

Preliminary set of provisions for the Rules of Procedure of the European and EU Patents Court (Commission Services 4th draft of 16.10.09.)

General Comments by the Intellectual Property Federation (IP Federation)

*Introduction*

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 inevitably be major users of the future European and EU Patents Court (EEUPC), as plaintiffs, defendants and interested third parties.

The Federation has previously submitted comments on the draft Agreement on the EEUPC (Council document 7928/09) in paper PP07/09 and on the 2<sup>nd</sup> draft working paper on the Rules of Procedure (Council document 11813/09) in paper PP15/09. Points made in these papers will be referred to below as “our previous comments”.

Bearing in mind the size of the market, a single patent system for the whole of Europe, with a single Court, will have such a major economic impact that it is essential for the litigation process before the Court and the resulting decisions to be of the highest quality. Companies adversely affected by faulty decisions may lose considerable market share.

It is crucial, and must be an overarching principle, that the rules of procedure will be uniformly, predictably and consistently applied by the different 1<sup>st</sup> instance divisions of the Court and that outcomes will be as completely fair and correct as possible.

We recognise, and congratulate the services of the Commission on, the continuing and substantial work to develop adequate provisions for the rules of procedure. A few of the concerns noted in our previous comments seem to have been taken into account in the 4<sup>th</sup> draft of the rules. However, significant improvements to the draft rules are necessary before we, as future users of the Court, can be confident that litigation will proceed in a completely fair, consistent and transparent way. We wish the Commission success in the continuation of the work.

We set out below our concerns on a number of major issues where we consider that the draft Agreement and the preliminary set of provisions for the rules of procedure need further attention. The comments on procedure are mainly concerned with 1<sup>st</sup> instance infringement actions (though we also refer to provisional measures). The following matters are discussed:

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<sup>1</sup> List of member companies attached.

Forum  
Language  
Consistency in procedure  
Disclosure and discovery  
Pleadings  
Interim conference  
Oral procedure  
Questioning of witnesses

Moreover, we are very concerned about the provisions concerning attorney - client privilege (rule 362). These concerns are the subject of a separate position paper (PP06/10).

### *The appropriate forum*

The current text of the draft Agreement on the EEUPC (EU Council document 7928/09) provides that plaintiffs must take action before either the local or regional division for a state where an alleged infringement has occurred or a division for the state where the defendant is domiciled (draft Article 15a). For reasons that we have pointed out in our previous comments (papers PP07/09, PP15/09), we strongly object to the substantial possibilities for forum shopping inherent in this provision and trust that this problem will receive serious attention before the Agreement is finalised.

For the Agreement to be acceptable, we consider that it should be (a) additionally open to a plaintiff to bring the action in the central division and (b) open to the defendant to have the action transferred to the central division if it has not been initiated in the local or regional division for the defendant's state of domicile. There are already significant provisions within the draft Agreement which enable an infringement action to be taken in the central division<sup>2</sup>, so there is nothing untoward about infringement actions being dealt with there in circumstances where one or other of the parties is uncomfortable with the choice of local division that would otherwise take the case.

On the basis that the Agreement, in its eventual form, will provide scope for these possibilities, the rules of procedure should provide for the defendant to be able to request that the action should be transferred to the central division if it has not been brought either there or in the local or regional division for the defendant's state of domicile.

It should be made clear that any preliminary objection (which may be concerned with the choice of division) should, if either party so requests, be heard at the seat of the central division.

A similar arrangement should apply in respect of applications for provisional measures, such as interim injunctions. The applications should, *if requested by the party seeking such measures*, be heard at the seat of the central division.

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<sup>2</sup> for example, by agreement between the parties (Article 15a(6)) or where there is a counterclaim for revocation (Article 15a(2)(c)), or where a state does not have a local division (Article.15a(1))

It should be made clear in rule 105.2 that either party should be able to request that the interim conference should be held at the seat of the central division.

### *Language of proceedings*

We understand that the provisions on the language of proceedings contained in the draft Agreement are subject to further review and discussion. In their present form, the language proposals will be costly and impractical for many litigants, particularly if required as defendant to appear in a remote division using a less well used language.

