



Assessment of the impact of the European patent litigation agreement (EPLA) on litigation of European patents

**European Patent Office
acting as secretariat of the
Working Party on Litigation**

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The present document has been prepared by the European Patent Office acting as secretariat of the Working Party on Litigation. It presents the views of the Office and does not necessarily reflect the views and opinions of the contracting states to the European Patent Convention.

I. LITIGATION OF EUROPEAN PATENTS: THE SHORTCOMINGS OF THE CURRENT SYSTEM

1. The 31 contracting states to the European Patent Convention¹ (EPC) have agreed to a common European patent **granting** system and the setting up of a common European Patent Office (EPO) to centrally search and examine applications for European patents. If an application and the invention to which it relates meet the requirements of the EPC, the EPO grants a **European patent** which becomes a **bundle** of patents having the effects of a national patent in the states for which it was granted.
2. It follows that any infringement of a European patent is dealt with by **national law**: to enforce a European patent, the patent proprietor must sue the alleged infringer before national courts; and only national courts and authorities can deal with actions for revocation of a European patent and counterclaims for revocation filed in the course of an infringement action.
3. This purely national litigation system for European patents makes **multiple litigation** inevitable:
 - To enforce a European patent which has been granted for several states, the patent proprietor must initiate several parallel infringement actions - based on the same European patent and directed against the same alleged infringer - before the national courts in the states where the infringing acts have taken place.
 - To obtain the revocation of a European patent - after expiry of the nine-month time limit for filing an opposition at the EPO - competitors or other interested persons must file revocation actions in all the states for which the European patent was granted.
4. Multiple patent litigation gives rise to many difficulties for the parties and have several undesirable effects which weaken the patent system in Europe.
5. First of all, it is **costly**.
 - For the parties who must not only hire local attorneys and experts and pay court fees in all the states where litigation is initiated but also divert resources

¹ [Convention on the Grant of European Patents](#) of 5 October 1973. The 31 contracting states are: all the member states of the European Union (except Malta which will probably accede in 2006), plus Bulgaria, Iceland, Liechtenstein, Monaco, Romania, Switzerland and Turkey.

to the unsettling business of litigation in several jurisdictions. For many SMEs, it is simply not affordable to litigate in parallel before several national courts.

- For the national court systems, since several judges must deal, independently of each other, with infringement and/or nullity actions involving the same European patent and the same parties.

6. Secondly, as significant differences exist between the various national court systems and the way the courts handle patent cases, **diverging decisions on the substance of the cases** are frequent.

- For instance, the same European patent may be maintained as granted by the EPO in France, amended in Germany and revoked in the United Kingdom.

This entails **lack of legal certainty** for patent proprietors, competitors and the general public.

- For patent proprietors, crucial business decisions relating investments, production and marketing of patented products must often be made on the basis of complicated assessments regarding the likely outcome of a number of cases dealt with in various jurisdictions.
- For competitors and third parties, decision relating to licensing or exploitation of patented subject-matter likewise require guess-work concerning the outcome of a number of cases.

The main differences between the national court systems relate to

- **Unbalanced qualification and experience of judges:** In some states, a concentration of patent cases on a limited number of courts has enabled a few judges to specialise in patent law. In other states, any court may be called upon to deal with patent cases, thus rendering impossible any specialisation.
- **Procedural law:** As each court must apply its own national procedural rules, decisions concerning one and the same European patent will mostly be based on different sets of facts and evidence, and different national rules on disclosure, cross-examination, hearings, the role of experts and technically qualified judges, if any, will inevitably impinge on the eventual outcome.

