

14 November 2008

IV. European Judges' Forum

Venice 2008

Questionnaire on European Patent Judiciary¹

Disputed Points of Presidency Working Paper st 14970/08 of Nov. 4, 2008

Please circle or underline the respective letter which matches your answer or delete those answers which do not apply.

1. Local, regional and central divisions within the European patent court structure – Art. 5

The Court of First Instance shall comprise a central division as well as local and/or regional divisions. The main question for industry and users is whether a minimum number of cases per year should be required in order to ensure sufficient qualification and experience of judges.

The proposal within the group of experts was that a local division should only be established if the country has received at least 50 cases per year on average over the last three years, and that at least 50 % of those have led to a final decision.

Countries which have a lower number of cases can form regional divisions with neighbouring countries.

Q1: Should there be a condition of a minimum number of cases for the establishment of a local division of

- a) 100 cases
- b) 50
- c) 20
- d) 5
- e) **A local division should be set up upon request of a Contracting Party in its territory, regardless of the number of cases**
- f) **Other (please specify)** _____

¹ For more explanations concerning Questions 6 and 7 see the attached Strasbourg Paper by Pagenberg

Q3: Which regime should be applicable for European Patents and Community Patents?

- a) the regime proposed by the Presidency with full territorial effect for every decision made by a competent court, or
- b) a regime similar to the Community Trademark system with limited territorial effect except if rendered at the defendant's domicile?

4. Bifurcation of infringement and revocation proceedings – Art. 15a (split system)

Some countries in Europe practice a system in which infringement actions and revocation actions (nullity actions) must be filed with separate courts.

For countries with a split system like Germany a patent carries a high presumption of validity and therefore the patentee should have the right to protect his market against infringers and to obtain a fast injunction by a court. The infringement proceeding should therefore not be delayed by counterclaim for revocation which an infringer would always be inclined to file. In the German system in only *25% on average* of the infringement cases a revocation counter claim is being filed

The most experienced patent courts in Düsseldorf, Mannheim and Munich normally deal with no less than *four cases per hearing day*, and a decision can be expected on the infringement question between 10 and 14 months after the action has been filed. For a nullity proceeding the Federal Patent Court as well as the Federal Supreme Court as the second instance schedule a full hearing day so that the output of the Community courts in combined cases would be *significantly reduced* (by a factor of at least 4) if the infringement court has also to deal with revocation.

The *flexible approach* in the present paper allows a separation of revocation and infringement, but also combined proceedings depending on the particular situation. It would allow to deal with combined actions if too many actions are filed with or sent to the central division. Sending the counter claim could also result in a change of language since in the central division the language rule will be the language of the patent.

Q4: Which rule would you prefer:

- a) **No bifurcation, i.e. infringement and validity to be decided by the same division**
- b) **Always bifurcation, i.e. infringement to be decided by local division and validity by central division**
- c) **Flexibility as proposed in the text of the Presidency paper: discretion for each division whether validity question to be sent to central division or to be decided together with infringement**

An even further reaching proposal would be to offer to all owners of European bundle patents (as opposed to the future Community Patents) an option either to use the existing national courts (as today) or to use the new European Union court presently discussed. The advantage of this permanent free choice would be that the hesitations and fears of users and member states which do not want to give up a well functioning national court system would disappear. Small countries without patent courts so far would not immediately be under the obligation to comply with the EU standard of judges but could develop own national courts over a longer period of time.

This last possibility could eventually be limited to the first action of a patentee, so that any further action would necessarily be an action before the Community Patent Court.

Q6: Which solution would you prefer for litigating European "bundle" patents:

- a) Transitional period 3 years, afterwards exclusive jurisdiction of Community courts for European bundle patents.
- b) Transitional period 7 years, afterwards exclusive jurisdiction of Community courts for European bundle patents.
- c) Like a) or b), but exception for SMEs which can choose existing national courts instead, also after expiration of the transitional period.
- d) No time limitation and no limitation to SMEs: all owners of European bundle patents and also alleged infringer can choose for each case whether to use the existing national courts or the new Community courts.
- e) The option according to d) should only be possible for the first action of a plaintiff (patentee or alleged infringer)
- f) We do not want any changes and are against a Community court system.

