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27 November 2001

**SUB – GROUP OF THE WORKING PARTY ON LITIGATION
THIRD PROPOSAL FOR AN EPLP
WPL/SUB 20/01**

UNICE DETAILED COMMENTS

I. GENERAL COMMENTS

Considering the fact that the mandate of the Sub-group of the Working Party on Litigation will end at its next meeting in December 2001, UNICE would like to take this opportunity to comment on this Third Proposal to reiterate how important the scheme it contains is for industry.

This Third Proposal for an EPLP text represents a sound basis for a quick, cost-efficient and predictable Europe-wide court system and is a good compromise between the different traditions of European countries in dealing with European patent enforcement. UNICE also supports the principle of a single court system with regional divisions, using a uniform code of civil procedure and uniform rules of evidence and substantive law.

UNICE, therefore, welcomes this third draft, providing a comprehensive set of rules, dealing with the essential aspects to develop a new common system.

UNICE trusts that the remarkable achievement of this Sub-group will be built on by the Working Party on the same path and with the same constructive spirit, seeking to provide users with a comprehensive legal procedure which represents a coherent and self-contained system. 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. This proposal provides a good basis for the continued work, both on the political level and on the more detailed level.

UNICE also hopes that the work which has been developed within the Sub-group will be regarded as a learning process for the system to be set up for the Community patent. UNICE is of the strong opinion that it is necessary to ensure the compatibility of the judicial arrangements for European and Community patents: overlapping with each other, they will govern the same subject matter, will cover almost the same territory and will be used by the same applicants.

UNICE will not address comments on the Rules of Procedure, at this stage.

II. STRUCTURE AND ORGANISATION OF THE EUROPEAN PATENT JUDICIARY

The structure and the organisation of the European patent judiciary are of utmost importance for the users of the future system. In that respect, UNICE would like to stress its concerns on the following two elements:

▪ **CENTRAL AND REGIONAL DIVISIONS**

UNICE would like to underline its strong support to the model proposed for EPC1.

Notably, industry supports the formation of a Central Division and Regional Divisions, with options for EPLP member states – or group of member states – to harbour a Regional Division in their territory if

they wish and can offer competent judges, and more than one Regional Division if workload so requires.

UNICE also welcomes the fact that the third proposal refers to truly international composition of panels for all cases. This is a crucial element of the judiciary system: cornerstone ensuring consistency and quality of the decision.

▪ **LANGUAGE OF PROCEEDINGS**

UNICE believes that the most practical solution in terms of cost and efficiency would be to have all the proceedings conducted in English throughout the EPJ. This message was voiced in our comments adopted in July¹, in which we elaborate on this idea. However, UNICE is also conscious that other solutions must be explored for the time being and suggests that, failing the single-language solution, the three EPO languages appear the most appropriate alternative.

As regards the language of the proceedings before a Regional Division, UNICE is of the opinion that this language should be a predetermined EPO language if the language of the seat is not an EPO language. In UNICE's opinion, such a solution would best correspond to the language or language abilities of the defendant, and match the agreement reached in the Protocol on Cost.

The language regime should also support the possibilities to create international panels with participants from a varied range of countries. As pointed out above, this is a crucial element in the system and the rules on procedural languages must not restrict the international composition by preventing judges from serving on certain panels. UNICE would therefore like to propose the following modified language regime.

- In the case of Regional Divisions using only English: the procedural language being English, it is legitimate to expect that everything will be conducted in English. UNICE suggests that parties may use any other language if they themselves provide for translations to and from English.
- In the case of Regional Divisions using a language other than English: the procedural language will be the language of the Division. UNICE suggests that all parties may choose between that language and English for written and oral submissions, and that the court should provide for any necessary translations between the language of the Division and English.
- In the case of the Central Division: UNICE suggests that the procedural language should be the language of the patent. If the language of the patent is not English, all parties may choose between that language and English for written and oral submissions, and the court should provide for any necessary translations between the language of the patent and English.

III. DETAILED COMMENTS TO THE THIRD PROPOSAL

UNICE suggests that “*will*” should be replaced by “*shall*” throughout the draft proposal.

PART II – HARMONISING PROVISIONS

ARTICLE 11 – REVERSAL BURDEN OF PROOF

- 1. *If the subject matter of the European patent is a process for obtaining a new product, the same product when produced by any other person shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process.***
- 2. *In the adduction of proof to the contrary, the legitimate interests of the defendant in protecting his manufacturing and business secrets shall be taken into account.***

¹ See WPL/SUB 17/01 (Munich, 5 July 2001)

In order to fully take into account the interest of the patentee, UNICE suggests that this provision includes both possibilities contained in Article 34(1) TRIPs².

