

## Observations on EC Proposal for European Union Patents Court

### Intellectual Property Lawyers' Association

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##### Introduction

The Intellectual Property Lawyers' Association ("IPLA") acts as a representative body for law firms in England and Wales with intellectual property practices, who wish to lobby for improvements to IP law. Over 50 firms are members of IPLA, and the vast majority of patent and other litigation and transactional work relating to intellectual property rights in England and Wales is conducted by these member firms. Because of the international nature of patents, member firms are also familiar with how things operate in many other countries, including across Europe and in the United States of America. Members act for a wide range of clients, from major multi-national groups of companies to SMEs and technology start-up companies, as well as universities and private inventors and investors. As a group, IPLA probably has unparalleled experience of how existing IP systems work in practice in the UK.

IPLA has reviewed the current proposals for a European Union Patents Court. It recognises that the negotiations have some way to go and, in this contribution, we confine our comment to the larger issues of principle.

##### Technical Judges

IPLA's view is that the judges in a patent case should be people with experience of handling cases in the relevant technical area, and that this requirement applies to ALL judges on a panel. The ability to handle technical issues should not be a skill that can or should be confined to a sub-set of the judges on the panel, who could otherwise have disproportionate influence on the decision. IPLA's strong preference is that all judges who handle patent cases should be willing and able to grapple with the technical and legal aspects of cases. The ability to grapple with the technical aspect of cases can be developed through experience of handling patent cases just as much as, or often more than, from having studied a broad scientific subject at university twenty years or more previously.

What is important is the judge's ability to understand the technology, not his pre-existing knowledge of it. Knowledge of the technology can be provided by a scientific adviser who sits with the panel of judges (and whose function is specifically limited to explaining the technology) or through a pre-hearing "teach in".

##### Technical Evidence

There are in principle three ways in which the technical issues which arise during patent cases can be dealt with:

The court uses its own technical expertise to decide those issues; or

Technical issues are referred for an opinion to an independent third party expert; or

Party-appointed experts give their views and the court decides between them.

(A) IPLA considers that the court is unlikely itself to have detailed knowledge of the relevant technical area and will not therefore be in a position to determine what the person skilled in the art would have known or thought at the relevant date.

Even if one or more of the judges did have such relevant technical expertise, and relied on it in deciding cases, they would be acting not so much as judges as witnesses of fact, and the parties would have no proper opportunity of knowing the nature, extent or correctness of the court's technical knowledge.

(B) IPLA considers that there are a number of objections to the use of an independent third party expert.

Delay. Since such experts are not beholden to any of the parties, there is no mechanism or procedure to require them to produce their opinion in good time. Experience of jurisdictions where such experts are used is that a reference of technical questions to such an expert is regarded as a victory for the defendant, who thereby defers the ultimate decision by a year or more.

The proposal in Article 36 of the current draft Agreement is for such expert to be selected from a pre-determined list held by the court. It is highly unlikely that any such list will include experts with sufficient detailed knowledge of particular technologies, so their opinions will be based on general principles rather than a detailed understanding of the particular issues facing the person skilled in the particular art. If a single expert is to be used, candidates should be identified (and, if possible, agreed) by the parties.

Reference of technical issues to an independent expert take a significant part of the decision-making process out of the hands of the judges.

Experience of court-appointed experts in patent cases under existing systems is that the parties have very little ability to question the expert so as to understand the reasons underlying his opinion or to challenge it. Courts tend to give great deference to the opinions of court-appointed experts, and this again makes it difficult for the parties, whose particular knowledge and experience of the relevant technology will frequently exceed that of the expert, to have the court pay proper attention to their concerns.

(C) IPLA favours party experts for the following reasons:

The experience of IPLA member firms is that the parties are generally more able to identify experts with relevant specific knowledge of the technology in issue than in "court-appointed expert" systems.

It is easier for a judge to decide a technical issue where two possible view points are presented, together with the underlying reasons for those viewpoints, rather than trying to assess one opinion from a court-appointed expert.

Because experts are retained by the parties, the parties will ensure that they keep to time and avoid delay.

IPLA's experience of litigation in civil law jurisdictions is that parties can get away with adopting untenable positions. Where parties are obliged to support their arguments with evidence from experts, the arguments are kept closer to the real world rather than advancing hypothetical or technically untenable arguments.

