



Bird & Bird & The UPC

Our official letter of comment on the
Rules of Procedure for the Unified Patent Court

30 September 2013

Our comments sent to the Unified Patent Court Preparatory Committee on Monday 30 September 2013.

On behalf of Bird & Bird LLP we hereby submit our comments on the Draft Rules of Procedure for the Unified Patent Court as published on your website on 31 May 2013. This submission was prepared by the International UPC Steering Group of Bird & Bird, which comprises patent litigators and patent attorneys in the various countries in which we practise.

We have also been involved in the preparation of the submissions of AIPPI and EPLAW and have taken these submissions into account. We have further also taken the *epi* submission into account.

This submission represents our independent professional view of the Rules of Procedure and is made to support the further improvement of the envisaged system.

We have taken the UPC Agreement as a given starting point that currently cannot be changed any more, which does not mean that we support all choices made in that Agreement. However, in some instances we cannot avoid suggesting some small amendments to the Agreement, but only where we think such amendments do not touch on political issues.

Rule 2: Supplementary protection certificates

It is unclear whether article 83(3) of the UPC agreement also covers the applicant for an SPC. With regard to patents the Agreement refers to “proprietor or applicant”, but with regard to SPCs only to “holder”. Since it is important to have the ability to opt out an SPC application in order to obtain legal certainty, this issue should be resolved in Rule 2.1 by adding an (a) before the current text and then adding:

“(b) A holder of an SPC as meant in article 83(3) of the UPC Agreement shall be understood as to mean both a proprietor of a granted SPC and an applicant for such SPC.

(c) in addition, yet only in Rule 5, the expression "application" and "proprietor" shall whenever appropriate include, respectively, an application for such certificate and the proprietor of such application.”

If this is not possible, the UPC Agreement should be amended. Alternatively, it could be included in the necessary overhaul of the existing SPC Regulations and in the forthcoming Unitary Patent SPC Regulation, which by virtue of Article 24 UPC Agreement would supersede the provisions of the Agreement itself.

Rule 5: Opting in and opting out

1. In paragraph 1 of Rule 5 the word “*exclusive*” should be deleted and the paragraph should be completed as follows :

*"the Application shall be deemed to be made in respect of each of the contracting member states
....."*

2. Paragraph 5 of Rule 5 should be completed as follows :

*"In the event that an action has been commenced **before the UPC** in respect of a patent"*

3. An extra paragraph should be added to Rule 5.5, making clear that a patentee who does not opt out but starts an infringement proceeding before a national court, can expect a counterclaim before the Central Division (depending of course on the correct interpretation of article 83 UPC Agreement):

"In the event that an infringement action has been started before a national court during the transitional period and the proprietor has not opted out, the defendant can file a counterclaim for

revocation before the Central Division. These revocation proceedings shall not be stayed because of the pending national proceedings"

4. The draft Rules do not say who has the right to decide to opt-out (or back in) when one or more of the corresponding EP patents are licensed. To bring a minimum of legal uncertainty and avoid disputes, while maintaining the parties' freedom of agreement, Rule 5 should contain an extra paragraph stating that:

"The party who has received via a license agreement the exclusive right to assert the patent shall have the right to lodge an Application to opt out for the licensed patent on behalf of the proprietor, unless the licensing agreement provides otherwise."

5. Article 83 UPC Agreement suggests that a patentee who has opted out may start infringement proceedings before the UPC without first opting in, since it merely states that the patentee can opt out from the exclusive jurisdiction of the UPC. However, it is our current understanding that an opt-out completely blocks the jurisdiction of the UPC.¹ Nevertheless, bringing an action before the UPC could be regarded as a withdrawal of the opt-out, especially since such withdrawal under Article 83(4) only requires that the Registry is notified, which it may be deemed to be if a Statement of Claim is filed with the Registry. Article 83 in combination with article 47(2) and (3) suggest that a licensee may also bring such action. In such cases, the defendant should be able to bring a counterclaim for invalidity before the UPC, even if the opt-out has not been formally withdrawn. The withdrawal of an opt-out – even an implicit one - should be a matter of public record. For all these reasons, Rule 5 should include an additional 5.10:

"An opt-out is deemed to be withdrawn if an action for infringement is introduced in the Court, and the Registry shall enter such withdrawal in the Register."

Rule 6: Service of court documents

Rule 6 should contain the following extra paragraph:

"The Registry shall respect the translation requirements of article 5 et seq. of EEC Regulation 1393/2007 when serving court decisions and other documents to parties established in the European Union."

Under Article 24 UPC Agreement European Union law supersedes the Agreement, but for legal certainty it is preferable to include this instruction in the Rules of Procedure.

