



Advancing Industry's View On Intellectual Property Since 1920

EU COUNCIL – PRESIDENCY DOCUMENT 11270/08

DRAFT AGREEMENT ON THE EUROPEAN UNION PATENT COURT .

TMPDF COMMENTS

PP11/08

Introductory and general remarks

1. This Federation represents the opinions of a substantial number of major innovative companies in the United Kingdom on intellectual property matters. The member companies have a great deal of experience of patent litigation in all the larger European countries, as well as in the United States and elsewhere, both as plaintiffs and as defendants.
2. The Federation gives close attention to the work being done in the Council of the European Union (EU) to prepare an Agreement on the European Union Patent Court. If the litigation system established by the Agreement is created soundly, as discussed below, then it should enhance the standing of European and future Community patents, facilitate innovation within Europe and encourage the knowledge economy.

Membership of the Agreement:

3. We approve of the intention to open the Agreement to membership by states that are members of the European Patent Organisation (EPO) but are not members of the EU, such as Switzerland and Turkey. It should eventually become possible to litigate European patents granted for all contracting states to the European Patent Convention (EPC) in one unified system.
4. We consider that the operation of the Agreement will not be properly satisfactory unless all EU member states are parties to it. Every effort should be made to ensure that all EU member states do join. However, we understand that a small number of EU states may have severe reservations about joining. We agree that, provided that a substantial majority of the EU member states are prepared to join, including all those that were founding members of the EPO, then the possibility of establishing *Enhanced Cooperation* between them, based on the Agreement, should be explored.

Quality; jurisdiction of 1st instance panels; qualifications of judges:

5. It is crucial for users, and to provide the potential benefits, that the EU Patent Court should deliver consistent and reliable decisions of high quality at first instance, thus providing legal certainty to users, and should be both efficient and straightforward to use. It should inspire confidence in potential users.
6. To these ends, it is our firm opinion that all cases at first instance should be decided fully before a single panel of judges in one division of the Court. Cases should not, except in rare circumstances, be transferred between divisions after partial hearings. All judges should have long and successful experience of patent matters. All judges should be able to appreciate not merely the legal issues in every case before them, but should have sufficient technical awareness to understand the technical issues involved in the great majority of cases. (It is not essential for a judge to hold a high technical qualification in order to be

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technically aware.) The degree of technical awareness needed for any particular case will depend on the subject matter, but technical assistance for the judges should only be required rarely. It should be left to the panel of judges involved in any given case to determine, on an ad hoc basis, whether to call on outside expertise.

7. Unless the Court meets these requirements, it will be of little value; indeed it will be dangerous. Its rulings may be long delayed and will be unreliable when they appear. It will bring the European system into disrepute. Litigants will seek to avoid using it. The requirements must not be fudged or diluted in order to achieve a political compromise.

Substantive law to be applied by, and procedure of, the EU Patent Court:

8. We have said in the past that the bedrock of substantive patent law to be applied by the EU Patent Court needs to be clearly set out. *Chapter IIIA (Substantive Law, Articles 14a to 14h)* of the draft agreement seeks to do this, and *Article 15 (Competence)* is also relevant. We are currently studying these provisions, but note *inter alia* that the Court might hear actions involving Community plant variety rights, that definitions of infringement for European patents are provided that will presumably override national law and that in at least some situations the grant of compulsory licences on European and national patents may be transferred from national administrations to the EU Patent Court (particularly since *Article 15* does not appear to limit the competence of the Court as regards national/European patents). The implications and desirability of these provisions need to be further considered. In particular, provisions deriving from the (draft) Community Patent Regulation or from the EPC should not be reproduced in the Agreement (though there may be a need to refer to particular provisions of those instruments).

