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**Memorandum on the United Patent Court (UPC) and the Rules of Procedure
of the Unified Patent Court**

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On behalf of the Association of Danish Intellectual Property Attorneys we have the following comments to the 15th draft of the Rules of Procedure.

The background for this memorandum

We note that a political agreement on a unitary patent and a patent court has been made and that the agreement will enter into force when the agreement has been ratified by 13 countries that are to include Germany, France and the United Kingdom.

We find that if the format of the United Patent Court is right, it will result in greater due process protection and in the decisions being more predictable.

However, the condition is that both the agreement and the relating rules of the court show a balance between the parties involved in a patent dispute. In a way this objective has already been determined in the Unified Patent Court Agreement. For example, it is stipulated in Article 41(3) that the Rules of Procedure are to guarantee that the new Court's decisions are of the highest quality and that proceedings are organised in the most efficient and cost effective manner. The Rules of Procedure must also ensure a fair balance between the legitimate interests of all parties. This objective is elaborated on in the preamble to the Rules of Procedure as it is emphasised in the preamble that proportionality must be ensured by giving due consideration to the nature and the complexity of each case and its importance, flexibility is to be ensured by applying all procedural rules in a flexible and balanced manner with the required level of discretion for the judges to organise the proceedings in the most efficient and cost effective manner and fairness and equity are to be ensured by having regard to the legitimate interests of all parties.

We find, however, that the current draft of the Rules of Procedure should be adjusted in several respects to live up to the objective of creating a fair balance as in several respects the Rules of Procedure seem, too unilaterally, to favour the plaintiff.

We refer to the recently adopted resolution from the AIPPI on the Rules of Procedure. We agree to this resolution.

Please find below our comments to some selected and particularly important subjects (in a non-prioritised order). This memorandum contains some individual and specific proposals for amendments to the Rules of Procedure that may rectify some of the emphasised problems.

1 Danish businesses are predominantly the defendant in the system

We note that about 90% of the European patents currently validated in Denmark are held by foreigners. At a European level about 50% of all issued European patents are held by businesses domiciled outside the EU, including in particular the US, Japan, China and Korea. The consequence may very well be that Danish and other European businesses will typically be the *defendant* in patent infringement proceedings in the new system. The consequences of being held liable for patent infringement can be serious as it will be decided in one single case whether the infringer is to stop its production and sale in the entire area covered by the system.

Not least for such reason we find that the Rules of Procedure must contain reasonable procedural guarantees for *both* the plaintiff *and* the defendant(s).

We find it worrying that the current draft of the Rules of Procedure are very stringent. To a significant extent the Rules of Procedure have been drafted on the assumption that all cases are the same ("one size fits all"). We find that this is assumption is wrong. Even if there are rules that make it possible for the Court to amend the schedule, the spirit of the Rules of Procedure is that the same procedure and the same time periods must apply to all cases and that any amendments are only exceptions. Our worry is that this could cause problems. Presumably, small patent cases can be properly heard by applying the proposed procedure. But as for other more complicated cases, it is difficult to imagine that they can be properly heard in a year by applying the fixed time periods. In particular, this applies to cases that also involve any questions of the validity of patents.

We note, for example, that external experts almost always take part in patent cases, either appointed by the parties or appointed by the Court. It often takes time to find competent and impartial experts and we know from experience that it also takes time to draft expert opinions. In very specialised, technical areas this could lead to very significant problems in terms of time and in other areas not so much so.

We have the following important and specific comments:

2 Time periods

We find that the time periods in the Rules of Procedure are not flexible enough. The time periods are relatively short. There is a high risk that it will not be realistically possible to prepare a proper defence within a period of three months. The challenges will be particularly great for businesses that are sued in a language that they do not understand.

Even if Rule 9.3 stipulates that it is possible to extend the time period, the time period is to be seen in the light of a case having to be concluded within a year. In reality, it means that it might not be possible to get an extension of the time period.

