

## **Draft Agreement on a Unified Patent Court and draft Statute**

### ***Introduction***

The Federation represents IP intensive companies in the United Kingdom - a list of members is attached. Our member companies are extensively involved with IP in Europe and internationally. Not only do our companies own considerable numbers of IP rights, both in Europe and elsewhere, but they are affected by the activities and IP rights of competitors. They may be either plaintiffs or defendants in IP related court actions, here and elsewhere.

### ***IP Federation comments***

For many years, the IP Federation has been supportive of the European Commission's efforts to reform the patent system in Europe. In particular, we have welcomed both the idea of a Community-wide patent right and the establishment of an integrated court system which allows both this instrument and existing European Patents to be litigated within a high quality transnational framework (the European and European Union Patent Court (EEUPC)). As significant users of the system, we have been willing participants in the debate and have consistently expressed our views on these matters in what we hope is a constructive and pragmatic way.

We have previously expressed our views on these provisions in a number of earlier policy papers:

- In paper [PP07/09](#), we gave our initial thoughts on the draft Agreement on the European and Community Patents Court and draft Statute.
- In paper [PP05/10](#) we submitted some general comments on the preliminary set of provisions for the Rules of Procedure of the European and EU Patents Court (EEUPC).
- In paper [PP06/10](#), we dealt further, with the very important question of privilege before the Court.
- Finally, in paper [PP05/11](#), we gave our support for the current version of Article 28 of the draft Agreement which will establish this Court.

### ***Concerns of principle***

Following the draft Agreement on a Unified Patent Court dated 14 June 2011, a document (the "principles paper") was prepared by a sub-group of the European Patent Reform Consultation Group constituted by the UK IPO.

This paper is attached, and is also available on the [website](#) of the Licensing Executives Society Britain and Ireland.

The IP Federation is strongly in support of the principles paper, and the conclusions on page 3:

In short, without further revision, the current draft Agreement will fail to meet the Government's goals of being accessible and affordable, and creating laws and procedures which are easy to use. It is more likely to increase cost and create legal uncertainty for applicants and third parties, which in turn has the potential to deter innovation, competition and growth in the UK. The current text requires amendment in order to deliver real benefits for business, consumers and the economy.

Thus, in addition to addressing the funding issues referred to above, the current text requires amendment.

We are particularly concerned that the Court Agreement is being hurried through, without proper consideration being given to the consequences. The *Macbeth* approach, "If it were done, when 'tis done, then 'twere well it were done quickly," is *not* the approach that should be adopted here!

***Key aspects that give rise to concern.***

There are three key aspects that give rise to concern for our members:

**1. Premature Adoption**

The draft Agreement is simply not yet ripe for political agreement, even less for adoption into law. Important amendments are still needed.

**2. Premature Exclusivity**

There is no escape route if the new system fails to work properly. After five years it will even embrace existing European patents, with a 'retro-active' effect. The new system should not become exclusive, that is to say fully replace national courts, until there has been a review which shows it is functioning satisfactorily. Reviews should be carried out periodically. The UK government and users of the system should be part of such a review.

**3. Cost Analysis**

Following the ECJ decision, the EU is no longer an economic stakeholder in the court system so the entire cost now seems to fall to Member States and/or users. This means either high court fees or Member States' subsidies or both. This will have the greatest impact on SMEs who simply may not be able to use the new system as litigation in the Unified Patent Court is likely to be more expensive than national litigation today. The financial incentive for regional divisions has also been lost. A cost analysis of the post-ECJ model - including the cost to the UK tax payer - has not been carried out, but is badly needed.

**Conclusion**

We urge Ministers to take heed of the arguments and conclusions presented in the principles paper. Without further revision, the current draft Agreement will fail to meet the Government's goals of being accessible and affordable, and creating laws and procedures which are easy to use. It is more likely to increase cost and create legal uncertainty for applicants and third parties, which in turn has the potential to deter innovation, competition and growth in the UK. The current text requires amendment in order to deliver real benefits for business, consumers and the economy.

IP Federation  
22 September 2011

### **IP Federation members 2011**

The IP Federation (formerly TMPDF), represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity no: 83549331760-12.