9. Procedures in the EU Patent Court should be such as to ensure that decisions are delivered as quickly as possible, without undue delays and without permitting time wasting tactics by the parties. As far as possible, once an action is brought in the EU Court, stays in the proceedings to await an action in a national court concerning the patent in suit should be avoided. Indeed, we consider that the system should be such that parallel actions in national courts, concerning a patent which is or has been before the EU Court, should be avoided as far as possible. Otherwise the whole system will be unduly complex and uncertain.

Exclusive jurisdiction and transitional arrangements:

10. We do not consider that the EU Patent Court should have exclusive jurisdiction in relation to European patents (as distinct from Community patents). The use of the Court for litigating European patents should be optional for the parties. A European patent is not the same in every designated state, e.g., the claims and translations may introduce differences and national legal backgrounds are different. National prior rights might exist in some states and not others. Thus the rights under any given European patent can differ from state to state. A European patent is essentially a bundle of independent national patents and it should not be compulsory to litigate these in a centralised forum where the differences may not be properly appreciated or given sufficient weight.

11. We recognise the heavy pressure in favour of making use of the Court compulsory, at least eventually. We consider therefore that there should be a thorough review, involving both member states and potential users, of the operation of the Court towards the end of the 7 year transitional period provided for in *Article 58*. The review should include a cost analysis. Unless the review shows that the new litigation arrangements are entirely satisfactory, the transitional period should be extended for a further period, with a further review, and so on, before use of the EU Court becomes fully compulsory.

12. The jurisdiction of the EU Patent Court should not be exclusive in respect of existing European patents and applications. This would change the character of these patents and applications retrospectively. When they were applied for, the expectation would have been that a bundle of independent patents, subject to national litigation, would be granted. A new obligation to use the EU Court, i.e., to litigate the bundle of national patents created by the European patent in a unified European framework would nullify this expectation.

Thus the opt-out for granted European patents in *Article 58(4)*, while welcome, is insufficient. It should be available also in respect of existing European patent applications and there should be a right of permanent opt-out for all patents granted and applied for before the eventual termination of the transitional period.

13. In any event, there should be an opt-out in respect of all non-cross border cases (where the parties are domiciled and the alleged infringement occurs within a single member state), present and future, exercisable by either or any party involved.

14. Organising the transition between the existing national systems for litigating European patents and the new system may be even more difficult than creating the new system.

Role of the ECJ:

15. *Article 48* provides for further appeal on points of law to the Court of Justice of the European Communities. First, we do not consider that it should be possible to appeal to the ECJ in patent disputes. It is not the role of the ECJ to be a final court of appeal in civil disputes and it should not give rulings on the infringement and validity of patents. Second, the ECJ does not have the expertise to decide on matters such as infringement and validity in patent law, nor the competence to rule on matters that arise directly from the EPC and national laws. It should therefore not be able to give preliminary rulings on matters pertaining to substantive patent law. Third, the Agreement might apply to some non EU member states, while some EU member states might opt out. Bearing all these points in mind, we consider that the role of the ECJ should be limited to giving opinions on matters where there might be interaction between this Agreement and the EU Treaty or subsidiary non-patent EU law.

Comments on particular articles of the draft Agreement

Note: These comments concern major policy issues only. We may submit further comments on both the draft agreement and the draft statute of the Court as the negotiations proceed. We also have views concerning the rules of procedure of the Court.

Article 7; Composition of panels and Article 10; Eligibility criteria for judges

16. We consider the requirement in *Article 7(1)* that all panels of the Court of first instance should have a multinational composition to be essential. However, *Articles 7(2) and 7(4)* indicate that there will be two permanent judges from the state/region in which the division is located and one other from a central pool. This does not establish a multinational composition - the one external judge, probably speaking a different language and with a different legal/patent background from the two local judges may well be inadvertently ignored or misunderstood by them, while they will view the case from a common perspective. Such a structure is not acceptable. It will not inspire confidence in litigants who will expect the Court to be independent of national systems and their practices. And it will lead to forum shopping, one of the alleged features of the existing litigation system which the new system is intended to avoid.

