

The Oral Hearing on the Rules of Procedure of the Unified Patent Court

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Introduction

The Unified Patent Court (UPC) is based on three documents: the Agreement on a Unified Patent Court (UPCA), the Statute of the Unified Patent Court and the Rules of Procedure (RoP), which are based on Article 52 UPCA.

The 15th draft of the Rules of Procedure was published on 31 May 2013, followed by a public consultation. There were more than 110 written submissions in this public consultation. The results of that consultation were incorporated in a redline 16th draft, published 31 January 2014, together with a Digest by the Expert Group (the former RoP drafting committee). The digest reports the views and suggestions submitted during the consultation, comments on those views and suggestions by Prof.dr. Winfried Tilmann of the Expert Group and the decisions made by the Expert Group. These decisions were made after the draft had also been discussed with a number of patent judges at the Venice Conference.

Although the 16th draft was published on the UPC website, its content was still solely the responsibility of the Expert Group; it had not been reviewed by the Preparatory Committee itself. This was the next step, undertaken by the Legal Group of the Preparatory Committee, which led to the publication of a 17th draft on 31 October 2014. Changes made to the 16th draft were marked in blue. Together with the 17th draft a table containing explanatory notes on these changes was published. The explanatory notes do not have an official status, but they can only be understood to reflect the views of the Legal Group. Therefore, it seems inevitable that they will be used for future interpretation of the Rules of Procedure, until the Court and especially the Court of Appeal has ruled on such

interpretation. After all, Article 33 of the Vienna Convention of the law of treaties provides that recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of Article 31 of the Vienna Convention, or to determine the meaning when the interpretation according to article 31: (a) leaves the meaning ambiguous or obscure; or (b) leads to a result which is manifestly absurd or unreasonable. If this would apply to the UPC Agreement itself, it would be logical to apply the same rule of interpretation to the Rules of Procedure.

Subsequently an oral hearing was held in Trier on 26 November 2014 to discuss the changes adopted in the 16th and 17th draft. The hearing was attended by eight members from the Legal Group, six members from the Expert Group, The Chairman and the Vice Chairman of the Preparatory Committee and, according to the list of attendees, over sixty representatives from non-governmental organisations and academia as well as a number of patent judges.

An account of the hearing by Dr. Stephan Dorn can be found on the IPKat weblog (<http://ipkitten.blogspot.nl/2014/12/those-new-european-patent-litigation.html>). A full recording of the webcast will be published soon on the ERA website (<http://upchearing.era-comm.eu/en/>). In addition, the Legal Group will probably publish a report on the hearing, as the hearing may lead to some changes that will be incorporated in an 18th and final draft. According to the UPC Roadmap, agreement should be reached on this final version in the Preparatory Committee meeting of May 2015,

after which the Rules of Procedure will be ready for adoption by the Administrative Committee as soon as the institutional provisions of the UPC Agreement come into force, which is currently planned to happen ahead of the opening of the Unified Patent Court for litigation, on the basis of Article 25 of the Vienna Convention of the law of treaties.

There were of course some issues that were debated lively at the oral hearing, but in general the atmosphere was very positive. The general approach was not criticism, but rather fine tuning the final improvements.

Opt-out and opt-in

The first issue discussed was the opt-out regime. Rule 5.13 now provides for a sunrise regime during which the European Patent Office (EPO) collects and processes the opt-out applications, which are then transferred to the Court Registry on the day the Agreement enters into force. Most participants preferred the EPO to remain responsible for the opt-out register, but the UPC Agreement clearly states that it shall be kept by the Court Registry. Unfortunately, Article 83 UPCA provides that an opt-out shall take effect upon its entry into the register, whereas a nullity action that blocks an opt-out will be pending as soon as it is filed online. The Legal Group saw no room for an interpretation that an application to opt-out shall have retroactive effect to the date of its filing.

However, since Article 83 also allows opting out a patent application whereas a nullity action can only be started after grant, patent applicants who want to opt out and who want to be on the safe side should file their opt-out application in time for it to be in the register on the date of grant of the patent.