NB. You may choose multiple options for a) plus c) or b) plus c). If you choose f), all other alternatives do not apply.

7. Enhanced cooperation Arts. 11, 42 et seq. of the Treaty

It appears according to opinions voiced by several countries that it will be unlikely to obtain a unanimity vote in the EU Council of all 27 member countries, since a number of countries are against or do not need a supranational court system. There is the possibility under the Treaty that only a smaller number of countries start with a Community Patent Court according to Arts. 11, 42 et seq., like it has been practiced with the introduction of the Euro and the Schengen arrangement.

Q7: Would you prefer that there would be a Treaty on the Community Patent Court (which would also include countries outside the EU like Switzerland etc.)

Industrial Property Rights in the Internal Market

Colloque Strasbourg 16 and 17 October 2008 –

Panel 1 – Principal Features

– The Question of Exclusivity –

Dr. Jochen Pagenberg, Bardehle Pagenberg, Munich/Paris¹

1. The present status of the Draft Proposal 11270/08

Over the last 10 months the work on a Community Patent Court has made an amazing progress due to a new working method of the Commission. The establishment of an expert group consisting of judges and attorneys from a number of countries with regular meetings between the meetings of the working group of the member states has proven very fruitful. The successive versions of the working papers have improved progressively adopting practical solutions which promise even more efficiency in a number of points than the proposal for a European Patent Litigation Agreement (EPLA), e.g. with respect to the composition of panels which in particular also the judges in the expert group have supported.

However, a number of basic points must still be resolved and amended which have been suggested by the expert group, but also by a number of user associations, for example the role of the ECJ as a third legal instance included in the present version which is regarded as unacceptable by all user groups and experts². Other questions which have been raised by industry circles and also member states concern the general structure of the system, but also very specific procedural rules which - if all adopted - would from a practitioner's point of view destroy the attractiveness of the system as a whole. Many of the proposals are contradictory or mutually exclusive, like those concerning a more international composition of panels, language of proceedings, competence, jurisdiction, and effect of decisions³.

¹ The author has been an advisor of the EPLA Working Party since 2000 and is a member of the Expert Group of the European Commission for the project of a European Union Patent Court.

² EPLAW, IPJA, GRUR, CCBE, Paper of German Patent Judges, Nordic Associations for the Protection of Industrial Property.

³ Among others CCBE, EPI, The Danish Bar and Law Society, Nordic Associations for the Protection of Industrial Property, TMPDF.

2. Is there a risk of failure?

The great number of wishes and requests lead more and more to the conclusion that a unanimity vote in the Council on the present draft becomes unlikely so that one must examine, when an increasing number of member states announce that they will not agree for different reasons as some have done already, which other procedures or legal options exist in order to prepare a safety net and prevent a failure of the whole project.

If the chances for a Community-wide patent litigation system diminish one possibility would be to use the avenue of *enhanced cooperation* under Arts. 11, 42 et seq. of the Treaty which would have the result that only countries which are interested in a Community patent court would join, similar to the optional membership of EPLA. But there might also be a solution by which the goal of a unitary system could be maintained, but which would take into account the objections and fears of member states without sacrificing the quality and thus the attractiveness of the entire project.

It is obvious that many of the objections come from the reservations with respect to the “either – or”: with the application of an EPO bundle patent the patentee will abandon for the future the entire national legal system of enforcement. It is true that this will also be the case when he chooses a Community patent, but there it will not be abandonment but a totally new strategic orientation towards a uniform IP right. It appears however that with respect to the EPO bundle patent and its astounding success in the last 30 years a large number of users and their governments are not willing to accept such drastic changes and thereby sacrifice the present enforcement system, even after a reasonable phase-out period.

3. A proposal for a “safety net” against failure

After decades of trial and error and successive failures to reach agreement on a European-wide patent court system, one should this time examine very carefully where the risks may lie for a final success.

a) Those who believe in the necessity and the advantages of the European patent court have two things to be concerned about.

