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Draft European Patent Law Agreement

Comments on EPO documents WPL/3/04 (draft Agreement on European Patent Litigation System) and WPL/4/04 (draft Statute of European Patent Court)

General

We have always considered that it is highly desirable to establish a litigation system for European patents, whatever the fate of Community patent negotiations. Now that those negotiations are stalled, reaching an understanding on a European Patent Law Agreement would be especially important to users.

In our previous comments (May 2003, submitted to Sean Dennehey when head of legal division in the Patent Office, TMPDF reference C42/03, copy attached), we stressed the importance of establishing satisfactory rules of procedure under the Agreement before adopting the Agreement itself, bearing in mind that many crucial aspects of the litigation system are to be covered in these rules. Unfortunately, we have still not seen a draft of the proposed rules of procedure. We are therefore unable to endorse the current draft proposals.

Very few of the points we raised in our previous comments have been dealt with in the latest drafts. All the main comments concerning rules of procedure, allocation of actions to regional divisions, qualifications of judges, effect of decisions and transitional provisions remain valid. It is a matter of concern that so few of them have received attention. **Paragraphs 1-23 of our previous comments should be considered to be repeated here.**

Detailed points

Only a few of the detailed points that we made with the previous comments have received attention. **All the points in annexes 1 and 2 to our previous comments should be considered to be repeated here**, other than, in annex 1 - concerning the Agreement - those covering article 9, article 18(2) and (4), UK reservation on article 36, article 41(1) and (4) and article 86. These articles have largely been adjusted in ways that meet our concerns. As regards annex 2 (Statute), all our previous points stand, save that concerning article 34, European patent counsel. We trust that the UK will strongly resist those states that are pressing that only qualified lawyers should be permitted to act.

New points arising from the revised texts:

Article 43(2): We do not support the wording suggested by the UK, under which the decision would be automatically applied in all contracting states. The wording of the new draft, under which the proprietor may seek extension of the effect of a decision concerning revocation is better. It should be made clear that the other party may be heard on this matter.

Old article 47 (no cross border effect) and *old article 85(2)* (national court decision only effective in the state of that court) have been omitted. This moves even further away from our position that only the court that will hear the main action should be able to order provisional and protective measures (see previous comments on article 45). These provisions should be reinstated.

TMPDF 06.12.04.

TMPDF

C 42/03

TRADE MARKS PATENTS & DESIGNS FEDERATION (TMPDF)

Comments on the draft agreement on the establishment of a European patent litigation system (document WPL/3/02) and a draft statute of the European Patent Court (document WPL/4/02)

General:

1. The Federation supports the basic concept of the proposed European patent litigation system. There should be considerable advantages to owners of European patents in being able to bring a single action dealing with validity and infringement for all those states, parties to the agreement, for which a particular European patent has been granted.

2. The draft agreement on the litigation system [EPLA] set out in paper WPL/3/02, seems generally reasonable as far as it goes (subject to points noted in annex 1 to these comments) but crucial aspects of the system, such as the manner of allocation of cases to the regional divisions of the European Patent Court of First Instance (EPCFI), and other procedural matters of major importance (e.g., concerning evidence, expert witnesses, injunctions) have not been covered. We have serious doubts that they should (or will) be dealt with satisfactorily in the rules of procedure (which have yet to be prepared).

Moreover, we are very concerned about important matters covered in the draft statute of the European Patent Court (the statute), paper WPL/4/02, such as the qualifications of judges and language of proceedings. We are not therefore in a position to endorse the present proposals.

3. Many of the issues with which we are concerned are similar to issues that have arisen in relation to the proposed Community patent and the views on these issues expressed in this paper are consistent with our views on the issues as they arise in that context.

4. We have received reports of the discussions at the EPO working party on patent law, December 3-5 2002, which considered documents WPL/3/02 (EPLA) and WPL/4/02 (statute). At least one of the reports suggests that the draft rules of procedure will not be ready for some considerable time e.g., one to two years, and that delegations expressed unwillingness to re-open discussions of points where there was no consensus.

