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## Some Critical Observations on Competence and Procedure of the Unified Patent Court

### *A. Introduction*

Since 1975 efforts are undertaken to create a common European patent with a common jurisdiction. These efforts are now culminating in a draft Agreement on a Unified Patent Court (AUPC) to be signed in the near future, possibly even in June 2012. But as yet many details of patent law and of patent practice are poorly integrated or disregarded.

Since 1975, the Member States of the European Economic Community<sup>1</sup> have been struggling for a unitary EC (EU) patent. The first draft of a Community Patent Convention (CPC) was drawn up in 1975<sup>2</sup> and was amended in 1985 and in 1989 by an Agreement relating to Community Patents and to Jurisdiction.<sup>3</sup> In the first instance infringement was handled by specialised national patent courts with their comprehensive competence in all matters related to patents. As “Community courts” they were given additional competence for infringement and the objection of invalidity of Community patents. In the second instance the case went to the national court of appeal but it was required to stay its proceedings and first solicit a judgment of the Common Patent Appeal Court (COPAC) on infringement and on the objection of invalidity. Therefore, the judges of first instance at least were broadly competent to also hear cases of entitlement, objection of defendant’s better title, and infringement embedded in a licence dispute. In the second instance, these issues belonged to the competence of the national courts of appeal and not to the jurisdiction of the COPAC.

Then, beginning in 2000, the European Patent Office (EPO) took the initiative to draft an optional European Patent Litigation Agreement (EPLA).<sup>4</sup> A European court system was planned, with a court of first instance to work with local divisions and a central unit, and with a central court of appeal. The EPLA European court competence was to comprise only infringement and validity, pursuant to Art. 41 of the EPLA. Infringement was defined in Arts. 33 et seq. of the EPLA, just as in other legal texts, as making, selling, offering or using the object of the European patent without the proprietor’s consent. Entitlement and consequences of misappropriation were not dealt with; nor was the European court competent in such matters.

Concurrent with the EPLA, one might even say in competition with the EPLA, the EC Commission made a new start in 2000 to instate a Community patent through an EC regulation, and a European Patent Court system. The first proposals for the European Patent Court system met with wide-spread national opposition due to their

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<sup>1</sup> First European Economic Community (EEC), than European Community (EC) and now European Union (EU) after the Contract of Lisbon.

<sup>2</sup> Convention for the European Patent for the common market of 15 December 1975 signed in Luxembourg. But it did not achieve the required ratification in all EEC Member States. Text published in 1975 GRUR Int. 231.

<sup>3</sup> 89/695/EEC, Agreement relating to Community patents, done in Luxembourg on December 15, 1989, OJ EEC L 401, 30.12.1989, 1–27. This Agreement was signed but, like the 1975 Agreement, did not achieve ratification in order to enter into force.

<sup>4</sup> “Draft Agreement on the establishment of a European Patent Litigation System” of 16 February 2004 and “Draft statute of the European Patent Court of 16 February 2004; both texts available on the EPO website, “Law and Practice” -> Legal texts -> archive -> legislative initiatives -> European Patent Litigation Agreement.

strict court centralisation. The EC Commission responded to this critique. Seemingly it took over the EPLA concept. For EPLA the Judges' Forum in Venice issued a resolution with guidelines for Rules of Procedure.<sup>5</sup> The ensuing history of drafts and changes is long and winding.<sup>6</sup> The last proposal from the Commission conceded, for the court system, local chambers and a central chamber. The local chambers were to hear infringement and counterclaims for invalidity, the central chamber to hear isolated attacks on validity.

There were draft texts for legislation on the Community patent and on an EU Patent Court. For one there was the draft for a Regulation on the European Patent<sup>7</sup> dealing with infringing acts, exhaustion and prior use in its Arts. 7–13.

Then there was a draft Agreement between the EU and EU Member States on the European and European Union Patent Court (EEUPC – European Patent Court)<sup>8</sup> that provides for an EU Patent Court to hear cases of infringement of European bundle patents and of European Community patents. Acts infringing European bundle patents were defined in Art. 14c–f of this instrument because the EPC in its Art. 64 leaves them to national law. Jurisdiction for both patents was set forth in Art. 15 as a mere jurisdiction in infringement and validity cases, and some other matters like compulsory licence. In addition, the Commission drafted in 2009 a preliminary set of Rules of Procedure (RoP).<sup>9</sup>

Several issues for a Community patent and a litigation system required the unanimous consent of the EU Member States. Among these was the official language for European Community patents. In 2010 the European Commission proposed English, French and German as the official languages for the European Community Patent. Other EU languages were provided as computer translations for information purposes only. Full translation was – and is – required in cases of actual litigation. In spite of further compromise proposals, unanimous consent on the language issue could not be reached.

