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EU Council - Presidency document 7001/08

EU Patent Jurisdiction - Main features of the court system (first part); Remedies, procedures and other measures (second part)

TMPDF Comments (*numbering below follows the numbering of the Presidency document*)

PART I: MAIN FEATURES OF THE EU PATENT JURISDICTION

1. Introductory remarks

The Federation welcomes the effort being made in the Council of the European Union to create a unified and integrated EU patent litigation system for dealing with validity and infringement of European and future Community patents, and inter-related proceedings arising under patent law. If the system is created soundly, as discussed below, then it will enhance the standing of European and future Community patents, facilitate innovation within Europe and encourage the knowledge economy.

We consider that the system should be created in such a way that it can be joined by states that are members of the European Patent Organisation but are not members of the EU, such as Switzerland and Turkey. It should be possible to litigate European patents granted for all EPO states in one unified system.

It is crucial for users, and to provide the potential benefits, that an EU patent litigation system (the EU patent jurisdiction) should deliver consistent and reliable decisions of high quality, thus providing legal certainty to users, and should be both efficient and straightforward to use. As noted in section 2 of the Presidency document, it should inspire confidence in potential users.

To these ends, all cases at first instance should be decided fully before a single panel of judges in one division of the jurisdiction. 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. Only rarely should technical assistance for the judges be needed.

Unless the jurisdiction meets these requirements, it will be of little value; indeed it will be dangerous. Its rulings will 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.

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.

2. General features of the EU patent jurisdiction

We agree that there should be a specialised, integrated Community jurisdiction in which all divisions form an integral part of the jurisdiction, with uniform procedures. However, we do not consider that the EU jurisdiction should be exclusive in relation to existing European patents and applications. This will change the character of these patents and the basis on

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which they have been applied for. At present, following grant by the European Patent Office (EPO), they are national patents independent of similar patents in other member states. It is entirely reasonable that some litigants will not wish for similar but independent patents to be linked together for litigation purposes, or for the litigation to be subjected to more complex and expensive procedures than would apply in a national court.

Whilst we agree that there should be locally and/or regionally located divisions at first instance as well as a central division, we do not accept the approach to local and regional divisions as set out in section 3 of the Presidency paper. Such divisions would be acceptable in the form discussed in section 3 below.

Although national laws of EPC member states are harmonised to a considerable extent, they are not the same. The bedrock of substantive patent law to be applied by the EU jurisdiction in relation to European patents, not only as regards infringement and validity but also outside these specific areas, needs to be clearly set out. The European Patent Judges Association should be invited to assist in clarifying what will constitute the relevant underlying law.

We acknowledge that the European Court of Justice is responsible for Community legal order and will have the final authority to clarify the law in relation to any future Community patents. European patents however are not granted under European Community legislation, so references to the ECJ in relation to these patents should be very rare.

We consider that the judges appointed to the instances and divisions of the EU jurisdiction should have the capability and determination to ensure that there is effective pre-trial management of the cases to be brought before them. Case conferences should be held by a single divisional judge to ensure that areas of agreement are fully established, that the contested issues are explicitly defined and that parties are clear about what evidence should be provided. Evidence should be adequate but not excessive or irrelevant. The pre-trial judge should also ensure that methods of resolving the dispute amicably, e.g., by discussion, mediation or arbitration, have been thoroughly considered.

Procedures in the EU jurisdiction 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. To this end, once an action is brought, there should be no stay of the proceedings to enable parallel proceedings relating to the same or similar cause of action, such as requests for declarations of non infringement, to be brought in national courts. Such actions should be dealt with in the EU jurisdiction.

3. First Instance

We consider that the EU patent jurisdiction, both first and second instances, should be centrally based. Cases should be filed centrally and allocated to an appropriate first instance division from the centre - see below as regards allocation. Subject to the comments below on the composition of the mixed nationality panels of judges, we agree that in addition to a centrally located division of first instance, a limited number of first instance divisions could sit locally in individual member states or regionally for regional groupings of member states.

In all divisions of the jurisdiction, whether local, regional or central, judges should be of differing nationalities. The Presidency paper says that all divisions should have a multinational composition, but indicates later that this means that judicial panels will include two judges from the state/region in which the division is located and one other from a central pool. This structure is not acceptable. It will not inspire confidence in litigants who expect the system to be free of the practices, traditions and attitudes of the national systems. Judges in local and regional divisions should be mostly if not entirely from outside the state or region concerned.