5. Under EPLA articles 17 and 87, so it appears, the rules of procedure do not have to be finalised and approved before the agreement enters into force and the Administrative Committee comes into existence. This is very unsatisfactory. Bearing in mind that these rules are vital to the operation of the system in practice and therefore to the acceptability or otherwise of the system, we urge that they should be prepared as soon as possible and that they should be an integral part of the system signed up to.

6. We are also keen to have it confirmed that (and how) the activities of the European Patent Court will be made subject to those provisions of the proposed Enforcement Directive that apply to patents.

7. Some aspects of these and other concerns are elaborated below.

Allocation of actions to regional divisions of the EPCFI

8. We would have preferred the agreement to provide for the EPCFI to be based at a single, central, location, with the possibility that panels of the court could be peripatetic on occasion when appropriate. (This seems to be contemplated in EPLA article 7(3).)

However, we appreciate that permanent regional divisions of the court have to be established for the system to be generally accepted.

9. Nevertheless, the rules for allocation of cases to the regional divisions must be clear and should not permit “forum shopping” by plaintiffs (or conversely abusive use of

jurisdictional rules by defendants to pre-empt choice of jurisdiction). It might be argued that forum shopping poses few risks under EPLA since all divisions should operate to the same harmonised standards. However, we do not accept that plaintiffs should be allowed to select the division where they expect to get the most favourable treatment, ignoring the convenience or needs of the defendant. Moreover, it will be several years before harmonisation between the different divisions is achieved (one only need have regard to the time it has taken to remove some of the uncertainties in the Brussels convention/regulation to appreciate this fact) and the possibility of forum shopping would be likely to extend this time, as divisions sought to maintain “plaintiff friendly” reputations.

10. While the rules of procedure have yet to be established, EPLA article 41(2) says: “Any action shall be brought before the central or competent regional division in accordance with the rules of procedure, which shall take account of the provisions of the Brussels and Lugano conventions and of regulation 44/2001. However, any direct action for revocation shall be brought before the central division.” [*The three instruments mentioned will be covered jointly hereinafter by referring to the “Brussels regulation”; references to articles by number will be to the articles of regulation 44/2001*].

11. The Federation is very concerned about the way that the Brussels regulation might be “taken into account” (whatever that might mean) in deciding on the competent regional division. Previous drafts of the agreement (or “protocol” as it then was) suggest that the plaintiff may be able to choose a division in any state where an infringement may have occurred or been threatened. In our view, the rules of procedure must not permit plaintiffs a free choice of forum. Neither should the rules be weighted towards the defendant’s domicile when an infringement occurs in the plaintiff’s domicile.

12. Moreover, the Brussels regulation contains *lis pendens* provisions, because similar actions might be launched in different states. We consider that the EPLA should exclude the possibility that similar actions concerning the same European patent might be launched in several different regional divisions [and must at the least avoid the uncertainties of the *lis pendens* provisions of the Brussels regulation, which have themselves led to much litigation].

13. In our view, an action should be lodged centrally and be allocated to one particular division (central or regional) in accordance with clear rules or guidelines, thus minimising the possibility of forum shopping.

Qualification of judges, translation and interpretation

14. It is very important, for the system to be acceptable to the industries represented by this Federation, that harmonised high standards, reflecting an integrated European approach should be achieved among the different divisions of EPCFI. To this end, the judicial panels set up in both the central and regional divisions, and the panels of the Court of Appeal, should contain a mix of judges from different national and legal backgrounds. The German proposal to abolish the draft requirement for the two “legal” judges to be of different nationalities (statute article 26) is unacceptable; indeed, our position is that all three judges on a panel should be of different nationalities and that there should be a mix of legal traditions.

15. For the system to inspire confidence, judges should have the technical competence to understand the cases that come before them as well as a very good background in the application of patent law in litigation. We are uncomfortable with the proposal to appoint two different kinds of judge – two legal and one technical per panel (the technical judge flying in from the central division). Bearing in mind that technical understanding is crucial in applying patent law concepts to the circumstances of individual cases (e.g., the meaning, scope, obviousness etc. of claims, are some of the issues arising in most cases where technical understanding is crucial), it is clearly highly undesirable that only one judge in

three should have any technical background. This can give the danger that the only judge that adequately understands the case can be outvoted by the other two, or on the other hand, that only one judge becomes in effect the arbiter on technical issues.