In this situation a group of consenting states<sup>10</sup> proposed enhanced cooperation in order to achieve amongst them the unitary European patent and a Unified Patent Court. One condition to such enhanced cooperation is that it be formally proposed by the EU Commission and resolved by the Council. The Commission issued an authorising proposal on 14 December 2010.<sup>11</sup> The Council adopted a decision on 10 March 2011 authorising enhanced cooperation. On this basis the Commission has submitted a set of proposals:

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<sup>5</sup> Obtainable from the EPLAW website under section “recently added material” subsection “EPLAW documents” sub-subsection “Venice material”.

<sup>6</sup> Pagenberg gives an account of this history in, “Another Year of Debates on Patent Jurisdiction in Europe an No End in Sight?” 38 IIC 805 (2007).

<sup>7</sup> The latest version seems to be: Add. 1 to 16113/09 of 27 November 2009 of the Council of the European Union, obtainable from <http://register.consilium.europa.eu/pdf/en/09/st16/st16113-ad01.en09.pdf>.

<sup>8</sup> Agreement of 23 March 2009 as Annex I to Council document 7928/09.

<sup>9</sup> Preliminary set of provisions for the Rules of Procedure of the European and Community Patents Court of 16 October 2009, obtainable on the EPLAW website <http://www.eplaw.org/default.asp> under the section “Recently added Material”.

<sup>10</sup> Austria (AT), Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Cyprus (CY), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Ireland (IR), Latvia (LA), Lithuania (LT), Luxembourg (LU), Malta (MT) the Netherlands (NE), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Sweden (SE) and the United Kingdom (UK).

<sup>11</sup> Enhanced cooperation COM(2010) 790 final of 14 December 2010.

- Draft Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection of 23 June 2011 (Unitary Patent Regulation),
- Draft Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements,<sup>12</sup>
- Draft Agreement between members of enhanced cooperation on a Unified Patent Court.
- Annex I to the draft Agreement is a draft Statute of the Unified Patent Court.
- Annex II is a “preliminary list of topics to be included in the rules of procedure”.<sup>13</sup>

The draft Agreement on a Unified Patent Court (AUPC) is a draft for an interstate agreement amongst the states of enhanced cooperation without the EU, but with much the same content as the former Unified Patent Court proposal. The new draft of an EU Regulation on unitary patent protection departs from the former concept of a Community patent with extensive rules and corresponding participation of the EU (Commission) in the granting EPO. The new concept provides a special agreement as stated in Arts. 142 et seq. of the EPC, and gives unitary effect, upon request, to a European patent granted by the EPO for the member states of enhanced cooperation. The patent with unitary effect is protected against infringing acts in the entire area of enhanced cooperation, and may be transferred only in its entirety, but may be licensed country-wise, according to Art. 3(2) of the Unitary Patent Regulation.

The means for realising the unitary protection is the Unified Patent Court, to be created by an interstate treaty outside the EU. The unified court is to have competence in infringement and revocation, not only for patents with unitary effect but also for other European bundle patents granted for one or more states of enhanced cooperation.

The at present non-participating states Italy and Spain have been invited to join. So basically we are back to the voluntary EPLA system, though with one big difference: the EU Commission is now the driving and directing part.

## *B. Discussion of Jurisdiction*

### **I. Jurisdiction – Article 15**

One focus of our discussion is on Art. 15, “Competence of the Court”, of the draft AUPC:

- (1) The Court shall have exclusive competence in respect of:
  - (a) actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences;
  - (a1) actions for declarations of non-infringement;

<sup>12</sup> Proposal to the European Council 11328/11 Annex 1 and Annex II of 23 June 2011, on the EPLAW website “Recently added material” subsection “Legislation/proposed legislation”

<sup>13</sup> The latest public version seems to be from 11 November 2011, Council document 16741/11, also obtainable on the EPLAW website, “Recently added material”, “Legislation/proposed legislation”: [http://www.eplaw.org/Downloads/2011-11-11\\_Draft\\_agreement\\_st16741\\_en11.pdf](http://www.eplaw.org/Downloads/2011-11-11_Draft_agreement_st16741_en11.pdf).

- (b) actions for provisional and protective measures and injunctions;
  - (c) actions for revocation of patents;
  - (c1) counterclaims for revocation of patents;
  - (d) actions for damages or compensation derived from the provisional protection conferred by a published patent application;
  - (e) actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the patent;
  - (f) actions on compensation for licences on the basis of Article 11 of Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection; and
  - (g) actions concerning decisions of the European Patent Office in carrying out the tasks referred to in Article 12 of Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection
- (2) The national courts of the Contracting Member States shall remain competent for actions related to European patents and European patents with unitary effect which do not come within the exclusive competence of the Court.

When the text of the AUPC refers to “patents” or “patent applications”, European bundle patents and patents with unitary effect are comprised according to the definition in Art. 2(7) of the draft AUPC.

Infringing acts are defined in Art. 6 of the Unitary Patent Regulation (draft) as – roughly speaking – making, selling, offering, using or possessing for such purposes the patented object or process “not having the proprietor’s consent”. In Art. 7 of the Unitary Patent Regulation indirect infringement is defined.