ARM Ltd  
AstraZeneca plc  
Babcock International Ltd  
BAE Systems plc  
BP p.l.c.  
British Telecommunications plc  
British-American Tobacco Co Ltd  
BTG plc  
Delphi Corp.  
Dyson Technology Ltd  
Eli Lilly & Co Ltd  
ExxonMobil Chemical Europe Inc  
Ford of Europe  
Fujitsu Services Ltd  
GE Healthcare  
GKN plc  
GlaxoSmithKline plc  
Hewlett-Packard Ltd  
IBM UK Ltd  
Infineum UK Ltd  
Merck Sharp & Dohme Ltd  
Microsoft Limited  
Nokia UK Ltd  
Nucletron Ltd  
Pfizer Ltd  
Philips Electronics UK Ltd  
Pilkington Group Ltd  
Procter & Gamble Ltd  
QinetiQ Ltd  
Rolls-Royce plc  
Shell International Ltd  
Smith & Nephew  
Syngenta Ltd  
The Linde Group  
UCB Pharma plc  
Unilever plc

**DRAFT AGREEMENT ON  
A UNIFIED PATENT COURT –  
PI68 COUR 32  
DATED 14 JUNE 2011**

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**CONCERNS OF PRINCIPLE**

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**INTRODUCTION**

This paper has been prepared by a sub-group of the European Patent Reform Consultation Group constituted by the UK IPO. The individual members of the sub-group are listed at the end.

**Impact on Innovation and Growth**

There is now a great deal of political momentum at European level both in Brussels and within many of the Member States to create a Unitary Patent for Europe accompanied by a Unified Patent Court.

In the UK the Government has recently<sup>1</sup> articulated that a key priority of its *International Strategy for Intellectual Property* is “pushing hard for agreement on a unitary patent and patent court which delivers real benefits for business, consumers and the economy”.

In terms of global patent reform, the Government has listed the following aspirations:

- Support innovation and growth
- Accessible and affordable
- Provide greater certainty for applicants and third parties
- Based on laws and procedures that are easy to use

As representative informed users of the system we would strongly support a Unified Patent Court which satisfied these aspirations but we have concerns that, in its current form, the proposal now

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<sup>1</sup> 3 August 2011: <http://www.ipo.gov.uk/ipresponse-international.pdf>

being pursued at European level, has shortcomings and – without amendment – will not only fail to meet most, if not all, of the Government’s aspirations but will also **have a negative economic impact** both on the **UK public purse** and for **users**, most **especially SMEs**. As it stands, the draft text is likely to create a system which is more expensive for Contracting Member States and/or users, create legal **uncertainty** for applicants and third parties and risks **impeding innovation, competition and growth** in the UK for years to come.

As originally proposed, this was a truly European project which was intended to be self-financing while at the same time it was recognised that it would require substantial financial support from Europe especially in the start-up years. Furthermore the Commission was proposing financial incentives to set up a ‘regional<sup>2</sup>’ system to avoid the cost, complexity, and quality issues that would result if local divisions were to be established in each and every Member State. In the current proposals<sup>3</sup> the EU is no longer an economic stakeholder and the entire cost of the system (as well as attendant liabilities) will fall to the Member States and/or users. The incentive to create regional rather than local divisions seems to have been lost. The UK assumes proportional liability for infringements of Union law made by other contracting Member States<sup>4</sup>. More significantly, however, setting up and maintaining a pan-EU system of the size and complexity involved will have substantial financial implications for all participating Member States. To the extent that the system seeks to be financially self-supporting, unless Member States are prepared to commit to adequate and sustained funding, it implies high court fees which risks deterring use of the system, especially by SMEs and those least able to afford access. That the EU is no longer a party to the Agreement is a consequence of the recent ECJ decision but there appears to have been no new economic impact or cost analysis of what this means for the UK or other Member States.

Additionally the complex and burdensome language and translation requirements will add substantially to the cost both for participating Member States and for users (as will such things as the cost of judicial training, the arbitration centre and legal aid) to an extent that has not been properly analysed or fully understood.

As proposed, the new court would have ‘exclusive jurisdiction’ over not only the new Unitary Patents but also over existing European Patents which are currently litigated in national courts. The Unified Patent Court will replace national courts (retrospectively for existing patents) after a relatively short and arbitrary transitional period of five years. After that, users will have no choice<sup>5</sup> but to use the Unified Patent Court regardless of whether it is functioning properly.<sup>6</sup> The national

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<sup>2</sup> i.e. clusters of Member States forming a common, shared division

<sup>3</sup> i.e. the version of 14 June 2011 which was amended to meet objections raised by the CJEU

<sup>4</sup> Article 14c(3) Draft Agreement

<sup>5</sup> Except that it will be possible for owners of existing European patents and applications to opt-out of the Unified Patent Court system. See paragraph 4 in our more detailed analysis below.

<sup>6</sup> Unless they opt to apply for patents in Europe through the far more economically inefficient national patent systems.

courts will then simply become ‘out of bounds’ for patent matters, even for relatively small cases, e.g. of the type that are currently heard in the UK-IPO or in the Patents County Court, making access to justice potentially more difficult and more costly for all users than it is today. The ‘exclusive jurisdiction’ problem is exacerbated because the Agreement can only be reviewed on limited subjects and then amended unanimously.<sup>7</sup> Furthermore, there are no termination provisions so once signed up to the Unified Patent Court Agreement there is never any going back.