- **Speed:** There are considerable differences in the speed of the proceedings in various jurisdictions - between "slow" and "quick" courts.
 - **Damages:** Different national rules for calculating damages lead to significant variations in the sums awarded to patent proprietors in case of infringement.
 - **Different application and interpretation of harmonised substantive patent law:** The EPC contains provisions which must be applied by national courts - in particular [Article 69 EPC](#), the [Protocol on the Interpretation of Article 69 EPC](#), as well as [Article 138 EPC](#) - but the application and interpretation of these provisions by the various national courts differs. This entails
 - divergences relating to crucial issues such as patentable subject-matter and scope of protection conferred by a European patent
 - unpredictability as regards the freedom of action of competitors and third parties.
 - **Different views on cross-border litigation:** National courts take different views on basic jurisdictional issues:
 - Can a court rule on the infringement and validity of foreign parts of a European patent, on the basis of Regulation (EC) 44/2001 and the Lugano and Brussels Conventions on jurisdiction and the recognition and enforcement of judgments in civil and commercial matter²?
 - Can a dispute concerning the infringement of a European patent by different companies in different states be concentrated before one court if these companies belong to **one** concern³?
7. Third, parties often take advantage of differences in the various national systems to indulge in **forum shopping**, meaning that they choose to initiate an action in a particular country on the perceived basis that they will be treated better there than in another jurisdiction.
- An infringer trying to escape a justified claim will attempt to initiate an action for a declaration of non-infringement before a court reputed as slow or inexperienced.

² This issue is currently pending before the European Court of Justice (GAT v. LuK, [Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs-KG, C-4/03]).

³ This issue is also pending before the European Court of Justice (Roche Nederland et al. v. Frederick Primus et al., C-539/03 - [opinion](#) of Advocate-General *Philippe Léger* delivered on 8.12.2005).

- A patent proprietor with a strong case will attempt to bring the case before a court known to award high damages or reputed as "patent-proprietor-friendly".

In all instances, forum shopping between different courts operating in legal systems which have not been harmonised is likely to weaken the patent enforcement system, induces unpredictability and works against the creation of a level playing field for businesses in Europe. It also constitutes a waste of resources as time and money are diverted from quick and fair dispute resolution towards intricate assessments regarding which court would best serve one party's cause and which blocking strategies the other party should aim at.

- When *forum shopping* is allowed to thrive, parties will develop jurisdiction blocking strategies (so-called "torpedoes"⁴) based on the *lis pendens* rules in Regulation (EC) 44/2001 and the Lugano and Brussels Conventions.

8. The eventual consequence of the above differences between the national court systems is a **fragmentation of the European market**, as it is impossible to ensure that a European patent yields a uniform level of protection throughout all states. The disparities between the national systems as regards the litigation of European patents are thus prejudicial to the free movement of goods in Europe and counteract progress towards the creation of an environment conducive to free competition.

II. THE DRAFT EUROPEAN PATENT LITIGATION AGREEMENT (EPLA)

9. At an Intergovernmental Conference held in Paris in June 1999, the member states of the European Patent Organisation set up a Working Party on Litigation with the [mandate](#) to submit to the member states an optional agreement on an **integrated judicial system** for the **settlement of litigation concerning European patents**.

The mandate was renewed in October 2000 at an Intergovernmental Conference held in London, and after several years of intensive work in the Working Party on Litigation almost complete agreement has now been reached on the [draft Agreement on the establishment of a European patent litigation system \(European Patent Litigation Agreement or EPLA\)](#) which

⁴ The practice of filing a petition for a negative declaratory judgment with a national court which has a reputation for very slow proceedings and a high reluctance to decide on patent matters has become known under the keyword "torpedo". Torpedoes are used by alleged infringers as a means to avoid being hurt by actions taken in infringement proceedings and cross-border injunctions.

- provides for a common **European Patent Court** with jurisdiction to deal with infringement and revocation actions concerning European patents
- entrusts the European Patent Court of Appeal (acting as **Facultative Advisory Council**) with the task of delivering, upon request, non-binding opinions on any point of law concerning European or harmonised national patent law to national courts trying infringement and validity actions.