For European bundle patents the EPC hitherto referred infringement in its Art. 64 to national law. The national law for bundle patents for the cooperating states would now be the European Patent Court Agreement, namely: Art. 14f AUPC – direct infringement, Art. 14g AUPC – indirect infringement, Art. 14h AUPC – permitted acts, Art. 14i AUPC – prior use. These Articles have the same wording as Arts. 6 et seq. of the Unitary Patent Regulation for patents with unitary effect save that the latter lack the provision on prior use.

## **II. Substantive Law**

We have draft substantive law for a common jurisdiction on infringement (cited above) and on validity by reference in Art. 38a of the AUPC to Art. 138 of the EPC. Yet that reference falls somewhat short in respect to national prior rights, national older applications which are published after the application for a European patent. These older national applications are treated in Art. 139(2) of the EPC, and should be included in the reference for revocation.

We should, however, also consider other issues arising occasionally in infringement or involving an assessment on whether or not there is infringement.

### **1. Prior Use**

In Art. 12 of the former draft Community Patent Regulation of 12 November 2009 an EU-wide right of prior use was provided for with regard to Community patents, namely, to continue such use if commenced or prepared anywhere in the EU. Such a provision is now lacking in the draft Unitary Patent Regulation. But Art. 10 of the Unitary Patent Regulation states that a European patent with unitary effect will be treated in its entirety in all participating Member States as a national patent of the state where the patent owner has his domicile or principal place of business. For

European bundle patents Art. 14i of the draft AUPC provides a state-wide right based on prior use:

Any person who, if a national patent had been granted in respect of an invention, would have had, in a Contracting Member State, a right based on prior use of the invention or a right of personal possession of the invention, shall enjoy, in the Contracting Member State, the same right in respect of a European patent for the same invention.

According to the definition in Art. 2(5) of the AUPC "European patent" means a European bundle patent only.

*Let us assume that a German holding a European patent with unitary effect sues a French infringer at the Paris Court Division. The French infringer objects, claiming a right of prior use in France, although he has not made prior use in other Member States.*

In the case of a European patent with unitary effect, even Art. 10 of the Unitary Patent Regulation would not suit to allow the defence. The defence would be allowed in case of a European bundle patent, but then there might be a problem with Art. 16 of the AUPC, which provides for decisions to have a general territorial effect in all member states where the European bundle patent has taken effect.

In Art. 14i of the AUPC, therefore, the term "European patent" should be replaced by "patent" so as to comprise both forms of patents. In addition Art. 16 of the AUPC should be thus limited: "unless a defence is valid for only part of the territory". Territorially limited defence may also occur for the defence of a limited licence, and limited licences are allowed expressly in Art. 15(1)(a) of the AUPC.

In Art. 15(1)(e) AUPC there is also a competence for "actions relating ... to the prior use of the patent". However the right of prior use is only formulated with regard to European bundle patents; and then, prior use is hardly a basis for an action but rather a defence. Although we speak of a right of prior use, it is in reality not a transferable right but rather a gap in the protective effect. Therefore Art. 15(1)(e) of the AUPC is redundant and should be deleted. Prior use should be acknowledged as a defence instead.

The traditional wording defining infringement as the committing of certain acts "without [the patentee's] consent" stems from Art. 27 of the 1975 Luxembourg Community Patent Convention<sup>14</sup> and was then continued in Art. 25 of the Luxembourg Convention of 15 December 1989 on the Community Patent.<sup>15</sup> The wording found its way into most national patent acts in Europe because states were eager to coordinate their national law with the seemingly imminent Community patent law. As a wording of widespread consent, it was adopted in Art. 28 of the TRIPS Agreement and has now reappeared in Art. 7 of the Unitary Patent Regulation and in Art. 14f of the draft AUPC. It is time to reconsider a reasonable legislative wording instead of repeating an old formula, for example: "acts one is not entitled to perform." Prior use is certainly not a consent from the patentee but an entitlement of a different sort.

## 2. Entitlement and True Inventorship

<sup>14</sup> Text published in 1975 GRUR Int. 231.

<sup>15</sup> 89/695/EEC Agreement relating to community patents, OJ 1989 L 401/1-27.

Entitlement was expressly treated in Art. 4 of the 2009 draft EU Patent Regulation<sup>16</sup> along the lines of Art. 60 of the EPC. Differing from Art. 61 of the EPC, Art. 5 of the EU Patent Regulation of 2009 provided as a remedy that the truly entitled person may claim the misappropriated EU Patent, entirely or in part, as a co-owner, as the case may be. Article 6 of the EU Patent Regulation 2009 allowed a non-exclusive licence to the non-entitled person or his licensees under the premise that they used the patent in good faith before entitlement proceedings began. The 2011 Unitary Patent Regulation no longer contains any rules on entitlement. In this respect, according to Art. 10 of the current Unitary Patent Regulation, a patent with unitary effect is to be treated as a national patent under the national laws of the patent owner. For a European bundle patent, there are no rules except that the reference in Art. 38a of the AUPC to Art. 138 of the EPC includes non-entitlement as a ground for revocation. Otherwise, national laws apply and are to be determined under the Rome II Regulation. For remedies other than destructive revocation there was, and presently is, no jurisdiction for the Unified Patent Court. The catalogue of competence for the Unified Patent Court is enumerative and exhaustive. In other matters than those listed in Art. 15(1), and thus for entitlement, the courts of the Contracting States have jurisdiction according to Art. 15(2) of the AUPC.

