Written evidence from the Intellectual Property Lawyers' Association

Submission to European Scrutiny Committee on proposed Unified Patent and Unified Patent Court

Introduction

The Intellectual Property Lawyers' Association ("IPLA") represents solicitors' firms in England & Wales which have specialist intellectual property practices. The vast majority of patent and other intellectual property cases in England & Wales are handled by IPLA Member firms. Member firms also have practical experience of how patent litigation works in other jurisdictions, both within Europe and elsewhere. This memorandum sets out a number of IPLA's concerns about the proposed Unified Patent and Unified Patent Court. There are a number of unresolved issues and we support HM Government in its attempts to secure sufficient time for these issues to be properly resolved.

1. The Desirable Objective

Under the present system, European Patents (sometimes referred to as "bundle patents") are processed in a single application by the European Patent Office but, on grant, become a "bundle" of separate national patents. Accordingly, if a company distributes a product which infringes a "bundle patent" across Europe, a patentee faces having to take separate proceedings in each relevant country under the local "bundle patent". Since enforcing the patent in Europe accordingly involves several parallel infringement actions, the cost is greater than it should be and there is a risk that different courts will reach different and sometimes inconsistent decisions, in widely differing timescales. In many cases, it may not be commercially necessary to enforce the patent in every country, but this can lead to procedural games and forum-shopping as each side tries to secure a decision from a court which is thought to be favourable to its case. A supra-national system which allowed a single set of enforcement proceedings across the whole of Europe has obvious advantages.

A number of things characterise a desirable supra-national court: if these are not achieved, such a court will not be better than the current national system.

Speed

Most commercial litigation consists of arguments about liability and compensation for something which has happened in the past. Patent (and other IP) litigation is different; it is normally concerned with products which are still on the market, and which continue to damage the patentee's business unless and until an injunction is granted, usually following the final decision. If an interim injunction is granted pending the final decision, the accused infringer is kept out of the market, when it may turn out at the final trial that it was not in fact infringing the patent. Either way, there is a pressing need, in the interests of commercial necessity and more generally in the interests of fairness, that the court should come to a final decision as rapidly as possible. Taking into account the work necessary to prepare the evidence for the court, the general consensus is that trial within six to twelve months is desirable, and achievable.

Judicial Expertise

Patent law comprises a series of concepts which are unfamiliar to most lawyers (and judges) who have not made a special study. Furthermore, decisions in patent cases require the application of the law to scientific facts in areas of technology with which the judges are unfamiliar. A good patent judge accordingly requires knowledge of patent law and experience of its application, together with a willingness to engage with and understand unfamiliar technologies. Judges who do not have these characteristics will find it difficult to give decisions which are fair and which will be respected by the litigants.

Procedural fairness

The procedural rules need to be even-handed so there is no significant advantage for plaintiff or defendant. For example, a patentee may need information from the defendant in order to establish the case on infringement, while a defendant may need information from the patentee in order to establish a case on invalidity of the patent. Rules which permitted the patentee to insist on the provision of information by the defendant, but which did not give a corresponding right to a defendant, would unfairly favour the patentee, and are undesirable.

Proportionality

Patent litigation can be huge – involving a patent on a product with a turnover of hundreds of millions of pounds across Europe - or may be small, between SMEs where the relevant turnover is less than £1 million. The system needs flexibility, so that SMEs can obtain a decision at low cost (probably at the expense of procedural sophistication), while litigants fighting over a very substantial market need to be able to bring before the court their full range of arguments and for the court to consider them in appropriate detail.

2. Areas of concern

CIPA and the IP Bar Association have identified a number of areas of concern and we are generally in agreement with their views. We also fully support them and HM Government in their advocacy of London as the seat of the Central Division of the proposed Unified Patents Court: if that could not be agreed, then it would be desirable

that the hugely important post of President of the First Instance Court be first occupied by a British judge.

We take this opportunity to comment on some specific issues, bearing in mind the considerations outlined above.

References to Court of Justice of the EU ("CJEU") – Articles 6-8 of proposed Regulation on Unified Patent: Articles 6-8 put the law as to what acts infringe a patent into Community legislation, and accordingly disputes as to the correct application of these provisions must be referred to the CJEU for a ruling. The procedure before the CJEU typically lasts for two years or more, during which time the proceedings in the referring court must be suspended. Since the accused infringements are likely to be continuing during the period of such suspension, there is a risk that the patentee will suffer significant injustice.

