeal is of the opinion that a defendant company in China can also not, as a starting point, be served a Statement of claim via a company within the same group in a Contracting Member State. Such a group company cannot automatically be seen as a statutory seat, central administration or principal place of business of a defendant company in China, nor a place where such defendant company has a permanent or temporary place of business. This view is supported by the principle of corporate separation prevalent in national law, which is also a source of law for the Court when interpreting the Rules of Procedure (Article 24(1)(e) UPCA).
44. In that respect the Court of Appeal notes that, although the absence of personal liability for shareholders is no general principle of company law applicable in all circumstances and without exception (judgment of the Court of Justice in Case C-81/09, *Idryma Typou*, ECLI:EU:C:2010:622, para 42), the company law principle of separation of liability is a common principle in the company law of the Member States, above all in matters of civil liability in connection with trading companies, such as companies with limited liability or joint stock companies (Opinion of AG Kokott in Case C-501/11 P, *Schindler Holding and Others v Commission*, ECLI:EU:C:2013:248, para 65, this was confirmed by the Court of Justice, Case C-501/11 P, *Schindler Holding and Others v Commission*, ECLI:EU:C:2013:522, para 101).
45. This leads to the conclusion that service of the Statement of claim on the Chinese Xiaomi companies is governed by R.273 and R.274.1 RoP. Regulation 2020/1784 does not apply to them, which means that the conditions for applying R.274.1(a)(i) RoP are not met. The Hague Convention applies to the Chinese Xiaomi companies (R.274.1(a)(ii) RoP).
46. For the reasons set out, the Court of Appeal concludes that the Hamburg Local Division was right in rejecting Nera Innovations' request.
47. What has been said does not preclude the possibility of service by other or alternative methods at a later stage in the proceedings (R.274.1(b) and R.275 RoP).

Costs

48. No decision on the reimbursement of legal costs will be made in this appeal, since this order of the Court of Appeal is not a final order or decision, i.e. not an order or decision concluding the proceedings pending before the Court of First Instance.

49. The RoP provide that the principal decision on the obligation to bear the costs of the proceedings will be made in the final order or decision, in particular the decision on the merits (R.118.5 RoP), optionally in combination with an interim award of costs (R.150.2 RoP). The final decision is also the best stage of the proceedings to assess whether and to what extent a party can be considered unsuccessful within the meaning of Art. 69 UPCA.
50. The concept laid down in R.118.5 RoP that the principal decision on the costs of proceedings is made in the final order or decision is in line with R.150.1 RoP, according to which it is only after the decision on the merits that the successful party may seek a cost decision, meaning a decision for the determination of the costs to be borne by the unsuccessful party (R.150.1 RoP). This concept is also confirmed by the fact that the scale of ceilings for recoverable costs adopted by the Administrative Committee, which the Court must take into account when determining the reimbursement of representation costs, indicates ceilings based on the value of the proceedings as a whole (R.152.2 RoP).
51. As this concept also applies at appeal, R.242.1 RoP is to be interpreted to mean that if the decision of the Court of Appeal is not a final order or decision concluding an action, the Court of Appeal, in the case at hand, will not issue an order for costs in respect of the proceedings at first instance and at appeal. However, the outcome of the appeal must be considered when, in the final decision on the action at hand, the Court determines whether and to what extent a party must bear the costs of the other party because it was unsuccessful within the meaning of Art. 69 UPCA.

ORDER

Nera Innovations' appeal is rejected.

Issued on 6 August 2024

Rian Kalden, Presiding judge and legally qualified judge

Ingeborg Simonsson, legally qualified judge and judge-rapporteur

Patricia Rombach, legally qualified judge