

Summary of Issues on UPLS, formerly EPLA

Discussion are taking place based on the latest version of the Draft **Agreement 5072/09** of January 8, 2009 and the **Draft Statute of the Court**.

Name of the court

In view of the fact that this European patent court will have jurisdiction for European and Community patents the Court has now been named "European and Community Patents Court".

Opinion by ECJ

The present plan of the Commission is to submit during the Czech presidency a request for an opinion of the European Court of Justice on the present agreement hoping that the court will accept the modified role of the ECJ after the *cassation* has now been deleted from the text and has been replaced by the possibility of a request for a preliminary ruling by the Court of Appeal (**Art. 48**). With a positive ruling of the ECJ it also hoped that countries which object to the decentralized local divisions will accept the present scheme, although it is still expected that a number of countries will not join the court system as it is being proposed today.

Appointment of judges and eligibility criteria - Article 10

Originally not part of the agenda, the question of the appointment of judges had been raised in one of the preparatory documents for the meeting and was taken up by one of the judges in the group who expressed the fear that the present text does not guarantee that only judges with proven qualification and experience can become members of the divisions. Although Art. 10 requires a the "highest standards of competence and proven experience in the field of patent litigation", the possibility of local divisions in all 27 member states may result in judges being chosen and sent from member states who in their home country might have some experience in patent law but would not satisfy the expectations of the users of the system.

The Commission was not able to give a clear answer to this problem indicating however that the Advisory Committee (now Art. 57 b) which has the task to propose a list of judges could be given veto power against the appointment of a judge without enough experience. On the other hand, the

proposal to make the recommendation of the Advisory Committee binding upon the Mixed Committee (Art. 57) or the Council would not be possible.

General principles of the procedure, including the reconciliation of procedural efficiency and judicial discretion with predictability and certainty for parties

The meeting of February 20th had the goal to discuss a number of procedural issues for the rules of procedure which are still lacking and which the Commission would base on the principles of procedure developed by judges and attorneys and laid down in the 2nd Venice Resolution.

The basic guideline which can also be found in the 2nd Venice Resolution is the "principle of proportionality" which must be understood as a compromise between the present English and the continental practice. In England, big cases are allowed more time and more possibilities concerning the number of party experts than medium and small cases, in particular time for cross-examination and the time for hearings in general. The continental cases are handled mostly under the same rules and only a more complicated technology may require to court experts which are appointed by the judges according to their discretion. The future European/Community Court is expected to define important cases by their complexity, value, legal and factual difficulty etc., and the court will decide how much time is needed to deal with the case.

It was agreed that no judge should exclude expert evidence or the possibility of cross examination, although the time for such questioning of expert witnesses could be limited and would not follow the English example. This would also apply for the request of experiments in technically complicated cases. If the reporting judge refuses requests for evidence, it is expected that recourse can be had to the full panel, which would also be the case if the parties cannot agree about procedural rules. Procedural decisions should also be subject to an interim appeal which is expected to create harmonization with respect to case management between all divisions.

General structure of proceedings, in particular the written procedure

- *including whether initial pleadings should include all facts and argument*
- *preparation for the oral hearing, in particular the possibilities for a preliminary opinion of the Court*
- *duration of proceedings, including possible extensions of deadlines in complex cases*

The original proposal as it is still in the text provides for a so-called "front loaded procedure" which means that the plaintiff has to bring all the facts and evidence as well as the legal issues before the court and the defendant would have to respond to all the issues in a response brief, also with all evi-

dence offers available. A new proposal is that proceedings could also be started with a preliminary round of arguments named "*initial submissions*" which would also be countered by initial submissions of the defendant. Only after this first exchange of arguments so-called "*detailed submissions*" would follow.

The reason for this preliminary exchange of briefs is that parties could already agree on issues, for example that a certain product which the plaintiff had identified as an infringing item was in fact sold by the defendant, and also an admission of infringement by the defendant which could facilitate and streamline the discussion, if the defendant is concentrating on a counter action for invalidity rather than dispute that the product falls under the claim. It is expected that it would not only be an advantage to streamline the arguments right from the beginning, but it would also give the court the possibility to intervene at an early stage with a preliminary opinion so that the parties could focus their arguments and evidence to the relevant questions.

There was no unanimity among the members of the expert committee, in particular since during the discussion controversies arose as to the length of time which would be granted to the parties for the first period and then later. Judges and attorneys suggested time periods between one and three months which showed that different experience exists as to how an international case works on the side of the attorney who has to communicate in a language other than the language of the proceeding, e.g. for the defendant:

- translate complaint of plaintiff and give first comments
- arrange meeting with party
- receive instructions
- prepare draft brief
- translate brief
- wait for instructions
- translate and amend draft brief and prepare exhibits in final form

A converse situation with difficulties for the plaintiff would exist if the defendant files a counter-claim for revocation and the plaintiff has to prepare his defense against this attack.

