

October 1, 2013

Opinion

of the German Association for the Protection of Intellectual Property

regarding the Preliminary set of Provisions for the Rules of

Procedure of the Unified Patent Court

The German Association for the Protection of Intellectual Property (GRUR) is a recognised non-profit-making, academic association of the members of those groups of occupations and organisations active in the field of intellectual property and copyright. The association comprises in particular academics, judges, civil servants, lawyers and patent attorneys as well as the representatives of associations and enterprises. According to its statutes, the purpose of the GRUR is the academic advancement and the development of intellectual property and copyright law at German, European and international level.

GRUR welcomes the “Preliminary set of Provisions for the Rules of Procedure of the Unified Patent Court”. In many respects the draft addresses the results of previous discussions and proposals made by interested circles, and meets with our agreement. All in all, the intended Rules of Procedure for patent disputes ensure well-balanced procedures for the general public, for rights holders as well as competitors and potential infringers.

The draft Rules of Procedure are highly detailed. In principle we consider this to be appropriate in order to ensure that proceedings before the many local and regional divisions as well as the central division are conducted in a sufficiently uniform and coherent manner.

We have the following comments on fundamental aspects of the draft Rules of Procedure:

Bifurcation Principle

Where a counter-claim aimed at revocation of the patent is filed within the context of infringement proceedings, according to Art. 33(3) of the Agreement, the local or regional division may (a) deal with both the infringement complaint and the counter-claim aimed at revocation of the patent, or (c) refer the case to the central division for a decision. However, the local or regional division may also (b) refer the counter-claim aimed at revocation of the patent to the central division while suspending or proceeding with the infringement proceedings (so-called “bifurcation principle”). Hence the bifurcation principle is an-

chored in the Agreement itself as a possible procedural alternative. The division decides “at its own discretion” whether or not to apply the bifurcation principle. The Rules of Procedure contain no guidelines for exercising such discretion. **Rule 37.1** merely determines in line with the Agreement that the parties are to be heard.

Where the division decides to separate the proceedings, it then has to reach a second decision, namely whether the infringement proceedings are to be stayed or set forth. Again, this decision is made at the discretion of the court according to Art. 33(3) of the Agreement. According to **Rule 37.4**, the division has to stay the proceedings where it is highly likely that the patent is invalid. In other cases it can but is under no obligation to stay the proceedings. The same standards apply under **Rule 118.3(b)**. Hence these Rules concern the exercise of discretion when deciding whether or not to stay proceedings. The bifurcation principle remains unaffected, indeed the question of a stay only arises where proceedings are separated.

We consider this Rule in the draft Rules of Procedure to be well-balanced and flexible. In particular, we welcome the fact that the draft refrains from laying down requirements for exercising discretion with regard to the question whether or not the bifurcation principle is to be applied. The correct decision depends particularly on the circumstances of the individual case. The court should definitely have the opportunity to speed up the proceedings in suitable cases by applying the bifurcation principle and to render a decision on the infringement alone. Where no infringement is found, continuation of the counter-claim aimed at a revocation of the patent may become obsolete. If, in contrast, the infringement is affirmed, the patent holder will promptly receive a judgment which he can enforce at his own risk, if appropriate against furnishing of a security.

The decision of the division according to Art. 33(3) of the Agreement is a court order which pursuant to Art. 73(2)(b)(ii) of the Agreement can only be challenged if “the court” grants leave to appeal. We categorically support the view that “court” in this context means a court of first instance and not the court of appeal (cf. comment of the Drafting Committee on **Rule 220.2**). If the parties were given the opportunity to request leave to appeal to the court of appeal against every procedural decision made by the court of first instance, this would very considerably delay the proceedings at first instance, contradicting the declared objectives of the Agreement. If the court of first instance is of the opinion that in view of a certain procedural structure, a harmonized decision practice in the various Member States would be beneficial, it can grant the legal remedy in an exceptional case. In the absence of such leave to appeal granted by the division itself, a procedural decision cannot be challenged in isolation pursuant to Art. 73(2)(b)(ii).

A review by the court of appeal of court orders issued under Art. 33(3) would hardly be possible anyway since Art. 33(3) expressly grants “own discretion” to the local and regional divisions. The court of appeal cannot simply replace such discretion of the court of first instance through its own discretion. At the most, it would be possible to verify whether or not the bounds of discretion have been exceeded. However, this is unlikely to arise in practice. As shown by German case law, similar complaints lodged against decisions of the court of first instance to stay proceedings have only minimal prospects of success (Sec. 148, German Code of Civil Procedure (ZPO)).