The central division would 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 **not** have

some form of appeal role, or other higher level responsibility such as providing rulings on validity or opinions, in relation to the other divisions.

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 mixed nationality division will ensure different perspectives and be much less prone to local or regional influence. A fully mixed division must be assured in every case.

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.

4. Relationship between first instance divisions at MS or regional level and the central division

We consider that, on the basis that the local/regional divisions are staffed as discussed above, there should be no difference in the responsibilities and powers of the central and the local/regional divisions. There should be 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.

Consideration of validity and infringement should not be separated. Where validity is put in issue in an infringement suit, 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.

A rapid assessment procedure to determine whether a counterclaim alleging invalidity of the patent in suit is manifestly unfounded is not acceptable. Where validity is challenged, the challenge must be dealt with definitively together with the allegation of infringement, for all purposes.

A rapid assessment which concludes either that the patent is valid or that it may be invalid could be very prejudicial to the respective parties, not only as regards the future of the proceedings in the EU jurisdiction and particularly where an injunction has been granted, but also in relation to equivalent patents in other jurisdictions, such as those in the United States. This prejudice is unlikely to be overcome even if the result of the rapid assessment is subsequently reversed.

5. Allocation of cases

We do not agree that plaintiffs should be able to choose the particular division to hear their case. Actions should be filed centrally and should be allocated to a suitable local or regional division in accordance with predetermined rules, e.g., based on the domiciles of the parties and/or (subsidiarily) the place of the alleged infringement. These 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.

Plaintiffs should not be able to choose a preferred local or regional division. Nevertheless, arrangements should be such that plaintiffs can take rapid action when necessary to prevent the movement of infringing goods into a particular part of the market.

The importance of pre-trial management is discussed in section 2 above.

6. Language of proceedings at first instance

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. The language of grant is the definitive language of the patent and it is in that language that actions allegedly infringing the patent should

normally be judiciable. Moreover, use of this language will simplify the proceedings for the internationally mixed panel of judges and others involved, particularly bearing in mind that the same language will normally be used at second instance, which will also involve an internationally mixed panel of judges.

We agree that before all divisions, and at second instance, simultaneous interpretation for the benefit of the parties should be provided when required. It might also be needed to assist some of the judges. Translation should only be into as limited a number of official languages of member states as possible in the circumstances. Documents could be translated into a language more convenient for the defendant if necessary.

7. Second instance

We agree with the proposals, subject to the comments above concerning the language of proceedings at first and second instance, which should normally be the language of grant.

8. Further review

Subject to the comments in section 2 above concerning the lack of competence of the ECJ as regards European patents except in rare cases, we agree with the proposals. In particular, we agree that leave to appeal must be sought from the ECJ.

9. Composition of the divisions

We have commented on this above. The member judges of the panels of local or regional divisions should be of differing nationalities and should in general not be from the member states concerned. We do not agree that panels should contain two local judges. A central pool could be called upon to provide the judges for the panels, or multinational teams might be based in the individual states where the volume of work justifies this.

We agree that extensive successful experience in patent litigation is a condition sine qua non. There should be a majority of very experienced judges in every panel.

We do not object to judges sitting remotely from one another and making use of communication technologies, provided that the parties consent.

10. European pool of patent judges

Whilst we do not agree that a central pool should be used to provide "reinforcements" for local/regional divisions (see above), there may be local or regional divisions that do not have enough cases to sit on a permanent basis. In such situations, judges from a central pool could form the local panels when required, on a peripatetic basis.

11. Specialisation and technical expertise of judges

We agree that it is of the utmost importance that all judges should have proven knowledge and experience in patent matters, including law and litigation. Moreover, we also consider that all judges should be sufficiently technically aware to understand the majority of cases without technical help. We do not agree that judges should be divided into legal and technical categories, with legal judges in the majority. All judges should be able to deal with all aspects of the cases before them.

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 (see comments below concerning experts).

12. Judicial independence, impartiality and appointment procedure for judges

We have no comments on these proposals.

13. List of experts

We are uneasy at the prospect of an official list of experts. Those on the list will be imbued with an authority that may not be justified in relation to the cases that come before the jurisdiction and this will add to the difficulties of the litigants. It should be up to the litigants to establish and challenge the technical evidence in each particular case without having to deal with the comments of an official expert who may not be especially conversant with the particular matters in suit. If in a particularly complex case the judges need independent technical expertise, this should be found on an ad hoc basis in relation to the particular technology involved.

