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Subject : EU Patent Jurisdiction - Remedies, procedures and other measures

Delegations will find in Annex a Presidency working document on the remedies, procedures and other measures of the future EU Patent Jurisdiction for discussion at the meeting of the Working Party on Intellectual Property (Patents) on 25 January 2008. This document builds upon and complements document 14492/07.

Introduction

The proposed EU-Patent Jurisdiction ("the Court") would constitute a Community jurisdiction with uniform remedies and procedures. This document presents an outline of the remedies, procedures and other measures that the first and second instances of the Court could apply.

The rules should be tailor-made for patents and ensure expeditious and high quality decisions, striking a fair balance between the interests of right holders and other parties. Moreover, they should provide for cost-effectiveness of procedures and thus facilitate access to justice, in particular for SMEs.

The future rules should to a great extent be based on Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2.6.2004, L 195/16) and on the work carried out in the context of EPLA, in particular the draft European Patent Litigation Agreement (EPLA, 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 the rules of procedure of a European Patent Court (4 November 2006).

This working document does not contain an exhaustive list of issues but addresses those elements which seem to be important for patent litigation and require an early discussion. The document complements the revised Presidency's working document "Towards an EU-Patent Jurisdiction – Points for discussion" regarding the main features of the envisaged EU patent jurisdiction (14492/07 PI 42).

1. General

The divisions of the Court should deliver high standard work in all phases of the proceedings. The rules should be appropriate for the speciality of patent litigation. The Court must deal with cases in ways which are proportionate to their importance and complexity. To this end the judges need to dispose of a variety of necessary instruments adapted to the specificities of patent litigation and containing an appropriate level of flexibility.

A basic feature should be that the Court must be able to work rapidly and within certain deadlines. This requires that the panels and individual judges respect strict internal working methods. But parties also have a responsibility. They should put their best case forward as soon as possible, and the Court should not grant extensions of time limits without good cause.

The rules should strike a fair balance between the interests of patent holders and other parties. They should be effective and dissuasive but also fair and equitable and not be unnecessarily costly. In order to take away fears that the creation of an EU-wide court would increase unfair litigation, the rules should be designed and applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for sound safeguards against their abuse. The Court must in particular guarantee that these rules are not used to restrict competition in an unlawful manner.

The proceedings need in principle to be open to the public unless it is necessary to maintain proceedings confidential in the interests of the parties or in the general interest of justice or public order.

2. Remedies

2.1 Evidence

Obtaining evidence about the other party's product or process is often crucial, especially when the right holder tries to prove infringement. It needs to be reflected what the approach of the Court should be on evidence, rules concerning evidence, the availability of discovery, cross-examination of witnesses, and the result of experiments.

In infringement cases, the evidence is usually to be found under the control of the infringer (manufacturer or distributor). The main rule should therefore be that the Court may order the production of specified evidence which lies in the control of the alleged infringer. Under certain conditions it should even be possible for the Court to order a third party to produce specified and relevant evidence. When there are good reasons to expect that evidence would be destroyed, the Court should be able to order the preservation of evidence.

The Court could also be given the authority to permit the inspection of commercial premises without notice by a qualified person who may search for goods, materials, devices etc. In this context, the Court could accept that a detailed description or a sample of the "evidence" may be considered sufficient proof for the whole. This procedure, known in patent law as *saisie-contrefaçon*, is an example of good practice which already exists in certain Member States. It would enable proof of infringement to be brought very efficiently and at a moderate cost.

But the interests of the defendant also need to be adequately protected. "Fishing expeditions" must be avoided and the production of evidence should, for example, be subject to the protection of confidential information. If the orders would affect third parties, their interest should be taken into account and they should, for instance, be given the opportunity to submit observations.

2.2 Injunctions

The possibility to take quick action against alleged patent infringements is extremely important for the right holder. It should be possible to obtain injunctions very rapidly and the Court should be authorised to grant injunctions with legal effect in the whole EU. However, in order to strike a fair balance the applications these measures should be subject to safeguards to protect the alleged infringer.

Interlocutory injunctions should stop any impending infringement, or forbid the continuation of the alleged infringement. The Court could also order the seizure of the goods suspected of infringing a patent right so as to prevent their distribution within the channels of commerce. When the recovery of damages is likely to become difficult or impossible, the Court could be authorized to order the seizure of property of the alleged infringer, including the blocking of his bank accounts. Another essential tool for the proprietor would be that the Court orders a party to refrain from removing assets beyond the jurisdiction of the Court so as to frustrate a judgement (*freezing order*, or *Mareva injunction*).