ARTICLE 12 – PRIOR USE

- 1. Any person who, if a national patent had been granted in respect of an invention, would have had, in one of the EPJ states, a right based on prior use of that invention or a right of personal possession of that invention, shall enjoy, in that state, the same rights in respect of a European patent for the same invention.**
- 2. The rights conferred by a European patent shall not extend to acts concerning a product covered by that patent which are done within the territory of the state concerned after that product has been put on the market in that state by the person referred to in paragraph 1, in so far as the national law of that state makes provision to the same effect in respect of national patents.**

UNICE fully supports this provision.

ARTICLE 13 – POSITION OF LICENSEES

- 1. Exclusive licensees under a European patent will be competent to start litigation on matters of infringement and damages before the European Patent Judiciary to the same extent as a patentee.**
- 2. An exclusive licensee in the sense of this provision is a licensee that is, on the basis of a contract with the patentee or with a licensee authorised to conclude such a contract, solely competent to exercise the powers of the patentee for a certain territory and/or time.**
- 3. If in proceedings conducted by a licensee, in which proceedings the patentee is not taking part, the validity of the patent in suit is attacked, a decision in this respect will, failing an agreement between the parties otherwise, only have effect between the parties in those proceedings.**

UNICE suggests that “exclusive licensee” be replaced by “any licensee”. Accordingly, UNICE suggests that § 1 should be adapted in such a way that it could read “Any licensee should be allowed to bring an action once having received express consent of the patentee”, and that § 3 should also be adapted in order to read “Any licensee should be allowed to [join] an action started by the patentee”. UNICE also suggests that §2 should be deleted.

ARTICLE 14 – LIMITATION OF ACTIONS FOR DAMAGES

- 1. The right to damages, caused by infringement of a European patent, will expire if these damages have not been claimed from the defendant or his predecessor in right in court or in a registered letter within five years after the date on which the patentee or licensee entitled to such damages should reasonably have been aware of the act constituting the infringement.**
- 2. If a registered letter claiming damages is not followed by either payment of the damages or a new registered letter, the right to the damages will expire five years after the date of sending of the last registered letter.**

² Article 34 (1)TRIPs “1. For the purposes of civil proceedings in respect of the infringement of the rights of the owner referred to in paragraph 1(b) of Article 28, if the subject matter of a patent is a process for obtaining a product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in at least one of the following circumstances, that any identical product when produced without the consent of the patent owner shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process: (a) if the product obtained by the patented process is new;(b)if there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used.”

3. *If proceedings in which damages are claimed end without a decision or a settlement in this regard the right to the damages will expire five years after the ending of the proceedings.*

In UNICE's view, the proposal contained in § 1 does not lay down the simple and clear system which is needed as a substitute for the too many differences currently existing between national legislations. UNICE suggests that "*in court or in a registered letter*" in §1 should be deleted together with §2.

In UNICE's view, another complication stemming from the proposed rule is the difficulty of assessing precisely when one should start counting the limitation of action for damages (e.g. knowledge of the infringement). UNICE believes that this part of the provision creates legal uncertainty and should be studied further.

ARTICLE 16 – RE ART. 234 EC

- 1. *Those EPJ-states that are members of the European Union hereby designate, for litigation concerning European patents, EPC1 and EPC2 as national courts, respectively court or tribunal of a member state, against whose decisions there is no judicial remedy under national law, in the sense of Art. 234 of the Treaty establishing the European Community.***
- 2. *The preliminary rulings of the European Court of Justice will be binding for EPC1 and EPC2 as far as their decisions are given for the territory of the EU member states.***

UNICE understands that the above provision reflects a pragmatic solution. However, this proposal does not seem to guarantee a clear distinction between the EPJ decisions, which will be rendered for EU member states on the one hand, and for non-EU states on the other hand. UNICE suggests that this provision should be subject to further discussions in order to clarify its scope of application.

ARTICLE 17 – RE ART.2 AND ART.16 BRUSSELS AND LUGANO

- 1. *Those EPJ-states that are contracting parties to the Brussels and Lugano Conventions, hereby designate, for litigation concerning the validity of European patents, EPC1 and EPC2 as their national courts in the sense of Art.2 and Art.16 (4) of those conventions.***
- 2. *If and to the extent the provisions of those conventions and the provisions of this Protocol may conflict, the latter shall take precedence.***

UNICE suggests that this provision should refer to the Brussels and Lugano Conventions as a whole, without mentioning specific articles.