Furthermore, we are not aware of any proposals to educate CJEU judges in EU patent law, and one of the objectives of the draft Court Agreement, to provide expert judges will be undermined.

As explained in the IP Bar's submission, it is not necessary that the law on infringing acts be contained in the Unified Patent Regulation.

Bifurcation

In a significant proportion of patent cases, the defendant's main defence is that the patent is invalid. Bifurcation means that the court which assesses whether the defendant infringes does not consider this defence. Furthermore, since validity cases tend to be more complex, the court hearing the infringement case is likely to make its decision before the court hearing the validity case. It is an enormous advantage for a patentee to have the issue of infringement decided without the defendant having an opportunity of putting forward its main defence. Bifurcation accordingly contravenes the principle of procedural fairness.

Rules of Procedure

The most recent publically available draft of the proposed Rules of Procedure for the Court is dated October 2009. A number of important issues were discussed between European patent judges and representatives of the Commission at the Venice Patent Judges Forum in October 2009, but the revisions to the draft which reflect the result of this discussion which we understand have been made by the Commission are not publically available. There is accordingly considerable uncertainty as to the current state of the draft.

To finalise the Rules will involve a substantial amount of work. We illustrate this by reference to a small number of representative issues which will need to be resolved.

1. "Front-loading": "Front-loading" is a requirement for the parties to prepare and submit all their arguments and evidence up front. It is designed to prevent parties from saving their best arguments to the last minute in order to take their opponent by surprise; but if taken to the extreme, it can require parties to expend time and effort on issues which turn out not to be in dispute. The degree of front loading to be required in the Unified Patent Court is understood to be a controversial issue.

- 2. Service of proceedings: It is important that legal proceedings can be started without delay, but there has to date been no detailed work on the rules for serving the originating documentation on the Defendant(s): this is likely to be a difficult issue, since there are currently wide variations in what is permitted, between for example the UK, where service is up to the parties, who can serve the proceedings by ordinary post, and for example Germany, where proceedings must be served by a court official: arranging service through official channels outside Germany can lead to delays of two months or more.
- 3. Legal privilege: The current rules provide for legal professional privilege only in outline. This is an area of some controversy where detailed rules will be necessary. Since privilege gives protection against compulsory disclosure of documents, there is no developed law of privilege in the many European jurisdictions where there is no such compulsory disclosure. Where privilege is recognised, there is disagreement between national rules, which recognise privilege for in-house legal advisors, and the law laid down by the CJEU for Community-level competition matters, which does not. Since most large companies rely heavily on advice from in-house patent lawyers, this will be an important issue.

The current draft rules give rise to a number of smaller issues, which although unlikely to prove controversial, will take time to resolve. Two examples are: (i) Rule 353, which limits the ability of a plaintiff to amend his case, but there is no corresponding limitation on a defendant; and (ii) Rule 209, which provides for compensation to a defendant for injury caused by interim measures which are revoked. Where a plaintiff lacks the resources to pay for such compensation, it can be ordered to provide security, but only on the application of the defendant. Thus, where measures are granted ex-parte there would be no protection for the defendant.

3. Further Negotiation

IPLA recognises that, where other Member States take a different view, it is not necessarily possible for the UK Government to resolve issues in the negotiations in a way which UK industry and other UK users of the system would wish. However, there are a number of issues where there is very substantial agreement among users of the system across Europe (for example, in relation to the involvement of the CJEU), where the opportunity for further debate has been effectively closed off by those responsible for the progress of the negotiations. Furthermore, a significant amount of work will be required to produce Rules of Procedure which meet the objectives of speed, procedural fairness and proportionality, and the three months which we understand is the period which is currently envisaged for finalising these Rules would be insufficient even if none of the issues were controversial.

The UK IPO, which is responsible for developing policy in this area, has worked hard, particularly in the past nine months or so, to understand the views of UK Industry and other users of the patent system. However, those in the Commission and the Polish Presidency who have been driving the negotiations have to a large extent closed down debate on the provisions in the draft which remain controversial, and have set a timetable which does not permit the outstanding issues to be properly resolved. IPLA supports HM Government in its attempt to gain more time to allow a system which meets with the requirements of users more closely to be negotiated.