Uncertainty for applicants and third parties is exacerbated because the new court, despite stated intentions, will not have a truly European flavour, not least because the composition of local divisions of the court will permit them to exhibit a national character, even embracing less favourable aspects of current national systems<sup>8</sup>, leading potentially to inconsistencies of approach across Europe.<sup>9</sup>

In short, without further revision, the current draft Agreement will fail to meet the Government’s goals of being accessible and affordable, and creating laws and procedures which are easy to use. It is more likely to increase cost and create legal uncertainty for applicants and third parties, which in turn has the potential to deter innovation, competition and growth in the UK. The current text requires amendment in order to deliver real benefits for business, consumers and the economy.

Thus, in addition to addressing the funding issues referred to above, the current text requires amendment.

This paper sets out a more detailed analysis of our principal concerns and our views as to what needs changing. The Annex to this paper is a marked-up version of the draft Agreement which addresses further concerns of a more technical nature which also need to be addressed.<sup>10</sup>

## 1. **ARTICLE 5 – The Court of First Instance (regional vs national divisions)**

Originally, the Commission was proposing financial incentives to set up ‘regional’ divisions (Article 5(5)) to avoid the cost, complexity and quality issues that would result if local divisions were to be established in each and every Member State. Now that the EU is no longer an economic stakeholder the incentive to create regional rather than local divisions seems to have been completely lost. There is therefore a greater risk that more local divisions will be created than would have otherwise been the case (with attendant cost implications for the entire system).

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<sup>7</sup> Article 58(d).

<sup>8</sup> Most notably, so-called “bifurcation”, a characteristic of the current German system where infringement and validity are dealt with in separate proceedings in different courts to the potential disadvantage of the alleged infringer.

<sup>9</sup> At least for the several years it will take to develop harmonised practice.

<sup>10</sup> There is a degree of overlap between the comments in this paper and the comments in the Annex. We have not conducted a full review of the Statute of the Unified Court which is annexed to the draft Agreement.

## 2. **ARTICLE 6 – Composition of Panels**

Article 6 sets out the composition of the panels of legal judges at first instance.

We believe that the requirement in Article 6(1) that “Any panel of the Court of First Instance shall have a “multinational composition” is essential. However this fundamental principle is undermined by the provisions of Articles 6(2), 6(3) and 6(4) which provide (in Article 6(2) and (4)) for two permanent national judges in a division in certain circumstances with the further provision (in Article 6(3)) that the third judge (allocated from a central Pool of Judges) shall serve “on a permanent basis” at the same division.

It is extremely important that the local divisions should, so far as possible, be independent of national traditions and that the rules of procedure of the Unified Patent Court should be applied consistently in the central division and throughout all local and regional divisions without being influenced by pre-existing local traditions or preferences. Although different cases might be dealt with differently on the basis of, for example, their complexity, a particular case should be dealt with in the same way whichever division it is brought in. Local and regional divisions (and indeed the central division) therefore should be fully mixed so far as the nationality of the legal judges is concerned.

Article 6(5) provides that local/regional divisions “may” request a fourth, technical judge. We support this discretion. We believe a technical judge will not be required in all cases even where there is a counterclaim for invalidity. In this respect Article 15a(2)(a) should be clarified to make it clear that the “request” in this sub-paragraph is discretionary.

We also believe that the judges at the central division and the Court of Appeal should have the same discretion and Article 6(6) and Article 7(1) should be amended accordingly.

## 3. **ARTICLE 10 – Eligibility criteria**

We agree that all judges should have proven experience in patent matters. In addition the legal judges must have access to such technical assistance as they need in a particular case. This may include a request for a technical judge or, as is currently provided for in Article 36, a court-appointed expert in appropriate cases. It seems unnecessary to us that a technically qualified judge should have a proven knowledge of civil law and procedure (Article 10(3)) although a proven knowledge of the Rules of Procedure of the Unified Court will be essential.

## 4. **ARTICLE 14e – Applicable law**

It is critical that the law which the Unified Court will apply is comprehensively defined. According to Article 14e(c) the court is to apply “national law which has been adopted by the Contracting



Member States in accordance with the European Patent Convention”. However other national laws could be relevant. For example:

- unfair competition may be raised as a defence to a patent infringement action in some Member States; and
- different Member States have implemented the so-called Bolar provisions (Directive 2004/27) in different ways so that the scope of protection of European Patents may vary and the Unified Court will need to resolve this.

Further, and careful, consideration is needed to anticipate such issues.