Set Periods

Both the Agreement and the draft Rules of Procedure are aimed at swift proceedings, which we welcome in principle. However, it is important to take into account that in many cases there will ultimately be two proceedings, namely infringement proceedings and revocation proceedings that are either joined or conducted separately. In addition, the matter in dispute can change during the proceedings, especially where the patent proprietor, as a reaction to a counter-claim seeking revocation of the patent, submits restricted patent claims (possibly as an alternative).

The tight deadlines mean that it is difficult especially for an infringer being sued to establish all the relevant facts that could cast doubt on the validity of the patent in suit. As a rule this requires a time-consuming search for prior art. A further complication in practice is that the language of the proceedings before the court is not understood by the defendant so that translations have to be prepared.

According to the deadlines proposed (Rules 23 and 25), as a rule the defendant is to have completed all these steps for preparation and finalization of a counterclaim for revocation within a period of three months. Apart from this, the defendant has to examine the constituent elements of his alleged infringement and, if appropriate, dispute them within the context of his defence. Often this will not be possible within the deadline where technically or legally complex cases are concerned.

The Preamble to the Rules of Procedure (paragraphs 2-6 in particular) rightly calls for flexible handling of the Rules and cites the complexity of each individual case as a criterion. In our view the situation of a party (especially the defendant) who is confronted with a complex matter for the first time and who has to respond within a short set period, has to be taken into particular account.

If the set periods are applied rigorously in relation to defendants, patent proprietors may be encouraged to file “ambush” lawsuits. The tight deadlines make it more difficult for the defendant to challenge the validity of the patent in suit and – if implemented rigorously – could tempt patent proprietors to take action on the basis of patents with questionable validity.

High-quality decisions are a primary objective of the new court system. This naturally includes a correspondingly high quality where the validity of the patent in suit is examined. The fact that such a high-quality examination can take time in complex cases is illustrated by the revision of the patent revocation process in Germany. The thorough and high-quality examination implemented by the revision at the first instance before the Federal Patent Court has resulted in a significant increase in the duration of the proceedings.

It will be difficult to strike the balance between high-quality and swift proceedings, especially in complex cases. It is our view that where such constellations are concerned, quality has to take precedence over haste, something that should also be expressed in the Preamble.

We would like to comment as follows on the individual Rules:

Rule 4

It should be made clear that the submission of written pleadings and documents can take place in any form and not only in electronic form. If necessary, subsequent submission in electronic form can be required.

Rule 14

According to Art. 49 of the Agreement, there are in principle three categories of possible languages of the proceedings for the local and regional divisions.

The first category according to Art. 49(1) is the language (or the languages) of proceedings before the local or regional division.

According to Art. 49(2), the second category is one of the official languages of the European Patent Office, which a contracting member state may designate (additionally) as the optional language of proceedings before their local or regional division.

According to Art. 49(3)-(5), the third category is the language in which the patent in dispute was granted, which under certain circumstances may also be chosen as the language of proceedings.

Rule 14 now seeks to specify how the choice is to be made among several languages of proceedings that may be available for designation under Art. 49(1) and (2). According to Rule 14(2), the choice is to depend on the language in which the defendant usually conducts its business in the relevant contracting member state. We do not consider this Rule to be either feasible or appropriate.

In our view, where a local or regional division offers more than one language of proceedings, as a matter of principle the plaintiff must be at liberty to choose the language freely.

However, where the choice of language is to focus on the defendant, the criterion of the language in which it usually conducts its business (however this may be defined) is entirely unsuitable and, furthermore, will not lead to objectively correct results.

To our knowledge this Rule on languages is still being reworked and we are in favour of a provision which enables the plaintiff to make a rapid and unequivocal choice of language at the start of the proceedings.

Rule 30

Through the wording “and/or specification”, **Rule 30(1)(a)** implies that it is possible to amend not only the patent claims but also the patent specification within the context of patent revocation proceedings. We do not consider this to be appropriate.

Amendments to a European patent (claims and/or specification) in opposition proceedings lead to a completely new patent specification being issued. The Unified Patent Court is unable to do this in revocation proceedings. For this reason amendments in patent revocation proceedings should be limited to the patent claims; the grounds of the decision are then to be consulted when interpreting the new patent claims. In order to ensure that the public is informed, a reference to the revocation proceedings and their outcome (if necessary with amendment of the patent claims) should be included in the relevant patent register. The court files are available to the public online for inspection (Rule 262) so that amended patent claims and the relevant grounds of the decision are easily accessible.

