

Further Comments on EC draft Rules of Procedure for Unified Patents Court

Intellectual Property Lawyers' Association

Further Comments on Proposed Procedure of the Unified Patent Court

1. Introduction

The Intellectual Property Lawyers' Association (IPLA), the Association of English law firms specialising in intellectual property litigation, has made a number of submissions in relation to the Unified Patent Court project.

This submission is intended to supplement our submission dated 1 October 2009, in support of a two-stage procedure. The IPLA representatives who have contributed to this submission have substantial experience of patent litigation and of preparing cases for trial, and our comments are based on this experience - and in particular our experience of the way in which our understanding of the case develops as it progresses towards trial.

We welcome the Commission's diligence in preparing a number of revised drafts of the Rules of Procedure. We are conscious, however, that there are a number of more fundamental issues relating to the structure of proceedings which need to be resolved and in this submission we set out some observations which, we hope, will assist in identifying and resolving these issues of principle. When there is substantial agreement on the overall structure of proceedings, it will then be easier to revise the draft Rules of Procedure to reflect what has been agreed.

2. Summary: IPLA's Approach

In deciding, as a matter of principle, how an action is to be structured, IPLA recommends that the Commission with its expert advisers starts at the end and asks the question, what materials should the judges have when they prepare for the final hearing? IPLA suggests that the most convenient answer to this is that the judges have simply one major written submission by each party, which will annex or cross-refer to significant documents, witness declarations or cross-examinations and other materials, plus a response to the other party's full written submission.

The second question is how the court can ensure that the written materials on the basis of which it prepares for the trial do not contain any surprises. IPLA's proposed answer is that the main written submissions should be limited to substantiating the arguments identified in outline in the initial issue identification stage. The parties' right to reply would be respected, but limited to points which are genuinely responsive to the points raised by the other side.

Further, all external materials such as documents, experimental results, or witness declarations should be made available to the other party before the preparation of the main written submissions, so that each party has a proper opportunity to deal with such materials on which the other party relies.

There is a third question, how the court will deal with the technical issues in the case. IPLA's preferred solution is to leave this in the hands of the parties, as it understands frequently

happens in civil law systems. This allows a party in a simple case simply to deal with the technical issues in its own written submission; but it can supplement that in appropriate cases with other documents and with written declarations from experts and other witnesses. IPLA proposes, however, that some form of questioning of any witness is an important part of the system. Such cross-examination need not extend for lengthy periods: IPLA understands that, in Denmark, the courts deal with the cross-examination of 4 to 6 witnesses per day.

It would be possible for cross-examination of witnesses to take place at trial, but it might be preferable for cross-examination to take place earlier so that the parties can comment in their written submissions on the cross-examination as on all other information made available during the procedure.

IPLA suggests that, if some consensus can be achieved on the answers to these questions, it will then be possible to prepare a set of draft rules which can be discussed in detail.

3. Suggested Procedure

This section sets out how a two stage procedure as proposed by IPLA might work in practice.

IPLA's view is that the system needs to have flexibility. For example, many smaller and technologically simple cases do not require the expense of the giving of evidence through witnesses, but in larger and more complex cases the court could benefit from evidence from witnesses.

Secondly, IPLA's proposal is for a procedure where surprise can be avoided, while avoiding the disadvantages of absolute "front loading", as discussed in IPLA's submission of 1 October 2009.

The essence of IPLA's proposal is that the parties should disclose the nature of their cases at the outset. In the procedure leading to trial, they may not add new arguments without seeking the court's permission. Further, to prevent surprises, the other party must have the right of reply, but, to prevent the reply from containing surprises, it cannot raise new matter, but only respond to the earlier document.

The proposal, as previously indicated, is a two-stage system. The two stages should each have a distinct and separate purpose: the second stage is not simply an opportunity to supplement what has been said in the first stage.

Thus, the first stage would be Issue Identification; and the second stage would be Substantiation. Examples illustrating the differences between the two stages are set out in the Appendix.

Issue Identification

The first function of the Issue Identification stage is to enable the other party and the court to know what the first party's case is, so that the other party can prepare to meet it, and so that the court can determine what substantiation is needed. In simple cases, it may be possible for a case to proceed without a separate Substantiation stage.

The second function of the Issue Identification stage is to limit the scope of the Substantiation

stage, so that new arguments which were not identified in the first stage may not be raised in the second stage.

The pleadings in the Issue Identification stage can follow the same pattern in any action, large or small, more or less as proposed in the current draft rules of procedure, and should cover the matters identified in the current draft rules, save that the parties would not be expected to have prepared any evidence (in the form of affidavits or otherwise). The level of detail would be similar to what we see in the parties' opening documents in civil law proceedings.

The important feature is that where a party makes a claim, the other party responds to the claim with answers to the claim and any affirmative defences: the first party then has a right to reply to the affirmative defences. Since the defence can also contain a counterclaim (for example, a counterclaim for invalidity), there would be up to four rounds of pleadings, namely a statement of claim, defence plus counterclaim; reply to defence plus defence to counterclaim; and reply to defence to counterclaim.

As a result of these exchanges of pleadings, the nature of the parties' cases will be clear. The case would then proceed to the interim conference, as contemplated in the current draft procedural rules.

It is desirable that the parties should identify in their pleadings the matters which that party wishes to have dealt with at the interim conference (for example, witness evidence, document disclosure etc).

Interim Conference

The objective of the interim conference would be to set a timetable for the remainder of the proceedings, including trial.

The first task of the court in the interim conference should be to ascertain the resources of the parties and the importance of what is at stake in the litigation, as these factors should determine the nature and complexity of the subsequent procedure. Great flexibility is possible. In the simplest of cases or for disputes where the resources of the parties are limited, the matter might proceed to a hearing simply on the basis of the stage 1 pleadings. In larger or more complex cases, the judge-rapporteur may need to decide upon and set a timetable for production of documents, carrying out experiments and the exchange of written evidence.

