

**WPL/9/99**

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SUBJECT: Principal elements of an optional protocol on the settlement of litigation concerning European patents

DRAWN UP BY: Chair of Working Party on Litigation

ADDRESSEES: Working Party on Litigation (for opinion)

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## **Principal elements of an optional Protocol on the settlement of litigation concerning European patents**

### **Terms of reference**

On 24 and 25 June 1999 an Intergovernmental Conference of the member states of the European Patent Organisation<sup>1</sup> was held in Paris. Given the need to improve the enforceability and legal certainty of European patents by establishing a jurisdictional system meeting the need for a uniform interpretation of the European patent, it was recommended that the Organisation's member states take whatever measures they consider necessary to study the restriction to a minimum of the number of courts dealing with patent litigation.

In addition the Conference mandated a Working Party on Litigation (WPL) chaired jointly by Germany, Luxembourg and Switzerland to:

- study under what conditions the principle of arbitration in litigation relating to validity and infringement might be acknowledged by the Organisation's member states
- consider how a common entity can be established and financed to which national jurisdictions can refer aspects of litigation relating to validity and infringement with a view to obtaining an opinion
- present a draft optional protocol to the European Patent Convention (EPC) which would commit its signatory states to an integrated judicial system, including uniform rules of procedure and a common court of appeal.

The report containing the WPL's proposals is to be submitted to the governments of the Organisation's member states and the EPC Revision Conference before 1 July 2000.

At its first meeting in Lucerne on 14 and 15 September 1999, the WPL, among other things, mandated the Chair to draw up, for the next WPL meeting at the end of January 2000, a discussion paper which should address the basic concepts to be enshrined in an optional Protocol, including key court and procedural rules for a European Patent Court of first and second instance as well as the necessary provisions of substantive law. There was a clear preference for the European Patent Court of first instance to have some form of local presence.

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<sup>1</sup> As at 1 January 2000: all members of the European Union plus Cyprus, Liechtenstein, Monaco and Switzerland.

On 8 December 1999 a draft of this discussion paper was discussed in Berne with a number of experienced patent judges from some EPO Member States in presence of representatives of the countries forming the co-chair (for the names of the judges see list in Annex 2).

## **Optional Protocol on the settlement of litigation concerning European patents**

### **1. Purpose**

The mandate of the Intergovernmental Conference to the WPL is to draw up an optional protocol on the settlement of litigation concerning European patents (EPLP: European Patent Litigation Protocol), which all EPC contracting states can sign or accede to if they so wish (EPLP states).

The EPLP should contain all the necessary rules on the establishment and functioning of a European Patent Court of first and second instance ruling on disputes relating to both the validity and infringement of European patents.

### **2. Basic considerations**

#### **2.1 Legal basis in the EPC**

If the EPLP is to be enacted under the aegis of the European Patent Organisation, it seems preferable to create a clear legal basis in the EPC (see Articles 2 and 64(3) EPC). It would also be possible to set up the EPLP outside the European patent system, in which case there would be no need for a special legal basis in the EPC.

#### **2.2 Conditions for entry into force of the EPLP**

It seems important to establish certain conditions which have to be fulfilled to enable the EPLP to enter into force. For example, a certain number of countries, meeting altogether given criteria such as accounting for a specified number of designations in European patents would have to have ratified the EPLP.

## 2.3 Relation of the EPLP to the Brussels and Lugano Conventions

Careful consideration must be given to the relation of the EPLP to the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (Brussels Convention) and the 1988 Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (Lugano Convention). Under Article 16(4) of the Brussels and Lugano Conventions, in proceedings concerned with the registration or validity of patents, exclusive jurisdiction is exercised by the courts of the contracting state in which the deposit or registration has been applied for, has taken place, or is deemed to have taken place under the terms of an international convention. This provision does not however apply if the contracting states to the Lugano and Brussels Conventions are or will be party to any conventions which in relation to particular matters govern jurisdiction or the recognition or enforcement of judgments (see Article 57 of the Lugano and Brussels Conventions; *lex specialis derogat legi generali*). The EPLP would be such a special convention and would not therefore need to conform to Article 16(4) Lugano and Brussels Conventions.