Therefore for an attorney who has not only one case per year, deadlines to respond below three months in an average case are impossible to handle. Of course, and this was also discussed, if the party is local, two months could be sufficient, so a (generous) flexibility is required. In view of the international character of most of the proceedings the majority of the attorneys took the

view that shorter periods would be unfair in particular for a defendant at the beginning in comparison with the long time which the plaintiff usually has in order to prepare an action.

Whether it should be entirely left to the discretion of the judges to determine the time periods and grant extensions or shorten the deadlines was discussed controversially. It was also left open whether preliminary information from the court should have the goal to focus and streamline the issues or whether it should also contain already a preliminary opinion on the chances of the one or the other party. The majority was in favor of streamlining the issues rather than express already views on the outcome of the case which is often difficult to change if afterwards the full facts are in front of the court and the judges are inclined to stick to their first information.

It was finally agreed that the court should publish sample pleadings for *initial submissions* and *detailed submissions* so that parties have guidelines what can be expected from them. The possibility of a preliminary submission would however not force the plaintiff to adopt this practice, since he could also come up with full pleadings at the outset.

In view of this new proposal, it was not clear how many rounds of arguments should be allowed, i.e. whether after the preliminary brief of each side another two rounds of detailed submissions would be allowed and regarded as necessary. The majority seemed to support this view although this would certainly lead to either more time pressure on the parties or to a longer time until the hearing beyond the twelve months which had been proposed so far. The majority of the group finally agreed that the rules on deadlines and time extensions should be phrased as *should*-rules with the possibility for the judge to grant more time depending on specific circumstances. The majority was of the opinion that if the plaintiff takes advantage of the possibility of preliminary submissions, this should be indicated already at the beginning of the brief.

It was also discussed that with the aim to exercise controlled case management a hearing might be fixed already after the first round of submissions, eventually already after the preliminary submissions. It must be seen how this new proposal will be phrased in the procedural rules and it also requires experience in practice to find out whether it constitutes a time advantage.

Obtaining evidence

- in particular the practical application of Article 35 - order to produce evidence
- Article 33 Means of evidence (questioning of witnesses and experts), discovery
- legal professional privilege and
- cross-examination

With respect to evidence the principle of proportionality will become most important.

It was generally agreed that the European system, as suggested also in the 2nd Venice Resolution, should provide for both possibilities, a) *party experts* according to the Anglo-American practice which may include cross examination, and b) *court experts* according to the continental system. It was also general agreement that parties will not be granted days or even weeks of cross examination. Questioning of a party's expert as well as a court expert should always be a possibility, but such a questioning should be focused, and the court should always be able to interfere or even take the lead.

Also the question of discovery or disclosure in the English style was discussed, and both, judges and attorneys, were unanimous with respect to the exclusion of discovery.

Article 34 (reversal of burden of proof) was discussed in this context which in par. (1) contains the distinction concerning reversal of burden of proof in case of new products and in par. (2) products already on the market. Since under the Enforcement Directive a defendant has to produce evidence which is in his possession (see *Article 35*) there was agreement that he would also be expected to hand over a recipe for a process protected by a patent without distinctions as to whether the product is new or not so that the distinction contained in Article 34 might become superfluous.

In this context, it was made clear that the last sentence in Article 35 (5) no. 1 "such order shall not result in an obligation of self-incrimination" must only be understood in respect to criminal self-incrimination, so that the defendant must produce evidence and submit documents even if they prove his infringement. The Commission explained that this sentence had been put into this article, although it is not contained in the Enforcement Directive, because of the Convention on Human Rights. Not everybody in the group was convinced that this sentence belongs or needs to be there.

Privilege for representatives

While presently under the case law of the ECJ a privilege for lawyers and attorneys does not cover in-house attorneys, the Commission intends to extend the privilege also to employed counsels.

Service of court papers - Possible solutions

In order to ensure a swift service of papers, it is intended to empower the European court with the possibility of direct service as it is practiced today by the ECJ. This means that with respect to parties outside the EU a caretaker should be announced if attorneys of the parties have not been authorized to receive service.

Specific cases of service were mentioned which should also be made available for the European court, e.g. *personal service* during fairs and exhibitions in the local language without the necessity of translations. Where under international conventions outside of fairs service of court papers requires translation of briefs and attachments, it was discussed that for such situations the practice of *initial submissions* may be an advantage as it is practiced today in Germany, so that only a short but sufficiently substantiated brief without attachments is filed with the court and then translated for service.