In their application state European bundle patents are subject as to substantive law on entitlement to Arts. 60 and 61 of the EPC. The Protocol on Recognition of 5 October 1973<sup>17</sup> confers competence to specified national courts. Entitlement proceedings during grant or during opposition are enabled by Rules 14, 15 and 78 to the EPC, providing for a stay of granting or of opposition. The European patent after grant comes under substantive national law and under national jurisdiction as to infringement and as to entitlement. Hitherto supranational substantive law in infringement is only Art. 69 of the EPC and the Protocol on the scope of protection.

It is quite understandable that a granting administration like the EPO did not feel qualified to decide on highly contentious and complicated civil matters like entitlement. However it is not understandable that a competent Court of Justice for European and Unitary Patents should not decide on these matters but should leave them to national judges. Other than previously for Community patents, there are not even common substantive rules as how to treat a misappropriated patent with unitary effect, or a European bundle patent and licences granted thereunder. Under German law licences lapse without a right to continue bona fide use. Swiss law allows licensees to continue a bona fide use, the same as was provided for the Community patent. So in these highly contentious matters competence and trained experience would remain only with the national patent courts.

It is quite uncertain who is competent for an objection to a plaintiff's entitlement in infringement. It is evident that an attacked infringer must be able to defend himself with the claim that he is the true inventor. Presently, entitlement is clearly not within the limited competence of the Unified Patent Court. Art. 15(1)(a) of the AUPC gives the Court exclusive competence for infringement "and related defences". But it does not make sense to deny competence for active entitlement suits and to grant it for

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<sup>16</sup> Addendum 1 to Council document 16113/09 of 27 November 2009, obtainable from the Council website <http://register.consilium.europa.eu/pdf/en/09/st16/st16113-ad01.en09.pdf>.

<sup>17</sup> Protocol on Jurisdiction and the Recognition of Decisions in respect to the Right to the Grant of a European Patent (Protocol on Recognition) p. 451 of the EPC, 14th edition edited by the EPO.

passive entitlement issues. Furthermore it would lead to highly complicated situations if, for example, a defendant, arguing that he is the truly entitled inventor, launches a counterattack on transfer of the patent with unitary effect. The action, here counteraction, would fall under the competence of national courts under Art. 15(2) of the AUPC. If the defence of entitlement really came under the competence of the Unified Patent Court we would have two simultaneously competing competences with the risk of diverging decisions.

In any event the present split of competence for entitlement and infringement weakens training through practice and that, in turn, will weaken experience and know-how for both European and national judges. The former will lack experience in an important infringement issue and the latter will, over time, lack experience in handling infringement. It would be not perfect, but better, to give jurisdiction on entitlement to the Unified Patent Court judges as well, and that for patents with unitary effect and for European bundle patents. For both, substantive rules would be required in the draft AUPC like those formerly contained in Arts. 4 and 5 of the Community Patent Regulation, and a corresponding competence in Art. 15 of the AUPC.

Of course, the EPLA draft had the same shortcoming. But it would have required the same correction.

### 3. Licence

The objection based on having a licence clearly falls within the Unified Court's competence to decide on infringing acts, because infringement is presently defined as certain acts committed without the consent of the patentee. Depending on the case, it will legally be quite a demanding task to handle this objection.

Let us consider an example:

*French patentee P grants an exclusive licence to L in Munich to work P's unitary patent in the countries of the unitary EU states. L pays few royalties, arguing that he is not able to market larger quantities in view of competitive products. P holds that the marketing efforts of L were insufficient. In this example P chooses to terminate the exclusive licence for insufficient payment of the royalties, because he wants to be free to find a more diligent licensee. He sues L for continuing infringement. L holds that the termination was not justified.*

Our example is a clear infringement case in which the main issue is whether L acts with or without the consent of the patentee P; therefore the Unified Court has jurisdiction under Art. 15 of the AUPC.

But which law should the Court apply? On applicable law Art.14e of the draft AUPC rules that the Unified Court has to apply first the Unitary Patent Regulation and other EU law, and subsidiarily national law according to the rules of private international law. Art. 3(2) the Unitary Patent Regulation allows contractual licences but does not determine the contractual rights and obligations. So the Court has to fall back on national law and has to determine the relevant national law according to the Rome I

Regulation (EC) 593/2008 of 17 June 2008,<sup>18</sup> provided the licence agreement was concluded after 17 December 2009.<sup>19</sup> That takes the Court deep into the system of the Rome I Regulation and eventually into jurisprudence of national courts on the “characteristic performance” in a licence. At this point we shall not launch into a detailed solution of our example; suffice it to show that the competence “including counterclaims concerning licences” already opens a complex field of civil law far beyond just infringement.

