ARTICLE:

NEW ROLES OF EUROPEAN COURTS IN A COMMON COURT STRUCTURE: THE EUROPEAN LITIGATION PROTOCOL AND THE FUTURE EUROPEAN PATENT SYSTEM

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I. Introduction

Europe's diversity in patent litigation has troubled patentees for many years. Not only is the level of experience of the courts considerably different from country to country, but also the lack of harmony even between experienced patent courts is visible when it comes to claim interpretation, as well as with respect to procedural rules.[1]

Another complaint of patentees is the fact that patents, even when granted by the EPO, are territorially limited rights which can only be enforced with respect to one single country and by the respective national courts. Thus, despite the possibility of extraterritorial effects under the Brussels Convention, parallel litigation and resulting forum shopping remains possible. In most European countries the validity of a patent can be challenged by way of a counterclaim or as a defense in an infringement action. In others, like Germany, a separate revocation action must be filed with a separate special court. And, of course, a validity decision would be limited to the respective country. The project of a Community Patent failed 25 years ago because the governments could not agree on a common litigation system, which at that time was to be a Common Court of Appeals (COPAC).

But Europe has made a new move. The Intergovernmental Conference of the Member States of the European Patent Organization, held in Paris, June 24-25, 1999, mandated what has been called the *Working Party on Litigation (WPL)* to propose a "*Structure of an optional protocol on the settlement of litigation concerning European Patents"* (EPLP – European Patent Litigation Protocol). The Protocol is to have an *"integrated judicial system,"* including uniform rules of procedure and a *common court of appeal*. Since the European Patent Organization is not comprised solely of countries of the European Union, the Protocol, *i.e.*, the intended international Convention, was planned as a voluntary union

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[1] For a very clear description of the problems in European patent law, see Brinkhof, *Die Schlichtung von Patentstreitigkeiten in Europa*, to be published in *Festschrift 40 Jahre Bundespatentgericht.*

of states, so that the solution proposed would not need the approval of all countries. Those which wish may join, and those which do not agree with the proposal may stay outside. There was nevertheless a common understanding that it would not make sense to create a system which would only combine countries with a very low number of patent cases.

II. The present discussion

1. The proposal of the WPL

In spite of the limited mandate during the work for the basic concept of the Protocol, some delegations developed the idea of not only creating a single court of second instance, but also a *common European court of first instance.* This was then discussed in more detail in the WPL Paper of May 25, 2000[2] – which, however, went a little too far for many countries, as well as for the specialized judges and litigating attorneys.

The first idea was to create a single court residing in one city to decide infringement cases for all the territories in which EPC patents are in force and have been infringed. The languages which the EPJ (European Patent Judiciary) would allow would be the three working languages of the EPO, *i.e.*, English, French and German.[3] Although this could in theory facilitate the communication in a single court, it would put an enormous burden on the litigating parties. It could result in situations where a Greek or Portuguese defendant would have to defend his case in German before a court sitting in Luxembourg, although there might have been an infringement only in the home country of the defendant – or no infringement at all.

These proposals, however, do not fit into a system of a Union of States in which eleven languages are spoken and more than a dozen entirely different court systems exist. A radical change that would abolish all existing national courts would have too many consequences which would have to be examined before they could be accepted.

In comparison, the United States has more than ninety first-instance courts which have (in theory) jurisdiction for patent cases, and nobody, to my knowledge, has ever even discussed the possibility, let alone necessity, of a central patent court of first instance. The U.S. does have a central court of appeal for patent litigation, but in the U.S. nobody disputes the right of the plaintiff to choose a forum which best serves his interests and needs in defense of his rights. The U.S. courts also differ among themselves in their practical approaches to handling patent cases; some courts are known as particularly fast, and some are slower or less experienced.

Is it therefore really excessive if Europe maintains altogether 15 or 20 courts, in view of the different language regions? And is the solution of all problems really a central court of first instance if, as we will later see, no one knows where one would find the judges for it, so that such a court will suffer for a long time from lack of experienced and competent judges? Who would entrust his cases to such a court? I think that today it is simply

[2] The following citations refer to the English version of the WPL Paper prepared by the Luxembourg Conference of May 25, 2000 (WPL 9/99 rev.1).

[3] WPL 9/99 Annex I, No.1 page 24.

premature to force judges into one single court, if these judges cannot even talk to each other, let alone understand and decide cases which are being heard in a different language than their own. In discussions with experienced patent judges in Germany, all of them affirmed that they would be unable to follow a technical discussion or the pleading in a hearing, even in English (the language best understood, at least for general conversation).

