



International Chamber of Commerce

The world business organization

Proposed European patent litigation jurisdiction

Prepared by the Commission on Intellectual Property

Introduction

ICC¹ has from the start taken part in the discussions regarding a Community Patent and a patent litigation jurisdiction for European patents (European Patent Litigation Agreement (EPLA)) and taken notice of the difficulties that so far has prevented reasonable solutions².

ICC therefore welcomes the initiative of the Portuguese Presidency, with apparent support from the EU Commission, to reinitiate the discussion about the architecture of a future European patent litigation jurisdiction. That initiative has lately been taken over by the Slovenian Presidency, which has also started a discussion on remedies, procedures and other measures and on certain issues regarding the Community Patent. These discussions are timely in consideration of the Commission's comprehensive consultation on the subject and with regard to the benefits an improved litigation system would have for the innovation climate in Europe.

ICC also notes the renewed efforts of the Slovenian Presidency and the Commission concerning a future Community Patent. A unitary Community Patent would represent an additional tool in order to promote innovation in Europe. However, any initiative on the Community Patent must meet users' need in terms of quality, cost and legal certainty.

The Portuguese and Slovenian Presidencies have produced a number of papers for discussion. ICC appreciates the attempts made therein to structure a proposal for an integrated system for both European patents and possible future Community patents and the attempts made to find solutions to the concerns expressed by users and other stakeholders.

The proposals on the architecture are based on the principle that each Member State has a right to set up its own division with local judges for infringement cases, and the right to use its own language as the language of such proceedings. Alternative options, specifically involving joint regional divisions, are presented for Member States that do not want to set up a local division, but these options are generally based on similar principles.

¹Due to different views of its membership on parts of its content, ICC Germany is unable to endorse this statement.

² For more detailed comments see the following ICC papers: [The EC Green Paper on the Community Patent and the Patent System in Europe](#), 5 November 1997; [Proposal for a Council Regulation on the Community Patent](#), 6 June 2001; [European Community Patent Regulation](#) 7 October 2003; and [Response to the European Commission questionnaire on the patent system in Europe](#), 11 April 2006.

Basic requirement for a new litigation system

It is a basic requirement that a new patent litigation system involving European patents must be significantly better for the users than the present one. Companies, both large and small, which rely on patents for protecting their innovations in their daily business would only benefit from a new patent litigation system if it is of high quality, cost-effective, efficient, and predictable.

In addition, the new system must be an integrated judicial system, with a specialized court at both instances, separate from other existing judicial bodies. Each panel must consist of judges from different Member States (i.e. no more than one judge of each particular nationality) in order to be able to contribute to a truly harmonized European jurisprudence.

Also, the new system must be cost-effective in order to provide better enforcement possibilities for all users, especially SMEs. In addition, the system should not create unnecessary delays.

Finally, a new system must be predictable in the sense that the users should be able to reasonably foresee in advance what matters should be tried by which division of the court, what the process would be, and in what language.

Industry's concerns concerning the proposal on architecture

As stated above, ICC must positively acknowledge the energy with which the Portuguese and Slovenian Presidencies and the EU Commission have developed new proposals and tried to find solutions on this important issue for industry and other users.

However, when assessing the proposal in light of the requirements presented above, ICC notes that the two basic principles adopted for the proposals hitherto presented give rise to serious concerns about the effects that these principles have on solutions adopted. In addition, the selected split of jurisdiction between central and regional/local divisions adds to the difficulties in finding solutions for users that would be improvements compared to the present situation. The result is that the proposals in this regard unfortunately lack the requisite quality, efficiency, cost-saving and predictability.

The proposed distributed system, in which each Member State has the right to set up its own division, which is formed or dominated³ by local judges, basically replicates the current national court system in Europe, and does nothing to develop an integrated jurisdiction in which the outcome of the litigation does not depend on the location where the case is decided. Truly mixed panels, with at most one judge of each particular nationality and with one technically experienced judge, are absolutely essential in all first instance divisions in order to establish a truly European jurisprudence for European patents as fast as possible⁴. The judges appointed by

³ In case of an enlarged panel formed by 2 local judges plus 1 legal judge drawn from a pool, the majority will still be formed by the local judges, since the Presiding judge will most probably be one of the "locals" and his vote will prevail in case of equal votes.