- The *first* risk is that the project will fail *before entry into effect*. The project will fail if, having undergone the changes desired by practitioners and an ideal solution perhaps having been found, it is nevertheless rejected for political reasons by member states
 - because for some it appears too complicated and costly,
 - because it changes too much,
 - because a national precondition is not satisfied, or
 - because it is simply not needed for the particular country.

- The *second* possibility is a failure *after entry into effect*. This will be the case if, after many compromises and under considerable political pressure, a solution is found that wrings a “yes” out of the politicians -- the famous or rather infamous *common political approach*⁴ -- but this solution is rejected by industry and the other users, because the inclusion of too many compromises have diluted it: the court exists, but nobody goes to it.

It is a question of opinion as to which would be the greater disaster. However, there is hardly any denying that either of them could occur.

b) It is therefore time to reflect on a precaution against failure. This author had brought the following proposal already into the discussion a few years ago for the EPLA project in order to make it more flexible⁵. It is both simple and clear.

(aa) *National patents* remain with the national court system of each member state. Countries that as yet do not have specialised *national* patent courts could establish them if they felt a need for it.

(bb) For *Community patents*, a community jurisdiction would be created such as is currently being discussed for Community patents and European bundle patents. However,

⁴ See for comments Pagenberg, 34 IIC 281 (2003).

⁵ Pagenberg, *Progress of EPLA and the Community Patent Regulation*, Venice European Judges' Forum 2006

the European Union Patent Court would only have *exclusive* jurisdiction for Community patents.

(cc) For *European bundle patents* the jurisdiction of the European Union Patent Court would be non-exclusive. The parties would have an *option unlimited in time* of filing an action before the Community court or before the national courts. Such a national action would be limited as to its effects and remedies to the respective national territory (effect of injunction, effect of counterclaim as well as damages). Such a purely national proceeding would not only be given if both parties are nationals of that member state, so plaintiff and defendant may even come from countries outside the EU, and it would also not be necessary that the parties are SMEs. The only criterion would be that the plaintiff limits his petitions with respect to remedies to this member state⁶.

For a bundle patent which may be protected only in a few member states the patentee must anyway have the choice to limit his petitions to the territory in which an infringement has occurred and for which he has sufficient evidence of infringement, since otherwise a courts would dismiss the request for an injunction and damages as unfounded.

c) The advantages of such a permanent option are obvious.

aa) The fears in user circles that there would be radical changes to current practice or that the courts would lack quality would become unfounded since users can test the system: waiting and trying out is better than simply rejecting. The scepticism of countries that for instance expect to suffer a disadvantage for linguistic reasons would cease.

bb) Would this not undermine the European system? On the contrary. Small and medium-sized enterprises, which currently conduct a large amount of patent litigation on the basis of European bundle patents, fear higher cost and might prefer the filing of national patents in the future without such an option. Given the large number of those en-

⁶ For such cases cross-border injunctions should not be possible, and also the defendant would be bound by the restrictive effects of the action and could not file a counterclaim for other territories. Whether the plaintiff should

patent courts, on the other hand, the users could use the national courts or the European Union court depending on the case and situation.

d) Analyzing it from all sides, there are no disadvantages in the coexistence of national and European Union court instances.

aa) Given the possibility - already contained in the working papers - of the judges of the local chambers of the European Union Patent Court continuing to be able to act in the national courts, there would at the beginning be no need to reserve personnel, since the court structure could be created "virtually" and would nevertheless be available at any time if needed, even if only a few actions start arriving at the beginning which will the case at the latest a few years after issuance of the first Community patents.

bb) The offer of a free choice between two judicial systems has already been successfully implemented for the Community trademark and the Community registered design. There it has even been regarded as sufficient to use each country's national court structure, which has only nominally been given the existing courts their *Community* court function through being designated by the state, hence those courts have a far lower European integration status; apparently this has disturbed nobody.

cc) A higher degree of European structure and integration is a result that is desired above all on the part of industry in the considerably more demanding field of patent law. It is difficult to assess in theory - and it is obvious that part of the scepticism is based on this - how a chamber consisting of two national judges and a foreign judge and, where necessary, a fourth technical judge, can work as efficiently as the experienced national courts. The proposed unlimited option would avoid in advance any unpleasant surprises and in particular the widespread reservations on this point. And it would undoubtedly prevent a possible clogging of the system if the language problem or any other new feature reduces the efficiency which users expect from the European court.