We vary our example somewhat:

*P does not terminate the licence agreement but sues L for damages for not properly performing the licence contract because of insufficiently exercising the licence. L argues that the embodiment of the licensed patent is technically defective and not acceptable to the market. He maintains that his changed embodiment does not fall under the scope of the patent.*

The altered example is no longer a case of patent infringement but of contractual damages. The Unified Patent Court is not competent under Art. 15 of the AUPC though infringement issues may be relevant. In general the Unified Patent Court has no jurisdiction for licence cases even if the question of whether or not the licensed patent is used is central. The majority of licence contracts do not license a specific embodiment but a patent. So the patent owner consents to all embodiments being comprised under the scope of his patent.

We may have to live with this inconsistency in order not to expand the court jurisdiction beyond clearly recognisable limits. Often a licence agreement also covers know-how and trademarks, issues outside patent enforcement. But we should at least follow the EPLA example in its Art. 41(d) to give the Unified Patent Court jurisdiction where the parties have so agreed – and that may be the case in many licence contracts. That would also be in line with Art. 23 of the EC Regulation on Jurisdiction and Recognition<sup>20</sup> allowing prorogation of jurisdiction.

#### 4. Exhaustion

Exhaustion is expressly ruled only for patents with unitary effect in Art. 9 of the Unitary Patent Regulation. For European bundle patents as for national patents the case law of the ECJ on EU-wide exhaustion<sup>21</sup> remains valid.

Exhaustion occurs when the object of the patent is marketed within the EU by the patentee or with his consent. Then, only the rights to offer, sell and use are exhausted, but not the right to make. Such exhaustion has frequently been explained as a matter of conclusive consent. That would fit nicely into the court jurisdiction on patent use without the consent of the owner. But there is discussion about whether tacit consent is the real cause for exhaustion, because consent would cover use of the first buyer but not use of third buyers with whom the patent owner has no

<sup>18</sup> OJ EC, L 177/6 of 4 July 2008.

<sup>19</sup> If before, national rules on conflicts of law would be governing but they were already assimilated. In Germany Arts. 27 *et seq.* EGBGB.

<sup>20</sup> Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ 2001 L 12/1.

<sup>21</sup> ECJ 16 July 1998, C-355/96, 29 IIC 920 (1998) – *Silhouette*.



business. Hence, - at least in Germany, the consent doctrine has long been abandoned for exhaustion of device patents. If exhaustion goes beyond consent then "use without being entitled" would fit better, with respect to exhaustion as well.

The European citizen wonders what difference is hidden behind the express exhaustion for patents with unitary effect and the lack of mention of exhaustion for European bundle patents. The trained lawyer would say: none; but legal clarity befits the legislature in its responsibility to European citizens.

#### 5. Branched-Off Utility Model: A German and Austrian Problem

Competing competences are likely to occur if an action starts early with a branched-off utility model and then the parent application is later enforced as a European patent or a patent with unitary effect. In the application state of a European patent the applicant cannot, in many states, enforce his patent. After publication of the application he can often claim only indemnification, but he cannot, in most states, stop the infringer. In Germany he can branch off a utility model and, based on a positive search report to the parent right or a positive communication during examination, sue the infringer for injunctive relief at the German national court. Then, if his parent application is granted as a European patent or as a patent with unitary effect, he may also start an infringement action at the Unified Patent Court. We would then have two concurrent proceedings. One possible solution might be to stay proceedings of utility model infringement. The action becomes void if the European patent infringement action is successful. If not, the owner may resume the national infringement procedure if he deems that feasible. But Germany might also consider abandoning the German utility model altogether, in favour of a stronger protection of European patent applications. That leads to an additional problem.

#### 6. Use of a Patent Application Between Publication and Grant

Article 67(1) of the EPC establishes as the basic rule full protection for published applications, but Art. 67(2) allows a reduced protection to member states, though at a minimum reasonable compensation and equal treatment with national applications. According to Art. 15(d) and (e) of the AUPC, the Court will be competent for actions relating to the use that takes place between publication and grant, and for actions for damages or compensation derived from that provisional protection. As to the rights conferred by provisional protection, the choice of member states is rather varied:

AT	Compensation	IR	Damages postponed
BE	Compensation	LA	Compensation
BG	Compensation	LT	Compensation
CZ	Compensation	LU	Compensation
CY	Compensation	MT	As national patent applications
DK	Compensation	NE	Compensation
DE	Compensation	PL	Injunction, damages
EE	Preliminary injunction, damages	PT	Seizure
FI	Damages	RO	Damages postponed
FR	Seizure, damages	SE	Compensation
GR	Seizure, damages	SI	Compensation
HU	Injunction, damages, stay to grant	SK	As national patent applications

In the present draft of the AUPC, the remedy for use of an application between publication and grant is not fixed. Since the word “compensation” is used in Art. 15(d) of the AUPC one might gather that the remedies are reduced to a compensation, as in many countries. But that is not certain; furthermore there is no clear definition of what a “compensation” shall be: whether damages, fair and reasonable royalty and/or user’s profit?