It is important to emphasise that, although the experts are put forward by each party, this does not mean that such experts are or need to be partisan. In the English system, parties' experts are retained by a party, but have a duty to the court to give their independent and unbiased views.

In conclusion, IPLA considers that the best way of resolving technical issues in patent cases is through the use of experts called by each party, for the reasons given above. In any event, the following considerations are important:

The judges should make their own decision, and should not delegate any part of the decision-making function to a third party expert.

The court can only make its own decision on technical issues if it understands not only the opinions of experts, but also the reasons for those opinions. Whatever procedure is adopted, the parties need to be able to probe the reasons for an expert's opinion.

It must be recognised that parties have detailed knowledge of the technological areas in which they operate, and are normally in a better position than any court to identify the experts who are best placed to assist the court in reaching its decision on these technical issues.

### Cross Examination

IPLA believes strongly that (limited) cross-examination is an essential part of any patent litigation system. The advantages are:

Cross examination keeps the witnesses honest and accurate. Our experience is that it is the prospect of cross-examination which focuses the attention of witnesses (expert witnesses and witnesses of fact) on giving evidence which is complete and accurate. An expert will not normally be persuaded by a party to put forward views which he does not fully believe in, if he knows that he will (or at least can) be challenged on them.

Cross examination provides an opportunity to explore the reasons underlying the opinions expressed which, as indicated above, is of considerable assistance to the court.

It is also of considerable assistance to the court to hear what one party's expert has to say about the other party's case when it is put to him in cross-examination.

Why is questioning by the parties better than questioning by the court? IPLA considers that parties are likely to have a clearer and more detailed knowledge of the underlying technology and so can ask more probing and informative questions than the judges are able to do. However this should not preclude supplementary questioning by the court.

For these reasons, IPLA considers that the questioning of witnesses (contemplated in Article 33(2) of the draft Agreement) should be a right not an option, and the questioning should be carried out by the parties and not by the court, although subject to the control of the court as

to scope and duration.

We are aware that patent specialists in many civil law jurisdictions view with concern the extent, depth and length of cross-examination in English patent cases. IPLA would, however, point to the Scandinavian jurisdictions where more limited cross-examination by the parties is used. Such more limited cross-examination can bring the advantages identified above without suffering the disadvantages in time and cost of fully-developed English-style cross-examination.

We believe that disclosure of documents need only be ordered to the extent that it is clearly necessary - it too can help keep parties honest. Much disclosure has in the past related to infringement issues - but this can be dispensed with by the accused party giving an appropriately supported product and process description. This not only saves the expense of documentary disclosure, but also facilitates the trial. Thus the cost levels associated with US discovery can be avoided, whilst ensuring that the court has an accurate statement of the alleged infringing product or process, and no more documents than it needs.

### Bifurcation

IPLA is strongly opposed to the idea that a decision on infringement should be made by a different tribunal to a decision on validity. The following considerations are relevant:

The whole underlying policy of the European Union Patent Court is to avoid inconsistent decisions; but bifurcation carries with it the inevitability of inconsistent decisions. Clearly, there would be only one decision on validity and one decision on infringement, but at the heart of both decisions lies the interpretation of the patent, and inconsistent interpretations by the validity court and the infringement court are likely to result in injustice. It is notorious that the patentee will argue for a narrow interpretation when arguing for validity, but a wide interpretation when arguing for infringement. Further, the nature of the evidence as to the technical background against which the claims of the patent are to be interpreted will inevitably differ from court to court.

The problem will be compounded if individual chambers have control over their procedural rules, because this will make a difference to the materials available to the court in arriving at its interpretation.

The possibility of bifurcation, depending upon the court in which the proceedings are started, will lead to forum shopping and pressure on parties to start proceedings in order to achieve a tactical advantage. Avoiding such procedural games is one objective of the European Patent Court.

Significant problems can arise if validity proceedings take longer than infringement proceedings. Indeed, this is one of the major problems with the German system. German lawyers note that in only a minority of infringement cases is there a parallel nullity action. The reason for this is not that, in most cases, parties simply accept that the patent is valid. Rather, the defendant accepts that the decision on infringement will be made - and enforced - a long time before any decision on validity is handed down. By the time the validity decision is given, a defendant who was unsuccessful in the infringement action will have had to change to a non-infringing design and so has no commercial interest in changing back again.

