



## **Draft Agreement on the European and Community Patents Court (the draft Agreement)**

**Working paper from the Commission Services on the Draft Rules of Procedure for the Unified (European) Patent Litigation System (UPLS): Part 1 - Procedure before the Court of First Instance**

**EU Council document 11813/09:**

## **Preliminary Comments by the Intellectual Property Federation (IP Federation)**

**Ref:PP15/09 9/9/09**

### **Introduction**

1. The IP Federation represents a substantial group of major UK companies on matters concerning intellectual property<sup>1</sup>. The member companies of the Federation will be greatly involved with and affected by the future UPLS, as plaintiffs, defendants and interested third parties. It is essential that the Agreement and the rules of procedure should ensure that the litigation process and decision making under the UPLS will be of the highest quality and scrupulously fair.
2. The Federation has previously submitted comments on the draft Agreement (see Federation paper PP 07/09). In those comments, the Federation set out serious concerns on a number of aspects of the Agreement, such as the constitution of national/regional divisions, the splitting of competence for individual cases between the national/regional divisions and the central division, the allocation of cases to divisions, the language of proceedings and the possibilities for forum shopping by plaintiffs.
3. The introductory remarks to the working paper and the draft preamble to the rules lay stress on fairness to the parties. However, the considerable opportunities for forum shopping provided in the draft Agreement, which are such that plaintiffs will usually be able to select from among several different national/regional divisions and thereby also select the language of proceedings, together with the other matters referred to in paragraph 2 above, are likely to cause substantial unfairness to defendants. The language selected by the plaintiff will even carry through to the Court of Appeal.
4. It has been argued that enabling a plaintiff to take action before a national/regional division for any state where harm is done aligns the Agreement with the Brussels Regulation. However, the situation is quite different from that under the Brussels Regulation, which applies to actions under national laws before national courts. The ruling of a national court will only apply in relation to harm done in that state, not in all member states.

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<sup>1</sup> European Commission's Register of Interest Representatives: ID number 83549331760-12.

Under the Agreement, infringement is to be determined under a pan-European law, with a Europe wide decision. The only valid reasons for selecting a particular national or regional division to hear the case should be based on geographical convenience for the parties, not on the expectation by the plaintiff of a more favourable process or decision. We have said in the past that cases should be allocated to an appropriate division in accordance with clear rules, rather than in accordance with the plaintiff's wishes (see paper PP 07/09).

5. It is essential that the UPLS should be such that procedures and outcomes will as far as possible be the same in any particular case, whatever division (national/regional or central) hears the case. As drafted at present, the rules of procedure, taken in conjunction with the way in which national and regional divisions will be constituted, are not designed to achieve this. It will be necessary for the rules to be more precise in relation to the way the powers to be given to judges are to be exercised.
6. The draft rules are constrained by the unsatisfactory features of the draft Agreement, which are mentioned above and discussed in detail in our previous paper PP 07/09. Moreover, they do not yet deal sufficiently with a number of important matters. Nevertheless, we congratulate the Commission Services on the high quality of the working paper. We recognise that establishing satisfactory rules for such a complex litigation system will involve much deliberation and effort. The working paper is a good basis for future work.
7. In the present submission, we will comment particularly on the start date for proceedings, service, contesting jurisdiction, purpose of interim conference, experiments, inspection orders, conduct of oral hearing and cross appeal. Inevitably, we must also comment on language of proceedings. We anticipate that we may need to make further submissions on these and other matters in the future. .

### **Proceedings under the Agreement - infringement, invalidity or non infringement**

8. Proceedings may be initiated under the authority of the patent owner, alleging infringement of the patent, or by a third party seeking the invalidation of the patent or a declaration of non infringement. The draft Agreement provides that such third party action will be taken before the central division in the language in which the patent is granted (subject to any agreement to the contrary). We agree with this and consider that for such cases, the address for service can be that of a professional representative.
9. Procedurally, a third party action allows for little choice of division or language and will be more straightforward than one initiated by the patent owner alleging infringement. The following comments will be concerned in the main with infringement actions.

