

IP Federation note to the UPC Preparatory Committee

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.

Draft Rules of Procedure of the UPC

The IP Federation appreciates that the public consultation on the 15th draft Rules of Procedure of the Unified Patent Court (UPC) has taken into account previous comments submitted by the Federation. However, we wish to offer comments on five points of particular significance, including two topics on which it appears that the Rules Committee was divided. These topics are:

- Rule 14 - language
- Rules 37 and 118 - bifurcation and grant of injunctions
- Rules 19, 336 and 340 - general case management / joinder of actions
- Rules 101 and 113 - timings
- Rule 220.2 - procedural appeals

Rule 14 – language

The Federation would advocate a simple rule on language as recommended by the Rules Committee in its note to Rule 14, namely that if a Local and Regional Division has determined that more than one language may be used as the language of its proceedings, then the Claimant ought to be able to choose from among them. Naturally, when it comes to service of proceedings (which is a somewhat different matter), the provisions of Regulation 1393/2007 must be followed, meaning that service must be effected in a local language or another language which the Defendant understands. An additional rule could provide that the defendant could be entitled to challenge the choice of language, possibly under a modified version of Rule 19 if the language chosen by the Claimant is regarded by the Defendant as inappropriate.

Rules 37 and 118

The issue of whether to keep an invalidity action or to send it to the Central Division will be new for all judges. In countries where bifurcation has not previously been possible, the judiciary will be meeting this for the first time. In Germany and Austria for example, where bifurcation currently

occurs, it happens by virtue of the court structure and not by virtue of decision by the judges, although an infringement judge may be asked to take invalidity issues into account. Hence the process of deciding whether to keep an invalidity action or not will also be new to these judges.

As is well known, all defendants are concerned at the possibility of an “injunction gap” in bifurcated actions where it is assumed that validity proceedings transferred to the central division will lag behind infringement decisions in proceedings retained by local / regional divisions such that the infringement court can potentially grant an injunction without validity having been decided. There is also an interest for claimants to have a full decision on the merits as soon as is practical. There are several aspects of the concerns which should be addressed by the Rules of Procedure so as to give users guidance on the way in which decision will be taken: under what circumstances will bifurcation be ordered? How might a possible “injunction gap” be avoided? What will the court practice be if there is an injunction gap? Taking these in turn:

- We note that no guidance is set out in r.37.1 as to when it is appropriate to bifurcate. However, since no Court in Europe currently has experience of the circumstances in which it is appropriate to exercise a discretion to bifurcate, guidance would be helpful, especially since a uniform approach is essential. We also believe that the Rules should provide guidance as to the procedure panels will use to decide bifurcation. For instance, will they make a decision on the papers or permit oral submissions?
- We note the deletion of r.40(b) of the 14th draft from the 15th draft, and that this has not been reinstated in the 16th draft. This required the central division to accelerate bifurcated revocation claims. We fully approved of this rule because it mitigated the possibility of an injunction gap. We understand that this rule was deleted so that the central division was not clogged up by bifurcated cases which had to be given priority, but consider this is not an adequate reason; the Court should be adequately staffed to deal with this. We strongly support the concept that when a validity case is bifurcated, every effort is made by the central division to have the oral hearing at approximately the same time as (or preferably before) the infringement hearing, bearing in mind that the case will have been fully pleaded. We urge the Rules Committee to reintroduce r.40(b) so as to reduce the possibility that an injunction gap could arise, at least in cases where this is what one of the parties desires.
- If infringement proceedings should come to trial before validity proceedings, it is important that the UPC’s approach to the grant of a final injunction is consistent across divisions. There are several possibilities and r.118 should be re-written to lay down clear guidelines. We suggest that the Court should have a presumption, in cases where the claimant requests bifurcation and the defendant has opposed it that final injunctions will not be granted until the revocation action is completed (or the injunction is suspended pending the validity decision) in cases where the defendant has made every effort to have

validity heard promptly; and that in the alternative it should grant the injunction subject to the provision of a security bond in the event that patent is found invalid.

