

The Patent Litigation Protocol and the Community Patent

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Conference of the Sub-Group of the Working Party on Litigation in Munich on May 19 and 20, 2003

A further session of the Sub-Group of the Working Party on Litigation was held in Munich on May 19 and 20, 2003, to discuss new text proposals for the European Patent Law Agreement (EPLA).¹ Twelve countries were present,² as well as the EPO, which assumed responsibility for drafting the texts, the epi (European Patent Institute), the UNICE (European Industry) and the two experts appointed by the Working Party.³ The Commission did not send a representative this time. The Working Party had been mandated by the 1999 London Intergovernmental Conference in order to establish a uniform judicial system for European patents that all Member States of the European Patent Organization could join on a voluntary basis. The EPLA provides for the establishment of a number of first instance courts and a central court in Luxembourg, as well as regional

chambers in a number of countries where required. In addition, it proposes a central appeal court that would also sit in Luxembourg.⁴

At the beginning of the meeting the Vice President GD 5 of the EPO, Professor Manuel Desantes, addressed the national delegations asking them from his own personal conviction to continue and finalize the work on the EPLA in spite of the decision for the creation of a Community patent. Indicating that the EPO will soon have registered 500,000 granted patents, he stressed the necessity for a harmonized litigation system at a European level as not all members of the EPO are also members of the EU. Practically all delegations in their initial statements spoke in favor of the continuation of this work, some mentioning that at this juncture the quality and thus the acceptance of the Community patent system cannot be predicted, so that an alternative should exist.

The advantages of a decentralized system have been accepted by this group for a long time, and the criticism with respect to the language rule of the Community patent litigation proceedings, among others, make it unpredictable how users will decide. It is a common opinion that in the difficult legal field of patent law it is vital that judges can work in their own language, or at least in a language of which they have a good command and are not reliant on translations. Therefore the EPLA would lead to considerable benefits in terms of costs and to a much more efficient enforcement of rights as compared with the Community patent. Some of the national delegations therefore assumed that the Commission would attempt to prevent the EPLA entering into effect, fearing that users would make even less use of the Community patent than is already expected if there is an alternative. However, a number of delegations intended to inquire as to how the two systems could be combined.

1. The work in the last meeting largely centered on the consent to the text adjustments adopted at the last session in November of the now 100-page long documents⁵ that have been under discussion for over three years. This is not the place to discuss the details, but the focus of discussion at this session was on the costs of the court system and the role of the Facultative Advisory Council (FAC) intended to provide legal opinions to the national courts in infringement litigation and to be set up at the EPLA central appeal court. The question was whether this facility should be available to all Member States of the EPO or only to the countries that accede to the EPLA. The majority was in favor of the first solution, but the costs would then also have to be borne by the EPO.

2. On the question of the costs of judicial proceedings, the EPO had sent a questionnaire to the national delegations, on the basis of which it drew up an overview of judges' salaries and the number of judges available in the individual countries. The discrepancy between German and English judges' salaries is substantial (approx. EUR65,000 in Germany as compared with EUR217,000 in the UK, per annum). It is assumed that the judges of the EPLA should receive roughly the salaries of the members of the EPO Boards of Appeal.

3. How expensive the system will be and what court costs will be incurred for a single case depends on the method of calculation chosen and on the efficiency of

the court, *i.e.*, the number of cases that the court can handle in a year. On this point, two papers were submitted, one by the EPO and another by this author who had made a comparison of the number of trademark cases disposed of by the European Court of First Instance (CFI) and the Düsseldorf District Court in patent cases. It happened that both of these courts had to handle roughly 400 cases last year; the CFI dealt with approximately 40 in trademark matters and the rest in other fields of law. The three Boards of Appeal of the OHIM, which decided 400 cases each, may also be included in this comparison.

Calculated by the number of judges, the Düsseldorf court with two chambers and six judges decided approximately 70 cases per judge, where however only the four reporting judges and not the presiding judges wrote the decisions.⁶ The CFI has 15 judges, so that each judge decided less than 30 cases. While Düsseldorf in the majority of cases decides within 12 to 14 months, the CFI often needs two years. The Boards of Appeals of the OHIM have 14 members and handle up to 80 cases per judge. It must however be taken into account that the facts in a patent case are considerably more complicated than the purely legal issues of trademark cases before the CFI and the Boards of Appeals.

Furthermore there are considerable differences in procedure. The CFI decides after a hearing where each party is limited to 20 minutes for their pleadings followed by 30 to 60 minutes of questioning by the judges. Since the plaintiff can normally choose the language of the proceeding from the five languages of the OHIM, simultaneous translation is provided into the languages required for the judges and possibly the other party. The patent chambers in Düsseldorf will have hearings lasting from one to two-and-a-half hours depending on the case without a limitation on the pleadings of the parties. The Boards of Appeals in Alicante, much to the regret of the users, have only fixed one single hearing since their existence, which of course considerably facilitates the streamlining of proceedings, but would be totally unacceptable in patent infringement cases.

For the future, because of the inclusion of nullity issues in European proceedings, an oral hearing will take at least one day (in contrast to approximately four cases handled per hearing day at present in Düsseldorf), it is concluded both by the EPO and in the expert paper that a conservative estimate would mean that no more than 25 cases could be handled per judge (reporting judge) and year. However, this can only apply if the court is made up of experienced judges and if they are provided with assistants or clerks to help in preparing the cases, as is the case in the CFI, the Boards of Appeal and also in courts in other countries. On the basis of the mentioned 25 cases, it is now possible to calculate the number of judges required and the costs, in order to determine the level of fees at which the EPLA can finance itself.

