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## The Unified Patent Court

**EPLAW Resolution on the Draft Agreement 13751/11 of September 2, 2011**

### Introduction

The European Patent Lawyers Association (EPLAW), comprising lawyers with many years of experience in European patent litigation, has been following closely the preparatory work for and the legal discussions regarding the creation of a **European patent court system**. With the EPO Academy EPLAW has since 2005 been organizing the Venice Judges Forum, and several of its board members have participated in shaping the texts of the relevant international documents. EPLAW members represent both large multinational corporations in all fields of technology as well as SMEs with very small patent portfolios.

EPLAW welcomes the progress which has been made on the creation of a Unitary Patent, as evidenced by the Proposal for a Regulation in the area of the creation of a Unitary Patent (Council doc 11328/11, hereafter the 'Proposed Regulation'). At the same time EPLAW stresses that the success of the Unitary Patent will be dependent on a **litigation system which is satisfactory for the users**. A draft agreement for such a system submitted to the CJEU for an advisory opinion, met with the Luxembourg Court's disapproval in March of this year.

The EU Presidency on 2 September 2011 presented a modified text of a Draft Agreement for a **Unified Patent Court** to fulfil this need for a satisfactory litigation system

(Council doc 13751/11, hereafter the ‘Draft Agreement’). EPLAW is of the opinion that this Draft Agreement has serious shortcomings and that – without amendment – it will fail to meet the promises made by the Commission and the Council over the years and will have a **negative, rather than a positive economic impact** for the users, **particularly for SMEs**.

## **II. Shortcomings and suggested modifications**

### *a) Inexperienced local divisions reduce quality and efficiency*

Since the EU is no longer an economic stakeholder the incentive to create regional rather than local divisions has been given up. The result is likely to be the setting up of local divisions in most EU countries creating a complex, administratively burdensome, and rather diverse court structure with doubtlessly **considerable differences in quality and experience of judges**. The “*expeditious and high quality decisions*” required by the Draft Agreement (preamble par. 6) will fail to be reached if member states without sufficient patent litigation experience create local divisions instead of sharing a regional division. A satisfactory Draft Agreement must contain incentives for creating regional divisions.

### *b) Court fees must be clarified*

There is no proposal as to how **court fees and other litigation costs** will be assessed and imposed, and it is also open for debate what the financial implications will be for the participating member states. It seems that savings by the new system are anticipated based on an incorrect assumption of the number of parallel litigation cases. Cost is particularly relevant for SMEs who normally do not litigate in more than one country, and who are very cost sensitive. SMEs presently represent the large majority of plaintiffs and defendants and would therefore suffer most and save little or nothing in case of *any* increase of court fees or other litigation costs.

Industry must be informed of the funding proposals and in particular the assessment of court fees *before* the Proposed Regulation is made available for enactment and the Draft Agreement for ratification. Users must be able to ascertain whether the new system will be sustainably financed at a level which **guarantees speed, quality, and acceptable**

**cost.** It would be very unwise to decide such vital questions after execution of the relevant legal instruments.

*c) Appointment of judges with proven experience*

It is difficult to understand how under the Draft Agreement procedure for the appointment of judges the Advisory Committee can make proposals for candidates with “*proven experience in the field of patent litigation*” (see Art. 10) in those countries where there has been little or no patent litigation so far. The final word on appointments will be with the Administrative Committee (with “common accord”) while the Draft provides no possibility for interested parties or the Commission to challenge an appointment.

With respect to *technical judges* the question remains unresolved whether judges from the EPO Boards of Appeal who would have the required patent experience and legal knowledge will qualify for the Unified Court. Other technical judges except perhaps those of the German Federal Patent Court will be difficult to find.

*d) There should be an option for parallel national litigation of EP patents*

Under the Draft Agreement the Unified Court would not only have exclusive jurisdiction over Unitary Patents but also over existing and future European (“bundle”) Patents (which are currently litigated in the national courts). The Unified Patent Court will replace all national courts (retrospectively for existing patents) after a relatively short transitional period of five years. After that, users will have no choice<sup>1</sup> but to use the Unified Patent Court regardless of whether it is functioning properly and how expensive it will be; indeed, regardless of whether users can even afford going to (or having to defend in) this court.

Upon introduction of the system it will also be possible for owners of existing European patents and pending applications for a period of five years to opt-out of the Unified Patent Court system as far as the relevant patents and applications are concerned.