## 5. **ARTICLE 15 – Jurisdiction**

Subject to certain safeguards (see below), we believe that the Unified Patent Court should have exclusive jurisdiction in respect of patent litigation and related issues as set out in this Article 15(1). However clarification is required as to whether Article 15(2) creates a non-exclusive jurisdiction for both the Unified Patent Court and national courts or whether certain matters are within the exclusive jurisdiction of the national courts. We believe the former option is correct as there may be matters (for example relating to ownership) which do not fall under the exclusive jurisdiction of the Court which are nevertheless important to the determination of cases over which it does have exclusive jurisdiction. We have suggested a new Article 15(3) to deal with this.

Certain safeguards in respect of the exclusive jurisdiction of the Unified Patent Court are needed:

- (I) we support a transitional period as provided for in Article 58(1) subject to the period commencing from the date of entry “into operation”. This period is intended to allow the Unified Patent Court to develop its personnel, systems and procedures without being overwhelmed at the outset. Ideally the transitional period should end only when the new court system has established a good track record. We believe that the transitional period should be synchronised with the consultation and review provided for in Article 58d and extended automatically until the next review unless it is agreed by all Contracting Member States that the court system is functioning satisfactorily and the transition period can terminate.
- (II) Article 58(3) provides for a patentees’ opt-out from the Agreement for patents granted and applications applied for before “the date of entry into force”. We believe the relevant date should be the date of entry “into operation” (as only during the period of operation will experience be gained as to the working of the Court) but, much more importantly, the opt-out right needs amendment in the following respects:

- (a) The opt-out right was accepted for two (convincing) reasons: first to avoid a retrospective element in that the Agreement should not as a matter of course apply to patents/applications applied for before it came into effect, and secondly, to allow patentees time to evaluate the effectiveness of the new litigation system before taking a decision on where to file patent applications (centrally at the EPO or nationally). This decision on where to file will of course determine whether a granted patent will ultimately fall within or without the Agreement. It is obvious that if the right to opt-out ceases for applications made immediately after the date of entry into [operation] of the Agreement this second objective cannot be achieved. We therefore strongly recommend, subject to (b) below, that the opt-out right should run to the end of the transitional period in Article 58(1) including any extended period.
- (b) It is to be expected that some patentees will exercise the opt-out right out of caution. If the new system establishes itself as a reliable and proportionate means of enforcing patents in Europe then patentees will want and should have the right to opt-back-in to the system at any time after its entry into operation. This possibility would promote increasing use of the system as it is seen to function satisfactorily.
- (III) Considerable uncertainty exists as to the court costs of the new system (see also our comments on funding in the Introduction and below) and it has been argued that for very many litigants, and in particular SMEs, it is only the ability to enforce patents in one (home) jurisdiction that is primarily required.<sup>11</sup> This has led to proposals to weaken the exclusivity of the court. In principle we favour the exclusivity of the jurisdiction of the Unified Patent Court in order to avoid the creation of parallel jurisdictions with the resulting adverse affect on harmonisation of patent law in Europe. However it must be acknowledged that the costs uncertainties are significant. We therefore propose that as part of the consultation and review provided for in Article 58d consideration be given also to the creation, after the end of the transitional period, of a limited exception to the jurisdictional exclusivity allowing, possibly, a one-time enforcement of a European Patent (with or without unitary effect) in one jurisdiction.

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<sup>11</sup> The same can be true for companies other than SMEs. In the computing field only a small number of countries are often selected for validation of a European Patent. In the final few years this number is often reduced still further with only one patent kept in force. It would seem that the national jurisdiction would be appropriate for such a situation.

## 6. **ARTICLE 15a – Jurisdiction of divisions of the Court**

The provisions of this Article are to some extent based upon Brussels Regulation 44/2001 but the Regulation may require amendment. We set out below some difficult issues which arise.

We note that;

in Article 1, second paragraph of the draft Agreement, it is stated that the "Unified Patent Court is a court common to the Contracting Member States .... The Contracting Member States regard the Unified Patent Court to be a part of the judicial system of the European Union"; and that

Article 16 clarifies that decisions of the Unified Patent Court have effect in the territory of those Contracting Member States for which the European Patent (unitary or non-unitary effect) has taken effect.

Hence, this agreement is a treaty between Member States which gives jurisdiction to a supra-national Court over both the new Unitary Patent and existing (and future) EPs designating individual states. Many cases concerning the validity of both will in practice be determined by the central division of the court. For example, if Spain and Italy decide to sign the Agreement, it is possible to contemplate revocation proceedings in the central division relating to a Unitary Patent and the equivalent EP (ES) and EP (IT). However, under Article 22(4) of the Brussels Regulation, courts of the Member States have exclusive jurisdiction over proceedings concerning the validity of patents registered in their territories. This creates two (related) potential issues.