10. The draft EPLA is an **optional** agreement: the EPC contracting states can choose freely whether they want to participate in the new integrated judicial system. If a state decides to do so, it has to opt between transferring jurisdiction to the European Patent Court or only allowing its courts to present requests for opinions to the Facultative Advisory Council.

In any case, the national courts and authorities of states participating in the integrated judicial system will continue to deal with infringement and revocation actions concerning **national** patents and will retain jurisdiction to **order provisional and protective measures** in disputes relating to national and European patents.

11. The states which have been active in the Working Party on Litigation from the beginning are *inter alia* Denmark, Germany, Finland, France, Luxembourg, Monaco, the Netherlands, Sweden, Switzerland and the United Kingdom. In a [Declaration](#) agreed on 20 November 2003, the Working Party on Litigation stated that

- the proposed jurisdictional arrangement offers an optimum solution for users
- the draft constitutes a suitable basis for convening a Diplomatic Conference to adopt the new court system.

However, the Working Party on Litigation also announced that the establishment of the new system had to be held up owing to the work being done by the European Union with a view to introducing a Community patent with a jurisdictional system of its own.

Recently, the Commission has issued a [questionnaire](#) asking industry and other stakeholders for their views on future patent policy in Europe, including the EPLA.

12. The main characteristics of the draft EPLA are the following:

- The EPLA is a self-contained international agreement setting up a new organisation (the **European Patent Judiciary**) comprising a supervisory body (Administrative Committee) and the European Patent Court (Court of First Instance, Court of Appeal and Registry) with jurisdiction to deal with infringement and revocation actions concerning European patents.
- The **Administrative Committee**, composed of representatives of the participating states, will supervise the European Patent Court, without prejudice to the Court's judicial independence. It will also set up Regional Divisions upon request, appoint the judges and the Registrar and exercise important legislative and budgetary powers.
- The **Court of First Instance** will comprise a Central Division and a number of Regional Divisions located in the participating states. One common **Court of Appeal** will hear appeals against decisions of the Court of First Instance, and also act as Facultative Advisory Council, with the task of delivering, on request, non-binding opinions on any point of law concerning European or harmonised national patent law to national courts trying infringement and validity actions.
 - At first and second instance, **international panels comprising legally and technically qualified judges** will deal with cases in accordance with **uniform rules of procedure** including extensive powers for the Court to order measures and impose securities, sanctions and fines (eg *astreinte*, injunction, forfeiture or damages) and to order provisional and protective measures (preliminary injunctions, orders for inspection of property (*saisie contrefaçon*), freezing orders or sequestration).
 - The **language regime** will be based on the language regime of the EPC (English, French and German are the three official languages of the EPO), as adapted to post-grant litigation. At first instance, the language of the proceedings will be:
 - Before the Central Division, the language of the proceedings before the EPO.
 - Before a Regional Division located in a state having an EPO official language as official language, that official language.
 - Before a Regional Division located in a state having either more than one or no official language which is one of the official languages of the EPO, any official language of the EPO designated by that state.

Before the Court of Appeal, the language of the proceedings will always be the language of the first-instance proceedings.

Finally, if the parties agree, the Court may allow the use of a language other than the language of the proceedings during all or part of the proceedings. Rules on simultaneous interpretation during oral proceedings and translation of the file where a language other than an official language of the EPO has been used will be provided for in rules of procedure.

- The **financial provisions** of the EPLA are based on the assumption that the European Patent Judiciary will be financed by its own resources - that is, court fees. To ensure fair access for the parties to the European Patent Court, contributions by the participating states are foreseen if the European Patent Judiciary is unable to balance its budget with its own resources.
 - Financial contributions might take various forms, such as placing buildings or staff at the disposal of the European Patent Court.
- Great care has been taken to ensure that the EPLA complies with the **Community legal order**:
 - The substantive patent law of the EPLA derives essentially from the 1975 Community Patent Convention and the 1989 Agreement relating to Community patents.
 - The allocation of cases to the various divisions of the European Patent Court of First Instance will take due account of Regulation (EC) 44/2001 and of the Brussels and Lugano Conventions on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.
 - Directive (EC) 48/2004 on the enforcement of intellectual property rights has been implemented into the EPLA.
 - Finally, on request by the European Patent Court, the European Court of Justice in Luxembourg will issue preliminary rulings binding for the European Patent Court in so far as its decision takes effect in a member state of the European Union.