A number of delegations, in particular those whose countries have well functioning patent court systems like Germany's,[4] had already objected to such a drastic change because of uncertainties as to quality and efficiency of the proposed court.[5] The objection was that the WPL Paper does not state where and how one would recruit judges having sufficient patent litigation experience for such a centralized court. Because the authors of the proposal expressly avoided the inclusion of existing national courts into the European system – obviously with the aim of immediately creating a European system without national links – it soon became clear that one would need a considerable number of judges, which are simply not available except in the national courts.[6] The Paper merely stated that "the number of judges needed will depend on the number of cases the court has to try each year," and "at least one highly legally qualified patent judge from every EPLP state should be appointed for each instance."[7]

Also, non-German practitioners warn that one should not put at risk a well-functioning system, like the German one, which permits smaller companies to enforce their patents at reasonable cost in a relatively short time.[8]

Upon the wishes of industry[9] and the patent bar for "local presence" of this court,[10] a modified version of the WPL Paper recognized the need of the litigating parties, especially small and medium-sized enterprises, to conduct their litigation "at home".[11] The new idea was to create a "pool of judges" and a "peripatetic" Court which would sit at different locations at different times. Also, the possibility of *regional chambers* was added to the original proposal.[12] These chambers would have to be understood as *ad hoc* chambers for each individual case and without a permanent establishment and structure in the different member states.[13] It was not explained in the WPL Paper how the jurisdiction of the

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[4] *Cf.* the Report of the Working Group of the German Justice Department published in 2000 GRUR 221, 222.

[5] *Cf.i.a.* Pagenberg, 31 IIC 481 (2000), Schade, 2000 GRUR 101

[6] See Brinkhof, *supra* note 1, who confirms that this argument alone excludes the dream of a central court of first instance.

[7] *See* WPL Paper No. II.3, page 18.

[8] Brinkhof, *supra* note 1. Coming from a very efficient patent system, he himself calls Germany the "patent country par excellence."

[9] UNICE Paper of June 5, 2000.

[10] No.VII of the UNICE Paper of June 5, 2000.

[11] "At the defendant's place," WPL 9/99 No. II.6. 2) at 17.

[12] *Ibid.* at 17.

[13] Opposed in this form also. by, *e.g.*, the Swedish delegation, Doc. WPL/12/00; the Swedish delegation with the WPL therefore made a counter proposal, *cf*. Memorandum 2000-06-05 Doc WPL/12/00 e.

regional chambers would be defined, *e.g.*, whether jurisdiction would be given in the seat of the defendant as well as the place of infringement.

Another proposal of the paper was that the judges should be appointed to the first and second instance of this common European Patent Court at the same time, forming a "common pool" out of which the judges would be assigned to the cases. The judges would not permanently and exclusively work with cases of one regional chamber,[14] but would travel from court to court and case to case.

2. The proposed alternative: A decentralized system with centralized national courts

An alternative, supported primarily by the German delegation, but also by the large majority of the bar and patent judges (as far as they participated in the discussion), was based on fears that one single court of first instance would never be in a position to cope with the number of patent infringement cases which one must expect, and without the inclusion of existing courts it also would not have the required quality. Germany alone currently has approximately 600 patent cases in the first instance per year. Whether there would be 600, 800 or 1000 European cases from all 15 countries is difficult to predict.[15] The proposal for a single centralized court was therefore also opposed by a number of international organizations, including AIPPI, FICPI, and associations of lawyers in different European countries.[16]

In October 2000, at a Conference in London, it was decided that the Working Party should prepare two different proposals for the Litigation Protocol: One by the German delegation for a decentralized system in the first instance and including the national courts; the other by the Swiss delegation for a system of a central court. The Working Party appointed three experts. One from the EPO, Mr. Willems, was to prepare the central proposal, and two upon suggestion of the German Justice Department: Dr. Schade, a judge of the Federal Patent Court who was already a member of the German delegation, and myself.

The two proposals were submitted at the beginning of 2001, and a conference of the Subgroup of the Working Party was held in The Hague between April 4 and 6, 2001. Although a number of delegations had so far favored the central court – after having recognized that the Willems proposal with traveling judges was much too complicated and would bring about severe legal deficiencies of due process – all the countries present at the conference favored the proposal of the German experts, which basically contains the points contained in an article published a year before.[17]

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[14] This proposal is made in my article, 31 IIC (2000), at 498.