16. All judges should have the same status and be capable of dealing with both the technical and patent law aspects of cases before them. In particularly complicated cases, the judges should have the power to appoint technical advisers, although this should be rarely necessary if, as we believe should be the case, the rules of procedure allow for expert evidence and cross examination of expert witnesses.

17. The ability to handle several languages is far less important than patent law and technical understanding. We agree that every judge should have command of at least one EPO official language, but lack of familiarity with the language of the state where a regional division is established or in which the proceedings are conducted should not inhibit his or her appointment to that division, nor should it outweigh the need to have mixed nationality/background panels. Subject to this, we do not accept that the constitution of judicial panels in either the central or regional divisions should be constrained in any way by reference to language abilities. Similarly, a judge should not be precluded from working in the Court of Appeal because the language of proceedings is different from his own.

18. We have received reports suggesting that it will be necessary for judges to have command of the language of the state where their division is located and/or of the language of the proceedings. We trust that these are not true, but note that the statute does not provide for translation or interpretation. We consider that in actions before the regional divisions and the central division of the EPCFI, and before the Court of Appeal, translation and interpretation between the official EPO languages should be provided at the cost of the system, as far as necessary for the judges to follow the proceedings in an EPO language of their choice.

Effect of decisions

19. We do not believe that the words in parentheses in EPLA article 43 should be adopted. The principle of party disposition in Article 51 should predominate in a scheme such as this which, in contrast to the Community patent, does not involve a unitary right.

Rules of procedure

20. In addition to matters discussed above, the rules of procedure will cover such matters as the participation of parties in proceedings (EPLA article 51), taking of evidence – including hearings, requests for information, inspection, expert opinions, experiments, etc (53), witnesses (55), costs (58), details of proceedings (59), conditions for provisional and protective measures (70), preliminary injunctions (71), appeal and notice (76 & 78), new facts in appeal (80), filing and examination of petition for review (82 & 83). No doubt other matters will be covered. The treatment of many of these matters may well influence our attitude to the agreement as a whole.

Transitional provisions

21. There are concerns that existing European patents and applications, applied for on the basis that once granted, the European patent application becomes a bundle of separate and independent national patents (subject to EPC opposition and, possibly, limitation procedures), will become subject to central revocation (EPLA article 84(a)). This amounts to the application of new legislation retrospectively. Those concerned argue that such patents should be exempt from central revocation for the rest of their term, unless their owners agree otherwise.

22. It should be noted that the seven year transitional period provided for in article 84 appears to apply only to infringement actions and that an action for central revocation can be brought from the outset. This adds to the concerns of some pointed out above. Further, it is not appropriate (Article 86) that extension of the transitional period should require unanimity – a majority of participating states in favour should suffice.

Some details

23. See annexes 1 and 2.

Annex 1

Detailed notes on draft Agreement (WPL/3/02)

Article 2 - System of law

The article should clearly cover not only infringement and validity but also any other matters for which the European Patent Court will be responsible – e.g., declarations of non-infringement.

“Settlement” should be “conduct and adjudication”. References to “settle” and “settlement” in subsequent articles (e.g., 3) should be revised similarly.

Article 3 - Judiciary

Sub-paragraph (2)(a): should refer to “the” registry, as in article 1 paragraph (g)

Article 7 - Seat

Paragraph (2): would fit better in article 10, which deals with the central division and structure of the court of first instance.

Paragraph (3): should make clear that **every** contracting state shall designate a court to provide facilities.

Article 9 - Liability

*? We prefer alternative B.

Article 17 - Competence of the administrative committee

It should be made clear in paragraph (1) that the Executive Committee should be consulted before amending the statute or time limits.

Article 18 - Voting

Paragraph (2): We do not accept that transitional provisions under article 86 can only be extended by unanimity – a simple majority, which indicates that most states want extension, is adequate.

* Paragraph (4): The text in square brackets should be deleted. It should not be for individual states in the future to decide when qualified majority voting, rather than simple majority, applies.

Article 19 - Funding

Bearing in mind that the European Patent Court should be of benefit to the whole European patent system, consideration should be given to partial funding from EPO resources.

Article 23 - Budget

The expression “generally accepted” is superfluous and probably has little meaning.