Rules 19, 336 and 340

The IP Federation is concerned that there is no obvious scheme in the Rules to regulate entire disputes between parties as opposed to individual actions, or to transfer cases within divisions where this is appropriate. The IP Federation has two somewhat different problems in mind in raising this issue.

The first is the regime imposed by the division of caseload between the branches of the central division. The IP Federation is conscious that the categorisation is enshrined in the UPCA and as such cannot be overruled by the Rules. However, sensible exercise of discretion to transfer cases where appropriate would not offend against this principle.

The particular issue the Federation foresees as problematic is where a dispute concerns a product which has patents covering different technologies having different categorisations. A case involving a chromatography system for the purification of pharmaceuticals might involve patents relating to chemistry / pharmaceuticals (classification A - London), mechanical engineering (classification F - Munich) and physics (classification G - Paris). Should revocation or DNI (declaration of non-infringement) claims concerning these cases really all be heard in separate branches? Should there not be flexibility to order a transfer of two of the cases to the third branch so that the entire dispute could be heard at once?

A variant of this is the case where an individual patent covers more than one classification. A patent might have a pharmaceutical category claim as claim 1, but if the real dispute were about claim 2 and that claim concerned physics, then the case would have to be brought, it would seem, in London, but actually concern physics which would normally be dealt with by Paris. Again, flexibility would assist the Court and the parties.

The second quite different situation is that many of the more major litigations globally involve multiple patents, and multiple subsidiaries of multinational corporations. To illustrate the point one need only look at the disputes in the telecoms sector involving Apple, Samsung and others. Nothing can prevent such disputes proliferating across many jurisdictions, but in any one territory Courts often manage disputes. The Federation believes that the UPC should have such a general power.

A considerable strategic advantage might be obtained by pre-preparing a heavy case, and starting it in one division and pushing it through in strict accordance with the rules against a defendant which has been taken by surprise. Self-evidently, if the same is done with many patents, and especially by taking action against a variety of subsidiaries of a corporation in different divisions, a very much greater advantage might be obtained, and no single division could apparently (under the existing rules) take any steps to prevent this or modify the case procedure, even if this should seem appropriate.

In the specific area of standard essential patents, the same FRAND (fair, reasonable, and non-discriminatory) defence might apply to all cases and at a minimum in such cases a mechanism ought to exist to deal with the same defence in only one hearing. Other examples of common defences (especially of competition law) can be envisaged.

However, the Federation's concern is also a more general one that the UPC should have a power to manage *disputes* so as to ensure justice is done even handedly, and to be able to transfer actions, or parts of actions between its divisions, or stay actions in one division pending the outcome of the action in another.

In the Federation's view, the existing rules which touch upon these questions (rules 19, 336 and 340) are not adequate to deal with these cases by giving the UPC sufficient discretion. The Federation therefore advocates a general dispute management power, possibly in the hands of the President of the Court of First Instance.

Rules 101 and 113 – timings

We are concerned that it is ambitious to bring actions to trial within one year when such an extended period is permitted for the written phase. Whilst prefaced with the words "Without prejudice to the principle of proportionality" we note the mandatory nature of the time period in r.101.3 stating that the judge-rapporteur "shall" complete the interim procedure within three months of the closure of the written procedure. This is unrealistically short. At most, the judge-rapporteur should be required to aim to complete the interim procedure within three months. We suggest that the judge-rapporteur "shall endeavour to complete the interim procedure within three months or such longer period as shall be appropriate based upon proportionality and the complexity of the case".

We are likewise concerned that r.113 includes a presumption of a one day oral hearing. There is no need to fetter judicial flexibility, and clearly the length of an oral hearing may depend on numerous factors including whether only infringement is in issue, or both infringement and validity; the number of patents in suit; the number of parties (especially defendants); and the complexity of the technology. Moreover having regard to our comments below on fees, there should be no concern that longer cases will be a drain on the resources of the Court.