ARTICLE 18 – RE ART. 22 REG. 44/2001

Those EPJ-states that are members of the EU, hereby designate, for litigation concerning the validity of European patents, EPC1 and EPC2 as national courts in the sense of Art.22 (3) and (4) of the EU Regulation on jurisdiction and the recognition of judgements in civil and commercial matters.

UNICE suggests that this provision should refer to the EC Regulation 44/2001 as a whole, without mentioning specific articles.

PART III – EUROPEAN PATENT JUDICIARY

ARTICLE 32 – SPECIAL CONTRIBUTIONS OF EPJ STATES

- 1. *The Court fees of EPC1 and EPC2 shall be fixed at such a level as to ensure that the revenue in respect thereof is sufficient for the budget of the EPJ to be balanced.***
- 2. *However if the EPJ is unable to balance its budget for a certain accounting period the EPJ states shall remit to the EPJ special financial contributions, the amount of which shall be determined by the Administrative Committee for the accounting period in question.***
- 3. *These special financial contributions shall be determined in respect of any EPJ state on the basis of the granted European patents during the last but one year and the two years preceding that year in which that EPJ state was designated in the ratio to all EPJ-state designations in those years.***

UNICE does not support this provision. In general, budgets of national courts are financed by the state concerned and not by the users. Therefore, UNICE suggests that this provision should be adapted, considering the solution of partially funding the EPJ with a part of the renewable fees.

ARTICLE 90 – ATTRIBUTION BY PRESIDENT OF EPC1 IN CASE OF DISPUTE

- 1. *If the Division to which a case' is attributed finds that it is not the competent division on the basis of the facts stated in the statement of claim, it will send the case to the President of EPC1, who will attribute the case to a division according to the rules laid down in Article 89.***
- 2. *His second decision in this respect will be binding upon that division and, for the first instance, upon the parties.***
- 3. *The attribution decision of the President of EPC1 can be challenged in appeal according to the Rules of Procedure. If EPC2 finds that the attribution decision has been wrong it has discretion to order a retrial of the case or not.***

UNICE is of the opinion that, in the case of any argument about attribution of cases to a particular division of EPC1, this question should be settled by the President of EPC1. If that decision was appealed to EPC2, then the Appeal should be heard before the Case went to trial on the merits.

ARTICLE 99 – NATIONAL LIMITATION PROCEDURES

- 1. *Without prejudice to the right of the patentee to defend his patent before the EPJ only in a restricted form, in those member states where limitation proceedings regarding European patents are possible before the national courts, the national courts will retain that jurisdiction.***
- 2. *In all cases where national limitation proceedings are pending and the patentee is a party to proceedings before the EPJ, the patentee is obliged to inform the court about these limitation proceedings.***

UNICE does not support this provision. The idea of a common court for litigation over European patents is based on the assumption that the patent is the same in all countries in which the common court has jurisdiction. Therefore, national amendment procedures that may lead to a patent that has different claims in different countries, is incompatible with the EPLP principles. This is true for amendments by national court proceedings as well as administrative amendment procedures before national patent offices. The EPLP should therefore make it clear that amendments may only be granted by the EPJ or (after the revision of the EPC) before the EPO.

Another important issue is how limitations should be dealt with procedurally in the EPJ. This question must, in UNICE's opinion, be carefully considered and specifically addressed in the new rules.

ARTICLE 102 – JURISDICTION IF PARTIES AGREE

- 1. *EPC1 will moreover have exclusive jurisdiction to decide at first instance, cases concerning the infringement or possible infringement of a European patent (including cases concerning the provisional protection afforded by a European patent application under Article 67 EPC) in which one or more EPJ–states are designated as far as those states are concerned, if all parties have expressly agreed in writing to bring the case before the EPJ.***
- 2. *Such an agreement may also extend to cases as mentioned in paragraph 1 concerning designated states that are non EPJ states or national patents, directly concerned with the European patent in dispute as long as that European patent is object of the proceedings.***
- 3. *An agreement to bring the case before the EPJ can only create jurisdiction if the agreement is concluded after the dispute has arisen.***

UNICE suggests that the proposal contained in § 3 should be deleted as it is standard practice to include jurisdiction clause in a licensee agreement, foreseeing that breach of the licensee agreement may constitute patent infringement.

