UNICE
Union of Industrial and Employers' Confederations of Europe
Union des Confédérations de l'Industrie et des Employeurs d'Europe

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THE JUDICIAL SYSTEM FOR COMMUNITY PATENTS

UNICE DISCUSSION PAPER

Further to its detailed comments on the Commission Green Paper on the Community patent and the patent system in Europe (UNICE position paper of 31 October 1997), UNICE has reflected further on the features of the judicial system which would meet industry's needs and is pleased to offer the following thoughts.

1. SUMMARY

- UNICE would like to reiterate that the Community Patent system must include an efficient system for patent litigation and that this system must include a new unitary court structure at Community level.
- In UNICE's opinion, Article 177 EC Treaty does not offer a possibility to achieve an acceptable solution for judicial arrangements at Community level.
- UNICE wonders whether an arrangement based on Article 238 of the Treaty could not be considered, i.e. to include in the agreement between the Community and the European Patent Organisation provisions for a judicial system including a new European Patent Court.
- UNICE will not accept inadequate solutions which are presented because they may be easily implemented without amendment of the EC Treaty. If satisfactory judicial arrangements require an amendment of the EC Treaty, this course must be followed.

2. THE DEMAND FOR EFFICIENT JUDICIAL ARRANGEMENTS

The Commission initiative to restart work on a Community patent system has received industry's full support from the start. This would promote further innovation and competitiveness within European industry and strengthen the functioning of the single market.

In this context, efficiency of the judicial system represents one of the most fundamental characteristics of the future Community patent. The present post-grant fragmentation of patent protection based on national rights enforced before national courts within the Community renders enforcement burdensome and hazardous for both patentees and their competitors. A radical improvement of the efficiency in patent litigation as to:

- uniformity;
- speed;
- predictability;
- legal certainty;

- reduction of cost;

is necessary for the Community patent system to serve its objectives and to be acceptable to industry.

3. THE NEED FOR A COMMON COURT STRUCTURE AND PROCEDURE

The arrangements under the 1989 ACP failed to establish an efficient common court structure and court procedure. This is one of the reasons why the CPC never became operative. In this context, UNICE would like to stress once again that the success of the new community patent will depend to a great extent of whether industry's practical needs in terms of judicial arrangements are met, be it as patentees or as competitors.

The creation of such a Community patent court structure and procedure is a matter of far-reaching character and consequences. A satisfactory court structure must meet the above–mentioned requirements. From this viewpoint, the arrangements under the 1989 Agreement are acceptable to industry neither with regard to national courts of first instance nor with regard to the common appellate instance.

UNICE sees the following items as indispensable to ensure effectiveness of the future community patent judicial system:

- uniformity must be achieved already in the first instance, by cases being dealt with by a Community level court;
- there must be a right of appeal to a single court;
- the above courts must be competent to try both patent infringement and validity, including injunctions, damages and claim amendments. In interpreting claims and in deciding on infringement and validity, factual and legal issues must be jointly considered by the above courts;
- on appeal, cases in the second instance must be tried *de Novo* with regard to both infringement and validity;
- preliminary injunction matters must be decided also in the second instance, i.e. the appellate court must have the powers to review such matters fully.

Due to the complexity of the technical/scientific questions and legal evaluations, which are very often connected with patent litigation, efficiency requires judges with appropriate technical expertise.

In Community patent litigation, the court procedure must ensure that disputes may be litigated in all instances with the required efficiency. The need for appropriate arrangements in this respect must not be disregarded, as in the 1989 Agreement which left the disparities of national procedural law unchanged. Solutions to a number of issues of procedural character will be of crucial practical importance for efficiency in litigating Community patents. Common rules and principles are needed in particular with regard to taking evidence, rules of court procedure, preliminary injunctions, sanctions and relief as well as litigation costs.

4. JUDICIAL INSTITUTIONS AT COMMUNITY LEVEL

The judicial arrangements under the Community Trademark Regulation do not, for reasons explained in an Annex hereto, offer a satisfactory solution for the Community patent system. UNICE is of the strong opinion that a common Patent Appeal Court, which was already foreseen in the 1989 CPC is indispensable. This arrangement needs to be developed and strengthened.