III. BENEFITS FOR THE PARTICIPATING STATES, THE USERS AND THE EUROPEAN PATENT SYSTEM IN GENERAL

13. States establish international organisations when common goals can best be achieved by pooling human and financial resources.
 - The goal is to improve the patent system in Europe by creating an efficient litigation system for European patents which will contribute to make Europe one of the world's most competitive and dynamic knowledge-based economies. This goal cannot be achieved by one state acting on its own.
14. For the participating states, the creation of the European Patent Court would have the following advantages:
 - Access to a specialised court: for those states which do not have specialised national courts, it is easier and less costly to participate in a common European scheme than to build up their own expertise.
 - Increased expertise: by providing for the setting up of Regional Divisions, for internationally composed panels⁵ and for the involvement of "assessors"⁶, the draft EPLA will enable states whose courts have little experience in patent litigation to build up expertise.
 - The jurisprudence developed by the European Patent Court is likely to rebound to national courts dealing with infringement and revocation actions concerning **national** patents, since the relevant provisions on substantive patent law in the draft EPLA, in the EPC and in the national patent acts have been harmonised.
15. Users of the European patent system have long called for the creation of a common European litigation system which would enhance legal certainty and predictability by ensuring harmonised interpretation of the scope of protection conferred by a European patent and its validity.

⁵ Under Articles 26 and 27 of the [draft Statute of the European Patent Court](#), the Court of First Instance and the Court of Appeal shall sit in panels comprising at least one technically qualified judge and at least two legally qualified judges who "shall be of at least two different nationalities".

⁶ Under Article 9 of the [draft Statute of the European Patent Court](#), "A person who has insufficient experience of patent law ... may be appointed as an assessor to the European Patent Court". He will be appointed as a supernumerary member of a panel and partake in deliberations and assist the rapporteur. Once an assessor has acquired the necessary experience, he will be appointed as judge of the European Patent Court.

- The strong support for the EPLA expressed over the years by several user groups⁷ seems to indicate that the European Patent Court as designed by the Working Party on Litigation would be able to meet the users' need for an efficient court delivering quick, high quality first instance decisions at an affordable price.

In addition, a European Patent Court would significantly reduce the number of cases where multiple litigation is necessary to enforce a European patent and thus bring down the costs for all the parties involved.

- If experienced patent judges are appointed to the European Patent Court and efficient and fair procedural practices are adopted, there is little doubt that considerable weight will soon be attached to the decisions of the new Court, and in practice a European patent revoked by the Court with effect for the participating states will not be worth much in other countries.
16. The draft EPLA has also received support from many other sides, for instance from judges⁸, academia⁹ and expert groups¹⁰.
17. Noticeable are finally developments in other parts of the world:
- In the United States, the creation of the Court of Appeals for the Federal Circuit in 1982 was an immense improvement as compared to the previous situation.

⁷ This support has explicitly been stated by: Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI), Deutsche Patentanwaltskammer, Emerging Biopharmaceutical Enterprises (EBE), European Chemical Industry Council (CEFIC), European Federation of Pharmaceutical Industries and Associations (Efpia), European Business Summit, European Patent Lawyers Association (EPLAW), Fédération Européenne des Mandataires de l'Industrie en Propriété Industrielle (FEMIPPI), European Commission Information Society Technologies (ist), Institute of Professional Representatives before the EPO (*epi*), International Chamber of Commerce (ICC), Max Planck Institute for Intellectual Property, Competition and Tax law, Mouvement des Entreprises de France (MEDEF), The American Chamber of Commerce to the European Union, Union des Industries de la Communauté européenne (UNICE).