Article Vd of Protocol No. 1 to the Lugano Convention does not provide otherwise, but simply makes it clear that the courts of each contracting state have exclusive jurisdiction in proceedings concerned with the registration or validity of any European patent, thus following Article 16(4) of the Lugano Convention. This provision does not however affect the right of the parties to the Convention under Article 57 to conclude special agreements such as the EPLP which would provide for jurisdiction deviating from Article 16(4). Moreover, as regards infringement actions, *forum loci delicti commissi* ensures that the European Patent Court has jurisdiction even if the defendant is not domiciled in a state party to the EPLP.

Of course, any developments with respect to the Brussels and Lugano Conventions will have to be taken into consideration to ensure genuine compatibility between them and the EPLP, in particular the proposal for an EU Regulation on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters of 14 July 1999 (COM(1999)348 final).

## 2.4 Reference texts

As far as possible the EPLP should be based on existing texts and provisions, in particular

- the EPC and its implementing regulations
- the 1989 Community Patent Convention (CPC)
- the 1989 Protocol on the settlement of litigation concerning the infringement and validity of Community patents (CPC Protocol on Litigation) and associated protocols (Protocol on Privileges and Immunities, Statute of the Common Appeal Court (COPAC Statute)
- the Brussels and Lugano Conventions
- the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)
- national law of EPC contracting states.

## 3. Core elements of the EPLP

### 3.1 Single European patent court system

Under the EPLP a supranational European Patent Court of first and second instance should be set up as a common judicial body for the EPLP states. Industry in particular is strongly in favour of the creation of a single European Patent Court of first and second instance. There are four main reasons for advocating a common first-instance court:

- First, only a single European court of first instance, comprising highly qualified and experienced patent judges from different countries with different legal cultures, will be able to achieve the desired goal that European patent law be applied and construed in a truly, consistent „European“ way, and that European patents can be enforced and attacked in all EPLP countries in reliable, affordable and efficient proceedings resulting in quick, high-quality decisions which carry authority and command user confidence.

- Second, any alternative would in large measure allow the current problems to continue because much litigation only goes as far as first-instance level, and would therefore not reach the unifying level of the appeal court. These problems arise from multiple litigation relating to the same rights in different jurisdictions, inconsistent interpretation of the same substantive law in different jurisdictions and hence different outcomes and a lack of predictability, inconsistent procedural law, eg on pan-European injunctions, and, as a result, forum shopping. All of which contribute to delay, unnecessary extra costs, general uncertainty and damage to business.
- Third, a plurality of first-instance national courts working under different procedural rules would make it extremely difficult to achieve true consistency and to ensure smooth interaction between first-instance proceedings before a national court and the procedure before the common appeal court which would have to apply its own rules of procedure. But even if the national courts would be working to the same set of procedural rules, they would retain the outlook derived from national legal traditions, with the effect that true consistency would be difficult to achieve.
- Fourth, a plurality of first-instance national courts would almost inevitably perpetuate forum shopping and its related ills which problems will disappear if there is only one European Patent Court of first instance, having jurisdiction in all EPLP states.

### **3.2 Jurisdiction of the European Patent Court**

#### ***1) Litigation on infringement and/or validity of European patents***

##### ***a) Exclusive jurisdiction of the European Patent Court***

The European Patent Court should have exclusive jurisdiction for proceedings concerning the infringement and validity of European patents and for such proceedings only. As far as litigation would concern both European and national (parallel) patents, the European Patent Court should have jurisdiction only for European patent(s), whereas the competent national courts would deal with national patents.