dd) Nor is there any need to fear that the national judicial systems would over a long period of time block for the European Union Patent Court the opportunity to prove itself. Applicants for Community patents will in any event have to choose the European Union Patent Court, and it cannot seriously be argued that far too few applicants would choose this path. If this were the fear, the plans for a Community patent could not be pursued any further. Moreover, the European Union Patent Court does not depend on a specific minimum number of cases either, nor does the qualification of its judges, as long as the latter have their base in the national courts and maintain their qualification and experience there.

ee) It may be true that the European Union Patent Court might take longer to start up than if there was no option. However, in the light of the decades that have already been spent on discussing patent litigation projects that have failed again and again, there is a great deal that argues in favour for a solution “with a safety net”. The risk of a further failure by forcing the users into something they dislike should be avoided. It must be recalled that so far no member state has been willing to make a quality sacrifice for Europe by replacing its own courts by a judicial structure that will first have to acquire practice and experience in order to become recognized; politically, in most countries this would be very difficult to push through, and therefore the risk of failure is real.

It should also be considered not to include the option only after the failure of a proposal without such an option. Not only does such an option need in-depth discussions about definitions and conditions of the legal rules so that the whole system remains balanced. But one must also take into account that if the present project loses momentum – which will undoubtedly be the case if a first vote fails in the Council – it will be very difficult to start anew, since politicians and users may at some point lose the interest altogether to continue fruitless discussions for ever. Therefore one should from the outset include the option into the draft, eventually as one of two alternatives or as an auxiliary proposal.

15 November 2008

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Results of Questionnaire on European Patent Judiciary

Selected Points of Presidency Working Paper st 14970/08 of Nov. 4, 2008

The Venice Forum of Judges traditionally organized by the European Lawyers Association (EPLAW) and the European Patent Academy - and this year for the first time also by the newly founded Intellectual Property Judges Association (IPJA) - convened for the fourth time in Venice with the goal to foster European integration and harmonization in patent law. The most experienced patent judges from 15 countries deplored the slow progress of and the opposition against the supranational patent litigation system as well as the resulting divergences in the application of the European Patent Convention. Like in preceding years the judges passed a Resolution containing some core petitions with respect to the court system.

In addition the judges dealt with a selected number of disputed questions in the present draft paper st14970/08 of November 4, 2008 by way of a questionnaire prepared by the European Patent Lawyers Association. This questionnaire offered several alternatives for each point presented from which one could choose. The following anonymous answers show a high level of consensus. Answers to the remaining questions not reproduced hereafter did not show a clear preference.

Art. 6: Composition of Panels

A panel of a local division shall sit in a composition of three judges, two permanent judges who shall be nationals of the Contracting Party hosting the division concerned, and one judge of a different nationality who speaks the language of proceedings.

Q: Which composition do you prefer?

A: Composition as proposed in *Presidency Working Paper* (3 judges of 2 nationalities)

Result: The above answer in favour of three legal judges from two nationalities was approved by more than a 2/3 majority. Judges were only divided on the necessity and the practice of the involvement of a technical judge as the fourth judge. One group voted for the proposal of the Paper, namely an optional involvement of a technical judge, another group for a mandatory involvement and a third group against a technical judge.

Art.15a: Bifurcation of infringement and revocation proceeding (“split system”)

Some countries in Europe practice a system in which infringement actions and revocation actions (nullity actions) must be filed with separate courts. The reason is that patents which are presumed to be valid should be enforced speedily without burdening the proceeding with validity questions. The advantage of a bifurcation may be seen from the fact that while in a combined system a counterclaim for revocation is mostly filed as a routine matter, in the German system in only 25% on average of the infringement cases a revocation counter claim is being filed.

More recently, in particular in cases of standards where sometimes dozens of patents are being invoked, even courts which normally do not practice bifurcation, have divided the issues of the use of the patent and use of the standard from validity issues, in order to limit the numbers of patents to be dealt with and thereby save time.