A further task of the judge-rapporteur at the interim conference might be to dispose of assertions by one party which, on the basis of what is stated in the pleadings, are clearly unarguable. This procedure would set a threshold level of detail in which the parties should explain their cases in their pleadings: the points need to be explained in a sufficient level of detail to enable the judge-rapporteur to determine that the point is properly arguable.

Substantiation

The precise structure of the substantiation stage depends to some extent upon how the judges wish to be informed of the parties' arguments as they prepare for the trial.

IPLA's submission is that each party should collect all its arguments in a single written submission: it is sensible and convenient that the judges should refer to a single "master"

document rather than having to understand the parties' cases from a series of written submissions. This means that all of the information-gathering parts of the procedure, such as document production, process inspection, experiments, and written evidence from witnesses (including experts) (and including the cross-examination of witnesses), should take place in advance of the preparation of the parties' main written submissions: in this way, the court will have the benefit of the parties' comments on all the information which is available as a result of the information-gathering process.

These written submissions should reflect the parties' developed thinking on all the issues in the case, and should therefore be submitted relatively close to the time of trial, for example, 8 weeks or so beforehand.

In order to ensure that neither party takes the other by surprise, the main written submission should not contain any new arguments which are not fore-shadowed in the pleadings from the Issue Identification stage. In addition, the parties should have an opportunity to respond to the other party's main written submission, but again that response should be limited to answering the arguments made, and no new arguments can be raised.

IPLA considers that a system structured in this way will require the parties to identify their cases up front: but in IPLA's experience the bulk of the work in any litigation lies in substantiating the case, and this work can be done as the case moves towards trial, and can focus on matters which have been identified in the first stage as being in dispute.

Furthermore, in preparing for the trial, the judges will have one document which contains each party's full affirmative case, plus a reply document responding to the other party's affirmative case. Cross reference to the pleadings from the first stage will be necessary only if it is suggested that new arguments have been added.

Timing

It is important that the Defendant should have adequate time to research and identify its arguments, but it must also be recognised that identification of the arguments in a patent case is less time-intensive than substantiating those arguments. IPLA recommends that the timetable for the pleadings should aim to allow the Interim Conference to take place within about 5 months after proceedings are begun.

Amendment of pleadings

It is IPLA's experience that, as a case progresses, parties may discover new prior art or may develop new arguments. If they wish to do this, IPLA proposes that they should be required to seek the permission of the court to amend the stage 1 pleadings, explaining to the court why the matter had not been included in the original stage 1 pleadings. This is a potentially contentious area, since a party could make a late application to raise an important new argument which its opponent has little time to deal with. There are two ways in which the court can provide an incentive to prevent this from happening. The first is to deny permission for late amendment: but this may be undesirable since there is a public interest, particularly where the validity of a patent is concerned, in ensuring that the court considers all relevant matters. The second disincentive is financial. If a party wishes to make a late change to its case, then it can be required to make a contribution towards the costs of the case incurred by its opponent to date. If immediate payment is ordered, this can be an effective deterrent:

IPLA's experience is that the deterrent effect is lost if payment is deferred until after trial.

Examination of witnesses

To the extent that matter is placed before the court through declarations from witnesses, including expert witnesses, a decision in principle needs to be taken whether the opposing party should have an opportunity to cross-examine the witness (IPLA fully supports appropriately limited cross-examination), and if so, whether the cross-examination takes place at the final hearing of the matter, or whether it takes place at an earlier stage.

If cross-examination takes place at the final hearing, this can lengthen the final hearing, and can cast a disproportionate focus in the final hearing on the witness cross-examination. The alternative is for the witnesses to be examined at an earlier stage. This procedure would allow the parties in their full written submissions to address all the issues which arise in the cross-examination as well as in the other parts of the information collection stage.

Intellectual Property Lawyers' Association October 2009

APPENDIX

Examples of the two stages

Infringement/prior art

- First Stage: Identification where each feature of the claims is found in the product/process in dispute or in the prior art: and establish to how and to what extent this is disputed by the other party. Results of analyses of accused product, if available.

- Second Stage: Explanation - but only in respect of the features in dispute - why the first party contends that the features are present - for example, by reference to passages in the specification or arguments based on declarations from witnesses, evidence from an expert.

Infringing acts

- First Stage: Identification of acts of manufacture or importation, and sale of identified products.

- Second Stage: Likely to be unnecessary because defendant does not dispute that the acts took place.

Examples in prior art

- First Stage: "If you repeat example X of prior patent Y, the resulting product will have all the features of claim Z".

- Second Stage: Sets out full protocol for repetition of the example, and results, and explains why and how the experimental conditions were chosen. Other party's criticisms of

experiment, if any, and first party's responses.

Background Knowledge of skilled person

- First Stage: "The skilled person would know the following facts as a matter of general knowledge...".
- Second Stage: Much of this will not be disputed by the other party. In respect of knowledge that is disputed, substantiation that the matter was generally known to skilled persons in the relevant field, by reference to text books, declarations and other evidence.

Need for document production

- First Stage: "We believe that the accused process comprises the following steps ... Our reasons for this belief are as follows ... and we require production of documents of the following description in order to substantiate this claim." AND "We rely on the other party's prior sales of X product as a prior use ... We believe for the following reasons that X product had the following features which are relevant because ... We require production of documents of the following description to substantiate the claim."
- Second Stage: In many cases, the details of the prior use will not be disputed. In respect of the disputed aspects, substantiation on the basis of documents, witness declarations etc and explanation of reasons why invention would be obvious to skilled person in light of disclosure in prior use.