With regard to European patents with uniform effect, **Rule 30(1)(a)** codifies an additional translation requirement for amended patent claims into the language of the defendant’s domicile, at the latter’s request.

The question we ask is whether Art. 4 of the Translation Regulation No. 1260/2012 actually indicates that not only the patent specification but also the amended patent claims have to be available in this (possibly third) language.

It is important that the wording of this Rule be adjusted to Art. 4 of Regulation No. 1260/2012. Firstly, a translation may only be required in the languages of participating Member States, secondly, the alternative of translation into the language of the place of infringement also has to be mentioned.

As regards amended patent claims, **Rule 30(1)(b)** requires that their clarity in accordance with Art. 84 EPC be substantiated. We consider this to be unreasonable. The only requirement should be that the basis for the amended patent claims (Art. 123(2) EPC) has to be specified, the fact that the scope of protection will not be broadened (Art. 123(3) EPC), and that the substantive and legal obstacles to patent protection raised have been removed.

There should only be an obligation to substantiate clarity if a complaint regarding clarity is raised by the defendant or the court on the basis of the amendments made.

We would also propose that the undefined term “valid” under patent law be replaced by a reference to patentability in accordance with Arts. 52-56 of the EPC.

Clarity in the sense of Art. 84 EPC should only become the subject-matter of proceedings where the defendant and claimant in a revocation action raises a complaint of ambiguities owing to amendments to the claims.

Rule 30(1)(c) requires that the number of auxiliary requests be “reasonable” and in our view thus inappropriately opens the floodgates for a restriction of the number of auxiliary requests. The case law handed down by the Technical Board of Appeal of the European Patent Office in appeal proceedings there demonstrates a tendency to permit additional auxiliary requests only where they converge on the basis of an earlier auxiliary request, i.e. where they become increasingly narrower. It is possible that this Rule will result in such convergence being required from the outset within the context of an action for patent revocation.

This is not acceptable. An action for patent revocation or a counter-claim seeking revocation will often include a large number of challenges against the patent. The patent proprietor has to be permitted not to choose just one option among many for a limited defence, and to converge continually from there, rather, the patent proprietor has to be able to draw up several alternative lines of defence side by side in the form of auxiliary requests.

In order to make this clear, the requirement “must be reasonable” should be replaced by “should be reasonable.”

Rule 31

We are in favour of the approach taken in the draft Rules, to collect the variable portion of the court fees on the basis of the value in dispute and to determine such value for that purpose. We do not agree with considerations to determine the court fees on the basis of the time spent by the court instead since in our view this would be a clear contradiction of Art. 36(3), second sentence, of the Agreement.

Rule 32

According to Rule 32(1), the defendant (plaintiff in a revocation action) has to respond to amendments to claims within a period of one month. As a rule this will not be feasible, especially where the amendments to claims do not combine patent claims present in a patent already granted, but, rather, include additional features from the patent specification. In this situation additional research concerning precisely such features will very often be necessary, which cannot be conducted in advance because at that time it was not possible to foresee that the patent proprietor would rely on those features in its defence. The planning, implementation and analysis of such a search as well as the drafting of the relevant statement of claim (if necessary with translations) is not possible within a period of one month. We suggest that this period be extended to 2 months.

Rule 39

The deadline in Rule 39(1) for the submission of a translation of the counter-claim for revocation in the language of proceedings of the central division should be at least one month. This would firstly avoid the unnecessarily complicated calculation of deadlines in days, and secondly it does not appear feasible to prepare a translation of voluminous actions for revocation within a period of 21 days.

Rule 46/47

The references in these Rules do not appear to be correct, editorial revision will be necessary.

Rule 51

We hereby refer to our comments on Rule 32(1).

Section 6 – Rules 85-96

The actions of the European Patent Office in its capacity as the administrative authority for European patent applications are monitored by the boards of appeal, before which an appellant has an unconditional right to an oral hearing (Art. 116 EPC). We consider it necessary to afford this unconditional right also where the actions of the European Patent Office as the administrative authority of the European patent with unitary effect are monitored. We therefore categorically oppose the discretion of the court to convene an oral hearing, which is apparently indicated in **Rule 96**.

