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Directorate-General Internal Market and Services  
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BELGIUM

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Dear Mrs Jorna

### **Unitary Patent Regulation and Unified Patent Court Agreement**

The IP Federation represents the views of UK industry in both intellectual property policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed at the end of this letter. It has wide experience of how intellectual property law, including patent litigation, works in practice in the UK, Europe and internationally.

As requested, I am writing to highlight the Federation's concerns about the present proposals for the Unitary Patent Regulation and Unified Patent Court (UPC). There are, in fact, many concerns of importance, but I will restrict myself to the two most major ones, which are the potentially damaging effects of a pan-European bifurcated Patent Court system and the retention of Articles 6-8 in the draft Regulation.

#### **Articles 6-8**

Firstly, we remain unconvinced of the need to include Articles 6-8 in the Regulation. We understand that there exists an internal Commission legal service opinion which explains why it is thought necessary. We see no reason whatever why such an opinion cannot be published and its merits debated openly. We urge you to press for its immediate publication in full.

Secondly, we regard the consequences of Articles 6-8 to be highly undesirable for all users of the UPC. References to the CJEU will be inevitable on numerous questions relating to infringement. These would include seemingly narrow questions such as what amounts to experimental use, but which could impact significantly (in particular) upon the ability of pharmaceutical companies to conduct clinical trials in Europe. Even more importantly, however, the question of infringement is so linked with claim construction that the interpretation of claims would inevitably become a matter for the CJEU. This would therefore introduce the possibility of a reference in all patent cases. As is well known, the procedures of the CJEU are cumbersome and expensive. Typically a reference takes at least 16 months and usually more like two years to process, which would more than double the length of proceedings under the proposed system. The need for

unanimous judgments by the CJEU results in decisions which are compromises and often difficult to interpret by the reference Court. Further, one central purpose of the proposed new system is to have expert judges, and yet the involvement of the CJEU would make the highest court one which had no expertise whatever in the area of patent law or technology. Yet further, since the CJEU operates in the French language, even when the official language of the case is another language, this could introduce more difficulties in interpretation of patent claims, which are highly dependent upon accurate understanding of highly technical subject matter.

In summary, we see nothing to require or commend the involvement of the CJEU, and we strongly urge you to push for their deletion from the Regulation.

### ***Bifurcation***

The Federation represents companies who are patent owners, but who also find themselves defending patent infringement actions. As such we see the issue of bifurcation from both the Plaintiff's and the Defendant's point of view. As Plaintiff-patentees, we see that it would be very advantageous to assert our patents in a Court which takes (at most) only a short look at validity. If presented with a choice, as patentees we would undoubtedly rather choose a Court which would consider only infringement so as to maximise our chances of success. As a Defendant however, we see that a bifurcated system may prevent us from raising what may in some cases be our only defence to an injunction due to unjustifiably broad claims being granted. Trying to balance these views, we find it difficult to justify objectively that a Defendant can be prevented from having a defence (invalidity) tried before an injunction is granted against it: it should be impossible to infringe an invalid patent, but bifurcation permits such a finding.

The Federation notes that the current proposal is to make bifurcation optional. This is not an answer to our concerns. It will inevitably, in the Federation's view, lead to different practices in different local divisions, which is actually worse, because it will lead to forum shopping. We say that this will be the result because the proposed staffing of local divisions of the UPC will require two local judges to be on each panel. They will inevitably (and quite understandably) follow their pre-existing local practices unless and until told to do otherwise by the Court of Appeal.

It has been suggested in some circles that the option of bifurcation will introduce competition between divisions; and that such competition is a good thing. Whilst of course competition is generally a good thing, this really cannot apply to a Court system which is supposed to be uniform. Further, it is not competition in any sense other than: "which Court is most favourable to the patentee?" The Defendant gains no benefit from this "competition". On the contrary, it is the inevitable loser in having potentially invalid rights asserted successfully against it.