The possibility of establishing a special court structure that enables the Community patent system to function efficiently is limited by the EC Treaty. For reasons explained in the Annex, Article 177 of the Treaty only allows a solution within the framework of present

Community institutions. This would not meet the above-mentioned requirements and cannot offer an adequate solution for users. UNICE would not accept restriction of the future Community judicial arrangements to a new body within existing judicial institutions, to which questions of interpretation of Community patent law and of Community patents are referred under Article 177 by national Courts.

Exploring other solutions for creation of an efficient court structure, UNICE wonders whether Article 238 EC Treaty could not be the basis for an Association Agreement between the EC and the EPO. In UNICE's view, this option should be explored further (see Annex).

However, should creation of efficient judicial arrangements only become feasible by amending the EC Treaty, the unavoidable delay caused by such amendment must be accepted. In spite of the urgent need to create the Community patent, a solution which could be implemented without amending the Treaty but would not meet the requirements for a common court structure and court procedure would not be accepted by UNICE.

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ANNEX

POSSIBLE FUNCTIONS OF EXISTING JUDICIAL COMMUNITY INSTITUTIONS IN COMMUNITY PATENT LITIGATION

1. COMMUNITY TRADEMARKS

According to Article 63 of the Community Trademark Regulation (CTMR), actions may on certain grounds be brought before the EC Court of First Instance against decisions by the Board of Appeal of OHIM regarding the registration of a Community trademark or the validity of the registration. When the validity issue is raised as a counterclaim in an infringement action, i.e. the situation envisaged in Article 92 (d) CTMR, the questions of validity and infringement may be decided together by the national court. However, there is no appeal to the Community Court.

Under Article 177 EC Treaty, questions of interpretation of CTMR may be referred to the European Court of Justice (ECJ) by national courts. This provision is, however, based on a separation of functions between national courts and ECJ which confines the jurisdiction of ECJ to a decision on the interpretation of law and does not enable ECJ to investigate the facts.

2. COMMUNITY PATENTS

In relation to Community patents, the system under CTMR will not satisfy the practical needs of litigating parties. Questions of validity normally arise in connection with questions of infringement and have to be decided jointly. UNICE is therefore of the strong opinion that CFI cannot serve as a forum for such disputes.

Furthermore, the principles of Article 177 seem to restrict severely the possible function of ECJ with regard to patent litigation before national courts. Community patents may be regarded as Community acts and preliminary rulings relating not only to Community patent law but also to the interpretation and validity of Community patents may therefore be possible. By creating a special chamber for patent matters within the ECJ, it may even be possible to safeguard the required experience in patent litigation.

Nevertheless, in a matter referred to ECJ under Article 177, it would not be to consider issues of law and fact jointly in the manner which is typical and necessary for patent infringement and validity cases. In practice, rulings relating to the interpretation of patents and their validity are not matters of abstract interpretation of patent law and patent claims but an application of law to the specific technical circumstances of the case.

For these reasons, in the Community patent system, the jurisdiction cannot be left with national courts referring to existing Community judicial institutions for questions of interpretation of Community patent law and of Community patents. Thus, it would be an inadequate and very expensive solution for litigants to base the judicial arrangements at Community level on Article 177.

Further, the unavoidable time delay involved in the system under Article 177 - which must be accepted with regard to the uniform interpretation of Community legislation - is totally inappropriate when it affects each and every patent case.

UNICE therefore concludes that it is not possible to follow the example of the Community trademark by establishing the future Community patent system on the sole basis of a Community Regulation, with referral to existing EC judicial bodies. Neither is it sensible to establish the future Community patent system on an international convention to be ratified by the EU Member States, as experience from the 1975 CPC and the 1989 ACP shows.

An alternative way may be to establish the future Community patent system on an Association Agreement within the meaning of Article 238 EC Treaty. This could be supplemented by an EC Regulation transferring the Association Agreement into binding EC law and regulating a few other items like effect on national law. In order to avoid cumbersome national ratification, parties to the Association Agreement would be the EC and the EPO. ECJ case law clearly shows that concluding such an Association Agreement is fully within the competence of the EC.

The Community patent system established by the Association Agreement would include not only rules governing Community patent acquisition/maintenance and the rights following from the Community patent, but also a litigation system meeting European industry's needs. As the litigation system would be based on an Association Agreement rather than on pure EC law, there is an almost complete freedom to establish whatever is desirable without being confined to the narrow limits of the EC Treaty. Obviously, the ECJ should continue to have the final say.

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