Rule 220.2 – procedural appeals

The IP Federation believes that it is imperative that the UPC Court of Appeal should be able to give leave to appeal against procedural decisions if the Court of First Instance does not do so, so as to impose uniform interpretation of procedural rules on local and regional divisions. The reason for this imperative is to avoid different interpretations of such rules which would inevitably increase the degree of forum shopping between divisions. The IP Federation is therefore disappointed that the note to rule 220.2 records that the Rules Committee have been unable to agree on this matter. It believes that it is absolutely clear in the face of the UPC Agreement that in context the "Court" includes both the Court of First Instance and the Court of Appeal, and that either may therefore grant leave. It believes that

it is also clear from the history of the progress of the drafting of the Agreement that this was in the intention of the draftspersons of the relevant provisions. We elaborate on both points below.

Clear on the face of the Agreement

The ability of the "Court" to grant leave to appeal procedural matters arises from Article 73(2)(b)(ii), where the relevant words are: "where the Court grants leave to appeal ...". It is to be noted that:

1. This wording is to be contrasted with the wording earlier in the same article (first line of Article 73(2)) which refers to the "Court of First Instance". It is therefore plain that if the draftspersons had intended to limit the meaning of the Court which could grant leave to the Court of First Instance, there would have been specific reference to the Court of First Instance; and
2. Any possible ambiguity is resolved by the use of the defined term "Court" which is, according to Article 2(a) "the Unified Patent Court created by this Agreement"; and Article 6(1) which states that: "The Court shall comprise a Court of First Instance, a Court of Appeal and a Registry"

We therefore submit that it is impossible to come to any conclusion other than that the "Court" referred to in Article 73(2)(b)(ii) includes the Court of Appeal.

Clear having regard to the history

It is clear that in the earlier drafts of the Agreement, only the Court of Appeal was able to give permission to appeal the procedural issue, but that this was expanded so that either the Court of First Instance or the Court of Appeal could do so. Plainly the draftsperson used the defined term "Court" as an expedient shorthand for both. Thus, it was clearly always intended that the Court of Appeal should be able to grant permission. A detailed analysis of the history is set out in the annex.

Conclusion and request on R.220.2

The IP Federation requests that the view is taken by the Preparatory Committee that rule 220.2 should be drafted to include the grant of leave by either the Court of First Instance or the Court of Appeal. In the event that a party seeks leave from the Court of Appeal, it will of course, be open to the respondent to argue that the rule is *ultra vires*. In this eventuality, and if the Court of Appeal agrees, it can say so, and the provision can be modified in a subsequent update of the Rules. However, if no provision is made to set out a process for seeking leave, then the making of an application for leave would be made (at least) more complex because of the absence of a prescribed procedure. Therefore, even as a pragmatic matter, the rule should be drafted to contemplate that leave may be granted by the Court of Appeal.

Summary and Conclusion

The members of the IP Federation ask the Preparatory Committee to consider and adopt the above comments on the draft rules, namely:

- Simplify Rule 14
- Address the bifurcation gap issue
- Give the Court broader dispute management powers
- Introduce flexibility for completion of the interim procedure and the length of oral hearings
- Make it clear that the Court of Appeal has the power to grant permission to hear procedural appeals.

IP Federation
1 September 2014



IP Federation members 2014

The IP Federation 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. Its Council also includes representatives of the CBI, and its meetings are attended by IP specialists from three leading law firms. It is listed on the joint Transparency Register of the European Parliament and the Commission with identity No. 83549331760-12.