⁸ Cf. [Resolution](#) passed at the judges' forum in San Servolo, Venice, October 14-16, 2005, which was signed by judges specialised in patent law from Denmark, France, Germany, Great Britain, Italy, the Netherlands, Spain, Sweden, Switzerland and Turkey.

⁹ *Mario Franzosi*, A Community patent: Three Suggestions for Two Difficulties, IIC 2004, 416 (419); *Joseph Straus/Michael Schneider*, [Probleme des europäischen und internationalen Patentrechts](#), Tätigkeitsbericht 2004, Max-Planck-Gesellschaft, 233.

¹⁰ Creating an Innovative Europe, [Report](#) of the Independent Expert Group on R&D and Innovation appointed following the Hampton Court Summit, January 2006.

- In Asia, several states including China, Indonesia, Japan, Taiwan and Thailand have recently set up specialised intellectual property courts or specialised court divisions.

IV. COST ESTIMATES FOR EUROPEAN PATENT LITIGATION

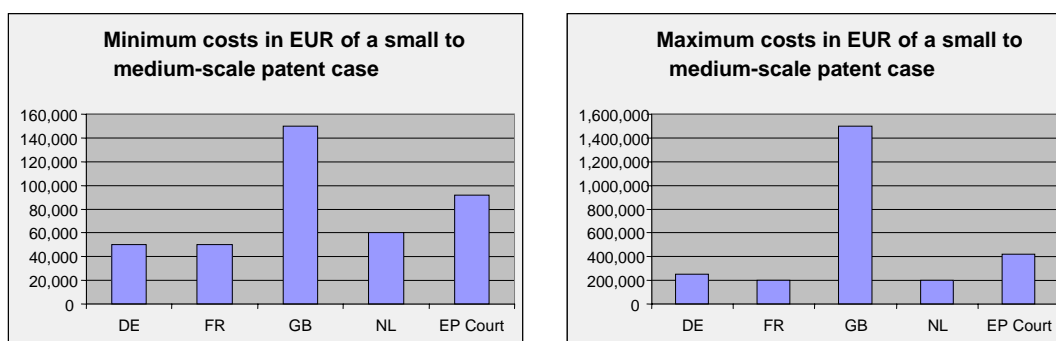
17. The differences between the national court systems in Europe and the lack of reliable data on the cost of litigation, in particular attorneys' fees, in most countries make it very difficult to assess the cost of patent litigation.

The cost estimates presented below for litigation before the future European Patent Court are based on information received from judges, lawyers and patent attorneys and their experiences before national courts. Needless to say, costs may vary significantly according to type of proceedings, complexity of the case, technical field and sums in dispute. The cost estimates made below must therefore be viewed with due circumspection.

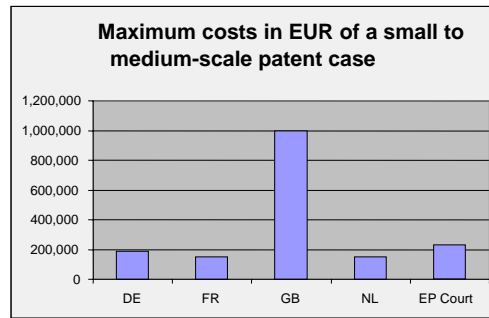
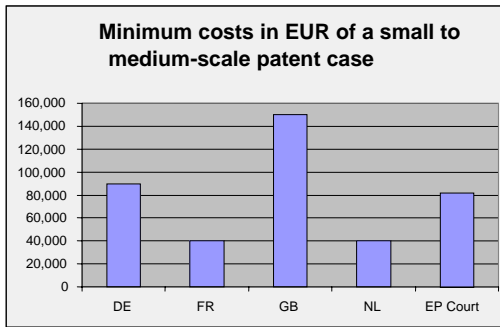
It should also be noted that the cost estimates are based on the assumption that the participating states will not contribute to the financing of the new court system, meaning that the budget of the European Patent Court will be fully financed by court fees paid by the parties.