17. It is extremely important that the judges in the divisions should be independent of, and uninfluenced by, the national practices, attitudes and traditions prevailing in the national system(s) of the state(s) concerned. A fully mixed nationality division is needed to ensure that different perspectives of procedural and substantive law are taken into account in reaching decisions and to be much less prone to local or regional influence. A fully mixed division must be guaranteed for every case and the judges should be mostly if not entirely from outside the state or region concerned, to avoid being subconsciously influenced by local law and practice.

18. Additional comments on the composition of panels are contained in further comment 2, below

19. We are also concerned by the proposed division of judges into legal and technical categories, as provided in *Articles 7(6) and 7(7) and Article 10*, with “legal” judges in the majority. Not only should all judges should have the necessary legal background and experience in patent issues so as to be able to appreciate the legal issues in every case before them, but they should also have sufficient technical background and awareness to understand the technical issues involved in the great majority of cases. Only rarely should additional technical assistance for the panels of judges be needed.

20. We strongly oppose the possibility that decisions will be made by judges unable to understand fully the technical content of the patents and alleged infringements before them or relate this content to the claims and prior art. Patents are essentially concerned with new technology and patent issues should be judged by those who understand it and have specialised in the patent field. Calling in an additional (fourth), technically qualified judge from the central pool is not the answer, since the non technical judges must either leave the crucial issues to him alone, or ignore his views. What is needed is a panel where all members are competent to discuss technical issues properly.

21. Particularly complex cases may require the allocation of particular judges to them, or in rare cases, technical experts to assist the judges. These should be appointed on an ad hoc basis in relation to the particular technology involved in the case in suit.

Article 15, Competence

22. For reasons given above, we do not agree that the EU Patent Court should have exclusive competence, especially as regards existing European patents and applications. An owner of a European patent should have the option of taking proceedings in an appropriate national court or in the EU Court.

23. Moreover, we do not consider that the EU Court should be the forum for deciding on the grant or revocation of compulsory licences on European patents or for the grant of supplementary protection certificates on such patents. As regards compulsory licenses, the bases for grant are to be found particularly in national (local) conditions and law. Judgement should be in the hands of national courts with local knowledge, expertise and experience. As regards supplementary protection certificates, grant should be an administrative matter in accordance with rules and is a task that can be performed by national patent offices.

24. We accept that the EU Patent Court should be the forum for deciding on the grant or revocation of compulsory licences on Community patents and on disputes concerning supplementary protection certificates relating to Community patents. However, we believe that the rules for compulsory licences under Community Patents should be contained in any Community Patent Regulation and we will comment on them in that context when appropriate. The European Patent Office would probably be an appropriate forum for the grant of supplementary protection certificates for Community patents.

Article 15a Jurisdiction in respect of infringement and validity

25. **Article 15a(5) - Allocation of cases to local divisions:** We do not agree with the allocation rule set out in paragraph (5), which allows far too much scope for forum shopping by the plaintiff. The rule is not the same as that in the Brussels regulation, because under that regulation, if the action is brought in the courts of a state where an infringement takes place, other than the state of the defendant's domicile, the decision will only concern infringement in that state. Under this draft Agreement, *Article 16*, decisions of the local divisions will cover infringement in all contracting states.

26. We do not agree that plaintiffs should be able to choose a particular local division to hear their case, as provided in *Articles 15a(2), 15a(3) and 15a(5)*. There must be an effective mechanism to prevent forum shopping. (Furthermore, under the present draft, the plaintiff will have the potential advantage of setting the language of proceedings.) We consider that actions should be filed centrally and, except as discussed in paragraph 27

below, should be allocated to a suitable local or regional division in accordance with predetermined rules, e.g., based on the domiciles of the parties, particularly the defendant. The rules need to be made clear well before the system is finalised. They should take account of multiple defendants and different defendants in different territories.