AGCO Ltd
Airbus
ARM Ltd
AstraZeneca plc
Babcock International Ltd
BAE Systems plc
BP p.l.c.
British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Caterpillar U.K. Ltd
Dyson Technology Ltd
Element Six Ltd
Eli Lilly & Co Ltd
ExxonMobil Chemical Europe Inc.
Ford of Europe
Fujitsu Services Ltd
GE Healthcare
GKN plc
GlaxoSmithKline plc
Glory Global Solutions Ltd
Hewlett-Packard Ltd
IBM UK Ltd
Infineum UK Ltd
Johnson Matthey PLC
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia UK Ltd
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
Renishaw plc
Rolls-Royce plc
Shell International Ltd
Smith & Nephew
Syngenta Ltd
The Linde Group
UCB Pharma plc
Unilever plc
Vectura Limited

Annex – The history of R.220.2

Between the versions of the draft Agreement dated 19 October 2011 (15539/11) and 27 September 2012 (14268/12), a change was made to Article 73 as it now is - Article 45 as it was then. To the IP Federation's knowledge there were no other drafts between these dates. The only other intervening document is dated 24 November 2011 (15739/11) which contains a few revised clauses including article 45, albeit the change is very minor and the main wording (a reference to the court of appeal granting permission) is unchanged from the full version published two months earlier. Annexed for convenience are the two versions of Article 45 plus a compare version.

The IP Federation also directs attention to the Rules which existed at these times. R.220.2 was then r.251.2 and Rules 251 and 252 read as follows, with relevant passages highlighted.

PART 4 – PROCEDURES BEFORE THE COURT OF APPEAL

Rule 251 – Appealable decisions

1. An appeal may be brought against
 - (a) final decisions of the Court of First Instance,
 - (b) decisions terminating proceedings as regards one of the parties,
 - (c) decisions or orders referred to in Articles 29(4a), 35, 35a, 35b, 37 or 39 of the Agreement.
2. Other decisions or orders of the Court of First Instance may only be appealed together with the final decision, **unless the Court of Appeal grants leave to appeal.**

Relation with draft Agreement: Article 45(1)

[Examples of final decisions of the Court of First Instance: Rule 118 (decision on the merits), Rule 136 (decision on the award of damages), Rule 150 (decision on costs)]

Rule 252 – Application for leave to appeal

1. **A party adversely affected by a decision or order referred to in Rule 251(2) may lodge an Application for leave to appeal within one month of service of the decision or order of the Court of First Instance.**
2. The *Application for leave to appeal shall set out
 - (a) the reasons why the appeal should be heard before the final decision of the Court of First Instance is given,
 - (b) where necessary, the facts, evidence and arguments relied on.
3. The Registry shall, in accordance with the business distribution scheme, assign the Application for leave to appeal to a panel of the Court of Appeal which shall decide on the Application in accordance with Rule <on Decision or order of the panel in written proceedings>.
4. The Court of Appeal may
 - (a) grant interlocutory revision if it considers the Application for leave to appeal to be admissible and well founded,
 - (b) reject the Application for leave to appeal if it does not consider the Application to be allowable.

CHAPTER V – APPEALS

Article 45

Appeal

- (1) An appeal against a decision of the Court of First Instance may be brought before the Court of Appeal by any party which has been unsuccessful, in whole or in part, in its submissions.
- (1a) An appeal may be brought against a final decision of the Court of First Instance or against an order referred to in Articles 29(4), 35, 35a, 35b, 37 or 39. Any other order may only be appealed together with the final decision, unless the Court of Appeal grants leave to appeal.
- (2) An appeal shall be brought within two months of the date of the notification of a final decision of the Court of First Instance or within fifteen calendar days of the date of the notification of an order referred to in paragraph 1a.
- (3) The appeal against a decision of the Court of First Instance may be based on points of law and matters of fact.
- (4) New facts and new evidence may only be introduced if the submission thereof by the party concerned could not reasonably have been expected during proceedings before the Court of First Instance, in accordance with the Rules of Procedure.

CHAPTER V – APPEALS

Article 45

Appeal

- (1) An appeal against a decision of the Court of First Instance may be brought before the Court of Appeal by any party which has been unsuccessful, in whole or in part, in its submissions, within two month of the date of the decision.