The EPO is expected to allow updating the proprietor data in its register after grant, which will facilitate identifying who can file an opt-out application.

New Rules 5.7 and 5.9 were called the “UPC forever clause”. They serve to prevent contradictory judgments as much as possible. Once an action is pending or has been pending before the UPC, a patent can never be opted out anymore. If a patent is opted out, it cannot be opted in anymore once an action is pending or has been pending before a national court, even if that action was pending or even concluded before the UPC Agreement entered into force. So, if a patent is opted out after an action

is started before a national court, it can never be opted in anymore. A decision to opt out thus requires careful consideration.

The language regime

The next issue was Rule 14.2, which is aimed at defending the interests of SME's, but also of judges. The discussion focused on Rule 14.2(c), which is called the “English limited clause” in the explanatory notes. It allows for litigation in an EPO language, especially English, while at the same time allowing for issuing the judgment in the national language. The German judges were especially in favour of this solution, supported by representatives from German ngo's and also by the French judges.

The English limited rule is not a step towards effective litigation, but rather a step back. In his contribution to the IPKat weblog, Dr Dorn misrepresents my intentions in commenting on it; I was not representing any personal interests, but the industry interest of LES International. Drafting a judgment in a language that is different from the language of the litigation and most likely different from the language of the evidence will be troublesome, for instance because the judges will have to come up with translations of the technical terms of the patent and the prior art without assistance from the parties or the experts. Actually, a translation into English will need to be made anyway afterwards, for instance because English will most likely be the international working language within the UPC. In my view, the advantage of being able to draft a judgment in one's native language does not outweigh the disadvantages. Rather, UPC judges should be willing to become sufficiently proficient in English to be able to draft in that language.

However, it was made quite clear that Germany would probably not allow litigation in English without the English limited clause. The importance of being able to enforce patents in the German local divisions and present the case in English certainly overrides the interest of having everything in one language from the start.

Dr. Kühnen of the Düsseldorf Court stated that it goes without saying that in such an international cooperation one has consideration with the interests of the others and he has a point in that. Dr. Grabinski, judge at the German Federal Court (Bundesgerichtshof) and member of the Expert Group remarked that the claimant will normally

have the choice to bring his case before a division that does everything in English, if he prefers that.

The current wording of Rule 14.2(c) provides what parties may do, but does not limit what the court may do. So, even in a member state that adopts the English limited clause, a panel may still have the freedom to draft the judgment in English too if English is the main language of the proceedings. That would thus allow for a flexible transitional regime; judges who are not comfortable with drafting in English may draft in their native language, while others may draft in English, if that is the language of the proceedings. Over time, the second approach may become the preferred one.

Some attendees took Rule 14.2(c) one step further and argued that it would allow the claimant to submit its statements and plead in English, but at the same time would allow the defendant to submit its statements and plead in the national language, since the provision says that the parties “may” use the additional language. In their view this would create a lot of flexibility at the hearing. This may indeed also have been the intention of this rule, but it creates a rather complicated situation which may indeed make such a division rather unattractive to claimants. In fact, it would mean that the claimant would need to invest in translations of the defendant’s submissions into English. On the other hand, since most scientific literature is in English, it is hard to imagine that a company will be active in an innovative industry without being able to communicate in English. For political reasons we may need this provision, but it may add just another element of forum shopping.

Rule 14.4 was criticized. If the registrar returns pleadings because they are in the wrong language, that may decide the case in favour of the other party. That should at least require a decision by the judge-rapporteur.