27. The central division should deal with those cases that cannot appropriately be allocated to a local or regional division, such as when the parties involved do not have an EU domicile, or where a suitable local/regional division has not been established. It should also be open to litigants to start infringement actions in the central division. Moreover, where the central division has heard an action for revocation or declaration of non infringement, it should also deal with any following infringement action. The present draft *Articles 15a(2) and 15a(3)* are recipes for tactical manoeuvring and delay.

28. While plaintiffs should not be able to choose a preferred local or regional division, arrangements should be such that they can take rapid action when necessary to prevent the movement of infringing goods into a particular part of the market, e.g., by taking action in the central division.

29. Additional comments on the allocation of cases are contained in further comment 1, below

30. **Article 15a(7) - Counterclaims for revocation:** We are very strongly opposed to the concept of bifurcation, i.e., that there might be a separation of responsibilities between the local and central divisions, whereby infringement would be dealt with locally but revocation issues might or would be referred to the centre. There should be no difference in the quality, responsibilities and powers of the central and the local/regional divisions.

31. Consideration of validity and infringement should not be separated. Where validity is put in issue in an infringement action, it is essential that the claims are construed in precisely the same way, in the authentic language, for both purposes. This means that they should be definitively construed in only one division of the jurisdiction, at only one time, for both purposes.

32. Provided that local/regional divisions are properly staffed with competent judges from different jurisdictions, as discussed above, there is no reason to call in an additional judge from the centre to strengthen a local/regional division, or to stay proceedings in the local/regional division for a ruling by the central division, or to refer the entire case to the central division. If the local/regional divisions are not to be staffed with competent judges, they should not be set up. It is important that the standard of expertise of each division, whether sitting centrally, locally or regionally and whether dealing with infringement or validity is the same.

33. Bifurcation might involve additional hearings to determine the scope of claims to be considered by the different courts. Apart from the extra complication and delay that this would involve, there remains the problem that the results of such hearings have to be construed again in the courts involved.

34. The central division should **not** have some form of appeal role, or other higher level responsibility such as providing rulings on validity or opinions on patent law interpretation, in relation to the other divisions.

35. Additional remarks on bifurcation appear in further comment 4 below

Article 22 Rules of procedure

36. The rules of procedure will be crucial to the operation of the EU Patent Court and it is of great importance to users to know what they will be and to be able to comment on how the system will work, before the Agreement can be approved. Rules concerning the amount of evidence to be allowed, the calling of witnesses and their cross examination, for example, will have great importance. They should be drawn up and adopted before the Agreement is ratified and brought into force. They should not be left for the Court to determine *ab initio*, except at the detailed level of the organisation of proceedings (e.g.,

possibly, time limits, conduct of pre-trial conferences). The rules might of course be subject to later amendment on a proposal from the Court in the light of experience.

Article 28 Representation

37. Patent attorneys with litigation experience and/or an appropriate certificate should be able to represent a party in all patent related issues before the EU Patent Court without the support of other lawyers. Moreover, general lawyers who lack knowledge and experience of patent law and practice should not be allowed to appear.

38. Furthermore, consideration should be given to permitting suitably experienced patent attorneys to appear at second instance. While familiarity with litigation practice will be important at both instances, it is essential that the representative should understand and be able to clearly present the technical issues involved. A sound knowledge of patent law and practice and an understanding of technical matters will be essential. Patent attorneys will in these respects often be best placed to handle the client's case.

Article 29 Language of proceedings of the Court of First Instance

39. The language issue is difficult to resolve equitably, but we are unhappy with the proposed provision in paragraph (1) of this article, particularly bearing in mind that the language at first instance will carry through to the appeal stage. We consider that the language of proceedings at first instance in all divisions, i.e., the local/regional divisions as well as the central division, should be the EPO language of grant, unless the parties agree on something else (as provided in *Article 29(2)*). The language of grant is the language in which proceedings before the EPO have been conducted and use of this language will simplify the proceedings for the multinational panel of judges and others involved, particularly bearing in mind that the same language will be used at second instance, which will also involve a multinational panel.

