

WORKING PARTY ON LITIGATION SUBGROUP

FIRST PROPOSAL FOR AN EPLP (WPL/SUB 5/01)

UNICE PRELIMINARY COMMENTS

I. GENERAL COMMENTS

The First Proposal represents a remarkable achievement and a major step towards a final proposal. UNICE appreciates that the ambitious time plan is being kept and urges that the necessary continued efforts be devoted to its completion. This document provides a solid base for a comprehensive discussion on the subject and for implementation of the Community Patent Regulation. UNICE shares the view that the time is ripe for establishing a European umbrella convention and organisation regarding the granting and enforcement of patents. In this context, the EPLP appears to be a suitable forum.

The parallel work on the Community Patent Regulation is of utmost importance for industry and is now progressing, though it is worrying that it has not yet been possible to achieve unanimous political acceptance of features of the proposed Community patent system that are crucial for industry and for the success of the Community patent. However, UNICE wants to emphasise that successful conclusion of that work will in no way render EPLP superfluous. The Community patent system cannot be regarded as an alternative to adapting the present system of European patents to the needs of industry in a single European market.

On the contrary, EPLP may be an alternative for solving the judicial arrangements also for Community patents, if the Community Intellectual Property Court proposed in the Council Regulation is impossible to realise. In any case, Community law must not be allowed to become a subterfuge for obstructing the participation by member states in the development of unitary judicial arrangements for European patents among EPC member states.

It is no surprise to UNICE that the First Proposal highlights the tremendous scope of the task of creating common judicial arrangements for patent disputes, which are acceptable to a number of states with differing judicial systems. Furthermore, the First Proposal underlines a number of essential issues, which will require

further elaboration in order for an appropriate and foreseeable common judicial system to be created. UNICE appreciates the reference made to its concerns expressed in its earlier statements with regard to EPLP.

The First Proposal further highlights that a number of issues are common to the Community patent system and EPLP, as well as requiring common solutions. In this context, UNICE believes that there is no reason to postpone or delay the work of the WPL Subgroup, which should aim at close co-ordination with the Community patent system. The expectation of having a Community patent system by the end of this year only underscores that work on EPLP will continue to contribute to the creation of the broad consensus needed to set up reliable and efficient judicial arrangements for the future patent system in Europe. UNICE also reiterates its position that it is essential to have compatible arrangements for Community patents and European patents.

In UNICE's opinion, a comparison between the First Proposal and the alternative contained in document WPL/SUB 4/01 affirms, as expected, that there is no feasible alternative solution for cross-border patent disputes based on national patent courts of first instance. As UNICE has repeatedly emphasised, it is impossible to create the necessary confidence in any such alternative which does not eliminate present disparities in national judicial arrangements affecting patent litigation. However, such a change is too difficult to achieve within the time available and also is not contemplated in the First Proposal. Besides this, one of the most important aspects in the continued work on EPLP is the search for a flexible system which may broaden accession to the new judicial arrangements by EPC member states that cannot at present agree to submit to the jurisdiction of the common courts of first and second instance.

UNICE welcomes the fact that the First Proposal advances a comprehensive legal procedure which represents a coherent system of its own. This clearly demonstrates that it is not a feasible alternative to leave it to the unitary court to establish its own procedures. It is encouraging that there is now a set of very specific rules forming a precise basis for considering how a new common procedure for efficient and reliable patent litigation should be devised. UNICE supports the idea that the procedural rules should be comprised in an annex to the protocol proper, to allow for amendments to be made more easily.

The summary of the proposed EPLP focuses on a number of issues that should be given primary attention. In UNICE's opinion this document is a good basis for the forthcoming meeting of the Subgroup, which should concentrate on the central issues. Furthermore, UNICE supports the view that sufficient opportunity must be allowed for considering and discussing the more detailed solutions, which will require an extension of the present working programme.