First, does the Brussels Regulation require amendment to permit validity of EPs (especially non-unitary ones) to be determined by this supra-national Court? Alternatively, is (as is suggested by the 10<sup>th</sup> preambular paragraph to the draft Agreement) the Unified Court essentially a national court (even if "regarded" as a part of the judicial system of the EU), meaning that proceedings brought in the Unified Court may be regarded as being brought in a court of a Member State and hence in compliance with the Brussels Convention?

Second, the previous opinion of the Commission Legal Service (expressed in the context of the EPLP/EPLA) was that Member States could not enter into treaty arrangements which varied the provisions of the Brussels Regulation, since such a power lay only in the hands of the EU itself. This Agreement is, like the previously proposed EPLP/EPLA, a treaty and not an EU instrument. That being so, are Member States acting in accordance with EU law by seeking to vary the jurisdictional arrangements laid down by an EU Regulation? Alternatively, does the fact that this Agreement is contemplated by the EU in the context of the Regulation which will implement Enhanced Cooperation with respect to the Unitary Patent, give Member States sufficient authority

to enter into this Agreement? If the latter, would the position not better be clarified by a specific permission in the implementing Regulation for Member States to enter into the Agreement?

We also believe that the current provisions of Article 15a need to be modified to allow a patentee to commence an infringement action (if necessary, for interim relief) before the central division. We believe that this option is widely supported by industry in that it allows industry to litigate with greater confidence in the short term and with greater certainty as to the language regime (the language of the patent). There seems to be no objection in principle to this option since it is available when the parties agree (Article 15a(6)) or if the country of defendant's domicile does not host a division (Article 15a(1)).

Article 15a(3) requires an action for revocation and an action for a declaration of non-infringement to be brought before the central division. These actions may be stayed if infringement actions are subsequently commenced locally (Articles 15a(4) and (5)). We believe that in most cases this will cause delay and unnecessary costs. There is no reason in principle why, if an action is already proceeding in the central division, in accordance with either of these two Articles, the defendant should not be required to respond by way of appropriate counterclaim in the central division. The central division should also be given the right to transfer such a case to a local or regional division if this seems to be right and just in all the circumstances.

#### 7. **ARTICLE 15a(2)(b) – Bifurcation**

UK industry, lawyers and judges (in common with their counterparts in most European countries) are strongly opposed to the bifurcation of infringement and validity issues in a patent action before the Unified Court. We believe that this will increase cost and delay and introduce complications both into the language regime (for example where an infringement action is heard locally in one language and the revocation action is heard in the central division in the (different) language of the patent) and the appeal process. Bifurcation tends to favour the patentee and therefore will encourage forum shopping. We therefore strongly advocate deletion of this provision.

#### 8. **ARTICLE 18 – Funding of the Court**

It is entirely unclear how the Court can be self-financing on a consistent basis without an unacceptable level of court fees. This uncertainty is increased by the removal of contributions by the EU and the need also to meet the cost of the training of judges (Article 14), the Mediation and Arbitration Centre (Article 17), translations (Article 31) and legal aid (Article 44).

In any event industry will need to know the level of court fees before the Agreement is made available for ratification and will need to be satisfied that the new system will be sustainably financed at a level which guarantees speed, quality and cost.

9. **ARTICLE 22 – Rules of Procedure**

This Article currently proposes that the rules of procedure of the Unified Patent Court will be adopted after the coming into operation of the system. These rules will be critical as to how the Court operates in practice and it is essential that they be in an advanced state as soon as possible and in any event before the Agreement is ready for signature.

We believe the Rules of Procedure should achieve a balance between guiding the judges as to how their powers should be exercised without unduly fettering their discretion to ensure that each case is dealt with in an appropriate way. This will create some predictability as to how cases will be conducted and consistency as between different divisions.

10. **ARTICLE 29 – Languages**

We understand the difficulties in forming an acceptable, flexible language regime. We also welcome the provisions for simultaneous translation for parties in Article 31. However we believe Article 29 could be improved for the benefit of the system by providing that the agreement of the parties on the language of the patent as the language of proceedings should not be subject to approval by the local division (Article 29(3)) and that if the local division does not in fact approve the language of the patent then the case should automatically be remitted to the central division.

We have pointed out that language difficulties may arise as a result of bifurcation (see 5 above), for example where the language of the infringement court is different from the language of grant (at the central division). This would mean that different issues in the same case would be dealt with in two different languages and this will also create difficulties on appeal. It is essential that Article 29 should be amended to ensure that if bifurcation remains an option a consistent language regime is adopted.

11. **ARTICLE 37 and 37a – Injunctions**

In so far as these provisions relate to intermediaries they need to be fully aligned with European law and policy on intermediary liability and the scope of injunctions, specifically in the context of the on-going debate in connection with Directive 2004/48/EC on the Enforcement of Intellectual Property Rights.

## 12. **ARTICLE 58 – Transitional Provisions**

See earlier under 5 for our proposals.