Article 33 - Infringing acts

The “market” should be defined. The wording has been taken from equivalent text in the Community Patent Agreement (CPA), but in the case of European patents, the market is different from the EU market..

Article 36 - Reversal of burden of proof

We are in favour of both tests, as appropriate, as encouraged by TRIPS (which refers to “at least one”). We urge the UK to withdraw its reservation.

Article 37 - Prior use

* We urge that prior use provisions should be harmonised in the EU and EPO member states.

Articles 38 and 39 - Application of Brussels convention and regulation 44/2001

It should be made clear that the European patent court is designated as the national court only in respect of patent infringement and validity etc in respect of European patents

We need to be certain that the rulings of the European Patent Court will be accepted for execution by national courts in the EU. This suggests that EU agreement, involving the Commission and all EU contracting states, is necessary to achieve this.

Article 41 - Jurisdiction

Paragraph (1): We note that national courts retain criminal jurisdiction over European patents.

* Sub-paragraph (1)(d): We would not have a problem with the text in square brackets, so

long as the parties must agree on “other actions” concerning “related” national patents coming before the European patent court. We note however that this wording may have been cancelled.

Paragraph (2): [For the basic issue, see main comments [MC].] Reference to “direct action” is not clear. This presumably is an action for revocation brought independently of an infringement action, rather than as a counterclaim. But what happens if the patent owner retaliates with an infringement action? Will this stay with the central division?

Paragraph (3): It is not clear whether the jurisdiction is exclusive for actions against a defendant not domiciled in a contracting state. If not, why not? If an infringement occurs in a member state where the plaintiff is domiciled, then the action could be there, otherwise in the central division.

Paragraph (4): The square bracketed text should be deleted – this may have already happened. There is no reason to require the defendant to counterclaim for revocation. Straightforward defence on the basis that the patent is not valid or does not have effect in the circumstances should be permissible.

Article 42 - Decisions on validity

Sub-paragraph (1)(b): should make clear that description as well as claims might be amended in limiting the patent. There will need to be rules of procedure concerned with the limitation procedure before the European patent court (e.g., concerning the submission of a formal proposal to limit the patent and the scope for the defendant to be involved). This sub-paragraph

should direct attention to the rules.

Article 43 - Effect of decisions

* Paragraph (2): [see MC]

* Paragraph (4): We are unhappy that an exclusive licensee might bring an action independently of the patent owner, unless that is provided for in the licence agreement. At least, the consent of the owner should be necessary. Moreover, we do not agree that a finding of invalidity should merely be “inter partes”.

Paragraph (5): If a final decision has imposed an injunction on a defendant, this cannot continue if the patent is revoked..

Chapter III, Articles 45 – 47 – Jurisdiction of national courts

* We are unhappy that national courts will be able to order provisional and protective measures. In themselves, these measures can be sufficient to cause grave financial problems to a party, especially if an SME. They could well be inconsistent with what the EP court might order. They should be ordered by the court/division that will hear the main action.

Article 51 – Parties

Paragraph (1): How is the “applicable national law” determined, e.g., if neither party is domiciled in a contracting state and/or the case is before the central division? If the applicable law is to be that of the party’s domicile, it may well be that that law does not deal with the right to appear before the European Patent Court.

Perhaps this paragraph is concerned with the problem of how to determine whether an individual or entity may be a party in legal proceedings. If so, the paragraph should be reworded.

Paragraph (2): See comment on article 43(4) above

Paragraph (3): the reference to “bankruptcy” might cause confusion in practice if it is not a term with consistent meaning throughout Europe.

Article 52 - Basis for decisions

We would be unhappy if the EP court were to apply foreign law “of its own motion”, as has been suggested. This is both unclear and, whatever it involves, undesirable.

Article 54 - Production of evidence

Paragraphs (1) and (2): It is not clear what is meant by a claim being “sufficiently substantiated”. The distinction between “another” party (a term used in both paragraphs) and

a “third” party (paragraph 2) is unclear, nor is it clear why “another” party does not benefit from the safeguard for “third” parties in paragraph (2). In paragraph (2), the phrase “due to its relationship to another party” is unclear.

Article 55 - Witnesses

Sub-paragraph (1)(b): It should be made clear here or in the rules of procedure how a right to refuse to answer the court’s questions is to be determined.