It is also said that the popularity of the German system, attracting as it does so many cases, is evidence that it is regarded by users as a good thing, and that the German system has been a great success. In the Federation's view, the reason that so many infringement actions are brought in Germany is that not only is the German market important and the Court system there efficient in having cases heard promptly, but German infringement Courts favour patentees by not considering validity. If one finds a pan-European infringer, one can exert huge commercial pressure on that Defendant to settle on a pan-European basis by starting (or threatening to start) proceedings in Germany, even though the injunction which it may grant may "only" cover Germany. Further, another aspect of the German system effectively prevents counterclaims for revocation being started in the Federal Patents Court in many cases because of the rule which stops such cases being progressed whilst EPO oppositions are pending. This adds to the imbalance in the patentee's favour. The only sense, therefore, in which the German system is a success, is from the perspective of the lawyers who practise under the system, who can attract business by offering a patentee-friendly legal product.

What then are the wider consequences of bifurcation, and is there really a problem?

In the Federation's view the answer is that the bifurcated system results in invalid monopolies being asserted successfully. This is self-evidently something which the Commission should not support. It has all manner of adverse consequences for European business. One recent example can be seen in the recent decision of Microsoft to relocate its distribution centres out of Germany and into the Netherlands, expressly because of its fears of the German Courts' approach. If we then look forwards to a time when any division of the UPC may grant pan-European injunctions without an examination of the defence of invalidity, we foresee a major distorting and deleterious effect on investment and growth in Europe.

For example, a Far Eastern manufacturer of consumer goods for the European market may locate its factory having regard to all manner of considerations, such as tax regimes, workforce skills and the like. However, if it is potentially liable to be subject to an injunction granted without consideration of a patent's validity, it may think very carefully before investing in a country where its factory may be closed down. There are then two different types of effect which are foreseeable.

Firstly, it will discourage investment into the EU as a whole. All else being equal, why not locate a factory in Norway, not Sweden, or Turkey, not Greece?

Secondly, if there is a necessity to locate a factory within the EU, then (again) all else being equal, because Spain and Italy will be outside the system, why would the investor not choose to locate in Spain rather than Portugal, or Italy rather than France? This would distort competition as between Member States.

Likewise, European-based industry would be disadvantaged by non-European competitors asserting their patents in a Court which bifurcates. At best, Defendants may suffer loss of business and growth through an injunction which really can never properly be compensated. At worst, they may even go out of business before they can have the patent revoked.

In short, the Federation sees the prospect of bifurcation in the UPC as being wholly bad for European business. It would reduce external investment, and put European industry at a disadvantage as compared with non-European business. It would also distort competition within the internal market. Making bifurcation an option under the new system is not an answer, but actually will make matters worse by distorting the focus of patent litigation and centring it in those countries which routinely opt to bifurcate, thereby attracting patent owners to bring their infringement actions there. We therefore urge you to push for bifurcation to be excluded from the system entirely.

Yours sincerely

James Hayles  
European Patent Attorney  
President, IP Federation



## **IP Federation members 2012**

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  
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  
Delphi Corp.  
Dyson Technology Ltd  
Eli Lilly & Co Ltd  
ExxonMobil Chemical Europe Inc  
Ford of Europe  
Fujitsu Services Ltd  
GE Healthcare  
GKN plc  
GlaxoSmithKline plc  
Hewlett-Packard Ltd  
IBM UK Ltd  
Infineum UK Ltd  
Merck Sharp & Dohme Ltd  
Microsoft Limited  
Nokia UK Ltd  
Nucletron Ltd  
Pfizer Ltd  
Philips Electronics UK Ltd  
Pilkington Group Ltd  
Procter & Gamble Ltd  
Rolls-Royce plc  
Shell International Ltd  
Smith & Nephew  
Syngenta Ltd  
The Linde Group  
UCB Pharma plc  
Unilever plc  
Vectura Limited

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