The European Patent Court should be competent to rule on the infringement (actual or threatened) and validity of a European patent in one and the same proceedings. A single action enables the court to consider all the relevant issues and handle the case with maximum efficiency. Claims based on the provisional protection afforded by a European patent application under Article 67 EPC should also fall within the exclusive jurisdiction of the European Patent Court. Furthermore, the Court should be competent to deal with actions for declaration of non-infringement of a European patent.

The European Patent Court would have to take account of any facts or circumstances invoked by the defendant in an action for infringement which would rule out an infringement, such as a prior user's right, any exceptions to the rights conferred by a European patent (see Article 27 CPC), licences, or exhaustion of rights.

An action for revocation of a European patent may be brought before the European Patent Court by direct attack or by way of a counter-claim in infringement proceedings. The patentee should have the right to amend the patent at least before the court of first instance, ie to defend the patent with a limited scope only.

#### ***b) Jurisdiction of the national courts***

Making the European Patent Court's jurisdiction exclusive is justified by the aim of achieving an integrated judicial system, ie ensuring uniform interpretation of European patent law and avoiding contradictory judgments. For this reason, concurrent jurisdiction of the European Patent Court and national courts, for example with the plaintiff or defendant free to choose one or the other, is considered inappropriate and would complicate matters unnecessarily.

If, nevertheless, there is a strong wish of the delegations to allow the litigating parties to agree under certain circumstances that the case be decided by a competent national court, such an agreement conferring jurisdiction on a national court could be provided for as an exception to the exclusive jurisdiction of the European Patent Court. In that event the decision of the national court should, however, have effect only in the country concerned in respect of both infringement and validity and the EPLP would not apply to such litigation.

In any event the national courts should continue to have jurisdiction for any proceedings concerning the right to a European patent, compulsory or other statutory licences, licensing agreements or employee inventions. Also, the European Patent Court should have no jurisdiction over any other issues concerning for instance copyright, unfair competition, utility models, etc.

### **c) Local presence of the European Patent Court of first instance**

It is acknowledged that the litigating parties, especially small and medium-sized business (SMEs), might prefer to have litigation conducted "at home" instead of having to go to a remote European Patent Court. This need could be accommodated in a number of ways eg by:

- Providing for the European Patent Court of first instance to come to the place of the defendant for oral hearings or witness examination and sit in a court room offered by national authorities ("peripatetic court")
- National patent judges sitting both on a national, as well as the European Patent Court thus enabling the European Patent Court, or at least the rapporteur, to conduct the proceedings "on the spot", ie in the national court next to the defendant (see 3.5 4)
- Regional chambers of the European Patent Court.

In addition there should be decentralized registries and information technology (eg video-conferences) should be used to the greatest extent.

## **2) Provisional measures (preliminary injunctions and protective measures)**

Orders for provisional measures, especially *preliminary injunctions*<sup>2</sup> and *protective measures*<sup>3</sup> in cases of actual or threatened infringement of a European patent are an essential part of an effective integrated litigation system. The law on provisional and protective measures should reflect the minimum standards under Article 50 of the TRIPS Agreement.

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<sup>2</sup> A preliminary (or interlocutory) injunction is the temporary relief afforded once litigation has started, or even before, to prevent an irreparable damage from occurring before the court has a chance to decide the case.

<sup>3</sup> A protective measure, e.g. saisie contrefaçon or an Anton Pillar order, may be ordered to secure facts and/or evidence concerning an alleged infringement.



### **a) *Interlocutory relief***

Since national rules and procedures for granting interlocutory relief vary fundamentally in several important respects, there is a pressing need for common rules on such measures to prevent infringement. The European Patent Court should therefore have the power to grant such interlocutory relief at both first and second instance.

However, the proprietor of a European patent may have a legitimate interest in getting swift interlocutory relief from a national judge, especially when the main proceedings are not yet pending before the European Patent Court. Therefore, as long as no infringement proceedings are pending, a party should have the option of asking for preliminary injunctions from either the competent national court or the European Patent Court of first instance. However, any preliminary injunctions ordered by a national court should be limited to the country concerned and have no cross-border effects. Once proceedings are pending before the European Patent Court, this court should have exclusive jurisdiction for preliminary injunctions.