In this context the rules concerning *lis pendens* should be drafted carefully, since the present text of Article 30 of Regulation 44/2001 sometimes poses problems, e.g. with respect to the timely payment of court fees before service can start.

Also rules should be provided concerning the service in case of *several defendants* where one is a member of the EU and others require service under international conventions: can proceedings start with respect to one party if co-defendants have not yet received the papers?.

Amendment of the claims, in particular limiting of a patent by an amendment of claims (Article 38a (3))

Article 38 (3) was drafted before the EPC 2000 had entered into force which now provides for a voluntary limitation of claims by the patentee. The text of article 138 (3) EPC speaks of a limitation *during court proceedings*. The question was discussed whether in case of a revocation action by the defendant the patentee must announce the limitation, eventually by submitting one or more auxiliary requests, at an early stage of the proceeding - eventually even before the hearing - or whether he can wait for the opinion of the court and then declare the limitation.

The text of article 138 (3) EPC 2000 seems to allow the plaintiff to limit his claims at any time during the procedure, even in the last minute. Not all agreed that this should be the norm. Although no general agreement could be reached, the patentee can expect that he will receive in a preliminary

hearing and/or in an interim notice by the court, the court's view on the validity issue so that he can react accordingly and submit limitations.

Appeals against procedural decisions (Article 45)

Here administrative appeals against court orders concerning case management were discussed. There was general agreement that in particular at the beginning after the entry into force of the system the Court of Appeals should have the opportunity, for the sake of harmonization, to establish a common practice on deadlines, extensions of time limits, denial of cross examination etc. It was suggested to allow the court of appeals to decide such cases in writing without a hearing and separate from decisions on the merits. Such a practice would be possible during the first years where there will not be many appeal cases on the merits to deal with.

Impartiality Article 5 (3) of the Statute

This Article was discussed, and it was made clear that the two sentences in the provision refer to two different situations. The first is resignation by the judge on its own motion when he sees a conflict of interest. The second sentence concerns cases where the President of the court has been informed or has become aware from outside sources that there could be a conflict of interest so that he has to withdraw the judge from the panel.

Discretion of court when granting injunctions (articles 37 and 37a)

Article 37a (4) has taken over the provision of the Enforcement Directive according to which for *corrective measures* the interests of third parties shall be taken into account before granting a request. The question was raised whether this also should apply to injunctions and in particular preliminary injunctions in the European system or whether injunctions should always be granted when an infringement has been committed or is imminent.

The Commission takes the view that it is not bound by the rules of the Enforcement Directive and could go beyond the principles laid down there. It was discussed that in a few – also European – countries courts refrain from granting injunction if there is a risk that the business of the defendant will have to close down which is not the case and has clearly been denied as reason for denying an injunction in most other European countries. Some voices spoke in favor of denying injunctions in extreme cases like where the defendant's - albeit infringing – pharmaceutical product has no side effects or a medical device offers a broader range of applications than the one protected by a patent

so that the public interest could require exceptions. An alternative in such cases would however be the granting of a compulsory license which some of the participants preferred rather than denying the enforcement of an injunction. The Commission will still consider the different possibilities.

Period of limitation (article 44a)

The text of this provision was criticized as to its practicability. It was suggested to limit the rule to “damages and other financial remedies” and to delete cases of use and rights based on prior use.

Territorial effects of decisions (article 16)

A discussion also arose about the territorial effect of decisions. While decisions concerning Community Patents as unitary rights will and even must have an effect for the whole territory of the European Union, this may be different for the European bundle patent. It was suggested that the rule laid down in the present text that decisions should have effect “for the territory of those contracting states for which the European patent **has taken effect**” should be changed. The text should read “for which the action has been filed” or, if phrased more specifically “for which an injunction, damages or a revocation have been requested”.

The reason for this is that the scope of plaintiff’s claim must be in his discretion, and the court cannot go beyond such a petition. If there is only an infringement in one or two countries and the European patent is protected in ten, the plaintiff cannot ask for more than two countries if he cannot prove an infringement or at least a threat of imminent infringement for other countries. According to the laws of most countries the plaintiff’s action would be dismissed (in part) for lack of legal interest and/or for lack of evidence. This may be different for a counter action for revocation, but here a defendant may want to limit his request for cost reasons under the assumption that if cost are calculated on the basis of litigation value an invalidation suit for 10 countries would constitute a bigger threat, since it concerns a bigger market and higher turnovers, than an invalidation request for one country.

The majority seemed to be in favor of a modification of the present rule, and although this issue had been raised already before, the Commission apparently had not yet examined this question thoroughly.

To be continued