II. DETAILED COMMENTS

1. RELATIONSHIP TO EU COUNCIL REGULATION EC No 44/2001

No more than the Brussels Convention does the Regulation N°.44/2001 on jurisdiction solve the problems of litigating cross-border patent disputes in an

expedient way. On the contrary, the joint principles of the Convention and the Regulation have created an unforeseen problem and a serious threat to expediency in patent litigation known as torpedo cases, which has not been solved yet. Apparently, such rules for national jurisdiction do not help to satisfy the pressing need for new judicial arrangements providing consistency, reliability and efficiency in patent litigation, particularly in cross-border disputes.

Thus, the entry into force of the above Regulation does not in any way create a new situation with regard to the need for common judicial arrangements for European patents, as for Community patents. The efforts to satisfy this need for European patents through EPLP no longer represent an unforeseen element contrary to the aims of the Regulation. Obviously, the Member states had no intention of rejecting the solution offered by an EPLP within the framework of EPC.

In UNICE's opinion, it must be out of question to interpret and apply this Regulation in such a way as to restrain Member states from improving efficiency and reliability in patent litigation under their national law by common judicial arrangements which fulfil the functions of their national courts in patent cases and which do not spread jurisdiction contrary to the Regulation. In this context, UNICE calls for attention to the case law of the Court of Justice with respect to the Benelux Court of Justice, performing a function which is in principle similar to that of EPJ.

A crucial aspect of EPLP is that it solves the problem of multiple revocation actions. For such actions, there is no cross-border jurisdiction of national courts under the Regulation. For infringement cases, there is no need to deviate from the principles for "distribution" of jurisdiction under the Regulation but only to consolidate the jurisdiction of the courts of EPLP member states in their common patent courts. Thus, there should be no fundamental contradiction between EPLP and the Regulation.

UNICE supports the suggestion in the First Proposal to avoid any possible inconsistencies.

2. ORGANISATION OF THE EUROPEAN COURT OF FIRST INSTANCE

UNICE has several times expressed its position that the organisation of the first common instance is a crucial element of EPLP. In this respect, UNICE shares the opinion that an acceptable solution is not outlined in the Summary of the proposed EPLP. Therefore, UNICE calls for further fundamental consideration of this subject.

UNICE believes that an effective local presence of the first instance of EPJ requires establishment of regional chambers with a permanent organisational basis. At the same time, these regional chambers should be regarded as units of one common court. In addition, it is essential to establish links to appoint national patent courts, which will have favourable effects both for the common court and the national courts and contribute to the uniform application of European patent law in these courts. The organisational structure must both be practical and

satisfy these aims, and must not in reality force a geographical centralisation of patent litigation in the first instance.

In order to accomplish this, a structure is needed where regional chambers function as real courts and judges have a permanent organisational basis in a regional chamber but are effectively integrated in the common court through the decision-making process. Cases should be decided by panels composed of judges from different regional chambers and judges should be assigned to act as rapporteurs within a regional chamber and to sit on panels of other regional chambers. In particular judges in regional chambers with a limited number of cases may also serve in a national court. Thus, the first and second instances cannot have a common pool of judges.

Therefore, the EPLP area should be divided into appropriate regions with a regional chamber and cases should be allocated among the regional chambers according to established rules similar to normal forum rules. Thus, an arbitrary allocation of cases reflecting capacity is not acceptable in UNICE's view. There may also be a central chamber for the limited number of cases where no regional chamber is an appropriate forum, such as isolated revocation actions between parties who are not domiciled within the EPLP area. Hearings should be held at the regional chambers. Regional chambers should also deal with preliminary injunctions and protective measures in actions should be brought before them.

3. SUBSTANTIVE LAW

On several occasions UNICE has expressed its view that common substantive patent law is a crucial element for an integrated judicial system in the context of the existing disparities in national patent laws.

UNICE would like to draw particular attention to **remedies for patent infringement**. It believes that these remedies must be uniform for the EPLP states, and that the same law should apply to both European and nationally granted patents as well as to Community patents.