### **b) *Protective measures***

National courts should remain competent to order protective measures according to national law. The outcome of such measures may then be used in proceedings before the European Patent Court.

## **3.3 Applicable law**

### **1) *Extent of protection and infringement of a European patent***

With regard to the extent of protection conferred by a European patent, the EPLP would simply refer to Article 69 EPC.

The question which acts constitute infringement, ie violate the rights conferred by a European patent, as well as any defence relied on by the defendant ruling out infringement, might be governed by national law, which would mean that the Court would have to judge on the issue of infringement on a country-by-country basis relying on possibly different national laws. However, bearing in mind that the rights conferred by the patent under national law are largely harmonised with Article 64(2) EPC and Articles 25 – 28 and 35 CPC and to avoid any problems where infringement took place in more than one EPLP state, these provisions should preferably be incorporated into the EPLP.

As far as the sanctions and remedies for patent infringement are concerned, the EPLP should contain a set of rules providing for at least such sanctions as are contained in the relevant provisions under the TRIPS Agreement (Articles 44-48), ie injunction, damages, destruction of infringing goods, etc.

The sanctions for non-compliance with an injunction ordered by the European Patent Court such as a fine should be specified in the EPLP.

## **2) *Validity of a European patent***

The EPLP would simply refer to Articles 138 and 139(2) EPC. When the validity of the patent is in suit, the patentee should be entitled to amend the patent at least before the European Patent Court of first instance.

### **3.4 Effect of decisions and enforcement**

#### **1) *Effect of decisions***

The goal of the EPLP would be realised in an optimal way if the territorial effect of decisions of the European Patent Court would extend to all EPLP states.

Decisions revoking the European patent wholly or in part should take effect *erga omnes* in all EPLP countries, whereas decisions on infringement would only take effect *inter partes* and only in the EPLP States where infringement took place.