Injunctions

The discussion then turned to Rule 118, which is the basic rule on injunctions. Section 2 has been deleted from Rule 118, as it would have been difficult if not impossible to meet the criteria of that provision. Rather, the decision on granting an injunction or other measures should be at the discretion of the court. The explanatory notes however state that, in view of Articles 63 and 25 UPCA, an injunction should normally be granted if the patent was found valid and infringed. It was argued at the hearing that this was also the starting

position of Advocate-General Wathelet in his Opinion in *Huawei vs ZTE*, according to which an injunction as such would not constitute abuse of a dominant position.¹ The Advocate-General also held that, in view of the Enforcement Directive, in view of competition law and in view of the freedom to conduct business as protected by Article 16 of the Charter of Fundamental Rights of the European Union, bringing an action for an injunction could only constitute an abuse of a dominant position *in exceptional circumstances*, but this could be the case if a standard essential patent was incorporated in the standard technology following a FRAND declaration to the standardisation body and if the patent holder would subsequently behave unfair or unreasonable when a licence was requested by a third party.² If bringing the action would be the abuse, the consequence would probably be that the action should be declared inadmissible, so claiming an injunction might be risky in such a case.

The explanatory notes take the exception to granting an injunction one step further by stating that “only *under very exceptional circumstances* (the Court) will use its discretion and not give such an order”. Of course, the Legal Group could not have foreseen which words the Advocate-General would choose, but now it seems that this requirement would go further than the requirement of *Huawei vs ZTE* and such an approach might therefore be an infringement on Union law, which on the basis of Articles 20 and 24(1)(a) UPCA takes priority over the UPC Agreement and the Rules of Procedure. If the exact scope of Rule 118 would thus be unclear, this might be an issue that needs to be referred to the Court of Justice under Article 21 UPCA. It is therefore better to make it quite clear in the explanatory note on Rule 118 that this rule should be applied in conformity with Union law and that the expression “only *under very exceptional circumstances*” in the explanatory notes is no intention to apply stricter criteria than prescribed by Union law. In that respect, it may also not be wise to merely state that there is no obligation to implement Article 12 of the Enforcement Directive since, although that may be true, a similar rule may result from competition law and from Article 16 of the Charter. Besides, as Prof. Tilmann pointed out, it is also in Article 3 section 2 of the Enforcement Directive, which is not an optional provision. Of course, all of this will develop further when the

¹ Case C-170/13, paragraph 61.

² Paragraphs 59, 67 – 74 and the first answer to the questions.

Court of Justice renders its judgment in *Huawei vs ZTE*.

Fortunately, the panel said that the application of Rule 118 would be at the discretion of the UPC judges, quite a number of which have extensive experience in this field. Actually, emphasizing that the decision indeed is at the discretion of the panel, without providing further guidance in an explanatory note, is probably the safest approach in view of Union law. Dr. Grabinski gave the example of a patent on a very small feature of a mobile phone – which would probably not be a standard patent, but an implementation patent – that would be found infringed. In such a case, an intermediate solution might be to suspend the injunction for a predetermined amount of time, to allow the defendant to modify his product. One might add that, obviously, the patent holder could then still claim damages for the infringements that were actually committed.

Leave to appeal

The last major issue tabled by the Legal Group was leave to appeal. Final decisions of the Court of First Instance, such as on validity and infringement, can of course always be appealed, but the Court may grant many types of orders in the course of proceedings for which a leave to appeal will be required. Under Article 73 section 2(b)(ii) UPCA this leave is granted by “the Court”, which created doubts as to whether the leave should be granted by the Court of First Instance or the Court of Appeal. This has now been made clear. Case management decisions and orders by the judge-rapporteur can be brought before the panel for review under Rule 333. All orders by the panel as meant in Articles 49 section 5, 59 to 62 and 67 UPCA can be appealed immediately without any requirement of leave. For all other orders and decisions from the panel, including those reviewing judge-rapporteur orders, leave to appeal is required. This leave can be granted by the Court of First Instance itself. However, if it refuses to do so, a reasoned request for leave to appeal can be filed with the Court of Appeal under Rule 220. This will be dealt with by the Court of Appeal’s standing judge for urgent actions as meant in Rule 345.5 on a discretionary basis, meaning that he may deny the request even without giving reasons for the denial. If he does grant leave, the matter is assigned to a panel of the Court of Appeal for a decision.

