Report of Committee Q 165

Optional Protocol to the EPC with regard to Litigation Concerning European Patents

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I. Present Status of the work for the European and EU Patent Court System

1. Summary of developments

This Committee and its work depend to a great extent on political developments which have influenced the subject matter and the course of the discussion to a great extent. New papers and draft statutes have been produced in Brussels each month and came back in revised form within even shorter times. Since the Chairman of this Committee is at the same time a member of the EU Commission’s expert group consisting of five judges and five attorneys from 7 different countries, he has attended for about three years the regular discussion meetings of this group in Brussels. These were dealing at first with a number of drafts of the Agreement for what is now called the European and EU Patent Court (EEUPC), and then with the Rules
of Procedure, with only a short excursion to the Regulation for the Community Patent, now named EU Patent. All three documents are still not in final form and partly disputed.

The Agreement is before the ECJ waiting for the opinion on its compatibility with the Treaties. An unofficial version of the Opinion of the Advocates General has become known a few weeks ago which declares the Draft Agreement incompatible with the EU Treaties. The Opinion of the ECJ is expected by the end of the year.

2. Status of the Rules of Procedure

The expert group had started off with the aim and corresponding instructions from the Commission to establish a streamline procedure of high quality and affordable cost encouraged by the second Venice Resolution of the Judges’ Forum¹,

- with generally one-day hearings for all pleadings and evidence discussions, and
- decisions by the local and regional chambers within a year from the filing date of an action.

A number of large corporations, also from outside the EU, have continued pressing for a procedure which would allow more extensive evidence trials. Although the principle of proportionality is mentioned in the Rules which may allow for exceptions from the one-day hearing rule, it is still open how the aim of an efficient cost-conscious procedure can be defended. The discussion shows that one system might not fit all users.

3. Cost

a) The EEUPC will not offer a cheap procedure

Cost is a point which is closely related with the length of trials and hearings. For a number of reasons the predictions as to litigation cost published so far are unrealistic. Those who expect that the new EEUPC will be able to offer patent litigation at the cost of the continental systems, in particular of the German courts seem to overlook a number of issues which do not

¹ Published in 38 IIC 826 (2007)
match and will in fact be considerably different from the German situation of today. Only two points may be mentioned.

- The litigation costs in Germany are normally calculated on the costs before the infringement courts which are not only very experienced, but which also, due to their largely different working procedure, are used to handle on average four infringement cases per hearing day, while under the EU combined system of infringement and revocation one hearing day per case will be needed, which is only 25% in comparison to Germany now. This means that there is a difference between the output figures of a factor 4 which will, of course, also translate into four times higher cost if one applies the same criteria to it.

- Under the German system, only about 25 to 28% of the infringement cases filed are being answered by a revocation action before the Federal Patent Court. Under the new system, where the defendant has the possibility to counter-sue before the same court, one must expect a similar practice as one can see it today in countries with a combined system where more than 90% of defendants in infringement cases counter-sue for invalidity or revocation which would need more manpower – and thus more money.

These two points show already that nobody can seriously promise that the future EU courts will offer the same financial conditions as they can be found today before the German courts, if the EU system shall be self-financing.

b) Considerably higher cost through central revocation actions

EPO opposition proceedings today can be conducted in the EPO within a reasonably cost frame. Complaints are only raised by users about the length of time the EPO normally needs which often holds up litigation considerably. With centralized jurisdiction of the EEUPC which will include EP patents, defendants in an infringement case will be able to file a central revocation attack before a court if they see this as a strategic advantage in a given case; in fact they can also do this after an EPO opposition has remained unsuccessful.

Expert opinions on each side, court experts and witness hearings could significantly change the litigation strategies in Europe, and such central attacks with eventually lengthy trials would also hit SMEs which file 50% of the EP patents. Companies with tight budgets might reconsider their filing strategy, if EP patents fall under the exclusive jurisdiction of the EEUPC. If no option is foreseen for EP patents to litigate before
the national courts as today² where no central court attack is possible, companies might be forced to go back to the national offices and file their patents there³. What consequences this may have for the budget of the EPO is still open. This concerns also the opt-out possibility under Art. 58 of the Agreement before the entry into force of the Agreement under which more than 500 000 granted patents may be transferred to the national court systems and thereby avoid the above disadvantages of the new court.

c) The Revision Clause

Among other unpredictable implications must be mentioned the Revision Clause in the Council Conclusions of December 4, 2009. If implemented this would result in an abolishment of local languages by the establishment of “multinational panels”, which would consist of a mix of nationalities of judges for whom there would exist no requirement to speak the language of the country, so that they would presumably only be able to communicate in English – if at all. SMEs which are accustomed to litigation in their own home countries before their own judges, will hesitate accepting unfamiliar judges, foreign languages and an increase of litigation cost by expensive translations of documents or even interpreters for the judges during hearings. So already the expectation that this change will happen, could be a reason for migration.

d) Users need time to test the system.