### **Initiation of and Start Date for Proceedings; Examination of Statements**

10. We note and agree with rule 3 that proceedings before the Court of First Instance should be commenced by the lodging of a Statement of claim by the plaintiff at the Registry. As set out in Article 8 of the draft Agreement, the Registry is located at the seat of the Court of Appeal, i.e., it is centralised. We consider this to be an essential aspect of the system.
11. We agree with rule 9 that the start date of proceedings, e.g., for compliance with any limitation periods, should be the date at which certain basic information in the Statement of claim is lodged at the Registry. We consider that this basic information should clearly identify the parties to be involved and the patent said to be infringed. It may be that the full Statement of claim could be submitted subsequently to the start date, within a relatively short specified period (see also paragraph 12 below).
12. The start date of proceedings however should **not** trigger the period for the defendant's reply (see below). After the Registry has examined the papers in accordance with draft rule 8, it should inform the plaintiff of any deficiencies, which should be made good before the defendant is informed of the action by the Registry. In this respect, rule 8 is unduly harsh in requiring the rejection of the action e.g., because a regional division is not indicated, a representative's name omitted, an electronic address not given or because the Statement is in the wrong language. The plaintiff should be able to make the Statement good on these points, or to explain why it cannot be, e.g., because there is no published dedicated electronic address for service for the defendant (see paragraph 17 below). Moreover, in the formal examination of the Statement there should be a check that the patent concerned is identified. There needs to be more consideration of what elements are essential to secure a start date and what can be corrected or added slightly later.
13. In view of the apparently optional nature of the oral hearing as mentioned in rule 1 and the possibility that parties can withdraw from it under rule 41, the Statement of claim under rule 5 should indicate whether an oral hearing is required, in addition to the matters already listed in the rule. (The defendant's Statement of defence under rule 16 should provide a similar indication.)
14. It should be the task of the Registry to inform and provide the relevant papers to the appropriate national/regional division. The draft rules assume that this division will be chosen by the plaintiff. This fails to take into account any concern that the defendant might have regarding that choice. As mentioned above in paragraph 4, we have previously suggested that the appropriate division should be selected in accordance with systematic rules. If however it should prove too difficult to formulate satisfactory rules, then we consider that the defendant should have the right to object to the plaintiff's choice of division, if it is not located in the state or region of the defendant's domicile. In the event of an objection, the whole case should be heard in the central division.

15. It is noted from rule 3 that the exchanges of pleadings are to be under the supervision of a judge-rapporteur, who will also hear initial objections by the defendant. Although rule 10 indicates that this judge will be part of the panel to hear the case, and therefore based at the selected national/regional division, we consider that initial objections (which may be against the selected national/regional division) should be heard at the seat of the central division, unless the defendant is content for them to be heard at the national/regional division.

### **Service on the defendant**

16. Draft rule 11 provides that the Registry should effect service on the defendant. This should be further considered, as there is a strong view that service on the defendant should be directly by the plaintiff. The defendant's time for reply should start from the date on which the papers are received by the defendant from the Registry. While electronic service may be acceptable in some circumstances, this may not always be possible, and service in paper form by express or recorded delivery, with appropriate confirmation of receipt, should be the norm, as in other legal proceedings.
17. We are generally opposed to reliance on electronic service, except where a party to be served has clearly published a dedicated electronic address for legal service. The electronic addresses of many companies as normally published connect to general service departments (e.g., publicity or general inquiries) and will not be appropriate for the service of court documents, which might become lost in internal systems, even after automatic acknowledgement. Questions may arise concerning proof of receipt, effects of spam rejection and antivirus arrangements, impact on sovereignty and possible discrimination as regards small and medium sized enterprises (SMEs). Unless a dedicated electronic address for service has been clearly published, e.g., on the face of a recent patent, service should be by express post (with confirmation of receipt). This should apply whether the domicile of the defendant is within the territories of the member states or outside.
18. Bearing in mind that there may be some delay if service on the defendant is to be by the Registry, prudent plaintiffs should themselves inform a potential defendant directly of the impending action. This may enable negotiation and possible settlement to take place, thus avoiding formal proceedings going further.
19. The rules should provide for default judgment, if service is wrongly refused by a potential defendant.

### **Language of pleadings and of service:**

20. Before the appropriate national/regional division has finally been agreed or determined (see below), we consider that the Statement of claim and any other

papers filed by the plaintiff should be in the language in which the patent was granted. This will facilitate early communications about the action and simplify matters if a hearing before the judge-rapporteur or before the President of the Court at the seat of the central division has to occur. We have commented in relation to the draft Agreement that the language of proceedings, whether before the central or the national/regional divisions, should be the language of the granted patent. In view of the complications caused by any other requirement, except where the parties have mutually agreed on something different, we strongly hold to this position.

21. As currently drafted, the rules call for the Statement of claim to be in the language of the chosen national/regional division. It would be highly unfair for the defendant to be served only with documents in a language which he may not understand and which may not even be appropriate should the choice of division be wrong. It should therefore be the plaintiff's responsibility to provide a translation of the Statement into an official language of the place of the defendant's domicile. The defendant's time for reply should not start until this translation has been received.
22. It is likely that use of the national language would in any event be a requirement of the national requirements regarding service in legal actions. While the draft Agreement might possibly be able to override normal practice as regards service within the territories of the members of the Agreement, there is no good reason for patent actions to be dealt with differently from other civil actions, particularly when the stakes may be very high. A whole enterprise may be jeopardised by an infringement action (even an action that is not well founded). For service outside the jurisdiction, it may be expected that national requirements on service will have to be respected and a translation will be needed.

### **Defendant's response to service**

23. Bearing in mind that the action may be of vital importance to the defendant and that the plaintiff has had as much time as he needs to prepare the case, the defendant must have a reasonable time in which to respond. We agree that the period of 4 months for the Statement of defence set out in rule 15 is reasonable, subject to possible extension. Even within 4 months the defendant might be pressed to find advice, analyse the plaintiff's case and organise translations, especially an SME with no experience of the European patent and litigation systems. However, we consider that it is essential that any preliminary objections should be heard quickly. Thus any Initial objection under rule 12 should be lodged within a distinctly shorter time than that allowed for the Statement of defence, e.g., within 8 weeks of service of the Statement of Claim.
24. The defendant's reply, lodged with the Registry under rule 15, should be in the language in which the patent was granted, unless the defendant accepts the choice of national/regional division, in which case it may be in the language



used there (if the present provisions concerning languages to be used before national/regional divisions are maintained). Subsequently, both plaintiff and defendant may need to translate into the language of the national/regional division, if the current provisions in the Agreement concerning languages are maintained.