[15] Estimates by *EPI* during the first WPL meeting in Lucerne spoke of 1,000 European cases a year, for which one would need 50 judges. However, a conservative view could be that all important European cases in the past have been litigated at least also in Germany, so that one cannot add the cases in other countries to the total number of German cases.

[16] The resolution of AIPPI in Melbourne opted for a decentralized system of first instance courts in each country.

[17] Pagenberg, *supra* note 14, footnote 4.

This *alternative proposal* has the following features:

- The courts competent for patent litigation *in all countries* must be reduced to a maximum of three courts, depending on the case load in the country. The judges for those courts must be carefully chosen and their education in patent law assured, also with respect to languages.
- These courts, which already exist in some countries, will be integrated under the *common roof of a European Patent Judiciary* (EPJ). Most have many years of patent litigation experience.[18]
- The EPJ would be *supranational* in its structure and organization, with a central administrative seat.
- There will be *no limitation on languages in the first instance*. Because each country has discretion to designate the competent court or courts, the language will be the language of the respective country in which the court sits. This does not exclude the possibility that mixed chambers of different nationalities and languages will gradually develop. Also, countries are free to designate common courts, *e.g.*, a common Benelux Patent Court.
- A common substantive law, as well as a common code of procedure, are to be established.
- The (national) courts or chambers would have *exclusive jurisdiction*[19] *to hear infringement and validity inter partes* for all European countries, and eventually also for national patents which cover the same subject matter.[20] The latter may be optional for the respective country.
- Jurisdiction will exist:
    - in the country where the defendant is seated;
    - eventually in the country where the plaintiff is seated (if the defendant is a resident of a country which is not a member of the EPO); and
    - in the country where an infringement has been committed.

An additional proposal which I have put forward on behalf of the German delegation is intended to prevent or at least considerably *reduce multiple litigation*. While the plaintiff may choose between several courts or regional chambers according to the above criteria when he starts litigation, once he has made his choice, *he cannot file a second suit* in another court, nor can the defendant do so by way of a declaratory judgment action.

A further measure is directed against so-called "torpedo litigation." If the defendant has filed a declaratory judgment action at a regional chamber prior to the infringement action of the patentee, the patentee can, based on the place of infringement or the seat of the defendant, file an injunction action at another chamber and request at the same time

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[18] This point is also correctly pointed out by the Swedish paper, *supra* note 13.

[19] *Cf.* also the proposal of the Swedish delegation, that a case where no cross border dimension is given can also be tried before a purely national court if the defendant agrees. This might, however, prevent harmony between European and national procedures.

[20] This possibility is rejected in the WPL Paper (s*ee* No. II.3.Ia, at 13).

that the declaratory judgment action be transferred to the chamber of his choice. This would end a blocking situation in a "slow court" jurisdiction.[21]

The above proposal would considerably improve the present situation by abolishing the multitude of national courts that have jurisdiction in patent infringement matters today and which are, in the majority, not specialized in patent law.[22] The new central national courts will be specialized, and other disadvantages of the present system which have been put forward as arguments in favor of a single court can be dealt with by other modifications, as explained before.

3. Forum Shopping

Some critics might say that forum shopping will still be possible with the intended jurisdictional rule. But if a party has the choice between different courts and it chooses the one most appropriate and most convenient, is this always bad?

The first rule is that forum shopping is only bad if the others do it and, in particular, if it worked for them. I would normally tell a client before starting litigation that there are differences even between German courts:

- some are in favor of interlocutory injunctions in patent cases, others are not;
- some give a decision within eight months in a main suit without an expert opinion, while others normally order an expert opinion which would prolong the case;
- some apply an extremely favorable equivalence theory, others hesitate to be too generous and apply a moderate approach;
- some stay proceedings pending an opposition or a nullity suit, others will very seldom stay.

Because I know these differences, the logical consequence is that I will choose the court which promises the best result in a given case. In fact, it is not uncommon for me to call a judge and ask what hearing date he can promise in view of his docket. Sometimes I might prefer a fast decision as a patentee, because I have parallel litigation in the U.S. and want to settle things in Europe first, or because my patent will soon expire. Sometimes I want to wait for the outcome of the discovery in the U.S. and I do not mind waiting in Europe, since there is still an opposition pending and the patentee does not wish to risk the payment of damages if he wins on infringement but later loses his patent.