#### **2) *Enforcement***

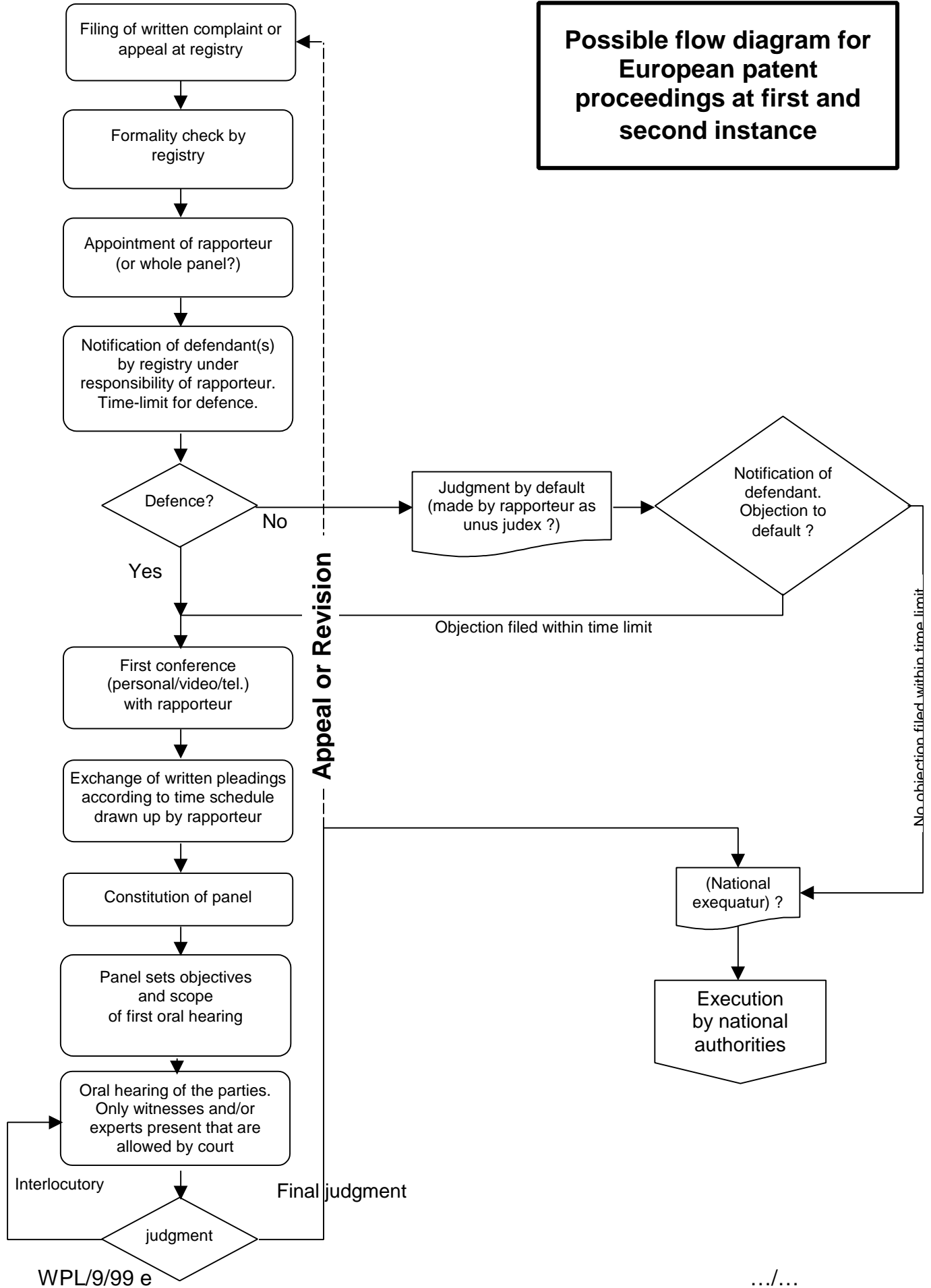
The competent national authorities would enforce decisions of the European Patent Court (including provisional measures), preferably without any further formality being required. If this would not be acceptable, there should be a general provision ensuring that enforcement is to be carried out in line with the Brussels and Lugano Conventions.

### **3.5 Rules of procedure**

Since the EPLP would commit its signatory states to an integrated judicial system, uniform rules of procedure must be created for proceedings before the European Patent Court of first and second instance. A complete and uniform body of procedural law is therefore needed to cover main proceedings, provisional measures, and appeal. It seems however to be sufficient that the EPLP itself only contains some basic principles of procedure, to be drafted on the basis of existing texts such as the EPC, CPC, CPC Protocol on Litigation, and the TRIPS Agreement. As procedural rules should be as flexible as possible, and in view of the difficulty of amending an international agreement such as the EPLP, all the details should be dealt with in separate court rules of procedure.

The following flow chart for the procedure before the European Patent Court may serve as the basis for further reflections:

**Possible flow diagram for European patent proceedings at first and second instance**



## **Explanatory notes to the flowchart**

### **1) *Filing of the complaint***

The written complaint or appeal should be filed at the central registry or at a national sub-registry. A prescribed standard form should be used, accompanied by further written elucidation and/or statement of possible proof (documentary/expert evidence or names of witnesses).

### **2) *Appointment of the rapporteur***

The rapporteur is the judge responsible for the case management and the conduction of the proceedings up to the hearing before the panel. He could also be empowered to order any provisional measures.

### **3) *Notification to the defendant***

The defendant should be notified by the central registry on the rapporteur's instructions. The defendant should inform the court within a period set by the court, for instance one month, whether he plans to oppose the claim. A period should be fixed for the written defence, with the possibility of one extension to be granted by the rapporteur on a reasoned request by the defendant. Regarding evidence, the defence should comply with the same requirements as the complaint.