With regard to **compensation for infringement**, the primary problem is not that present national legal provisions vary fundamentally but that, in practice, they are applied with fundamentally differing results. In many cases, national law does not provide adequate compensation but renders it profitable to continue to infringe a patent until an injunction is issued, which may take years. The failure of this remedy to discourage patent infringement is mainly due to the fact that a burden of proof is applied, whereby the difficulty of proving the economic consequences for both parties of an infringing activity operates in favour of the infringer.

For the operation of EPLP – as of the Community patent system - it is essential to provide an effective remedy in the form of appropriate compensation for infringement. In this respect, the TRIPs provisions represent an international minimum standard but not an appropriate standard for the European patent system to operate efficiently. The provisions in the draft Community patent regulation are no more appropriate. Therefore, a new common standard must be established, which discourages infringement and establishes that it should not be

profitable to infringe a European patent. For these reasons, UNICE is of the opinion that precise, yet balanced, rules must be established in EPLP.

From this point of view, UNICE welcomes the fact that the First Proposal aims to establish a common law relating to compensation for infringement. However, UNICE considers that the relevant provisions will have to be worked out in greater detail in order to provide the effective remedy outlined above.

EPLP further should provide for a common period of **statutory limitation**. UNICE supports the five-year period proposed, which seems appropriate for past infringements. This period should be calculated from the date of the infringement. However, claims relating to use prior to the grant should only be barred after five years, if no infringement action is brought within one year of the grant.

Injunctive relief is a primary relief in infringement actions. In view of the international character of EPJ, injunctions and penalties must have a legal character allowing injunctions to function properly and to be enforceable under Regulation 44/2001 and other international arrangements on enforcement of judgements. In this context, UNICE welcomes the fact that the First Proposal subjects injunctions to civil remedies.

In its earlier statements, UNICE has stressed the importance for the operation of the patent system, and also the far-reaching consequences for the parties, of whether and under what conditions **preliminary injunctions** are granted. As UNICE has noted, national laws of the EPC states differ widely in these respects and new common arrangements are required.

In this regard, UNICE supports the First Proposal, which aims to establish rules in this area. Moreover in view of the fundamental character of this element of patent protection, UNICE believes that these rules need to be further elaborated and suggests that the conditions be more precisely defined in EPLP. Rules are needed to cover the degree of certainty with which infringement must be established and the extent to which the validity of the patent is considered.

In other respects, UNICE's view is that the proposed rules are too restrictive. Preliminary injunctions must be requested without unreasonable delay. It is unnecessary to require that action is taken immediately or to fix a period within which action must be taken. In general, the urgency of a preliminary injunction is also not so extreme that there is need for an instantaneous measure but there should normally be room for an expedited procedure in writing before a possible hearing when so required.

In conclusion to this third series of comments, UNICE would like to express its support for the suggestions made under Questions 23 and 24.

4. A FLEXIBLE SYSTEM

UNICE would like to take this opportunity to promote consistent application of substantive European patent law by EPLP (in particular by EPC2) to be used to the greatest extent possible also by EPC member states, which at present are not prepared to adopt the common judicial arrangements in full.

Therefore, consideration should be given to inclusion in EPLP of possibility for such EPC member states to be able to rely on EPC2 as the second instance for appeals from a national patent court, if there is an interest for such an alternative. However, it seems that the cross-border effects envisaged by EPLP cannot apply in that alternative.

Furthermore, UNICE - accepting that for states that do not submit to the jurisdiction of EPJ references to EPC2 cannot be made obligatory or binding - finds it unfortunate to preclude EPC member states from having such an opportunity in EPLP.

5. TRANSITIONAL PERIOD

The transition from litigation before national courts to EPJ is a crucial phase of EPLP project in view of the need both to build a functioning new organisation and to create the necessary confidence in EPJ. To allow this, UNICE accepts that the exclusive jurisdiction of EPJ may be restricted for a transitional period – the length of which should preferably not be fixed in the protocol – giving the plaintiff the option to take action before national courts as under present rules both with regard to infringement and revocation, provided that a case is not already pending before EPJ.

Such actions before national courts should not have the cross-border effects envisaged by EPLP. However, such an action should not prevent the other party from taking action before EPJ to achieve the cross-border effect of its decision.