The creation of one single European Court, if it had exclusivity with respect to jurisdiction over European patents for all countries, would indeed mean that no forum shopping would be possible. However, since the Paper currently speaks of regional chambers, this can only mean that these chambers have jurisdiction according to some regional criteria, *e.g.*, on the basis of the domicile, seat or establishment of the defendant and the *forum delicti commissi*. But then the plaintiff would still have the choice between different

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[21] The above procedural proposals would require an amendment of the Brussels Convention and eventually the Hague Convention on Jurisdiction.

[22] See this criticism in No. III of the UNICE Paper.

regional chambers, so that forum shopping *would be* possible even under the "centralist" system.

Thus, the possible choice between different chambers is not bad, but rather the result of natural procedural justice. Forum shopping is only an evil when it can be or is misused, but it is not a harm which must be abolished at any cost. The reverse would be unfair, namely to imagine a situation in which a small or medium-size enterprise is "drawn" to a distant single European court of first instance, in a country where it does not have an establishment or any commercial activities, and therefore did not commit an infringement, and where it would be forced to speak a language which it does not understand.

4. Uniformity and predictability

Supporters of the WPL Paper will say that they want uniformity and predictability, and therefore need a single court. But my examples of German courts show that there is no perfect uniformity between different courts, even if they have high quality and years of experience and their decisions are, within certain limits, quite predictable.

A single court is therefore no guarantee for uniformity. One will not always find uniformity even between two chambers of the same court. The courts in Munich and Düsseldorf are the only ones in Germany that have two patent chambers in the first instance. Do you think that the judges will, over lunch, talk about the details of the reasoning in a given case? Yes, they may sit together at lunch time and discuss their general approach on certain legal issues, but it cannot be excluded that decisions in parallel cases turn out to be different or sometimes even contradictory – and I could cite some surprising examples.

In a single central court one would need about 15 different chambers for the expected 1,000 cases which might be filed each year. A look to the European Patent Office and the Community Trademark Office shows that it will certainly take some time and effort to develop a truly "European" approach – so a single centralized court is no better guarantee for harmony than a number of central national courts. Some may say that in a single central court the judges can at least have lunch together and straighten things out. Yes, one might expect more lively discussions at lunch time than between the two chambers in Munich and Düsseldorf, but the problem is that in the central European court the judges would speak eleven different languages, so oral communication would not be one of their primary occupations at lunch.

In infringement and validity cases, the goal of uniformity of case law, namely quality and thereby predictability of decisions, can only be achieved by a European court system of first instance, if existing national infringement courts with experienced judges are integrated and become part of the European system. This way, judges' local competence can be maintained, together with a clear set of procedural rules and uniformity of judicial practice and case management.

5. *What further wishes for the EPJ do the users have?*

A. *Combination of the EPO and the Community Patent System*

A separate court system for EPO patents, on the one hand, and Community patents on the other – perhaps even parallel to the national courts – cannot seriously be contemplated,[23] because there are not enough judges for two or even three systems. If it is already questionable whether even the lowest number of possible cases could ever be handled by a single court with borrowed or half-time judges, there would certainly never be enough for two parallel systems.

One must provide for certain special rules in view of the different members of the EPC and the Community. But this can easily be achieved with a central (*e.g.*, Swiss) court as the first instance and a common second instance which would hear appeals of both EPO and Community patents.

Having at the same time a functioning Community patent litigation system and a uniform application of substantive law is only realistic if the same courts and the same judges, applying the same substantive and procedural law, will be integrated into such a system. The idea of a separate or parallel system, which the EU Commission seems to favor, does not take into account that there are no more judges available than those which one finds today in the national courts.

Hopefully nobody is seriously contemplating that the EPLP and the Community court system should compete against each other as far as judges are concerned, by outbidding each other with respect to their salaries, like soccer teams for the best players. This would be an awkward situation, if one imagines that the choice of one or the other system would no longer be dictated by convenience, market goals or the technology of the patent, but by advertising campaigns with slogans like, "we have the tougher judges," or "our judges speak more languages, because we pay them more."

B. *Validity* inter partes *or* erga omnes*?*

It had been proposed that decisions by the Central Court revoking the European patent shall have effect *erga omnes*, *i.e.*, the European patent could be invalidated for all European countries. There was some hesitation whether the same power should be given to the central national court that would be sitting as a European national chamber. But in view of the fact that the regional chambers would consist of the best judges of their respective countries,[24] they would certainly at least have the qualification of being a mixed central chamber, in which the judges for a given case would not even be known in advance.