If there will not be given an option for EP patents from the beginning to continue using the national courts, the proposed transitional periods must definitely be extended, since with only 7 years they are unreasonably short. It would not be appropriate to force users into a system which they have no chance to test in practice. If one makes a simple calculation and adds up the (1) Granting and opposition period [5 -8 years], (2) the time until first infringements occur and the first cases are decided after two instances [5 – 8

² A request for an option to litigate EP patents before national courts has also been raised in a paper of the Confederation of British Industry (CBI) of November 2009 submitted to the EU Commission: „We consider strongly that the Court should not have exclusive jurisdiction in relation to European patents …There should be no withdrawal of the European patent system, which should remain in place and co-exist as should national patents …Use of the UPLS must be optional and not mandatory in respect of existing European patents”

³ To the SMEs must be added a number of large pharmaceutical applicants which fear that a central attack will unnecessarily endanger their valuable patents, so that the national offices are preferable.
years] and (3) the time until enough representative cases by enough different divisions have become final [another 5 to 8 years] in which also the key legal questions have been dealt with, one must calculate at least 20 years to convince users of the quality of the system. It may be recalled that after 1978 the first litigation based on an EP patent which reached the German Supreme Court was decided ten years after the filing date in the EPO. This shows that one cannot base a filing strategy for the whole EU on one single decision of the highest court. Users would get the impression that by being forced into a system which they have no chance to test they should not be given the time to reflect, because the drafters are not sure about the quality of the system.

II. The Opinion Proceeding before the Court of Justice

1. Contradictory pleadings of Member States in the Hearing

The major point of uncertainty exists, however, because the further work on the court system will decisively depend on the outcome of the opinion procedure before the European Court of Justice. The chairman of Special Committee Q 165 has attended the hearing before the ECJ on May 18, and there was a great deal of controversy between Member States whether or not the Draft Agreement was compatible with the Treaties; a summary of the hearing is attached which will have been published in IIC in a few days from now.

2. Green Light for EPLA?

Apart from the statement of incompatibility for which a lack of ECJ competence in the future patent court system has been given as a main argument, the most interesting recitals are 58, 60 and 63 of the Opinion which should be reproduced here:

58. With regard to the legality of creating the PC as an international court, situated outside the judicial system of the European Union and enjoying sole competence for certain types of appeal, one should first recall that Union law is not in principle opposed to an international agreement providing for its own judicial system⁵…

⁴ This also shows that the time frame within which the Revisions Clause comes into play is unreasonable as well and proves that it is a purely political clause.

⁵ The opinion adds here a footnote which reads: See Opinion 1/91 of 14 December 1991 (ECR. p. I-6079): in point 40 of the aforesaid opinion, the Court confirms that the conclusion of an international agreement providing for a judicial system such as that of the EEA Court is “in principle, compatible with
60. We should first point out that it is not the competences of the future PC concerning the *European patent* that pose a problem here: in fact, judicial competences concerning the European patent have always been exercised by the national courts; the Member States are therefore free to assign them to an international body, created by mutual consent and having the vocation of being “their” common court. However, the question of knowing whether and to what extent that same international body can also be assigned certain judicial competences concerning the future Community patent is more delicate.

63. *Disputes between individuals do not fall within the competence of the European Court of Justice.* It is the national courts that are always called to hear disputes between individuals, whether or not they raise questions of Union law, even when the validity, interpretation or infringement of a European intellectual property title is at stake. This definition of judicial competences reflects the principle of assignment, according to which any competence not assigned to the Union in the treaties belongs to the Member States.

This reads like an official rehabilitation of the members of the EPLA Working Party who during the discussions on EPLA before 2006 had been accused by the representatives of the Commission at that time of having no right and competence to negotiate without the authorization of the EC alleging that only the European Community had competence for creating an international court, even if only a few members of the Community were willing to join. Now the AGs take exactly the opposite view, and it will be interesting to see where the ECJ stands.

**Outlook**

The question for Committee Q 165 will now be – assuming the ECJ argues along the same lines as the AGs – whether the work for EPLA should be resumed while leaving aside the EEUPC for a while, since EPLA might be easier to be accomplished now. Or whether one should at the same time explore parallel avenues around the political stumble stones of the EEUPC, in order not to lose time for the project as a whole. Historically the second alternative has proven very successful when the Strasbourg and the Munich Patent Conventions were discussed in the 1960ies by different teams who succeeded to agree on identical texts of substantive laws which are still valid today.

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