The new rule is a considerable improvement, since it prevents that first instance divisions try to uphold

undesirable approaches of important issues. It has been drafted mainly as a tool that enables the Court of Appeal to determine best practices where needed. Prof Tilmann remarked that if the Court of First Instance grants leave to appeal, this means that it wants guidance on the issue, so in that case there should always be a full appeal, resulting in a reasoned decision. However, in order to keep the intermediate procedural appeals manageable where the Court of First Instance refused leave, the Court of Appeal's standing judge should be able to deny them without having to give reasons for such denial. Of course, the issue can always be raised again at the appeal against the final decision, but that will not slow down the proceedings in first instance.

Everyone saw this as a very welcome improvement and most attendees agreed with the new system. Nevertheless, it would of course be helpful if the standing judge would give some reasons for his decision in those cases where a denial of an intermediate appeal would not be obvious.

Miscellaneous

Next some more minor issues were discussed, though some of them may have quite an impact.

It became clear that there will be no written transcripts of the court hearings, since they will be audio recorded under Rule 115; video recordings were deleted in the 17th draft.

Rule 105 provides that the interim conference should preferably be held by telephone or video conference, which is also emphasized in the explanatory notes. However, it seems the thinking on this has changed recently. Mr Véron of the Expert Group said that a video connection is still too vulnerable. An unwilling defendant could thus easily slow down proceedings. Face-to-face meetings would still be preferable, even though it might sometimes mean that a party has to travel a long distance. Indeed, there is scientific evidence that people behave differently when facing their opponents and judges instead of just looking at a camera and a TV screen. So, if the aim of proceedings includes establishing the truth, face-to-face meetings are certainly preferred.

There was some discussion on when the Court of Appeal should refer a case back to the Court of First Instance. Here an issue is that civil law courts do not always decide all issues that were presented to them when they can decide the case on the basis of

just one issue. For instance, if a patent is found invalid, a civil law court will normally not give a reasoned decision on infringement, except that an invalid patent cannot be infringed. If the Court of Appeal then overturns such a decision, the parties would be deprived of an instance if the case were not referred back to the Court of First Instance. Again, this is an issue where the Court of Appeal will have to develop best practices since – as Mr. Justice Birrs pointed out – nobody wants a system that institutionalizes long expensive first instances, but no-one wants a system of ping-pong courts either.

Of course representation before the court was discussed. The requirements both for lawyers and for European Patent Attorneys were discussed. For lawyers, Rule 286.1 now refers to Article 1 of Directive 98/5/EC, which serves to facilitate lawyers from one EU Member State to practice in another EU Member State. However, this Directive requires the lawyer to be a national of an EU Member State, meaning that lawyers from outside the EU do not qualify, not even if they have been admitted to the bar in an EU Member State. Lawyers from a non-UPC EU Member State can qualify if they are registered as a lawyer in a UPC Contracting Member State under Directive 98/5/EC.

Similarly, under Article 134 section 2(a) EPC, only a national of an EPC Contracting State can become a European Patent Attorney. However, they don't need to be a national of a UPC Contracting Member State in order to be allowed to act as representative before the UPC, nor do they need to register in such a Contracting Member State. Of course, Article 48(2) UPCA requires a patent attorney to have appropriate qualifications, especially a European Patent Litigation Certificate, and the discussions on the requirements for that are still ongoing. Whatever the outcome may be, parties litigating patents, especially in an international context, will normally be quite capable of selecting appropriate representation.

Rule 287 on attorney-client privilege, even though it of course only applies to litigation before the UPC and related advisory work, was welcomed as an accomplishment that could set an example for mutual recognition of privilege by WIPO member states, a process that has been ongoing for many years.

Issues from the floor

After the last coffee break the attendees could raise their own issues. However, this time there was no immediate response from the Legal Group and the Expert Group; the issues raised were noted for later consideration.