### **4) *First conference***

The first conference should be held under the aegis of the rapporteur. If not conducted by video or telephone, it should in principle take place in the country of the (main) defendant, thus ensuring local presence of the court. The purpose of this meeting should be to identify and clarify the main issues of the case, to fix the further time schedule for the proceedings (especially the date of the oral hearing), and to examine the (im)possibility of an amicable settlement between the parties and whether evidence needs to be taken before a first oral hearing.

### **5) *Exchange of written pleadings***

After reading the complaint and the defence, the rapporteur could give the parties an indication of the points about which they should try to inform the court further. In principle one more brief from each side should be sufficient. Deadlines for these briefs should be fixed.

**6) Constitution of court panel**

The moment for constituting the complete panel has been chosen rather arbitrarily in this flowchart. It could easily be imagined taking place at some other time. The most efficient way may be to include the rapporteur in the panel that will decide the case, but it would also be possible to constitute a wholly fresh panel. This last option might be the better one if the rapporteur has ordered preliminary injunctions or the like and thus taken up a position in the conflict between the parties.

**7) Oral hearing**

The court should be able to restrict the hearing to the most important points of fact and/or law, but to extend it to other points if necessary. Moreover the court should indicate beforehand whether it wants to hear certain witnesses and/or experts in plenary session.

**8) Judgment**

If a final judgment cannot be pronounced after the first hearing, the court should convene another one to take any further evidence required, indicating on which party the onus of proof rests as regards each disputed fact. It should also be made clear whether this further hearing will be held before the court in plenary session or before one of the judges acting as rapporteur (not necessarily the same rapporteur who acted earlier on).

**9) Appeal**

An appeal should lie from all final judgments and from those interlocutory decisions against which the court has allowed an appeal. The review of the decision under appeal should extend to both facts and law. However, stricter rules should apply to the appeal proceedings than to the proceedings at first instance as regards the admissibility of new facts and/or evidence.

**10) Revision**

Revision of its own decision by the last judicial body to have ruled on a case should be possible only in exceptional circumstances, such as discovery of fraud or violation of fundamental procedural rules, etc., and only if an appeal is no longer possible.

### **11) Other points**

Other points which have to be addressed in the EPLP or the rules of procedure are mentioned in Annex 1.

## **3.6 The European Patent Court**

This paper covers only the main considerations relating to the European Patent Court which should be included in the EPLP itself or in separate instruments provided for by the Protocol. As far as possible, the latter should be drafted along the lines of the relevant provisions of the EPC, the CPC Protocol on Litigation and the COPAC Statute. Bearing in mind the need for maximum flexibility and the difficulties inherent in amending an international agreement, all the details concerning the organisation and functioning of the court should be laid down in separate statutes which may be amended by the court itself or its supervisory body without requiring a revision of the EPLP.

### **Some major points to be settled in the EPLP or court rules**

#### **1) Seat of the court**

The seat of the European Patent Court should be determined by common accord of the governments of the signatory states (see Article 2 CPC Protocol on Litigation). The court of first instance may however sit at any other place in an EPLP state (see 3.2 1).

#### **2) Number and qualifications of judges**

The number of judges needed will depend on the number of cases the court has to try each year. However, at least one highly qualified patent judge from every EPLP State should be appointed for each instance. As judges eligible should be national judges, as well as legally qualified members of the EPO Boards of Appeal. All judges, whether lawyers or technically qualified persons, must possess ample experience of (European) patent law (see Articles 6 and 31 CPC Protocol on Litigation). The judges serving on the European Patent Court, should be appointed for a given term and, at least for a transitional period, continue to serve on a national court or the EPO Boards of Appeal. The technically qualified judges should be selected from a list of members of national courts and authorities and of the EPO Technical Boards of Appeal and sit on an *ad hoc* basis only (to decide the case for which they have been chosen).