Rule 88(5) does away with any mandatory representation in proceedings against the European Patent Office. We consider it correct not to apply the rules on representation under Art. 48 of the Agreement in this context; however, Rule 88(5) oversteps the bounds and also permits non-European parties to appear before the court without representation. Instead, we suggest that the rules on representation of the EPC apply before the court where it decides on actions of the European Patent Office in its capacity as the administrative authority.

Rule 207 provides for the possibility of depositing so-called “protective letters”. This gives a party the opportunity to present arguments to the court in a timely manner that speak against the grant of a preliminary injunction and with which the other parties involved in the proceedings might not be familiar. In German legal practice the experience with the instrument of “protective letters”, which are not regulated by law, has been positive. We therefore welcome the Rule.

As regards **Rule 220.0**, we hereby refer to our comments on the principle of separation.

Rule 222(2) is a well-balanced regulation on the possible introduction of new facts and means of evidence in appeal proceedings. We are expressly in favour of this regulation and reject efforts to raise the threshold for new statements of fact at the second instance.

Part 2 – Rules on Evidence

We expressly welcome the planned rules on evidence, which we consider to be well-balanced and well-structured. The following fundamental aspects seem to deserve particular positive mention:

- taking of evidence under full control of the court;
- possibility of appointing experts by the court;
- possibility of causing experiments to be carried out under the control of the court.

Rule 298

We most definitely welcome the possibility provided for, to expedite opposition proceedings before the European Patent Office. We would propose anchoring this in the EPC as well. We do not agree with considerations to amend the EPC such that proceedings for revocation before the Unified Patent Court are to take precedence in any way whatsoever over opposition proceedings.

Calculation of Set Periods – Rules 300/301

We propose that the calculation of set periods be fully aligned with the relevant provisions in the EPC (Rules 131-134, EPC Implementation Regulations). We consider the following provisions, in particular, to constitute unnecessary and complicated divergences from the established EPC regulations on set periods:

- The event triggering a set period in Rule 300(a) should be defined in line with Rule 131(2) EPC
- The regulations in case of impaired (electronic) transmission should be drafted in analogy to Rule 134(2) EPC.

Re-Establishment of Rights – Rule 320

The set periods for filing of an application for re-establishment of rights are too short, in particular, the 3-month absolute time limit for an application for re-establishment of rights is unacceptable. The one-year period codified in the EPC seems reasonable.

We also consider it unacceptable that there is to be no remedy against the rejection of an application for re-establishment of rights. In view of the large number of tight and rather complex set periods in the draft Rules, it may be expected that applications for re-establishment will arise more than occasionally.

It is all the more important that harmonized judicial procedure be developed in relation to the criteria, to which end a remedy against a decision to reject is essential.

Rule 341

We consider it questionable to assign the presidency of a court according to the principle of seniority. In our view an appointment by the presiding judge of the division would make more sense, who on his or her part may consult with the president of the court of first instance.

Rule 343

It is not acceptable that the court is to be able to curtail further the already very short set periods merely after a hearing and without the consent of the party concerned. Swift court proceedings are only worth something as long as the quality is not impaired.

Rule 355

Article 37 of the statutes of the court establishes clear-cut boundaries as to when a default judgment may be handed down. This is only possible where a party fails to react to a document instituting proceedings, or fails to appear at an oral hearing.

Rule 355 attempts to expand these requirements to the effect that a default judgment is always to be handed down where a set period under the Rules is missed. This is not acceptable. A default judgment simply cannot be handed down where, for example, a party fails to indicate its opinion in good time in response to a demand made pursuant to Rule 323(2) (opinion on application to use the language in which the patent was granted as the language of proceedings). The option of a default judgment has to remain restricted to a few, exceptional cases where a party indicates that it does not seriously intend to defend.

Another question we ask is whether, for example, a default judgment can be handed down against a patent proprietor in an action for revocation of a patent or a counter-claim. Is there a serious intent to permit a decision on revocation that is effective *erga omnes* to be handed down via a default judgment?

It might be necessary to provide clarification of the term “default judgment” in this context. Is it a decision in accordance with the motion filed by the other party irrespective of the present facts and the status of the dispute, or does an examination of the merits of the action have to be carried out, or does a decision possibly have to be handed down based on the files?

Fees – Rule 370

In our view the opt-out fees should not be prohibitive and at best should be calculated on the basis of administrative costs incurred.

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