40. Whatever language arrangements are adopted, there will be real practical problems for judges and litigants. We thus agree with the provision of *Article 31* that before all divisions, and at second instance, simultaneous interpretation for the benefit of the parties should be provided when required. Moreover, it should also be provided to assist the judges where necessary. Translation of documents into languages more convenient to the parties and judges should be provided. but only into such official languages of member states as are needed in the circumstances.

41. For additional comments on languages, see further comment 3, below.

Article 58 Transitional period

42. We have commented in the general remarks above on the opt-out for existing European patents in paragraph (4) and noted that this should apply to all European patents. Especially, it should apply to those applications pending at the date of entry into force, to patents granted and applications made in the transitional period and to non-cross border disputes.

43. We also consider that existing patents and applications should not be subject to direct actions for revocation in the EU Court at any time. Once again, the expectation of the patent owner at the time of application, that the European patent would effectively be a bundle of independent national patents, should be respected.

44. As for future patents yet to be applied for, the effectiveness and quality of the EU jurisdiction needs to be thoroughly assessed by all member states and the corpus of users before the end of the transition period, before making the system mandatory for future European patents.



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45. As regards the composition of local divisions in a transitional period, we have pointed out above that judges in the local/regional divisions should not in general be from the member state(s) concerned. Local panels should always be multinational in composition.

Further Comments

1. Allocation of cases

46. The system proposed in the draft Agreement is unduly kind to the **owners** of European patents. As proposed, owners have the option to bring an infringement action in a local division (of mainly national judges) of the EU Patent Court in any state where the European patent is validated and where an alleged infringement has occurred, or in the state of the alleged infringer's domicile. The decision will have effect in all states where the European patent is validated.

47. There is thus huge scope for forum shopping, probably more so than for any other community measure. The patent owner can consider what sort of result he might get, before a local division of mainly national judges, trained and imbued with the local national approach, in any of the states where the alleged infringing goods are on the market, knowing that the alleged infringer can't avoid the result having effect everywhere. He is likely to be able to select his own national division and work in his own language if the present draft language rules are adopted. Forum shopping in such circumstances, with local divisions competing for business from plaintiffs by offering their own national approach and flavour in reaching judgements, must inherently be unfair to defendants.

48. From the point of view of say a German owner, provided there is some sale however small of potentially infringing goods by a foreign e.g., French, competitor, in Germany, then an infringement action before a German based first instance division consisting of 2 German judges with at most one outside foreign judge, conducted in German, will lead to a Community wide decision which, if in the German owner's favour, will put a stop to the French competitor's activities in France and elsewhere.

49. From the competitor's point of view, this appears to be very unfair. He might reasonably expect to be sued in his state of domicile, France, before French judges, particularly if that is where most of the allegedly infringing goods are put on the market. This would be much more in keeping with the Brussels regulation.

50. The Brussels regulation 44/2001, concerning jurisdiction and the recognition and enforcement of judgements in civil and commercial matters bears on the activities of national courts, rather than of the divisions of an EU jurisdiction. However, the principles in that regulation can be extrapolated to suggest that for a Community wide decision, the complainant should be heard in a division located in the defendant's domicile, not the complainant's. In relation to the example above, the regulation suggests that a decision by a German division in relation to a German complainant and French defendant should only have effect in relation to the infringements in Germany.

51. We have proposed that cases should be allocated in accordance with clear rules related to the domiciles of the parties, particularly the defendant. This seems to be considerably more compatible with the Brussels regulation when an EU wide decision is sought than the possibilities permitted in the draft Agreement.

52. It has been suggested that allocation from the centre would be unfair because the complainant would have no confidence in the quality, predictability and outcome of the case. This seems to be an out and out condemnation of the proposed system of local divisions. If the quality and predictability are to be so suspect that complainants cannot trust them, then the proposed system of local divisions should be abandoned. Our proposals taken overall are intended to improve the reliability and quality of the work of local divisions, from an EU perspective.