### III. Rules of Procedure

Presently the rules of procedure are few and dispersed. In the draft AUPC we have the following:

- Article 22 makes reference to Rules of Procedure to be set by the Administrative Committee. As to the content the reference says that the rules must guarantee high-quality decisions and an efficient and cost-effective procedure with a fair balance between the legitimate interests of all parties.
- Articles 23–26 demand, in general, proportionality and fairness in application of the rules and remedies, active case management, electronic procedure and public procedure.
- Article 28 is on representation.
- Article 32 sets written, interim and oral stages of procedure.
- Article 33 enumerates means of evidence.
- Articles 33a and 34 deal with burden of proof and its reversal.
- Articles 34a–37 under “Power of the Court” authorise protective and provisional orders in the matter or for securing evidence.
- Article 36 within this body of provisions deals with expert evidence and provides, without excluding party experts, for court-appointed experts.
- Article 49 sets basic rules for the procedure under the heading “Basis for decision and right to be heard”:
  - (1) The Court shall decide in accordance with the requests submitted by the parties. The Court shall not award more than is requested.
  - (2) The decision on the merits may only be based on grounds, facts and evidence on which the parties have had an opportunity to present their comments.
  - (3) Decisions on the merits may only be based on the grounds, facts and evidence submitted by the parties or introduced into the procedure by an order of the Court.
  - (4) The Court shall evaluate evidence freely and independently.

<sup>22</sup> This table is an abridged excerpt from Chapter III a of the EPO publication “National Law to EPC”. The country abbreviations are given in footnote 9. “Postponed” means that the action for damages may only be started after grant.

- Article 52 on settlement requires, however, confirmation of the Court.

The Statute, appended as Annex I to the AUPC, deals, as its Art. 1 states, with institutional and financial arrangements of the Court.

Annex II contains a list of topics to be elaborated in detail in the future Rules of Procedure (RoP). In autumn 2009 the Commission submitted an informal draft of partly elaborated RoP.<sup>23</sup> Furthermore there are guidelines from the European patent judges on rules of procedure, which they issued on 4 November 2006.<sup>24</sup> Late in April 2012 a new draft of RoP consisting of 511 Rules (with gaps) was published.<sup>25</sup> This draft was established by a small drafting committee composed of 3 judges and 4 attorneys from France, Germany, Netherlands and UK, invited by the Danish Council Presidency. The draft does not claim to be final. Its aim is to assist a Preparatory and the later Administrative Committee to fix the rules of Procedure. In the AUPC it is Article 49 which is the main provision dealing with party rights. It sets the principle that the parties govern and determine the procedure. The principle requires more clarification. It would be desirable for the sake of clarity of law that the basic principles be spelled out in a comparable chapter and scheme as Arts. 113 et seq. of the EPC, which has already become familiar to the prospective users. Corresponding and differing rules would then become more clearly visible.

#### 1. Repetitions in the Present Draft RoP

The preliminary drafts of RoP contain many repetitions since they are structured according to the different kinds of procedure such as infringement, revocation, non-infringement, etc., and repeat more or less the same procedural steps for all of these procedures.

It is evident that the large volume of rules could be much shortened by placing the tiring repetitions in a “General Part” and then putting only the variants in the part for specific procedures. Basic rules and principles of procedure should be placed in the “General Part”, preferably even in the Agreement itself, corresponding to or varying from Arts. 113 et seq. of the EPC.

#### 2. Intervention

There are various situations to be considered for intervention of a third party.

*Such a situation is that an exclusive licensee has initiated infringement proceedings against a competitor who in turn launches an invalidity attack against the patent.*

For this situation Art. 27(4) and (5) of the AUPC make the provisions:

<sup>23</sup> Preliminary set of provisions for the Rules of Procedure of the European and Community Patent Court, obtainable on the EPLAW website <http://www.eplaw.org> under “recently added material” subsection “Legislation/proposed legislation” [http://www.eplaw.org/Downloads/2009-10-16\\_Consolidated\\_Draft\\_RoP\\_4\\_VC09.pdf](http://www.eplaw.org/Downloads/2009-10-16_Consolidated_Draft_RoP_4_VC09.pdf).

<sup>24</sup> Second Venice Resolution of 4 November 2006, obtainable on the EPLAW website under the subsection “Venice material”: <http://www.eplaw.org/Downloads/Second%20Venice%20Resolution%20dated%204%20November%202006.pdf>.

<sup>25</sup> EPLAW website [http://www.eplaw.org/Downloads/2012-03-30\\_draft\\_Rules\\_of\\_Procedure\\_UPC.pdf](http://www.eplaw.org/Downloads/2012-03-30_draft_Rules_of_Procedure_UPC.pdf)

(4) In proceedings initiated by any licence holder, patent proprietor shall be entitled to join them as a party.