An important safeguard should be that injunctions may only be granted if the right holder provides adequate evidence to substantiate his claim. The party who seeks the injunction should in principle make full and frank disclosure of the case given the risks for the defendants. The injunction may also be subject to the lodging of adequate guarantees (including financial guarantees) by the applicant to ensure any compensation of the prejudice suffered by the defendant if in proceedings on the merits the claims are subsequently judged to be unfounded. The applicant needs to institute proceedings leading to a decision on the merits of the case within a reasonable interval. Special safeguards should be built in when the Court issues an order without the other party having been heard (*inaudita altera parte*). In such situations, for example, the defendant should have the right to request a review of the order, including the right to be heard.

Injunctions should be based on the principle of equity and judges should be given criteria for weighting the interests of all the parties. In order to avoid abuse, it could be explored whether the request for injunctions should be limited to situations where the applicant manufactures or commercialises competing products.

2.3 Damages, legal costs and periodic penalty payments

Once the Court confirms that a patent right has been infringed, the right holder would be entitled to receive damages as a compensation for the prejudice actually suffered.

The Court should have two ways of setting the specific level of damages. Firstly, it could take into account all appropriate aspects of the prejudice, such as unfair profits made by the infringer and/or lost profits if the patentee can show that he lost sales as a result of the defendant's infringing sales. It could also take into account elements other than economic factors, such as the moral prejudice caused to the right holder. Secondly, the Court could set the damages as a *lump sum* on the basis of certain elements. A *lump sum* should always be at least the amount of the customary licence fee which would have been due if the infringer had requested authorisation to use the patented invention in question.

These methods do not contain an upper limit. It should however not be the aim to introduce an obligation to provide for punitive damages. This is in conformity with common practice in EU patent litigation.

The legal costs and other expenses incurred by the successful party such as costs for expertise or research should, as a general rule, be borne by the unsuccessful party. The Court should have the flexibility to order that costs be apportioned equitably or that the parties bear their own costs. In any event, a party should bear unnecessary costs it has caused in the proceedings.

If a party does not comply with the terms of an order of the Court, then this could be sanctioned with a periodic penalty payment payable to the party mentioned in the order. The individual fine should be proportionate to the importance of the order to be enforced.

3. Procedures

3.1 The parties and their representatives

The group of persons entitled to have access to the Court in order to seek application of the procedures and remedies should naturally include patent owners. However, other persons authorised to use the patent right, especially licensees, could also have access to the Court. It should be explored if, and to what extent, the holders of exclusive licences and the holders of other licenses may initiate proceedings before the Court in the same way as the proprietor of the patent.

The parties should be represented by lawyers authorised to practise before a court of a Member State. In patent litigation, questions of technology play an important part in order to reach a legally sound decision. Technical expertise is required not only on the side of the Court but also on the side of the parties. The lawyers should therefore have the possibility to involve and to act together with a European Patent Attorney who is a national of a Member State and entered on the list maintained by the EPO. The European Patent Attorney should be allowed to speak at hearings.

It goes without saying that all representatives should enjoy the rights and immunities necessary to the independent exercise of the duties.

3.2 The written and oral procedure

The written and oral procedures should be organised in a proportionate, flexible and balanced manner. They must contribute to high quality decisions which may only be based on arguments or evidence on which the parties have had an opportunity to present their comments.

It may be useful that after the written procedure and under the responsibility of one of the judges an interim hearing is convened in order to explore the possibility of an early settlement.

An oral procedure may be necessary to give parties the opportunity to explain properly the merits of their arguments. The Court may however, after having heard the parties, dispense with the oral procedure.

All or part of the procedures should be conducted in electronic form or otherwise making good use of modern communication technologies such as video conferencing. The costs for making use of these technologies should normally be borne by the Court.

3.3 Reversal of the burden of proof

The owner of a patent who institutes proceedings before the Court against an alleged infringer must provide proof of this infringement. However, when the alleged infringement concerns a patented process for obtaining a product, it may be very difficult for the patent owner to prove that the claimed process was not used in the manufacture of the product. This is for example the case if there is a strong probability that the identical product was made using the patented process but the patent owner has been unable to determine the process actually used despite reasonable efforts.

In such situations specific rules on the reversal of the burden of proof could be considered. The Court could then order the defendant to prove that the process of obtaining the identical product is different from the patented process. The legitimate interests of the defendant in protecting his manufacturing and business secrets should be taken into account.

4. Decisions

The Court should decide in accordance with the requests submitted by the parties. Apart from well-known facts, decisions on the merits may only be based on the grounds, facts and evidence put forward by the parties.

Given the length of opposition procedures it should be explored whether, despite pending opposition procedures, it should nevertheless be possible to file an invalidity action with the central division of the Court.

Special arrangements should be explored for the enforcement of decisions initiated by licence holders without participation of the proprietor of the patent.