In our previous comments, we have said that the language of proceedings, whether before the central or the local/regional divisions, should be the language of the granted patent, except where the parties have mutually agreed on something different. In view of the complications caused by any other requirement, discussed in those comments, we strongly hold to this position. In particular, complications will be very considerable if the case is split between two divisions as a result of a counterclaim, or upon appeal. Insofar as there is scope within the rules of procedure to achieve a language regime based on the language of the patent, then appropriate provisions should be made.

Furthermore, irrespective of the language of proceedings, we consider that the statement of claim 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 preliminary objection is to be heard at the seat of the central division.

As currently drafted, the rules call for the statement of claim to be in the language of the chosen local/regional division. If this provision is maintained (though as noted above we consider that it should not be), it will 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. If therefore the statement is in a language other than that of the patent, it should be the plaintiff's responsibility, (and not merely an option as in draft Rule 12.3) to provide a translation of the statement into an official language of the state of the defendant's domicile. The defendant's time for reply should not start until this translation has been deemed served.

The interim conference should be conducted in the language of the patent, unless the parties agree on something different.

### *Consistency in application of procedure between divisions of the Court*

It is axiomatic in a fair, high quality, Europe-wide system that no undue advantage should accrue to plaintiffs from so-called "forum shopping" and that for any particular action, procedure will be predictably the same, whichever local or regional division is involved. Not only should all local and regional divisions of the Court produce high quality decisions, but also they should do so by applying the procedural rules in the same way, uniformly, predictably and consistently. The procedure should not depend on the

national approach in the member state in which a particular division is located. The need for the different 1<sup>st</sup> instance divisions of the Court to comply with this overarching principle should be clearly set out in both the Introductory Remarks and the Preamble to the Rules of Procedure.

It is unrealistic to suppose that a judge will be able to ignore his/her past training and experience - in fact, past training and experience is likely to provide important guidance when judicial intervention is called for by the rules of procedure. Thus to avoid the rules being interpreted in each local or regional division to reflect what happens under national practice in the respective host member state, they should provide clear guidance on how judicial powers are to be exercised.

As an example, in the proposed rule 113, paragraph 2(b) indicates that "if necessary and under the control of the presiding judge" witnesses and experts may be heard, including "where appropriate" questioning by one party of the other party's witnesses and experts. Thus, whether or not witnesses are (a) to be heard and (b) subjected to questioning is to be under the control of the judge. Without further guidance, this control is likely to be exercised as it would be in the judge's national court. We discuss the guidance that would be appropriate under 'questioning of witnesses' below.

Similarly, the rules concerning the production and preservation of evidence provide for discretion without giving guidance on how it should be exercised. For example Rule 172.2 says that the Court "may" order a party to produce evidence lying in the control of that party, while Rule 190.1 says that the Court "may" order an opposing party to produce evidence in his/her control that would substantiate the prima facie case of the first party. As discussed below under 'disclosure and discovery', we consider that the rules should make clear that there is a clear presumption that orders to produce relevant evidence will be made.

Further examples of discretionary powers for the use of which no guidance is given are to be found in rule 7 - powers of the Court. This rule provides that the Court may at any stage of its own motion order any question to be answered or evidence to be clarified. Although the Court should have such powers, the parties should have primary responsibility for providing satisfactory evidence.

### *Disclosure/Discovery*

Although the Agreement and rules confer various powers on the Court, there is no clarity about how the powers to order disclosure/discovery, collection and preservation of evidence are to operate in practice (e.g., what discovery/disclosure should be ordered and when, or whether a saisie-type procedure is to be standard practice). Moreover, it is not clear how the power to order production of evidence will inter-relate with the power in the rules to order discovery. Given the wide variation in Member State practices in relation to these issues, clarity is needed in order that the various divisions of the Court adopt a consistent approach.

Further, while it is mandatory on parties to produce evidence in support of statements of fact, if contested (rule 172(1)), evidence under the control of

the opposing party must be produced only on the order of the Court (rule 190(1)), with no guidance in the rules as to when or how the Court should exercise the power.