The *flexible approach* in the *Presidency Working Paper* allows the court to examine whether a combined treatment of the issues or a separation of validity and infringement would best serve the respective case.

Q: Which rule would you prefer?

A: Flexibility as proposed in the text of the Presidency paper: discretion for each division whether the validity question should to be sent to the proposed central division or to be decided together with infringement

Result: Close to a 2/3 majority (one vote less) voted in favour of the flexibility rule.

Art. 48: The role of the ECJ

Upon the request of one member state Art. 48 of the present paper provides for the possibility of a legal review by the ECJ (“cassation”) against decisions of the Court of Appeal. This proposal has been largely opposed by user and expert groups and a clear majority of member states. The risk is that if this clause remains in the draft that the proposed court system would be rejected by users and eventually fail. The main

argument is that in addition to cost and delay the ECJ is not a court equipped to deal with procedures between private parties and it is not a patent specialist court.

It has therefore been requested that the ECJ should only be involved if the Court of Appeal files a reference for preliminary ruling under Art. 234 of the EC Treaty whenever European Community law is an issue. In the discussion in Venice it has also been suggested to include into the draft paper an express clause which would make it clear that substantive patent laws as far as it is contained in the EPC, but also as far as it is contained in the Community Patent Regulation (e.g. the rules on infringement and rights of the patent owner, patentability and scope of protection) should not be the subject of preliminary rulings by the ECJ.

Q: Which rule would you prefer?

A: ECJ should only act upon request/reference by the Court of Appeal under Art. 234 EC Treaty to clarify EU rules of procedure, i.e. Court of Appeal has discretion whether to send a case to the ECJ.

Result: There was *unanimity* (short by 1 vote) in favour of a deletion of the present *cassation* proposal and a replacement by a reference under Art. 234 of the Treaty.

Art. 58: Option unlimited in time between use of national structures and EU patent court for litigating EPO bundle patent

Under the present proposal after the expiration of the transitional period all actions based on EPO *bundle patents* like for Community Patents *must* be filed before the new EU patent court with the additional possibility for patent owners to opt in or opt out of the EU system.

For cost reasons, but also in order to accommodate the hesitations and fears of users and member states which do not want to give up a well functioning national court system a proposal was discussed for the first time during the Strasbourg Conference in October 2008 which would offer to all owners of *European bundle patents* (as opposed to the future Community Patents) an *option* either to use the existing national court structures *or* to use the future EU patent court.

This possibility could eventually be limited to the first action of a patentee, so that any further action would necessarily be an action before the Community Patent Court.

Q: Which solution would you prefer for litigating European "bundle" patents?

A: All owners of European bundle patents and also alleged infringers can choose without time limitation for each case whether to use the national court structures or the new Community courts.

Result: There was a majority of more than $\frac{3}{4}$ in favour of a permanent option for bundle patents, while a minority was also in favour of an option, but only for SMEs. An additional small minority of only two votes requested that this option should be

limited to the first action between the same parties. As a result, a majority of about 2/3 voted in favour of an unlimited and unrestricted option for bundle patents.

Whether in addition the present opt-out option in Art. 58 should be maintained was not part of the question. But for the 2/3 majority the unlimited option would indeed have an even broader effect than an opt-out possibility which would be limited to bundle patents filed before the enactment of the Treaty on an EU court.

Enhanced cooperation under Arts. 11, 42 et seq. of the Treaty

It appears according to opinions voiced by several countries that it will be unlikely that the required unanimity vote of all 27 member countries in the EU Council in favour of any proposed patent court system will be achieved, since a number of countries are against or do not need a supranational court system. There is the possibility under the Treaty that only a smaller number of countries start with a Community Patent Court according to Arts. 11, 42 et seq.

Q: Would you prefer that for a Treaty on a Community Patent Court (which would also include countries outside the EU like Switzerland etc.) all 27 EU member states have to join or should such a court system rather be established only among the willing?

A: It should be optional for the member states whether they want to join; a smaller group of countries should be enabled to establish a court system with the possibility that others may join later.

Result: There was *unanimity* (short by 1 vote) in favour of Enhanced Cooperation and the possibility for a smaller group of countries to establish a common patent court system.