## 13. **ARTICLE 58d – Revision**

The current proposals may be interpreted as limiting the consultation to specific aspects of the Agreement (namely composition of the panels and jurisdiction in respect of actions/counterclaims for revocation (i.e. the possibility for bifurcation)) and revision of the Agreement limited accordingly to Articles 6 and 15a only. We believe the periodic consultation and review should not be limited in scope and it should be possible to revise any of the provisions of the Agreement in the light of practical experience. To ensure proper functioning of the system the consultation/review should not be at unspecified “regular intervals” (in which case it may never happen), but at set intervals (e.g. every 5 years). In any case it is not clear who is responsible for conducting the consultation/review now that the European Commission is no longer a contracting party.

Also, as noted under 5 above, the transitional period should be synchronised with the review and extended automatically unless and until the review process establishes the system is functioning to the satisfaction of all Contracting Member States.

## 14. **Provisions for SPCs**

Article 3(b) of the draft Agreement states that “this Agreement shall apply to any ...supplementary protection certificate issued for a patent” (emphasis added). As drafted this would apply to any SPC granted on any patent, even on national patents. Moreover, “Supplementary protection certificate” is defined (Article 2(4)) without any qualification. We suggest that the qualification “issued for a patent” in Article 3(b) should in fact be “issued for a Patent” or simply deleted.

The main issue is how, and on what basis, an SPC will be granted on a European Patent with Unitary Effect. There is no reference in the draft Unitary Patent Regulation to the grant of SPCs based on Unitary Patents.

Under the existing SPC Regulations 469/2009 and 1610/96 basic patent is referred to in such a way that it could include a Unitary Patent and on that basis a European Patent with unitary effect could be used as the basis for an SPC application but it is not known where to apply for it. Under Article 9(1) of the SPC Regulation 469/2009 the application should be made to the patent office of the Member State which granted the basic patent but there is no such patent office for a Unitary Patent. There is ambiguous language in Article 9(1) referring to an alternative office to that of the Member State “... on whose behalf [the SPC] was granted...”. We believe, the situation can be resolved by amending Article 9(1) so that the authority for granting SPCs on Unitary Patents on

behalf of Member States is expressly the EPO. However, this would require amendment of the SPC Regulation and also the Unitary Patent Regulation so as to ensure that decisions (for example, refusing an application for an SPC) can be the subject of an appeal to the Court under Article 15(1)(g). It would also require marketing authorisations to have been obtained in each of the Member States for which the Unitary Patent was granted which is neither desirable nor required.

Alternatively, the Unitary Patent could be considered a national patent in each of the contracting states (as are European Patents patents) and SPCs applied for and granted nationally. However, Article 9(1) of the SPC Regulation again requires amendment to provide how this could occur.

## 15. Missing Provisions

The following matters are not dealt with, or not dealt with adequately in the current draft Agreement:

### (I) Liability of Accessories

There is no provision on the liability of accessories to infringement, ie the principles under which a person other than the actual infringer can also be held liable for the infringement. A paper prepared by Mr Justice Arnold, together with a draft proposal for an appropriate clause, is attached to this paper.

### (II) Procedures for Service of Proceedings and Pleadings

These may be left to the Rules of Procedure but they raise difficult issues, particularly for overseas patentees/alleged infringers. The current lack of such written procedures emphasises the need for work on the Rules of Procedure to re-commence as soon as possible.

### (III) Privilege

This is a most important issue. The Agreement should clarify precisely what privilege is available and to whom. Under the current draft Rules of Procedure, there is only reference to privilege in documents created by the advisers in the current legal proceedings. It is of vital importance to industry that legal professional privilege (as opposed to litigation privilege) should also attach to all advice given in the preparation and prosecution of the patent application itself and all advice given in relation to the analysis of third party patent portfolios, no matter where in the world the original drafting, searching or analysis was done and no matter whether the lawyer/patent attorney was an external adviser or an in-house patent adviser.

## 16. Termination

There is no termination provision in the event that the system fails for any reason. This is potentially a problem as the sovereignty of the national patent courts has been surrendered by granting exclusive jurisdiction to the Unified Patent Court indefinitely. The Agreement is a stand-alone international treaty and, as such, the status of a contracting party to the Agreement is distinct from membership of the EU.

Further, there is no right for a Contracting Member State to withdraw if it believes the Court is not functioning satisfactorily.