### **Initial objection e.g., contesting jurisdiction, chosen division or formal matters**

25. The defendant may contest the plaintiff's right to bring the action- e.g., on the basis that the plaintiff is not entitled to bring an action under the patent involved (e.g., improper ownership, non exclusive licensee status) or that the action involves issues beyond the jurisdiction of the Court.
26. The defendant may also have good reasons for contesting the choice of national/regional division. For example, it might be argued that the allegedly infringing goods were not made or marketed in the territory of the chosen division.
27. The defendant might also wish to challenge on formal matters concerning service, e.g., missing elements from the Statement of claim, or request more time for response.
28. All these objections appear to be possible under rule 12. We consider that the defendant should be able to challenge such matters at the seat of the central division, in the language of the granted patent, rather than in, perhaps, a remote national/regional division where the language may be strange and the costs involved (e.g., in translations and representation) very heavy. Thus the judge-rapporteur should be able to take hearings at this seat.

### **Appeal against decision on initial objection**

29. Rule 14 says that an appeal on the initial objection must wait until the final decision of the Court of First Instance. This seems [...] wrong. If the appeal is well founded, then the full hearing before the chosen national/regional division will be a waste of time, effort and money

### **Interim Conference**

30. We do not disagree that the interim conference may be held by tele- or video conference, as provided in rule 29, but this should be subject to the agreement of both parties. [...] It should concern itself primarily with matters of procedure. As indicated in rule 27, it should establish the facts and issues that are and are not agreed between the parties, in order to limit the evidence and cross examination that will be needed at trial. The interim conference should not attempt to resolve or reduce in scope arguments about contested facts or other substantive issues. The proper place to deal with argument concerning substantive matters is before the division at trial. We do not agree with the

provision in rule 27f that the judge-rapporteur should hold preparatory discussions with witnesses and experts - there should be no preliminary testing of the evidence.

## **Experiments**

31. We agree that where these are necessary, they should be performed by independent experts, subject the parties being able to determine the protocols for the experiments that they expect to be carried out. The parties must be able to comment on the choice of expert and their likely expertise, and to be able to refuse those who are unacceptable. Where court appointed experts are unacceptable, e.g., through lack of recognised and appropriate expertise, parties should be able to negotiate to agree on an alternative. Parties must be permitted to observe the experiments.

## **Inspection orders and discovery**

### *General*

32. It needs to be decided whether inspection orders are to be used as a routine measure before commencement of infringement proceedings or whether discovery and/or properly limited product and process descriptions should be the normal way of obtaining evidence, after proceedings have started. We expect to make comments about discovery in a future submission.
33. It should also be considered whether inspection orders, rather than being routine measures, should only be used where there is a danger of destruction of evidence. Should they be available on an ex parte basis where there is no danger of destruction?

### *Making and enforcing an order:*

34. Where inspection orders are appropriate, for example where a plaintiff convinces a judge that information is being withheld or misinterpreted and/or might disappear, the order must clearly define the scope of the inspection - what is to be searched for and the time at which and the details of the places where the inspection is to be carried out, appropriate to the circumstances. Sureties for ethical behaviour may be needed.
35. Will the form of such orders comply with the normal rules of the territory where the inspection is to be carried out, or will there be special provisions under these rules? We are opposed to "fishing expeditions" and to the opening up of confidential information that should not be within the scope of the inspection, as may occur in some national jurisdictions. We are particularly concerned that the results of inspections carried out for the European procedure should not be exported to other jurisdictions, e.g., that of the US, where they would be treated and interpreted differently. The results of inspections should be strictly confidential to the parties and the particular division hearing the action.

36. How will such orders be enforced? Will national courts be required to endorse such orders from the European Patent Court and confirm that they should be carried out in their territory? Presumably, parties who fail to cooperate with such orders risk losing the action.

*Performance of the order*

37. Who will perform the inspection prescribed in the order? Presumably it should be by independent inspectors who understand what is to be searched for, as authorised in the order. The inspection may need to be monitored by professional representatives of the parties. We do not consider that either party, or their non professional agents, should be directly involved in the inspection.

**Conduct of the oral hearing**

38. Rule 37.3(b) indicates that if necessary, questioning of the other party's witnesses and experts will be possible, under the control of the presiding judge. It should be made clear that the parties have the right to cross examine and that the control of the presiding judge is limited to ensuring that cross examination is relevant and efficient in use of time.

**Cross appeal**

39. We have no objection to the allowance of cross appeals, subject to appropriate conditions, e.g., on timing.

IP Federation     September 2009.





### **IP Federation members 2009**

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 on its website at [www.ipfederation.com](http://www.ipfederation.com)

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