If there are no proper controls, procedures are likely to be unnecessarily time-consuming and costly. We therefore do not envisage that there should be anything like US style discovery - in any event, many of the issues which lead to extensive discovery in the US are not relevant in European proceedings. Instead we propose that the rules should establish principles which will meet the objectives of producing high quality results in a timely and efficient manner.

We consider that there should be no automatic obligation on the parties to provide disclosure or discovery. Instead an application should be made by the party requesting the disclosure/discovery for the other party to produce documents relating to specific subject-matter in dispute in the proceedings. The application should be heard at the interim conference under rule 104 and the rules concerning the interim procedure should make provision for dealing with such applications. Rule 104(e) already provides for the judge-rapporteur to issue orders regarding the production of documents or the carrying out of inspections, etc. It should be made clear that such orders will include time limits for compliance and set restrictions on the materials to be collected (see the following paragraphs).

The limitation to specific subject-matter in dispute in the proceedings is important. The rules are drafted so as to ensure that the issues in the case are identified fairly precisely at an early stage in the proceedings. An order for disclosure/discovery should be limited to the production of those materials that are relevant to those issues and this should be made clear in the rules, e.g., rule 104.

When there is an issue in dispute between the parties and one party can show a reasonable likelihood that the other party has documents or other materials relating to that issue, the Court should be **required** to make an order relating to those materials, unless it will be manifestly disproportionate to do so. In other words, where there is a disputed issue and a reasonable likelihood that a party has relevant material, there should be a presumption that an order will be made in relation to those materials. Rule 190(1) concerning the production of evidence and later rules such as 191 concerning inspections and 192 concerning the preservation of evidence should make this clear.

The order need not always be production of documents in the style of discovery. In many cases, it could be an order to produce a product or process description; in others it could be to allow entry into premises to inspect documents/processes etc., as envisaged in rule 191. The method by which evidence is produced can be tailored as the factual circumstances of the case dictate; the key is to have a rule which will presumptively require relevant material or information to be produced.

Further, the presumption could be subject to limits. For example, in the UK, disclosure of documents relating to a pleaded ground of invalidity is ordinarily limited to materials which came into existence within 2 years

before and 2 years after the earliest claimed priority date. Finally, because an application for discovery would have to be made, the requested party would be able to put forward grounds as to why the order sought would be disproportionate. The Court could adapt the scope of any order to ensure proportionality.

If applications are made sufficiently early in proceedings and orders are appropriately framed (e.g. in terms of the scope and type of order), there should be minimal delay (if any) in the proceedings and little if any unnecessary cost. To the extent that there is a cost impact that is ultimately found to be unjustified, it can be dealt with in the order for costs following trial.

Such rules will generally be sufficient to ensure that relevant evidence is available to the Court and the parties in a timely and cost-efficient manner. However, there are two types of case where further judicial intervention to require production or preservation of evidence may be needed.

The first is where a patent owner can show a *prima facie* case for believing there is actual or imminent infringement but has not got enough hard facts to enable him properly to plead a case in accordance with the rules relating to content of pleadings. (This is the type of case where a *saisie* description is often used in some Member States.) In this type of case, the patent owner should be entitled to apply for a pre-action order for production of evidence. The rules, e.g., rules 190, 192, should make clear that applications for such pre action orders will be entertained, provided that a satisfactory *prima facie* case is made out.

The order could provide for “traditional” style discovery, process/product description or inspection of premises or whatever is appropriate in a particular case and would be strictly limited in terms of subject matter. Further, the order should generally not be made *ex parte*; there would have to be an *inter partes* hearing before the order is made. If an order to produce before commencement of proceedings is made, strict controls would be needed to protect the party producing the information for example by limiting those who have access to the information, ensuring that the information obtained is used only for the purpose of assessing whether to start proceedings and ensuring that if proceedings are not commenced all information obtained and materials relating to it in the hands of the party who obtained the order is returned or destroyed.