Our concern is to be considered in connection with the system being a so-called front-loaded system where all the facts and all the required documents *must* be produced as early as possible during the hearing by the court of first instance and in general it will not be possible to produce any new material later on during the hearing or during subsequent appeal proceedings. We find that there is a risk that it will create problems for businesses (particularly small and medium-sized businesses) that are not used to being a party to patent proceedings and which do not as a consequence have the necessary internal resources and external contacts that such patent proceedings require. The proposed system will probably work if two parties share the same language and are domiciled in the same jurisdiction. We know that Rule 23 contains the statutory authority for extending the time period for the submission of a statement of defence and that Rule 9(3) contains a general rule that the Court may grant an extension of the time period. We are concerned, however, that considering the more general objectives of a speedy hearing the Court will not use such rules to a sufficient extent and as a consequence we propose that the Rules of Procedure specify the considerations that support a party being entitled to an extension of the time period so that it is certain to a reasonable degree that an extension of the time period is granted if such extension of the time period is deemed to be required considering the defendant's due process protection.

The preamble contains a number of correct and reasonable considerations that we find should be incorporated into the relevant provisions with the result that the parties are given actual procedural guarantees and not just flimsy statements of intent.

It should be specified that the date of the oral hearing (Rule 108) is to be determined in agreement with the parties' representatives and not merely be unilaterally dictated by the Court. Only if it turns out to be impossible to find a date within a reasonable time period, the Court should fix a date by giving a reasonable notice. As a consequence, it should be an exception that the Court dictates the date without considering whether the parties are able to be present and be represented.

We propose the following amendment to Rule 23:

*"The defendant shall lodge a Statement of defence within three months of service of the Statement of claim. The period may be extended by the judge-rapporteur on a reasoned request by the defendant **giving due consideration to the nature and complexity of the case in question.**"*

We propose a similar amendment to Rule 9(3).

We also propose the following amendment to Rule 108:

*"The judge-rapporteur shall summon the parties to the oral hearing which shall take place before the panel on the date(s) **agreed upon by the parties and set under Rule 104(h).**"*

3 Bifurcation

We are worried about the consequences of bifurcation in connection with counterclaims for revocation (Article 33(3)b), ie the division of the issues relating to the patent infringement and the issues relating to the validity of the relevant patent. We recommend that it be considered whether the defendant's interests are taken into consideration to a reasonable extent in connection with the rules mentioned below.

We are pleased to note that Rule 37.2 specifies that a decision about bifurcation may only be made after the parties have been heard and that the decision does not have to await the conclusion of the exchange of pleadings but may be made earlier after the parties have been heard. All other things being equal, it could progress the hearing of invalidity cases and make it less burdensome on the parties if the infringement proceedings are stayed and all efforts are concentrated on the invalidity proceedings.

According to Rule 37.4, the hearing of infringement proceedings must be stayed if there is *"a high likelihood that the relevant claim of the patent will be held to be invalid"*.

We agree with the AIPPI's proposal and reasoning that this be changed to *"a reasonable likelihood"*.

According to Rule 118.3, the passing of a judgment in infringement proceedings must be suspended in compliance with the same conditions. However, the conditions laid down in Rule 223 for whether an appeal against a judgment in infringement proceedings is to result in a stay of execution are not quite clear. It is merely stated that the party applying for a stay of execution must set out the reasons why the lodging of the appeal is to have suspensive effect and the evidence relied on. We propose as a consequence that a provision be incorporated to the effect that an appeal in such situation is always to result in a stay of execution.

As an alternative, a judgment on the infringement issue should not be executed before a decision has been made in the "bifurcated" case about validity.

Rule 352 about the provision of security is a general rule that does not particularly address such problem. We propose that in a situation where no final decision on validity has been made, security is always to be provided before a judgment on infringement (damages, injunction etc) is enforced.