This call for self-financing has repeatedly been emphasized, *inter alia* by Germany, since it would constitute a regulatory factor for the number of regional chambers. It would not be acceptable that countries „reserve“ highly paid courts without sufficient cases to refer to them, and to have such cost borne by the entire system, *i.e.*, the users. If the calculation of court fees is based on a system

dependent on the litigation value, a system applied by Germany, Switzerland and Austria, for instance, it would be sufficient to raise the fees by a factor of 4 over today's German rates in order to self-finance a three-judge court if it handles and decides - or settles - 75 cases per year. This increase by a factor of 4 over the current German fees seems to be a realistic figure given that the decisions will apply throughout Europe, and will still result ultimately in considerable savings for the parties through the avoidance of a number of parallel actions. More concrete calculations will be conducted by the EPO.


4. In this context, it must also be mentioned that neither the proposed regional chambers nor the central chamber in Luxembourg will be peripatetic courts, and hence will not incur expenses for flights and hotels. This was pointed out by the German delegation after a short discussion arose on this point. Because of the costs that must be borne for the regional chambers, Germany called for a credit system for the general costs of the judicial system in order to prevent countries that establish and finance regional chambers and hence do not use the central chamber in Luxembourg - except the Court of Appeal - having to pay twice.

5. The EPLA would allow a gradual transition from national jurisdiction to a European system. The regional chambers would avoid the need to pay judges at a central court in Luxembourg for a longer period of time without there being any work available. On the other hand, the national judges at the regional chambers could gradually increase the EPLA cases they take on, and at the same time continue to deal with national cases. Above all, the EPLA would permit the existing judges to be available for a longer period as a kind of „overflow basin“ should there be bottlenecks at the central court in Luxembourg. For, if the provisions on Community patent jurisdiction lead to disadvantages, which can be expected for a variety of reasons,⁷ the

applicants for Community patents can, up to a certain stage, convert them into bundle patents, an approach that will be preferred by companies that are reliant on the efficient judicial enforcement of their patents.

6. On the further course of the work on the EPLA, it is proposed that another session of the entire Working Party shall be held in November, to which all interested countries are invited,⁸ for consultations on the last adjustments of the texts and the cost system. After that, Germany would have to convene a Diplomatic Conference to be held around March or April 2004. At this time, however, the European Commission is also proposing to convene a Revision Conference on the EPC in order to include the Community patent in the granting procedure of the EPO. We shall have to see whether at the political level a sufficient number of countries will support the entry into effect of the EPLA against the wishes of the Commission.

Most national delegations and the representative of the UNICE felt it desirable for there to be an alternative system available to the Community patent. Such an alternative would be necessary since soon a half-a-million European patents will have been granted that would require such a system, whereas there would not be a single Community patent granted within 10 years from now. In addition, as

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already mentioned, the Community patent provides for the possibility of conversion into European bundle patents, *inter alia*, if the translations of the claims are not submitted in time for all countries, with the result that there will always be a continuing need for a decentralized but nevertheless uniform European judicial system.

7. There would be no basic problem if the EPLA and the Community patent system coexist, and at least the fear of lack of harmonization is unfounded. Since even chambers within the same court do not always reach identical results, several regional chambers are not a reason for less harmonization. A joint appeal court could ensure that the decisions of the courts are harmonized, even though different central and regional chambers will decide at first instance. For this reason, the EPLA should enter into effect as soon as possible in order to test the practicability of such a system and to identify any improvements that could be made to the Community patent. Before the first Community patents are granted, the EPLA could for years act as a pilot model for a European judicial system. The inclusion of experienced first instance courts from the Member States can provide the necessary quality, predictability and speed of the administration of justice, something which any central court in Luxembourg, whether an EPLA or a Community patent court, must still prove it can achieve.

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¹Formerly known as the European Patent Litigation Protocol (EPLP).

²In the past, only nine countries participated in the work: Denmark, Germany, France, Luxembourg, Monaco, Netherlands, Sweden, Switzerland and the United Kingdom; Romania, Turkey and Hungary were also present in Munich.

³The Working Party initially appointed three „experts“ to advise the working party, Mr. Willems of the EPO, Dr. Schade and Dr. Pagenberg. Following his appointment as President of the German Patent and Trademark Office, Dr. Schade withdrew as expert consultant.

⁴For the details and the course of the work, see **Schade**, 2000 GRUR 101, and **Pagenberg**, „The First Instance European Patent Court - A Tribunal Without Judges and Attorneys?“, 31 IIC 481 (2000).

⁵Text of the Agreement, WPL/3/02 Rev.1 and the Statute of the Court, WPL/4/02 Rev.1.

⁶In a patent court like Düsseldorf the decisions are written by the reporting judge while the presiding judge is in charge of the case management and preliminary injunction proceedings. However in the CFI as well as the Boards of Appeal in Alicante, judges have assistants who prepare opinions as a basis for the Boards.

⁷Cf. **Pagenberg**, 34 IIC 281 (2003).

⁸At the session of the full Working Party in December 2002 the following additional countries were represented: Bulgaria, Belgium, Greece, the Czech Republic, Spain, Ireland, Italy, Portugal, Slovenia and Finland, see *supra* note 2.