The second type of case where an order beyond the standard discovery/disclosure procedure might be needed is where there is a substantiated danger that relevant evidence will be destroyed or concealed if notice of proceedings is given to the holder of that evidence. In such cases (which in patent cases are rare), an *ex parte* order to preserve evidence may be needed which might allow entry onto premises and seizure of relevant materials. However, such orders should only be made if evidence is put before the Court that there is both an actual or likely infringement (or imminent infringement) and a likelihood that without an *ex parte* order allowing entry onto premises and seizure of materials, relevant evidence will be destroyed or concealed. Again, strict controls of the nature of those

described above would be needed. In addition, because the order would be obtained *ex parte*, control of the manner of execution of the order would be needed. Rule 197 needs to be strengthened to confirm these points.

### *Pleadings*

There are a number of rules particularly concerned with the content and timing of the pleadings e.g., rules 10, 11, 20, 21 etc. We consider that rule 11 concerning the content of the statement of claim goes too far in requiring the written evidence relied on, including witness statements, to be supplied comprehensively at this early stage. It should be sufficient in the statement to indicate the nature of the evidence that will be relied on if necessary.

Only if particular facts are challenged by the defendant should it be necessary to provide detailed evidence to establish those facts. The extent of the evidence to be supplied and the date by which it should be provided should be determined during the interim conference.

Moreover, we consider that an action should be rejected as inadmissible under rule 14 only if it fails in fundamental respects, such as failure to identify the defendant and the patent concerned. Other matters, such as the division having jurisdiction, electronic addresses, language, should be correctible (within a time limit).

### *Interim Procedure/Conference*

We consider it important that the rules should set the maximum time within which the interim conference should take place. This could be done by adding wording to rule 24.1(a), after 'interim conference with the parties', such as "which should, without prejudice to the principle of proportionality, be held within 8 weeks of service of the statement of defence".

In the light of the particular facts and issues (such as the interpretation of claims) that are in dispute, the judge-rapporteur should seek the agreement of the parties to, and if necessary determine, the evidence or expert testimony that is required, and the dates by which it should be provided.

Furthermore, the date of the oral hearing should be set at the interim conference, in the light of the timetable for the further steps discussed at the conference, and not as provided in rule 24.1(b)

The reference in rule 101 to completing the interim procedure within two months seems over ambitious. If it is decided at the interim conference that further evidence should be produced or that experiments or inspections should be carried out or experts consulted, it is unlikely that an overall period of two months (from the service of the statement of defence) will be sufficient. The important thing is to set an early date for the interim conference.

The interim conference should **not** attempt to resolve arguments about contested facts or other substantive issues. The proper place to deal with argument concerning substantive matters is at the oral hearing.

We do not agree that the judge-rapporteur should hold preparatory discussions with witnesses and experts – there should be no preliminary sifting of the evidence unless both parties agree.

### *Oral procedure*

We point out below (under questioning of witnesses) that whether or not witnesses are heard should not be subject to the judges' control. While we agree that the hearing should be conducted as efficiently as possible and that judges should have powers to ensure that submissions by parties and witnesses are relevant to the issues in dispute, we do not agree that the rules should provide for the imposition of specific time constraints, particularly in advance. The parties themselves derive no benefit from prolonged proceedings, but must have adequate time to make their case in their own way. This is especially important bearing in mind that the commercial impact of cases before the EEUPC is likely in many cases to be very significant as far as one or both of the parties are concerned, with major effects on their businesses.

Thus, rule 114 must be changed to remove references to determining in advance the length of oral submissions (at least if this refers to examination of evidence) and to attempting to complete the oral hearing to one day.

### *Questioning of witnesses*

It appears from rules 113, 114.2, 176 and 178 that whether or not evidence from witnesses can be heard from the witness in person will depend on the Court. Judges are naturally likely to be powerfully influenced by their national practices on whether to allow such evidence. We consider that the rules should make clear that a party has the right to present whatever evidence seems necessary.

In order that the strength and reliability of evidence presented by witnesses and experts in oral proceedings can be assessed, it is essential that parties should have the right to question the witnesses of the other side, and not merely the possibility as in rule 179.5. Again, this should not be a matter for the Court, save that the Court should ensure that questioning remains relevant to the issues in dispute.

IP Federation

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## IP Federation members 2010

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

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