4 New evidence

We find that the parties should be entitled to produce new evidence during appeal proceedings. The case that is heard by the court of first instance often develops in a completely different direction than what was anticipated. Particularly in cases involving validity, the Court's hearing of cited references may lead to the production of a significant amount of new evidence during the appeal proceedings. In patent proceedings it is often difficult to predict the evidence that ends up being the decisive evidence as the determination of for instance the inventive step depends, to some extent, on an estimate just as the patent claims may be restricted and the patent upheld in amended form. If it is difficult or impossible to produce new evidence during appeal proceedings without giving a very special reason, the parties are forced, already before the court of first instance, to produce everything that could be of any importance, also material that they themselves find is probably irrelevant. The result could be that both the parties and the Court will incur excessively increased and unnecessary costs in patent proceedings. We thus find that a more flexible access to produce new evidence should exist in appeal proceedings compared to what is determined in the current Rule 222.2. It should be possible to draft a broader interpretation of what can "*reasonably*" be expected to be produced during the hearing by the court of first instance in Article 73(4) than what is expressed in Rule 222.2.

We propose that Rule 222.2 be amended to:

*"Requests, facts and evidence which have not been submitted by a party during proceedings before the Court of First Instance may be disregarded by the Court of Appeal. When exercising discretion, the Court shall in particular take into account a), ...b) whether the new submission are **relevant** for the decision on the appeal c)...."*

5 The Court's decisions as to the case management

It is noted that the new Court has been given a significant responsibility to clarify the case. We find that the Court may make too many decisions during the preparation of the case without either of the parties having requested such decision. The basis must be that the parties know the facts of the case better than the Court. We find that it is a well-established principle in most countries that it is the parties that are to submit the evidence to the court and that the court is to make its decision on the basis of the evidence that the parties have submitted and the requests made by the parties. We have concerns that the Court itself and of its

own motion is to be able to obtain the evidence that is to provide the basis for the decision. That would be in conflict with the adversary system/the adversarial procedure.

We refer in particular to the following rules:

Rule 178 which stipulates that a judge may ask witnesses questions before the parties.

Rule 185 which stipulates that the Court may appoint expert witnesses "*of its own motion*".

Rule 201 which stipulates that "*of its own motion*" the Court may order that experiments be carried out.

Rule 202 which stipulates that "*of its own motion*" the Court may issue rogatory letters for the hearing of witness by other competent courts.

We note in such connection that as the parties know the facts of the case better than the Court, the parties must also be allowed to a significant extent to submit the evidence that they find to be relevant.

In addition to it being subject to concerns that the Court is able to influence the preparation of the case and the conduct of the case in such manner, it is not clear which party that is to pay the costs relating to the expert witnesses and any experiments ordered by the Court "*of its own motion*". What would the situation be if such experts and experiments do not actually bring anything new to the preparation of the case?

On the other hand, it will, in the light of the declared wish to be able to hold the final hearing in all cases in one day, be an advantage if the Court was to forward a statement covering the issues that it wishes to have clarified during the oral hearing no later than 30 days before the holding of such oral hearing.

We propose that it be specified in more detail in the Rules of Procedure that the Court's options to take independent action will only be exercised if the parties agree to such action being taken. Rule 185(1) could for example be amended to:

*"Where the Court must resolve a specific technical question in relation to the action it may **with the agreement of the parties**, appoint a court expert."*

Similar amendments to Rules 201 and 202 are also proposed.

6 Opt-out

We note that Rule 5 in the 15th draft includes a provision that a fee is to be paid for informing the EPO that a European patent is to be opted out from the system. We are pleased that it will be possible to opt out before the system enters into force, but it does not seem fair that a fee is charged for European patents already issued for opting out from a system that was introduced after the patent was

issued/applied for. If such fee is introduced, it should at least only cover the EPO's administration of the system and not be a punitive charge for current and future patent holders that, for one reason or another, wish to wait and see before the system enters into force.

The rules should be so clear and simplified that it is certain that if a patent holder has applied for an opt-out before the system enters into force, such opt-out will also have effect. It should be possible to opt out from the SPCs of the basic patent as a matter of principle.

7 Provisions "worth preserving"

We are pleased with a number of the provisions incorporated into the draft. In addition to Rule 37.2 that has already been mentioned which clarifies the procedures applying to bifurcation, the following applies:

Rules 285-298 about representation and legal privilege where we also urge that it be clarified whether the provisions will be recognised in respect of discovery in the US.

Yours sincerely



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