⁴ ICC Italy suggests that the new system should clearly contemplate, as a regular feature of each instance, the support of a technical advisor, chosen by the judge and instructed by him on the expertise to be submitted, in contradiction with experts appointed by the parties. Then the judge as the 'expert of the experts' will make the decision, taking into account, at his discretion, the advice of the technical advisor.

the Council must from the start have the required competence and long experience in patent litigation, since they would – as opposed to the present system - have competence to render decisions with pan-European, and not only national, effect. Therefore, if any Member State cannot from the start put forward a judge with the requisite competence and experience, that Member State would have to rely on a regional division or the central division until it can provide a sufficiently competent and experienced candidate to create its own local division. If such competence and experience is guaranteed from the outset, there is no need to separately allocate infringement and validity issues, at least not at local/regional divisions.

ICC is positive to the Presidency's proposal to set up and finance a training framework for patent judges. However, ICC wants to emphasize that, in addition to the requisite competence needed, the judges must also have sufficiently long experience before being eligible at any division of the court, whether central, regional or local.

The proposed system provides for different possible scenarios⁵ in the event a defendant in an infringement case considers the patent or part thereof invalid. Since counterclaims for invalidity are raised in a majority of patent disputes and will continue to be as frequent, ICC is concerned by the chosen solution. The parties must know in advance how these two issues of infringement and validity should be handled, i.e. they must know if the case will be heard locally, centrally or both. The chosen solution will also in many cases lead to unnecessary delays. As explained above, ICC believes that with panels consisting of judges having the requisite competence and experience, the need for this complex solution could be avoided.

In the most recent proposals, a more flexible language system for the language of the proceedings has been introduced in an attempt to make more efficient use of the procedural language, e.g. the dispensation with translation of the patent and supporting documents in certain cases and discretion of the local division to choose a different language of proceedings in some cases. However, even with these attempts, the language regime is still a cause for concern for ICC. ICC strongly believes that to keep the costs low enough so that all sizes of companies can enforce their patents, the parties' choice to file all documents in the language in which the European patent has been granted or in English, without a requirement to translate into a local language, should be binding on the court.⁶ The different routes now proposed for an invalidity counter-claim mean that the parties will not know in advance what the language of the proceedings will be. Indeed, the split between validity and infringement means that their dispute may even be tried in two different languages for the infringement and validity parts respectively. This is unacceptable; the same case must be heard in only one language, and the parties must know in advance which language should be used in order to be able to select the most

⁵ If defendant files a counterclaim there are presently three possibilities: (1) the local division makes a preliminary assessment of validity and goes on and tries infringement, (2) the local division stays infringement and refers validity to the central division, (3) the local division enlarged by technically qualified judge from a central pool hears the whole case (infringement and validity),.

However, the defendant may instead file a direct action with the central division. The consequences of such an alternative are unclear.

⁶ If a particular first instance court feels that it cannot handle a procedure in which documents are not submitted in the local language, it should refer the case to the central first instance division.

competent lawyer and to reasonably be able to assess the cost for conducting the case. In addition, the “flexibilities” introduced allow for the possibility that the language will be changed after the case has been brought to court, indeed even after appeal. This means less predictability and increased costs for the parties.

The proposed, distributed patent litigation system introduces a number of uncertainties and flexibilities as well as high cost. Any such system with high cost and uncertain outcome of a dispute is potential breeding ground for patent troll behaviour, which could make companies less willing to use the court system to defend themselves. This is obviously a development that is not desired.