**3) *Composition of the court***

The court of first instance should be a plenary body composed of three judges. The court of second instance should be composed, as a rule, of five judges. One judge at first instance and at least one judge at second instance should have a technical background. However, the rapporteur and presiding judge should always be lawyers. An open question is whether there should be a common pool out of which the judges of the European Patent Court of both first and second instance are chosen.

**4) *Financing of the court***

The expenditure of the European Patent Court should be fully covered by the court's own resources, ie court fees, and by financial contributions from the EPLP States (see Article 10 CPC Protocol on Litigation). In the long term, however, the court should cover its expenditures by its own resources exclusively.

**5) *Languages***

It seems appropriate to have the languages of the EPC (see Article 14(1), Rules 1 and 2 EPC) as official languages of the court. As a basic rule, the language of the proceedings should be the language of the European patent in suit, unless otherwise agreed by the parties and the court (see Article 10(3) CPC).

**6) *Other points***

Other points which also have to be addressed in the EPLP or its court rules are mentioned in Annex 1

**Annex 1:** Procedural rules and court rules: Other points

**Annex 2:** List of judges present at the meeting on 8 December 1999

Berne/Munich, 17 December 1999



## Annex 1

### 1. Rules of Procedure: Other points

The following points must also be addressed in the EPLP or the rules of procedure:

- (a) possibility of filing documents electronically
- (b) case management before oral hearing (eg finding out early on, as soon as the parties have filed their briefs, whether any further information is needed from the other side, looking into the involvement of experts/witnesses and/or the use of a preliminary hearing to settle the case, and setting a firm timetable for proceedings)
- (c) possibility to secure evidence once litigation has started
- (d) termination of proceedings (judgment, admission/settlement, withdrawal of action, etc.) and consequences thereof (eg costs)
- (e) stay of proceedings where opposition is pending before the EPO
- (f) joinder of associated proceedings (can third parties join the proceedings of their own volition?)
- (g) rules for evidence (eg taking of evidence, admission of new evidence and/or facts, level of evidence required; see Article 43 TRIPS Agreement)
- (h) time limits in general
- (i) ways for the Court to notify the parties and *vice versa*
- (j) representation before the European Patent Court (obligatory representation by lawyers? - Prerequisites attorneys have to fulfil to be admitted to practise before the European Patent Court? - should European patent attorneys be entitled to represent the parties? (see Article 12 COPAC Statute))
- (k) Court fees and attorneys fees (dependant on value of the case?): Should each party bear its own costs? Or should costs be awarded to the winning party? – If so, fixed or real costs? In any case the awarding of the costs should be under control of the court
- (l) appeal (admissibility, suspensive effect, extent of review by European Patent Court of second instance (facts and law), submission of new facts and/or evidence)

## **2. Court Rules: Other Points**

The following points must also be addressed in the EPLP court rules:

### **(a) *Legal status, privileges and immunities of the court***

In line with Articles 3 and 4 CPC Protocol on Litigation and the Protocol on Privileges and Immunities of the Common Appeal Court, the European Patent Court should have legal personality and its members should enjoy the privileges and immunities necessary to the performance of their duties.

### **(b) *Management of the court***

The presidents of each instance should be responsible for overall administration and appoint the administrative staff. They should have the option of delegating these functions to a secretary general managing the registry (see Article 8 CPC Protocol on Litigation).

### **(c) *Registry***

The European Patent Court should have a central registry, with sub-registries in each EPLP state.

## **Annex 2**

### **Informal meeting of patent judges concerning the EPLP under the aegis of the WPL co-chair in Berne on 8 December 1999**

#### **List of the participating judges**

Boval Bruno, France

Brändle Dieter, Switzerland

Fasseur-van Santen Josine, The Netherlands

Gehlen Pierre, Luxemburg

Göransson Magnus, Sweden

Sir Jacob Robin, United Kingdom

Klett Kathrin, Switzerland

Linder Alf, Sweden

Numann Ernst J., The Netherlands

Sedemund-Treiber Antje, Germany

Thomsen H.C., Denmark