During the transitional period users will retain the right to enforce European Patents nationally. For SMEs in particular this will be important as most will only be interested in enforcing such patents in one territory. Consideration should be given for extending the

transitional period in respect of this one–territory enforcement right **until the Unified Court is established as a cost efficient alternative for such actions**. This parallel right may be achieved in the short/medium term by a more flexible transitional period (see below).

*e) There should be a longer transitional period and more opt-out/opt-in flexibility*

In view of these and other open questions EPLAW strongly believes that a transitional period should end only when the new court system has established an acceptable track record. This would require a sufficient number of decided cases in both instances covering a sufficient number of legal questions. Experience with the start of operation of the EPO in 1978 shows that it required ten years before the first cases reached the highest national instances. Given the increased risk of prejudicial questions being put to the EUCJ under the proposed system (see below) this means that the **transitional period – as well as the opt-out period - must be extended to at least 15 years** in order to give users a serious chance to evaluate whether the Unitary Patent and the Unified Court system are functioning to their satisfaction.

Allowing those who opted out a permanent right to opt back-in (from national to Unified Court) would considerably enlarge the number of possible plaintiffs, since it would include all EP patents in force and filed over the past 20 years.

*f) There should be no EU rules of patent infringement*

The most **serious drafting error** constitutes the inclusion of the Articles 6 to 8 into the Proposed Regulation. Rules with identical wording can be found as Articles 14f, 14g and 14h of the Draft Agreement. These articles (on ‘direct infringement’, on ‘indirect infringement’, and on ‘limitations’) set out the substantive law on patent infringement, based upon the corresponding provisions of the Community Patent Convention. The inclusion of these substantive rules into the Proposed Regulation will make them a matter of Union law with the result that an unpredictable number of referrals to the CJEU must be expected in an area which often is the core of a patent case<sup>2</sup>.

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<sup>2</sup> See on this topic the Opinion of Professor Krasser  
<http://www.eplawpatentblog.com/eplaw/2011/09/eplaw-opinion-on-eu-patent-system.html>

How will the CJEU be able to deal with these questions which according to Art. 10 of the Draft Agreement not only require the “*highest standards of competence and proven experience in the field of patent litigation*” but also an understanding of often highly technical facts?

EPLAW strongly recommends the **exclusion of rules of substantive patent law from Union law**, i.e. to delete the Articles 6 to 8 from Chapter II of the Draft Regulation and to add “*European patents with unitary effect*” in the Articles 14f to 14h of the Draft Agreement.

g) ***Rules of procedure***

The Draft Agreement currently proposes that the Rules of Procedure of the Unified Court will be adopted after the Draft Agreement comes into effect. The Rules of Procedure will be critical to the achievement of the goals of the Unified Court and EPLAW believes that there must be sufficient clarity about the contents of these Rules before the Draft Agreement is made available for signature.

h) ***Missing provisions***

The Draft Agreement will apply to SPCs, but contains no provisions relating to SPCs. There are no provisions on legal privilege either. These are important omissions.

i) ***Termination provisions required***

There is no termination provision to rely on in the event the system would fail for any reason. This is a problem as the powers of the national patent courts have been surrendered by granting exclusive jurisdiction to the Unified Patent Court also regarding EP bundle patents **indefinitely**. The Agreement will be a stand-alone international treaty and, as such, the status of a contracting party to the Agreement is distinct from membership of the EU. Further, there is no right for a contracting Member State to withdraw from the Agreement if it believes the Unified Court is not functioning satisfactorily.

### **III. Conclusions**

EPLAW believes that creating a Unitary Patent before having created and finally adopted a satisfactory litigation system is an unwise approach.

Without revision the current Draft Agreement on a Unified Patent Court will fail to meet the promise of being *accessible* and *affordable*, and of creating laws and procedures which are *easy to use*. As it presently stands users will moreover face the situation that, because of the likely involvement of the CJEU and the likely creation of local divisions in all 25 member states, the promise of the “*highest standards of competence and proven experience*” with respect to patent litigation among the judges will be impossible to fulfil.

EPLAW regards the revisions proposed above as the bare minimum required in order to reach the *added value* yardstick which industry has been requesting and has been promised as a condition for acceptance and use. Without these revisions it is very likely that the combination of the Unitary Patent Regulation and the Unified Patent Court Agreement will increase cost, increase legal uncertainty, and defeat its goal of ensuring expeditious and high quality decisions.

EPLAW members have become concerned that speed is put above careful analysis and reflection and that an easy compromise has become the only goal. Inventors and patent-minded companies, however, - be they patentees or alleged infringers - deserve the best of all systems. They are the promoters of technical progress and economic growth. They must be convinced that everything is being done to eliminate mistakes and strive for a workable solution. We cannot afford another failure.