(5) The validity of a patent cannot be contested in infringement proceedings initiated by the holder of a licence where the proprietor of the patent does not take part in the proceedings. The party in infringement proceedings wanting to contest the validity of a patent shall have to initiate proceedings against the proprietor.

The competitor may launch a counterclaim for revocation according to R 23 of the draft RoP but then must first reach an agreement that the proprietor of the patent joins the litigation as a further party. If the proprietor is unwilling to join, the competitor must take the "bifurcation", that is, to start a revocation action against the proprietor at the Central Division.

A situation, similar but in reverse, is the above example under a):

*A licensee is interested in joining in the infringement and/or the revocation litigation.*

Chapter 6, Sect. 5, R. 402 et seq draft RoP 2012 deal with intervention providing two stages: an application for admission and a statement of intervention (R 407). Only the latter, that is after admission, will contain the issue involving the intervener. So the criteria for intervention are largely undefined. Intervention shall only be possible in first instance. That seems to be too restrictive. In Germany intervention is possible also in appeal and between the instances. At the EPO a third party cannot join between the instances, but only when a principal party has made an appeal.

A third situation:

*An alleged German infringer has bought and imported allegedly infringing goods from an English producer. The German patentee sends a dunning to the German importer and subsequently sues him at one of the German divisions. If condemned, the German importer will want to take regress with his English seller.*

Can the English seller in regress proceedings object that the German infringement process was ill-managed and wrongly decided? Normally he can, because he was not a party in the infringement process. R 408 draft RoP 2012 allows invitation to intervene but does not settle the consequences for regress. In Germany the third party may either join or stay outside: in both cases he must accept the decision as if he had joined. Lacking rules of law under the AUPC, national law applies according to Art. 14e of the AUPC, but we can hardly solve our situation with Section 72 of the German Code of Civil Procedure. A British court would, in regress proceedings, likely not feel bound to German procedural rules. The wide territorial effect of an infringement decision in all member states, according to Art. 16 AUPC, is of no avail because that effect is limited to the parties.

### 3. Affidavits

Article 33 of the AUPC lists means of evidence, among them the "sworn statements in writing (affidavits)". The rule on witness statements of the draft RoP, R 175-1,

reads: "A party seeking to offer witness evidence may lodge a written witness statement."

This provision should be reconsidered. The value of a witness is largely compromised if he has previously submitted a written statement, prepared mostly under the influence of his superiors and attorneys. It is a matter of fact that, when questioned, he will hardly be able to change what he has already signed. In former years the professional rules of ethics even forbade German attorneys from submitting affidavits where witness hearings were the normal means of evidence. That rule has been abolished, but German attorneys still refrain from compromising a witness by submitting an affidavit.

The British practice makes extensive use of witness-affidavits. But the reason for this is that the witness in oral hearings is first presented to the other party for cross examination, while the judge theoretically listens only. The affidavit furnishes the basis for cross examination. The situation becomes quite different when the judge becomes the active, questioning magistrate.

It may be a better solution if written witness statements are provided only with the leave of court, which the court may grant in cases in which it deems a written statement sufficient, particularly when the statement depends on books or notes that shall be attached. In German law there are provisions to this effect in Sections 377(2) and 378 of the Code of Civil Procedure.

#### 4. Should Rules of Procedure be left to an Administrative Committee?

Article 22 of the draft AUPC proposed by the EU Commission provides for the RoP to be adopted by an Administrative Committee. According to Art. 57 of the AUPC, the Administrative Committee must be composed of one representative of each contracting member state. Usually such committees are composed of members from the national administration. Hence the question: is it proper to replace parliament-adopted national law on procedure at court by a sort of regulation, issued by non-elected state officials, without detailed parliamentary guidance? Replacing an act of parliament by administrative regulations would be one more example of the lack of democratic basis in European legislation.

The German legislature is bound to the German Constitution. According to Art. 80 of the Constitution, a regulation must be authorised by a law adopted by parliament and the law must specify "content, purpose and extent of the authorisation". On the other hand, Arts. 23 and 24 of the Constitution provide for Germany to participate in interstate institutions, particularly the EU, and allows transfer of sovereign rights. Legislation is certainly one of the sovereign rights. The German Federal Constitutional Court has admitted that internal restrictions do not necessarily have to be applied to authorised supra-national legislation. However a blank authorisation for indefinite legislation is not allowed.<sup>26</sup> So doubts are permissible if the German parliament is allowed to authorise by consent to the Agreement the replacement of state law by administrative regulations of an indefinite content. Doubts are particularly justified because there is no emergency situation or unforeseeable situation for those rules of procedure. Drafting them was simply omitted.

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<sup>26</sup> German Federal Constitutional Court, decision of 12 October 1993, 1993 NJW 3047 – Maastricht; German Federal Constitutional Court, decision of 30 June 2009, 2009 NJW 2267, particularly at [236] – *Lisbon*.