14. Registry

As mentioned above, all actions should be filed with a central registry, which will allocate cases to an appropriate division, after hearing the parties if necessary.

15. Rules of procedure

We agree that uniform rules should be applied by all divisions. The rules will have far reaching effects on the operation of the system and it is important that the draft rules should be made available for comment before the system is established.

16. Patent arbitration and mediation centre

We do not object to exploring possible mechanisms for arbitration and mediation, though it may be noted that many mechanisms already exist, including at WIPO. As the document notes, it is essential that any arbitration and mediation system should be voluntary for the parties. It is also essential that undue pressures (through fees or court attitudes) are not applied to direct the parties towards arbitration or mediation, though it would be appropriate in pre-trial case management for the judge to ensure that arbitration and/or mediation have been considered by the parties.

17. Decisions with EU wide effect

We agree that the competent jurisdiction should have the powers indicated. Moreover, remedies for infringement should be comprehensive. In addition or alternatively to damages, it should be possible for plaintiffs to seek an account of profits derived from the infringement, delivery up or destruction of patented products and a final injunction prohibiting further acts of infringement. For patents held to be partially or wholly invalid, it should be possible for the court to require amendment of the patent as an alternative to revocation.

18. Budgetary and cost issues

The local/regional divisions should operate on behalf of the Community. If (and only if) established as discussed above, with mixed nationality panels of fully competent judges, their cost should be borne by the Community.

19. Training framework

We agree that a training framework that is operational well before the EU jurisdiction comes into effect should be established and that regular meetings of patent judges should be organised.

20. Jurisdiction of national courts during a transitional period.

Managing the transition will be one of the most difficult parts of establishing the new EU jurisdiction. As discussed in section 2 above, we do not agree that there should be a three year or other relatively short period after which litigation of European patents must be in the EU jurisdiction. For existing European patents, and for those applications under consideration when the new system takes effect, there should be no time limit on being heard nationally.

As for those patents that have not yet been applied for, the effectiveness and quality of the EU jurisdiction needs to be thoroughly assessed before making the system mandatory for new European patents.

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.

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PART II: REMEDIES, PROCEDURES AND OTHER MEASURES

1. Introduction and General

Part II of the Presidency document gives a good overview of the matters to be considered as regards remedies and procedures. However, while we agree that work carried out in the context of EPLA and the European patent judges association should be consulted when formulating the rules of the EU patent jurisdiction, we do not consider that the rules should be "based on" this work. The basis of the rules should be found in general rules of law in EU member states, in directive 2004/48/EC and in the principles discussed in the Presidency document, when finalised and agreed.

The detailed rules of procedure to be adopted in the EU jurisdiction should be discussed and agreed before the system is set up and should not be left to the judges appointed to the jurisdiction to determine *ab initio*. It is important for potential users to be able to comment on the draft rules, and to have a fair understanding of how the system will work, before the system is brought into force. The rules of procedure should not be determined by the jurisdiction itself, save at the detailed level of the practical organisation of proceedings (e.g., possibly, time limits for replies, conduct of pre trial conferences).

We have discussed in Part I section 2 above the need for expeditious procedures. The rules of procedure should be such that procedures are not stayed to permit time wasting tactics before national courts concerning the same or a similar cause of action.

We agree with the comments concerning standards, efficiency, active case management and fair balance between the parties. As regards active case management, see our comments in Part I, section 2 above.

2. Remedies

It should be clear that the EU patent jurisdiction is not bound by any provisions in national laws concerning remedies. Rules relating to remedies in the EU jurisdiction must be developed for that jurisdiction. They must be uniform and consistent with Community law. The power to grant injunctions having Europe wide effect should be available to the EU jurisdiction only on a discretionary basis, in relation to the circumstances of the particular case, and the power should be exercised with great care.

2.1 Evidence

We agree that it will be crucial for plaintiffs to be able to obtain evidence about an alleged infringer's product or process. It may also be important to a party challenging the validity of a patent to know what was known by or obvious to the patent owner when developing the invention. We generally agree with the points made concerning the means of taking evidence.

However, the document is unclear on certain important matters, in particular, the extent to which discovery of facts or documents may be ordered by the court, and the extent to which cross-examination of witnesses will be allowed. These procedures can be essential and it is a cause of concern that Commission officials have given the impression that it is not intended to provide for them.