- (1a) An appeal against an order of the Court of First Instance may be brought before the Court of Appeal by any party which has been unsuccessful, in whole or in part, in its submissions:
 - (a) for the orders referred to in Articles 29(4), 35, 35a, 35b, 37 and 39 within 15 calendar days of the notification of the order to the applicant ;
 - (b) for other orders, than the orders referred to in point (a):
 - (i) together with the decision, or
 - (ii), where the Court grants leave to appeal, within 15 days of the notification of the Court's decision to that effect.]

- (2) *Merged with (1) and (1a)*

- (3) The appeal against a decision or an order of the Court of First Instance may be based on points of law and matters of fact.

on, bearing the costs of legal aid.

Article 44a
Period of limitation

- (1) ~~Proceedings~~Without prejudice to Article 14e(2) and (3), actions relating to all forms of financial compensation may be initiated ~~until~~not be brought more than five years ~~from~~after the date on which the ~~requesting party~~applicant became aware, or had reasonable grounds to become, aware, of the facts ~~justifying the proceedings~~last fact justifying the action.
- (2) Financial compensation may only be claimed for a period of five years prior to the date on which the applicant brought action for financial compensation.

CHAPTER V – APPEALS

Article 45
Appeal

- (1) An appeal against a decision of the Court of First Instance may be brought before the Court of Appeal by any party which has been unsuccessful, in whole or in part, in its submissions, within two month of the date of the decision.
- (1a) An appeal against an order of the Court of First Instance may be brought before the Court of Appeal by any party which has been unsuccessful, in whole or in part, in its submissions:
- (a) for the orders referred to in Articles 29(4), 35, 35a, 35b, 37 and 39 within 15 calendar days of the notification of the order to the applicant ;
- (b) (1a) An appeal may be brought against a final decision of the Court of First Instance or against an order referred to in Articles 29(4), 35, 35a, 35b, 37 or 39. Any other order may only be appealed together with the final for other orders, than the orders referred to in point (a): (i) together with the decision, unless or (ii), where the Court of Appeal grants leave to appeal, within 15 days of the notification of the
- (2) ~~An appeal shall be brought within two months of the date of the notification of a final~~

~~decision of the Court of First Instance or within fifteen calendar days of the date of the notification of an order referred to in paragraph 1a.~~

Court's decision to that effect.]

(2) Merged with (1) and (1a)

- (3) The appeal against a decision or an order of the Court of First Instance may be based on points of law and matters of fact.
- (4) New facts and new evidence may only be introduced if in accordance with the Rules of Procedure and where the submission thereof by the party concerned could not reasonably have been expected during proceedings before the Court of First Instance, ~~in accordance with the Rules of Procedure.~~

Article 46

Effects of an appeal

- (1) ~~Without prejudice to paragraph 2, an~~An appeal shall not have suspensive effect unless the Court of Appeal decides otherwise at the motivated request of one of the parties. The Rules of Procedure shall guarantee that such a decision is taken without delay.
- (2) ~~An~~Notwithstanding paragraph 1, an appeal against a decision on actions or counterclaims for revocation and on actions based on Article 15(1)(g) shall always have suspensive effect.
- (3) ~~The~~An appeal against an order referred to in Articles 29(4a), 35, 35a, 35b, 37 or 39 shall not prevent the continuation of the principal/main proceedings. However, the Court ~~may of First Instance shall~~ not give a final decision in the principal/main proceedings before the decision of the Court of Appeal concerning an appealed order has been given.

Article 47

Decision on appeal and referral back

- (1) If ~~the~~an appeal pursuant to Article 45 is well-founded, the Court of Appeal shall revoke the decision of the Court of First Instance and give a final decision. The Court of Appeal may in exceptional cases and in accordance with the Rules of Procedure refer the case back to the

~~Court of First Instance for decision.~~

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