It is unjust that a defendant could be enjoined in an infringement action in which the patent is later invalidated in parallel, but slower, nullity proceedings.

A significant source of complication arises where an application is made to amend a patent, which is frequently necessary in nullity proceedings. Enormous difficulties arise if an infringement decision is made in respect of one claim, and a nullity decision in respect of an amended claim.

Bifurcation requires an extra level of costs to be incurred because there are two sets of proceedings. This places an additional burden on SMEs.

Bifurcation was proposed as a possible solution to the "Slovenia" ["inexperienced court"] problem, where patentees are concerned that their patent might be revoked by judges in chamber without sufficient knowledge or experience of patent law. A better solution to the problem, however, lies in proper staffing of the court with experienced judges, possibly from outside the jurisdiction or region where the chamber sits; and by ensuring that appeals are dealt with quickly (there is no procedural reason why an appeal should take longer than 6 months).

#### Appeals

IPLA fully endorses Article 45(4) of the draft Agreement, setting out the general rule that there should be no new evidence on appeal.

This will keep costs down, since an appeal will be significantly more expensive if new evidence is admitted.

There will be an increased quality of first instance procedure if the parties are obliged to put their full case to the first instance court. It diminishes and undermines the credibility of, and respect for, the first instance decision if it is regarded simply as a "dress rehearsal" for the main trial of the matter on full evidence, on the appeal.

As a matter of policy, parties should put their best case at the outset.

If new evidence is admitted on appeal, this will be unjust when, as a result, there is a change in the whole basis of the litigated issues.

The failure of the parties to put forward their best case before the first instance trial reduces the likelihood of settlement before that stage. If the appeal is regarded as the first "proper" decision on the merits this will tend to discourage settlement pending appeal.

Proportionality - the procedure and cost are excessive if parties know that they need a second instance before getting a proper decision.

In any event IPLA would encourage the possibility of summary disposal of appeals in suitable cases.

#### Appeals to ECJ

Delay. Appeals to the European Court of Justice can take 3 years or more. Such delay is

utterly unacceptable for commercial disputes between private parties whose business requires a degree of certainty. It is not acceptable that an accused infringer should have to decide whether or not to continue the accused acts without knowing for 3 years or more whether such acts will infringe.

The ECJ, as presently constituted, does not have sufficient knowledge and experience to deal with difficult questions of tort and contract law, since its main expertise deals with treaty obligations and regulatory/competition law issues. IPLA has strong reservations about permitting appeals to the ECJ, particularly if they are routine. There should at least be a filter in the form of a leave or petition requirement.

#### Exclusive Jurisdiction

Should the European Union Patent Court have exclusive jurisdiction, or might it share jurisdiction with national courts in specified cases (for example, litigation between two companies in the same country)?

Although superficially attractive, we fear that shared jurisdiction would give rise to significant practical problems.

#### Transitional Provisions

The current 7 year transitional period seems illogical. A factor in many patentee's filing decisions is how and by whom any decision on validity or infringement will be made after grant. Some patentees have already modified their filing strategies to ensure that some patents are not at risk of being caught up in the proposed EU patents court, preferring instead to follow the route of obtaining a series of national patents.

IPLA notes that some owners of existing patents are strongly opposed to (or at least very nervous about) the proposed new system. Had they known of the new system, they would have applied for national patents which were not subject to it. One solution might be to allow companies, possibly within the (7 year) transition period, to convert European Patents into corresponding national patents. The alternative would be to make use of the system optional for patentees for the first 20 years.

#### Languages

IPLA supports the proposal that the language of litigation should be the language of the patent unless the parties agree otherwise.

#### Representation

IPLA considers that only fully qualified lawyers should have the right to represent parties before any court. The efficiency of any litigation system is heavily dependent on the experience and professional standards of those who represent parties before it. A robust set of professional rules to which such lawyers adhere will help to enhance the standing of the proposed new court.

#### Judicial Panels

IPLA strongly favours having panels with judges from more than one jurisdiction. A major problem with any supra-national system is that judges coming from different legal systems will tend to conduct proceedings in accordance with an understanding of procedure based on their national legal system. Only if judges from different legal systems sit together will it be possible to avoid different national or regional chambers simply continuing their previous national systems.

**Intellectual Property Lawyers' Association**  
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