Paragraph (3): If fines are not to be credited to the European Patent Judiciary, where do they go? They should be used in helping to meet the costs of the EP court.

Article 58 - Costs

Paragraph (2): “exceptional” is too severe a test. The court should have reasonable discretion to apportion costs as they deem fit.

Paragraph (3): It should be made clear here or in the rules of procedure that even a winning party under paragraph (1) will not receive unnecessary costs.

Article 61 - Astreinte

Paragraph (4): seems superfluous/misleading. Paragraph (3) providing for cancellation etc does not apply if the party concerned is able to comply.

Article 62 - Injunction

“May” is not strong enough and should be replaced by “shall, unless circumstances require otherwise”..

Article 63 - Forfeiture

We are unhappy that courts may order goods to be disposed of “outside the commercial channels”, whatever this might imply. This should only be done with the consent of the injured party.

Article 64 - Damages

Paragraph (1): “may” should be “shall”. The penalty for knowingly infringing should invariably involve damages.

Paragraph (2): It is not clear how a party “causing” or “tolerating” an infringement is to be joined to the proceedings unless cited by the plaintiff, or that the powers of the Court can extend to this party.

Article 65 - Kinds of damages

Paragraph (3): If the “real extent” of damages is unknown, then it will not be possible to assess what is “disproportionate” in establishing what they are.

Article 67 - Limitation of right to claim damages

Paragraph (1): Needs to be adjusted to allow for limitation as in the UK i.e. expiry of the 5 year term does not bar an action, but bars recovery of damages in respect of acts committed 5 years or more before commencement of the action.

Article 70 - General

* The scope of this article may be critically dependent on the rules of procedure. We need some basic rules on when and how interim relief, particularly by injunction, will be awarded. Without knowing what these are, it will be hard to assess the value of the Agreement.

Article 71 - Preliminary Injunctions

“urgent” should replace “immediate”.

Article 72 - Orders for inspection of property

In addition to the court having power to order the preservation of evidence, there should be a general obligation on all parties to preserve evidence as soon as they become aware that proceedings are contemplated.

Article 75 - Other protective orders

In addition to the power of the court to order restrictions on the use of evidence, it should be a general rule that evidence can only be used in connection with the proceedings at least up to the time when it becomes publicly available in open court.

Article 76 - Appeal

Sub-paragraphs (2)(b) and (c): The difference between these two paragraphs is not clear since

regional divisions are part of the court of first instance and, if our interpretation is correct, cases should be allocated to regional divisions from the centre.

* Paragraph (4): We are not happy with the generality of this paragraph, which seems to concern only sub-paragraph (2)(d). If decisions under sub-paragraphs (2)(a) – (c), are not appealed against at the time, they should stand and not be appealable later. A defendant should not allow proceedings to continue in the court of first instance without appeal if he considers that it does not have jurisdiction. Decisions under paragraph (3) can only be appealed against with the final decision, so paragraph (4) does not apply to them..

Article 79 - Grounds for appeal

It should be made clear that an appeal may be on both grounds (a) and (b), i.e., both that the facts have not been correctly established **and** that the law has not been correctly applied.

Article 81 - Effect

* We do not agree that an appeal against a decision shall have suspensive effect. This would be similar to saying that a first action e.g., for revocation should have suspensive effect. A decision should hold unless and until overturned.

Articles 84 and 85 - concerning transitional provisions

The court of first instance should not entertain actions for revocation against European patents granted before the agreement enters into force, except with the agreement of the patent owner.

Article 85 - Jurisdiction of national courts during transitional period

* Paragraph (2): For avoidance of doubt, the paragraph should stand in relation to findings on infringement and validity, which should only apply in the state concerned. As regards the “effect” of decisions, those concerned with relief, damages etc should be recognised in accordance with regulation 44/ 2001.

Article 86 - Evaluation

We do not agree that it should require unanimity to extend the transitional provisions. If a majority of states are in favour of extension, then this should be accepted.

Annex 2

Detailed notes on draft Statute (WPL 4/02)

Article 2 Judges – Requirements for office

Article 3 - Legally and technically qualified judges

We comment on requirements and qualifications for judicial office in the main comments [MC], paragraphs 12 – 16. In particular, we do not agree that judges should be categorised as “legally qualified” or “technically qualified”.