## 17. Issues arising from both the draft Agreement and the draft Regulation for the creation of Unitary Patent Protection – dated 21 June 2011

The following issues of principle touch both instruments:

### (I) Infringement of the Unitary Patent

Articles 14f, 14g and 14h of the draft Agreement set out the substantive law on infringement which is based upon the corresponding provisions of the CPC. For some inexplicable reason these provisions are limited to European Patents with no unitary effect. The relevant provisions for the Unitary Patent are set out in Chapter II (Articles 6 to 8) of the draft Regulation, and also based upon the same provisions of the CPC. The separation/duplication of these provisions is undesirable and seems to have the effect that infringement of the Unitary Patent is a matter of Union law whereas Article 14 of the draft Agreement is not. We most strongly recommend that the provisions of Chapter II of the Regulation be deleted from the Regulation and incorporated into Article 14 of the draft Agreement.

### (II) National Property Laws and the Unitary Patent

The law applying to issues such as property rights and ownership of the Unitary Patent has not yet been dealt with in sufficient depth and needs to be thought through further.

It is currently set out in Article 10(1) of the draft Regulation for the creation of Unitary Patent Protection.

The definition starts by allocating the law of the participating member state in which the proprietor has its business at the date of filing. If there is no EU location, then the law of Germany applies. The following issues arise:



- (a) By tying this definition to the location of the proprietor, rather than the original applicant, that must mean that it is tied to the current proprietor and this would then mean that relevant property law would change with each assignment. This can only cause confusion. Further, if a new proprietor had not been in existence when the application was filed, which law will apply?
- (b) The current draft Regulation does not set out any rules in relation to entitlement – presumably until the applicant elects post grant that the European Patent should be treated as a Unitary Patent, entitlement disputes are dealt with as currently under national law for pending applications – e.g. the UK has jurisdiction to deal with all international pending applications where there is a sufficient connection the UK, but post grant, the case must go to the country of grant. Articles 23 and 24 of the CPC (89/695/EEC – Luxembourg Treaty of 15 December 1989) contained provisions dealing with when entitlement claims could be brought (i.e. a two year post grant window under which entitlement claims could be brought, unless the proprietor had knowledge of its lack of entitlement) and the effect that a successful entitlement claim would have on an existing licensee. Such provisions should be set out again so that it will be clear how this operates. Without these provisions users and practitioners will potentially have to gain an understanding of 25 national laws and procedures. Thought should be given as to whether these provisions are included in the Regulation itself, or in the draft Agreement. At the moment entitlement issues seem to fall under Article 15(2) of the draft Agreement but, as stated in 4 above, it is not clear whether there is jurisdiction in both the Unified Patent Court and the national courts for such matters or exclusive jurisdiction in the latter. This needs clarification.
- (c) If the laws of Germany are to apply to the property rights in Unitary Patents where the original applicant is outside the contracting EU Member States, then the majority of ownership disputes in relation to the Unitary Patent will have to be dealt with by German practitioners. This will disadvantage the legal professions in other Member States. Article 38 of the CPC additionally provided that the national law which could apply would be that of the state in which the applicant's representative had a place of business. This is a better system, as it allows non-EU applicants to select the jurisdiction which is more closely aligned with their first chosen representative.
- (d) It is a ground of revocation under UK national law that the patent has been granted to person not entitled to it, even though that ground can only be relied upon by the person who is entitled to it. There are no such provisions in the EPC, as

entitlement is a matter of national law. The CPC also contained such provisions (Art 56(1)(e)). This needs to be included and we suggest that it is included in the draft Agreement.

- (e) Which laws will apply to employee inventor compensation claims? Will that be the law of the country in which the inventor was employed? Or the country whose property laws apply to the patent? If German inventor compensation laws are to apply to all Unitary Patents originating in non-EU countries this will be a significant matter.

As stated above it should be made clear in Article 15(2) of the draft Agreement, that there is concurrent jurisdiction as between the Unified Patent Court and the national courts to hear matters relating to entitlement, although the Unified Court should only be concerned with such matters when they form part of an infringement or revocation claim or part of a declaration of non-infringement. Further, it should be made clear what should happen if a national court is seized of an ownership dispute and the validity of that patent is then put in issue.

Provisions relating to licences of right need to be expanded. Currently Article 11 of the draft Regulation contains only short provisions regarding a proprietor making it known that licences under a patent will be available as of right. However, there needs to be detailed provisions as to the consequences of such a declaration, a forum and mechanism for granting such licences and setting the terms if the parties cannot agree and also for dealing with the compulsory licensing of a Unitary Patent and Crown (or State) user of a patented invention. Far more extensive provisions exist in the CPC and the UK Patents Act 1977.

### (III) Prior national rights

The Community Trade Mark Regulation recognises that prior national rights may cause a CTM to be invalidated. At that stage, the CTM can be turned into separate national rights. A similar issue exists in relation to patents, in that a prior national patent application may affect a European Patent or a Unitary Patent in one state only. The prior national patent application will have been filed prior to the patent granted by the EPO, but only published after the EP application has been filed (UK Act s2(3)), unless it was also the subject of a secrecy order.