On the other hand, a validity decision *inter partes* would also serve its purpose, since the final word on validity would lie with the single European Appeal Court anyway. So there would be no risk that a different level of patentability would be applied to European patents by the different courts or regional chambers. It can be expected that the central European Appeal Court will develop a uniform case law which will be adopted by the

[23] *Cf.* Brinkhof, *supra* note 1, footnote 1.

[24] *See* No. II.3.I.a, at 13.

regional chambers and, in the long run, even by all the national courts. This will require that the European Appeal Court gain authority through the quality of its judges. This can be achieved much more easily than with a first instance central court, since fewer judges will be needed for the Appeal Court in comparison to the first instance courts.

C. Minimum education standards for judges

Judges could be chosen by a judges' council or even approved by the European Court of Justice. The risk that an unqualified judge could be refused would be an incentive for each country to provide the best candidates. Whether such a system can be adopted right from the beginning will depend on the willingness of the countries to give up this part of the administrative control over the judges' selection system.

Visiting judges with sufficient language qualifications could regularly participate in hearings and deliberations of other countries' courts, an idea which has also been put forward in the Paper.[25] Whether they can also take part in the vote still needs to be examined, but would certainly be a natural development for the future. In the long run, additional measures for the training of judges must of course be introduced in order to achieve a uniform level of qualification. The chosen European judges will be able to learn from each other and attain a uniform training and qualification. Under the control of the single Court of Appeals they will be able, after a while, to apply uniform standards of validity and infringement with the same predictability as several chambers in a single court.

D. Uniform legal rules

As previously mentioned, there will be an urgent need for the harmonization of procedural rules, in particular with respect to rules of evidence. While European continental lawyers are not keen to adopt an expensive discovery system, there is a lot of enthusiasm among attorneys to introduce the French *saisie de contrefaçon*, a simple and inexpensive seizure for obtaining evidence of patent infringement.

The possibility of "torpedo litigation" must be abolished (as already discussed in the context of jurisdiction), although this will no longer be a serious threat if a central specialized court exists in each country, even if there is an option to use either the European system or an existing national system. One must therefore introduce the rule that, as to jurisdiction, an injunction case always has precedence over a declaratory judgment case.

Also, the practice of case management should be harmonized. Judges should be fully prepared for the main hearing so that they are able to discuss the case with the parties – which is not common practice in all countries. This would also raises the question concerning which cases it is necessary to appoint a court expert for validity and/or infringement, and how to formulate the questions to such an expert.

Finally, the central national courts also need identical standards for claim interpretation and inventive step, which can only be attained by a common statute.[26] This also

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[25] *See* No. II.3, at 18.

[26] *Cf.* also Brinkhof, *supra* note 1.

applies to other rules of substantive law, insofar as they have not yet been harmonized under either the EPC or the Strasbourg Convention. Among others, the rules on prior use and damages are the most important ones that need to be harmonized.

III. Latest developments

On May 14 and 15, 2001, another meeting of the Subgroup of the WPL with additional specialist representatives from the bench and the bar, *i.e.*, judges and attorneys, took place in Munich. The purpose was to discuss in detail the most important procedural rules of the future European patent procedure.

The main topics were:

- Filing of complaint – with the central chamber or regional chamber?
- Language in the appeal instance?
- Compulsory representation by attorneys?
- Preliminary injunction – which criteria?
- Discovery English or French style?
- Organization and practice of Hearings?
- Decisions – Dissenting opinions?
- Type of Appeal – Retrial or legal review?

It would go too far to give a comprehensive report on the discussion here, but the solutions accepted by the majority were mostly satisfactory.

IV. Concluding observations

One may be of the opinion that there would be no harm if, for a first period, only a limited number of countries could agree to join a Protocol for European Patent Litigation. But if one recognizes that the system adopted for the EPLP might later become the system for the Community Patent, the discussion has a broader impact. One should therefore avoid adopting a system which, if compared with today's entirely national systems, would be the less preferable alternative, such that plaintiffs would instead opt for purely national litigation. The aim, therefore, should be to find the best solution to which a large majority can agree – of those who are expected to work there as judges, and those who mostly make the decisions on which courts to use, namely the patentees and their attorneys.

A safe alternative might be the latest proposal for a certain period of parallel coexistence of the national and European systems. This would provide a reasonable chance to test and eventually improve the system, and let the users decide which one they prefer. This was the solution chosen for the European Patent Office with respect to the national offices. Why should it not work for two systems of enforcement?