18. The main conclusion which can be drawn from the cost estimates is that
- the costs of a medium-scale patent case before the European Patent Court are likely to be higher than the costs of a similar case today before **one** court in an EPC contracting state (with the exception of Great Britain),
 - the costs of parallel litigation before **two** national courts (with the exclusion of Great Britain courts) in a medium-scale patent case are higher than the expected litigation costs before the European Patent Court:

Proceedings before first instance courts:

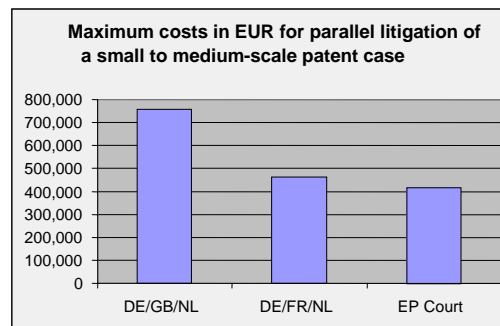
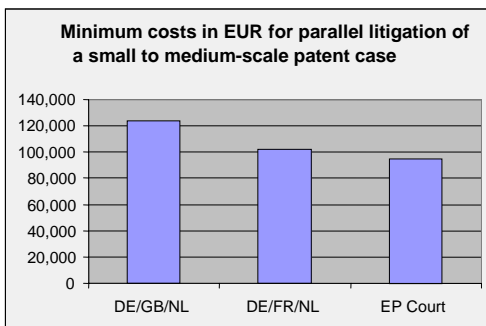


Proceedings before courts of second instance:

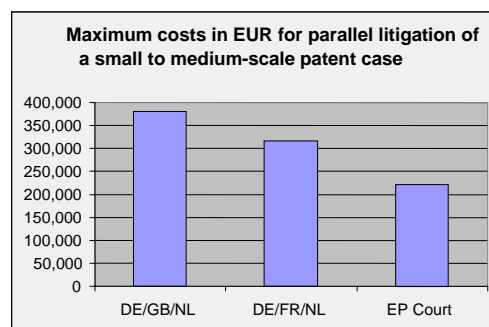
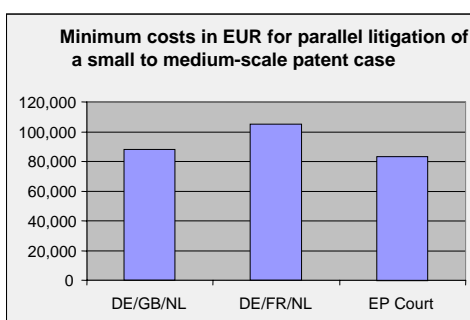


19. The rough cost estimates also indicate that it will be cheaper to litigate before the European Patent Court than before national courts in **three** European states which is today's average parallel litigation.

Proceedings before first instance courts:



Proceedings before courts of second instance:



20. In addition to these measurable costs, there are many others that are very substantial and have major social implications:
- Internal costs arising from the different business decisions to be taken before, during and after the litigation
 - The burden in terms of distraction, diversion of energy, and possible misdirection of creativity that any intellectual property dispute imposes on all businesses¹¹.
21. Detailed figures relating to the cost estimates for litigation of European patents are given in the annexes.
- [Annex 1](#) focuses on cost estimates for litigation of European patents before national courts.
 - [Annex 2](#) estimates the cost of litigation of European patents before a future European Patent Court.

¹¹ See William Kingston, [Meeting Nelson's concerns about intellectual property](#), The Danish Research Unit for Industrial Dynamics 2001 Nelson and Winter Conference, Aalborg, 12-15 June 2001.