Unitary effect can only be requested within one month after grant of the European patent. Decisions on this can be appealed to the UPC under Article 32(1)(i) UPCA and are governed by Rule 85 and further. If unitary effect is refused, the patent still has to be validated in EPC Member States within 3 months from grant. Basically this means that a judgment on such a refusal needs to be rendered at very short notice. This seems very hard to achieve, but that can only be solved by extending the term for validation in the national laws of the countries that participate in the Unitary Patent. I think these laws could for instance provide that, in case a request for unitary effect is filed, validation as a traditional European patent should be requested within three months after the refusal to grant unitary effect has become final.

Obviously, the issue of the so-called bifurcation gap was raised. This gap could occur in case of bifurcation, where the claim for revocation of the patent is referred to the Central Division, whereas the infringement action remains pending before a Local or Regional Division, if infringement is decided and the patent is found infringed before validity is decided. This is a common problem – or advantage, depending which side you are on – in German patent litigation.

In UPC proceedings the risk of a bifurcation gap is somewhat limited anyway, since under Rule 37.1 normally the decision on bifurcation will be taken after closure of the written procedure. The duration of the interim procedure is normally limited to three months, according to Rule 101.3, after which the oral hearing that concludes the proceedings should follow within some two months, according to Rule 108. However, under Rule 37.2 the panel may decide on bifurcation at an earlier stage, in which case the risk of a bifurcation gap becomes larger. Rule 37.5 now provides that in case of bifurcation the Local or Regional Division that handles the infringement action shall communicate the dates for the interim conference and the oral hearing to the Central Division, if it does not suspend the infringement action until validity has been decided. In that case, Rule 40 further provides that the Central Division will accelerate proceedings

and endeavour to set a date for the oral hearing prior to the oral hearing on infringement. It was argued at the oral hearing, especially by David Laliberté of the Industry Coalition, that Rule 37 should in addition provide that enforcement of a ruling on infringement should be suspended until validity would be decided, or should at least be made subject to a sufficient security. However, it may not be so easy to follow up on the security. Dr. Grabinski pointed out that the case law on liability for damages due to enforcement of an injunction if a patent was later found invalid varies throughout the Contracting Member States, whereas the UPC Agreement currently provides no legal basis to recover such damages through UPC proceedings.

On behalf of LESI I questioned whether Rule 25.1(i) and 25.2, which have as an effect that the patent owner can be made a party to proceedings on a counterclaim for revocation of a patent in infringement proceedings brought by a licensee through simple service of the counterclaim on the patent owner by the Registry, would be in conformity with Article 47(5) UPCA, according to which the validity of a patent cannot be contested in an action for infringement brought by the holder of a licence where the patent proprietor does not take part in the proceedings.

Rule 262 deals with confidentiality of court files. It should include a rule that, if confidentiality is requested, it will be maintained until there is a final order on the issue.

Rule 271.7 deals with the right to a translation of the Statement of Claim. However, since the UPC will use an online filing system and therefore the Statement of Claim may be printed and served by the sub-registry in the home country of the defendant, it may not be transmitted from one Member State to another for service there within the meaning of Article 1 of the Service Regulation (EC) 1393/2007. This was covered in the 16th draft by using the words “where the defendant *would be* entitled to refuse service if Article 8 of the EU Service Regulation *were* applicable”, but it is not covered by the 17th draft, which incorrectly assumes that Article 8 does apply, so this latest change should be undone.

Conclusion

Obviously, it is impossible to report everything that was said at the oral hearing. However, the Legal Group did take notes on every contribution, so if they produce a report, it will probably be quite

comprehensive. Besides, it will always be possible to study the recording of the webcast.

The hearing actually closed 15 minutes early and in a very positive spirit. It is safe to assume that the changes proposed in the 16th and 17th draft will be adopted by the Preparatory Committee, probably with some further minor tweaks. This will create a final version that will have broad support, which will provide a good start for the Unified Patent Court. It is actually quite an accomplishment to create a new, autonomous procedural law that incorporates both civil and common law in a balanced system that will provide for very effective litigation within a controlled time frame. This will certainly be a very good tool box for patent litigation for 25 EU countries in a single court.

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