2. Composition of divisions

53. It will create a very favourable environment for a complainant e.g., German, if he can argue his case against a foreign company in a local division in his own language where most of the judges are of his own nationality, using local court facilities, so that it seems just

like a normal national e.g., German, court. The majority of judges will have similar training and experience based on the local national law and claim interpretation practice, which is bound to influence their approach. Indeed the group discussion between them is likely to consolidate a national approach to EU law. An approach influenced by national law is likely to be the case in any division consisting mainly of judges from one country, whatever extra EU training they have received.

54. It is widely recognised that, despite harmonisation with the EPC and the (1975) CPC, the approach to claim interpretation and thus the assessment of infringement and validity differs widely in national courts. The *Protocol on the Interpretation of Article 69 EPC* was deliberately designed to try to find a middle way between the attitude in states such as the UK where the extent of protection is defined by strict attention to the wording of the claims and others such as Germany where the claims act as guidelines, the actual protection being determined also by reference to the description and drawings as indicators of what the patentee has contemplated. Despite some moves to adjust, such as the purposive construction doctrine developed to a limited extent in the UK, the national differences continue. Moreover, there are a number of technical areas where judgements in different national courts are likely to be different, e.g., patents involving software, biotechnological material, research exemptions, and selection patents. There are differences in the ways that cases are conducted, e.g., in the approaches to discovery, to injunctions, to notice periods, to statutory limitation. Thus we emphatically call for local divisions to be of mixed nationalities, with no more than a minority of judges from the state concerned.

3. Language of proceedings

55. We recognise that the system will be seriously affected by language problems. To limit these, we have suggested that proceedings should be in the language in which the patent is granted (of which there are but 3) and that there should be simultaneous interpretation and where necessary translation of documents. Other EU courts and EPO appeal boards function satisfactorily with mixed nationality divisions.

56. It is to be expected that there will be a high level of appeals, bearing in mind that these will be important cases, where rights and markets across the whole of the EU are involved and where dissatisfaction at first instance will be profound if the rules and procedures presently envisaged in the draft Agreement are followed. The draft provides that the same language will be used at appeal as at first instance. Bearing in mind that under the present draft Agreement, the complainant chooses the division of the Court in which to bring an action, and may well choose one in accordance with language, the language throughout both stages may be chosen by the complainant. This is a potential source of unfairness to the defendant infringer.

57. It has been argued that judges need to hear and discuss the case in a single language which they all have as mother tongue. This will frequently not be the case at first instance if a non local judge is part of the panel and cannot be the case at second instance. At second instance, membership of the Court must certainly be of mixed nationality and indeed, there may be no judges with whose mother tongue is the first instance language. The argument therefore suggests that second instance decisions will be of lower quality than first, which we cannot accept. Second instance decisions must be of high quality, or the whole system will be in disrepute.

58. Finally, any case referred to the centre for a decision on validity (as provided for under the present draft) will be dealt with there in the language of grant. This would mean changing languages during the course of proceedings in many cases, or running different parts of the proceedings in different languages, with the need to translate the finding of the central division for the benefit of the local, adding to complexity and delay.

4. Bifurcation

59. Bifurcation, involves considerable delay and repetition, because two divisions must successively examine the same case. It is also very likely to result in different interpretations of the claims for infringement and validity respectively. The case against it is overwhelming. We are therefore greatly alarmed that the draft Agreement establishes arrangements for handling infringement and validity in separate divisions.

60. It has been argued that the greater number of infringement actions in Germany as compared with say the UK indicates that litigants have no problems with a bifurcated system. We suggest that other factors are responsible for the greater numbers, such as the different national attitudes to the use of patents and their value and the perceived chances of success, related to the way in which the court will interpret the patents.

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NOTE: TMPDF represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. This paper represents the views of the innovative and influential companies which are members of this well-established trade association; see list of members below.

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