The current draft Regulation contains no provisions to deal with this issue. Given that the requirements for national validation will not have been completed in due time and therefore that it would not be possible subsequently to convert a Unitary Patent into national patents, some provision should be made for to save the Unitary Patent in Member States not affected by art of this type which is only found after grant.

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ACCESSORY LIABILITY UNDER THE PROPOSED UNIFIED PATENT  
LITIGATION SYSTEM (EUROPEAN AND COMMUNITY PATENTS COURT)

(Mr Justice) Richard Arnold

Summary

The current (23 March 2009) draft Agreement on the European and Community Patents Court contains a potentially significant lacuna, in that it fails to deal with accessory liability for patent infringement. This should be rectified.

Applicable law under the draft Agreement

Article 14a deals with the applicable law and provides as follows:

- (1) When hearing a case brought before it under this Agreement, the Court shall respect Community law and base its decisions on:
  - (a) this Agreement;
  - (b) directly applicable Community law, in particular Council Regulation (EC) No ... on the Community patent, and national law of the Contracting States implementing Community law [...];
  - (c) the European Patent Convention and national law which has been adopted by the Contracting States in accordance with the European Patent Convention; and
  - (d) any provision of international agreements applicable to patents and binding on all the Contracting Parties.
  
- (2) To the extent that the Court shall base its decisions on national law of the Contracting States, the applicable law shall be determined:
  - (a) by directly applicable provisions of Community law, or
  - (b) in the absence of directly applicable provisions of Community law, by international instruments on private international law to which all Contracting Parties are parties; or
  - (c) in the absence of provisions referred to in (a) and (b), by national provisions on international private law as determined by the Court.
  
- (3) A Contracting State which is not a party to the Agreement on the European Economic Area shall bring into force the laws, regulations and administrative provisions necessary to comply with Community law relating to substantive patent law.

It is understood that “directly applicable Community law” within Article 14a(1)(b) will include, at least in some situations, European Parliament and Council Regulation 593/2008/EC of 17 June 2008 on the law applicable to contractual obligations (“Rome I”) and European Parliament and Council Regulation 864/2009/EC of 11 July 2009 on the law applicable to non-contractual obligations (“Rome II”).

## Substantive law on infringement of European patents under the draft Agreement

The substantive law on infringement is dealt with in Articles 14c-14f. These contain provisions for European patents which reproduce the provisions for Community patents in the Community Patent Convention (“CPC”). Thus Article 14c (direct infringement) corresponds to Article 25 CPC; Article 14d (indirect infringement) corresponds to Article 26 CPC; Article 14e (limitations) corresponds to Article 27 CPC, but with the addition of various paragraphs reflecting provisions of Community law; and Article 14f (prior rights) corresponds to Article 37(1) CPC.

### Accessory liability

The term “accessory liability” is used to refer to legal principles under which a person (an accessory) other than the person who actually commits the act of infringement (the principal infringer) can be held liable for the infringement, for example where the accessory procures or participates in the act of infringement.

### Analysis

The CPC does not contain any provisions dealing with accessory liability. If the CPC were to come into force and a question arose as to accessory liability for infringement of a Community patent, it appears that it would fall to be dealt with under national law by virtue of Article 34 CPC. Under Article 14a of the draft Agreement the analysis of applicable law is more complex, but appears likely to lead to the same result. This is because none of the relevant international agreements or Community instruments deals with this question.

It follows that one local division could be obliged to apply, say, English law to this question, while another local division could be obliged to apply, say, German law.

This is unsatisfactory in a unified system, because it could lead to different local divisions coming to different conclusions on the same facts. For example, under English law accessory liability for patent infringement is governed by the common law doctrine of joint tortfeasorship (for a recent exposition, see *L'Oréal SA v eBay International AG* [2009] EWHC 1094 (Ch) at [346]-[352] – a trade mark case, but the principles are the same). German law includes a doctrine known as *Störerhaftung* which goes somewhat further than English law, although this may be because it is not really a principle of accessory liability as such, but rather a basis for obtaining injunctive relief against persons who contribute to an infringement (see *L'Oréal v eBay* at [455]-[464]).

In addition, this could lead to forum-shopping and arguments over which national law to apply under Article 14a(2)(c) e.g. where the infringer and the accessory are based in different countries.

### Conclusion

The draft Agreement should be amended to include a provision dealing with accessory liability to the exclusion of other laws.

## Proposal

To rectify this omission, a new Article 14g should be included in the Agreement which provides as follows:

### **Accessory liability for infringement**

When one person commits an act of infringement of a European patent within Article 14c or Article 14d which is not exempted by Article 14e or 14f, another person shall be jointly liable with the first person for the act of infringement if, but only if:

- (a) the second person procures the commission of the act in question; or
  - (b) the second person participates in a common design to commit the act in question.
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