Discovery:

The document recognises that the evidence in infringement cases is usually under the control of the infringer and thus the court should be able to order the production of specified evidence and to order its preservation when there are reasons to expect that it might be destroyed. It should also be possible in appropriate circumstances, to require the patent owner to produce evidence that bears on validity. It will be necessary to draw up detailed guidelines, which take account of points below (among others).

While we agree with the remark in the document that fishing expeditions must be avoided, there will be situations where other evidence points to the probability that important information bearing on the case and known to a party has not been provided. The court should be able to order discovery, either through interrogatories requiring answers as to facts from relevant witnesses or through the production of documents. However, the court should be vigilant to ensure that discovery is strictly limited to the elucidation of facts material to the dispute concerning the specific allegation of infringement of the patent, or the specific ground on which the patent lacks validity. Undertakings by the parties should be required that disclosed documents will only be used for purposes of the action. Only documents held by the parties should be discoverable, not those of others (possibly associated companies) not party to the dispute. Privileged communications between a party and attorneys should not be discoverable, neither should the documents used in foreign jurisdictions when limiting or assessing equivalent foreign patents.

Cross-examination:

The document acknowledges that witnesses should where necessary be heard by the court in person, but says that they should not normally be put to “disproportionate” cross-examination. It is most important that it should be recognised in the rules of procedure that cross-examination of witnesses will be allowed. While cross-examination will not be necessary in every case, where facts are in dispute, it will be very important to be able to test the reliability of witnesses, particularly as regards the strength of the opinions of expert witnesses, before the court makes a decision on factual matters. It will be a matter for the court to control the cross-examination to ensure that it is not disproportionate and is confined to clarifying the facts in the case.

We agree with the other points made in the document concerning evidence, particularly its preservation and inspection. It is important that procedures should be in place (such as the *Anton Piller* order in England) to ensure that evidence at risk of destruction is preserved. Where necessary to preserve confidentiality, inspection might be by approved uninvolved officials or third parties, provided that they are competent to understand the items being inspected.

2.2. Injunctions

We agree that interlocutory injunctions should be available rapidly, subject to the safeguards mentioned in the document. There should be an expectation that they will be granted, subject to there being sufficient prima facie evidence and unless there are strong grounds not to grant. Rapid and high quality decision making by the judges will be critical, because the effects of an injunction, or of not granting one, can be severe, possibly resulting in the closure of factories or plants or the destruction of businesses.

2.3. Damages, legal costs and periodic penalty payments

The paragraphs concerned with the setting the specific level of damages should be clarified somewhat, especially as regards the lump sum to be awarded. A successful plaintiff should be able to secure either the relevant profits of the infringer (account of profits) or the value of the damage suffered. An account of profits should cover all profit made from the infringing activities, plus profit on non- infringing but dependent activities, such as that on sales that depend on the sales of infringing goods. Damages should cover lost sales of the plaintiff and the erosion of profits due to the infringer’s unfair competition. If these cannot be proved, then damages should be based on the terms of an assumed licence giving a reasonable royalty related to the infringer’s activities and sales.

We agree that damages might include elements other than economic factors, such as the moral prejudice to the right holder, but should not include U.S. style punitive elements.

Moreover, the court should be able to order a range of other remedies, such as the delivery up and/or destruction of infringing products and/or the destruction of plant for making the

infringing goods. [] The court should be able to declare that the patent is valid and infringed. We agree with the comments in the document on costs and legal sanctions.

3.1 The parties and their representatives

We agree with the comments in the document concerning licensees. As regards representatives, we consider that European patent attorneys qualified to act before the EPO and with proven experience in patent law and practice should be able to appear before the EU patent jurisdiction 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.

3.2. The written and oral procedure

Subject to our comments made above concerning the need in many cases to hear witnesses in person and subject them to cross-examination, we agree with the comments in the document.

3.3. Reversal of the burden of proof

We agree with the comments made.

4. Decisions

There should be a strong expectation that decisions will be given rapidly following completion of the written and oral procedure. We agree that in the case of infringement actions filed while opposition procedures are pending, it should be possible to counter-claim for invalidity. While we accept that the court might stay proceedings and request the EPO to apply its accelerated procedure, it should be understood that the court will not accept long drawn delays due to EPO procedures. If delay seems likely, the court should be able to determine validity straightaway. Its aim should be to reach a decision on the case as quickly as possible.

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