One might object that the EPO also has an Administrative Council with power laid out in Art. 33 of the EPC to change the Implementing Rules and some other provisions. But the EPC Implementing Rules are closely circumscribed by the extensive body of ratified EPC Articles. Moreover, when the national parliaments were asked to ratify, they were given the Implementing Rules, which were elaborated in detail, although these later had to be adapted in 2006. For the AUPC the parliaments are asked to ratify blindly as to the procedure for their citizens.

### *C. Conclusion and Proposals*

#### **I. Amend the Substantive Law**

##### 1. Infringing Acts

When defining infringing acts we should take out: "without having the patentees' consent" and put in instead: "without being entitled to do these acts".

That is an awkward proposal, since it means departing from a time-honoured wording in the CPC, the TRIPS Agreement and corresponding national patent acts, in order to spell out what the real practice is. But the proposed wording would comprise the defences of better entitlement and of prior use.

##### 2. Entitlement

Substantive law as to entitlement is needed. A draft is already contained in Arts. 4–6 of the 2009 draft Proposal for a Community Patent Regulation.<sup>27</sup>

##### 3. Prior Use

Prior use is not a cause of action but rather a defence. It is defined in Art. 12 of the 2009 draft Community Patent Regulation as an EU-wide right conferred by prior use anywhere in the EU. Why should we not keep it for unitary patents, limited to the member states of enhanced cooperation, and national prior use, as presently provided in Art. 14i of the AUPC, for European patents. In any case we cannot regulate prior use for European patents only.

##### 4. Validity

An older national application that has not been pre-published does not destroy novelty for a European patent application. Hence the reference to Art. 138 of the EPC falls short, and must be extended to Art. 139(2) of the EPC as well.

##### 5. Rights Between Application and Grant

Since Art. 67(2) of the EPC allows national legislation within certain limits, the AUPC must also take up that permission, and rule what these rights shall be. If compensation only, then the extent of that claim should be defined more exactly. Competence alone in this matter does not solve the issue.

##### 6. Concurrent Utility Model

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<sup>27</sup> <http://register.consilium.europa.eu/pdf/en/09/st16/st16113-ad01.en09.pdf>.

Germany has the problem of reconsidering its utility model in view of a desirable "one-shop jurisdiction".

## II. Procedural Problems

### 1. Broad Jurisdiction in Patent Matters

In order to avoid multiple proceedings at different courts, and in order to enhance the competence of judges in European and unitary patent matters, it would be desirable for a case on use of European or unitary patent to be decided by one court under all possible aspects, be it entitlement or licence or exhaustion or prior use or even estoppel.

### 2. Stipulation of Competence

Party agreements should be allowed to stipulate competence of the Unified Patent Court in all patent matters, even those involving national patents. If the parties can opt out from the Court in favour of an arbitration and mediation centre, as provided for in Art. 17 of the draft AUPC, then they should also have the corresponding contractual freedom to opt in to the Court. That would make good sense, particularly in a licence contract on a patent application. It is a frequent strategy in Germany to apply first for a national patent with an early first examination communication and based thereon to seek within the priority year extended protection through a PCT application also designating the European patent. This strategy frequently results in two similar patents as the basis for the licence.

### 3. Here is a Draft Proposal for a Broader Court Competence:

- (1) The Unified Patent Court is exclusively competent for any litigation in which use, validity or entitlement of a patent with unitary effect or a European patent or a supplementary protection certificate is essential. The competence includes provisional and protective measures and injunction. The Court is also competent for corresponding patent applications, but Arts. 60, 61 EPC and the Protocol on Recognition shall remain unaffected<sup>28</sup>
- (2) Parties may stipulate in writing, including confirmed e-mail or fax, the same competence of the Unified Patent Court for any actual or possible dispute involving<sup>29</sup> use, validity or entitlement of a patent or patent application including a national patent or utility model or a national patent application or a supplementary protection certificate.
- (3) The Unified Patent Court shall also be competent concerning decisions of the European Patent Office in carrying out the tasks referred to in Art. 12 of the Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection.
- (4) For the rest national courts shall remain competent.

<sup>28</sup> Protocol on jurisdiction and the recognition of decisions in respect to the right to the grant of a European patent (Protocol on Recognition) of 5 October 1973 in three languages in the EPO collection European Patent Convention.

<sup>29</sup> The different wording, "involving" in para. 2 and "essential" in para. 1, is deliberate. In an action of unfair competition the mere mentioning of a patent does not make the Court competent unless the patent is likely to be essential for the decision. For an ex-ante stipulation of competence in a licence contract, it should be sufficient that the contract is not just a trademark licence but involves "patents" also.

#### 4. Territorial Effect

Territorial effect in Art. 16 of the AUPC needs limitations because:

- A licensee, authorised to sue, may have only a territorially limited licence.
- Likewise the defence of having a licence may be valid only for a restricted territory.
- An older national patent right may be valid only in one member state.
- A defence of prior use may only exist in one member state.

In each case the decision must specify whether it has universal territorial effect in member states or else in which member states it has effect.

Presently we are in a hurry to get the Unified Patent Court established, but we should take the time to get it right.