In the case of a purely local dispute regarding validity and infringement, i.e. where the dispute would have no cross-border effects, and if the parties have agreed to have it tried before a competent national court in the local language, there would be no advantage, compared to the present system, to require such a case to be handled according to the new system, rather the contrary. ICC therefore suggests that the new litigation system should contain flexibility in this regard.

Another way of regulating the “local situation” would be that in case of a purely local dispute regarding validity and infringement, i.e. where the dispute would have no cross-border effects, the local division could consist of two judges from the Member State and one judge from another Member State.

Exclusive jurisdiction

Although the proposed system would confer exclusive jurisdiction on the new court, the proposal is silent on what substantive law will govern infringement and validity and this needs to be clarified and set out in the proposal. Ideally the exclusive jurisdiction should also extend to patent law matters other than just infringement and validity, but that may affect infringement and validity decisions, such as prior user rights and entitlement/ownership. A common set of rules would need to be applied to these matters, whether they come under the EU jurisdiction or not, in order to avoid anomalous results that would have less than EU - or EPC - wide effect.

Additionally, the scope of jurisdiction (i.e. competence) could, if the parties agree, extend to ancillary matters, to the extent they are part of what is ostensibly a “patent” dispute, to avoid bifurcation of essentially the same case between the EU jurisdiction and national courts.

Transition period

The proposed system would confer exclusive jurisdiction on new courts with power to render pan-European decisions on both validity and infringement. The impact which such a system will have on daily business is difficult to foresee, but it will, especially initially, create substantial new risks and generate significant legal uncertainties for the industry. In order to build up confidence in the new system, it is therefore necessary to introduce a sufficiently long transition period during which patent proceedings may still be initiated before national courts under national

jurisdictions. In ICC's view, and bearing in mind the timescales involved in patent matters, the proposed period of three years is far too short.

ICC is content that the proposals now gives a right to holders of European patents granted prior to the date of entry into operation of the new system a possibility to opt out from the application of the new regime. In order to accommodate the needs of certain business sectors, the possibility for parties to always be able to opt out should be considered.

Rules of procedure

In its latest proposal, the Slovenian presidency is submitting proposals on remedies, procedures and other measures. ICC considers these proposals to be a good basis for further discussions, and looks forward to commenting on more detailed proposals at a later stage.

Uniform rules of procedures are necessary in a truly integrated European patent court system. ICC therefore welcomes the reference that the future rules should to a great extent be based on the Directive 2004/48/ EC on the enforcement of intellectual property rights and on the work carried out in the context of EPLA, in particular the draft European Patent Litigation Agreement (version 7.12.2005), the draft Statute of the European Patent Court (version 9.9.2005) and the Second Venice Resolution of the European Patent Judges association relating to the rules of procedure of a European Patent Court (4 November 2006).

ICC believes that the three-phase process described in the Second Venice Resolution, i.e. with a written, interim and oral phase respectively could be further developed.

Summary

Any future European patent litigation system must be a significant improvement compared with the present system. To achieve such an improvement the future system must be of high quality, cost-effective, efficient, and predictable. The present proposal still lacks the required quality as a consequence of model chosen for the distributed system, and will with the split jurisdiction system lead to an inadequate language regime, increased costs and less predictability for the parties. The transition period should be reviewed.

ICC believes that Europe should maintain a pro-competitive climate which is conducive to innovation. Therefore, ICC urges the Presidency, the EU Commission and the Member States to engage in direct and constructive dialogue with the users to address industry's concerns and help develop workable solutions.

Document n° 450/1034

23 April 2008

The International Chamber of Commerce is the largest, most representative business organization in the world. Its thousands of member companies in over 130 countries have interests spanning every sector of private enterprise.

A world network of national committees keeps the ICC International Secretariat in Paris informed about national and regional business priorities. More than 2000 experts drawn from ICC's member companies feed their knowledge and experience into crafting the ICC stance on specific business issues.

The United Nations, the World Trade Organization, and many other intergovernmental bodies, both international and regional, are kept in touch with the views of international business through ICC.

For more information please visit: www.iccwbo.org