We are very uneasy about members of EPO or national office boards of appeal, and those with “other equivalent experience” being appointed directly as judges to the European patent court. However, we recognise that such persons may have the requisite legal and technical backgrounds and may become fitted for judicial office with appropriate further training and experience. Perhaps article 9 - Assessors - should be broadened to cover such persons.

Article 4 - Appointment

Paragraph (2): The context suggests that the reference to “the court” in this paragraph is to regional or central divisions of the court of first instance. We do not agree that judges should be permanently allocated to particular regional divisions, but should be able to sit in any division. As already indicated, furthermore, we disagree with the separation into technical and legal judges, and so do not agree that appointment should be for specific fields of technology.

Article 6 Incompatibility of other functions

Paragraph (2), requiring that members of the executive committee pursue no other gainful occupation (presumably other than as members of the EP judiciary, rather than other than as members of the executive committee), seems unduly severe. Not only are the presidents of the two courts (first instance and appeal) and the registrar involved, but also, by article 17, their substitutes. Perhaps “other gainful occupation” of members of the executive committee should be subject to approval by the administrative committee.

Article 10 – Impartiality

It would be more clear-cut if paragraph (1) required that a judge should not take part in the hearing of a case in which he/she has, in any way, been involved previously. Sub-paragraphs (a) – (c) could then be examples of such situations.

Article 14 - Presidents

We consider that all judges should be eligible to be considered as a president of a court. (See also previous remarks concerning the division into “legal” and “technical” judges.).

Article 19 Request for the setting up of a regional division

We are unhappy about the mandatory features of this article – particularly the requirement in paragraph (1) that a regional division “shall” be set up at the request of a contracting state – this should depend on probable workload - and in paragraph (2) that the common presidium “shall” propose the persons nominated by the state concerned as judges. The presidium should be satisfied at least that the persons nominated have not only the necessary qualifications but also adequate experience to act as a judge.

As noted previously, we do not agree that nominated judges should in particular be “legally” qualified or assigned permanently to a regional division.

Article 20 – Further regional divisions [in any one state].Page 11 of 110

Paragraph (1): It is not clear in this paragraph (a), why national courts are involved in the count of cases to justify a further regional division, save, questionably, during the transitional period, (b) what is meant by cases being “dealt with”. Does this mean cases where a [final] decision has been issued, or merely those where an action has commenced, or something between?

Article 21 - Number of judges

If the number of judges in a regional division can be varied (increased), there seems to be little need to provide for the “further” divisions covered by article 20

See also previous comments on the qualifications of judges.

Article 23 - Assignment of judges

See previous comments on qualifications and assignment of judges

Article 24 - Divisional presidents

Article 25 - Rotation of legally qualified judges

These articles are affected by our comments on qualification and assignment of judges.

Article 26 - Composition of panels [CFI]

Article 27 - Composition of panels [court of appeal]

Both of these articles are affected by our comments on qualifications, which also apply to division of duties, of judges.

Paragraph (3): The reference to a “provisional hearing” of witnesses should be explained.

Article 32 – Language of the proceedings

We agree with the language rules in sub-paragraphs (a) – (d) of paragraph (1), subject to provision of appropriate interpretation services when a judge or party is unfamiliar with the language so selected.

There is no need for agreement by the panel to the language selected by the parties in accordance with the last sub-paragraph of paragraph (1), beginning “However”, subject to the point above concerning interpretation.

Article 34 – European patent counsel

We agree with the UK points. (a) Representation should not be compulsory and (b) “person” should replace the expression “lawyer”. The requirements to be met by European patent counsel should be defined in rules of procedure, but in particular, counsel should be required to have patent knowledge and experience. There should be no particular bar on professional representatives being recognised as European patent counsel.

Article 39 – Transitional - First appointments

This article is affected by comments on qualification of judges in the main paper.

Article 40 – Transitional - Membership of both CFI and appeal court

Paragraph (2) requires unanimous agreement to change the provisional arrangements following the 5-year evaluation. A unanimity requirement could be dangerous, in that necessary changes could be blocked by one state alone.

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