ARTICLE 109 – DAMAGES

- 1. In the event of a proven infringement, which has taken place when the infringer knew or had reasonable grounds to know that there was an infringement, the courts can order the infringer to pay the plaintiff reasonable damages sufficient to compensate for the injury he has suffered. The courts have the same power as regards a party that has caused or tolerated this infringement on the basis of his relationship with the infringer while it was in his power to stop it.**
- 2. The basic principles underlying the assessment and awarding of damages are that the plaintiff will be put, as far as possible, in the same financial and economical position as if the infringement had not taken place and that the infringer should not profit from his infringement.**
- 3. Damages should however be a compensation and should not have a punitive character.**
- 4. Damages that were not reasonably foreseeable at the time of the infringement will only bear on the infringer if there are strong reasons of equity for computing those damages to the risk of the infringer.**

UNICE fully supports the principle underpinning this provision; namely that damages should be used as disincentives. The failure of this remedy to discourage patent infringement is mainly due to the fact that a burden of proof is applied: the difficulty of proving the economic consequences for both parties of an infringing activity operates in favour of the infringer. Therefore, UNICE shares the view that the draft provisions do not provide a sufficient and effective remedy in the form of appropriate compensation for infringement.

In that respect, UNICE suggests that the wording used in §3 should be strengthened by merely reading “Damages should not have a punitive character”. Accordingly, the infringer should compensate all damage caused by the infringement.

ARTICLE 110 – KINDS OF DAMAGES

- 1. Damages may consist in a recovery of the losses suffered by the plaintiff (including but not necessarily confined to the profits he would have made if no infringement had taken place) or in a transfer to the plaintiff of the profits or estimated profits made by the infringer.**
- 2. The plaintiff will only have to choose between these two possibilities after the amount of both has been ascertained. The courts will have the power to order the infringer to lay open his books to the plaintiff or to such an expert as the court may decide.**
- 3. Damages may also be otherwise assessed by the court in such a way that the requirement of Article 109 (second paragraph) is met if proof of the real damages is impossible or disproportionately difficult or costly, e.g. by an equitable estimation of the amount, which should however always surpass the amount of a possible license fee.**
- 4. Damages may not only comprise the payment of money but may also comprise orders to the defendant to perform or to refrain from certain acts.**
- 5. Damages may also include costs for expert assistance reasonably made by the party concerned.**

UNICE has reservations concerning the scope of §2. In order to avoid having a too costly system, UNICE suggests that the assessment foreseen under §2 should not be compulsory, and that the first sentence of §2 should be deleted.

ARTICLE 139 – EUROPEAN PATENT COUNSEL

- 1. Parties must be represented before the court by a lawyer registered by the Registrar as a European patent counsel.**
- 2. The registrar shall register as a European patent counsel any lawyer who is entitled to practise and represent parties in normal civil proceedings before a civil court of an EPJ-state and who applies in writing for such registration, according to the rules given in the Rules of Procedure.**

- 3. The Administrative Committee can levy an annual contribution in the costs of administration for the maintenance of the registration.**

UNICE fully supports the position expressed by epj on this provision³.

ARTICLE 156 – NATURE OF APPEAL PROCEEDINGS

- 1. The appeal proceedings will not be a new trial of the case but will give a decision on the grounds of appeal formulated by the appellant.**
- 2. EPC2 will only decide, on the basis of the detailed grounds of appeal of the appellant or appellants, whether EPC1 has correctly established the facts alleged by the parties at first instance and whether it has correctly applied the new law to these facts.**
- 3. New facts and/or evidence will only in exceptional cases be admitted on appeal proceedings, e.g. when facts or evidence were not available at the time of the proceedings at first instance or when it could not have reasonably been required from the party concerned to provide them.**

UNICE suggests that this provision should be amended in order to include that, on appeal, cases in the second instance must be tried *de novo* with regard to both infringement and validity, while the admissibility of new grounds and evidence may be restricted to ensure that the main focus is on the procedure before the first instance.

ARTICLE 158 – EFFECT OF DECISIONS

- 1. Decisions of the court will in all EPJ–states be regarded as decisions of a national court of that state.**
- 2. Decisions revoking a European patent wholly or in part shall take effect in all EPJ–states designated in that patent for which the revocation has been claimed and awarded.**

UNICE does not support the Court being able to revoke a European Patent only in those countries designated by the plaintiff, and suggests that §2 should be deleted.

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³ See WPL/SUB 23/01 (Munich, 26 October 2001)