Rule 11: Settlement

1. Rule 11.2 allows a limitation or a surrender of a patent, and obliges the court "to confirm the terms of any settlement". But article 79 of the Agreement states however that "a patent cannot be revoked or limited by way of a settlement". The proposed Rule 11.2 is therefore inconsistent with the Agreement.
2. The terms "any settlement" also allow the "rubber stamping" of a settlement before the UPC Appeal Court, with the risk of setting aside a first instance decision that had previously revoked a patent. The Appeal Court might be obliged, by the terms of the settlement, and because the original claim for revocation would be withdrawn, to reverse the lower judgement and to re-instate the patent without its own control or re-examination of the validity grounds. This is current practice in many civil law jurisdictions. But this practice was rightfully criticized and ceased in the UK when the Appeal Court issued its decision of 26 February 2006, [2006] EWCA Civ 185, in *Halliburton vs. Smith International* (see in particular its par. 5). Parties should not have the right to decide

¹ See <http://www.eplawpatentblog.com/eplaw/2013/08/eu-the-effect-of-an-opt-out-under-article-83-upc-agreement.html>

themselves that a patent that was previously declared invalid should be considered valid and oblige the Appeal Court to confirm so without any judicial control. Rule 11 should provide that a previously revoked patent can only be re-instated by the court by way of a settlement if the Appeal Court has made its proper assessment of the patent's validity.

3. Rule 11.3 should make clear that when a party relies on a document that reveals the content of settlement discussions, that document shall be purged from the file by the Judge Rapporteur upon request of one of the parties.

Rule 14: The language of the statement of claim of the proceedings

The proposed Rule 14.2 makes Local or Regional Divisions that can operate in multiple languages less attractive than Local or Regional Divisions that operate in a single language. It also puts defendants in an unequal and discriminatory position. This is because before a Local Division operating in several languages, the proposed Rule 14.2 obliges a plaintiff to draft the statement of claim in the language in which the defendant normally conducts his business in his Contracting Member State, whereas before Local Divisions that operate only in a single language, the proposed Rule 14.2 allows the statement of claim always to be drafted in the language of that Division, regardless of the language in which the defendant conducts his business. This provision is not limited to languages of the division at hand. Thus a foreign defendant might try to claim that he should be sued in his home language, even if that is not a language of the division. We understand that this provision has been introduced because of certain constitutional requirements in Belgium, but those requirements as such only apply in criminal cases, not in patent litigation.

Rule 14.2 is not workable across the board for cases that may be filed with the UPC, inter alia in view of the fact that pursuant to Rule 14.3 the language of the Statement of claim shall (subject to Article 49(5) and Rules 321 to 323) be the language of proceedings. Particularly, it can (and will eventually) create unacceptable consequences in respect of multiple-defendant ex parte applications.

Take for example the situation that multiple defendants are sued before a multi-language Local or Regional Division, and the defendants normally conduct their business in their Contracting Member State(s) in different languages; these could even be defendants with home turf in that Local or Regional Division. Apart from the difficulty that Rule 14.2 will require the plaintiff to issue the Statement of claim in multiple languages, it will also have as effect that there is no single language that can form the language of the proceedings (Rule 14.3). Instead, the plaintiff will then have to request the UPC, pursuant to Rule 323, to use the language in which the patent was granted as the language of proceedings. Such request shall be assessed on basis of the rather generally formulated criteria of Article 49(5) UPCA.

This creates legal uncertainty. Therefore, we strongly urge that Rule 14.2 be deleted.

Rule 19: Preliminary objections

Rule 19 only allows for three types of preliminary objections, which only relate to jurisdiction of the Court, competence of the division and the language of proceedings. Thus, an objection based on for instance an abuse of right or the statute of limitations cannot be decided in a preliminary decision. This means the defendant has to go through the full length of the proceedings before the claim can be rejected on such grounds. Therefore a new paragraph should be added to Rule 19.1:

“(d) other serious issues, such as expiration of the statute of limitations or abuse of right”

Rule 25 The counterclaim for revocation

The proposed Rule 25.3 ("the proprietor(s) in question shall become a party/parties to the revocation proceedings") is incompatible with article 47.5 of the Agreement, because that article provides that no counterclaim can be brought against the holder of a license when the patentee does not take part in the proceedings. The Agreement, for good or bad reasons, obliges an alleged infringer who is sued by a licensee before a Local Division, to bring separate revocation proceedings against the patentee before the Central Division. The proposed Rule 25.3 ignores this provision by allowing the Registry to serve the Counterclaim upon the patentee, and by making him herewith a party to the proceedings before the Local Division. This Rule avoids the need for bifurcated revocation proceedings, and certainly makes a lot more sense, but is

incompatible with article 47.5 of the Agreement, and can therefore not be adopted.

- a. If the proposed Rule wishes to respect article 47.5, it is fair to provide that:

"When a licensee brings an action before a Local or Regional Division without the patentee, the Local or Regional Division shall apply Rule 118.3.a so that any order based on a finding of infringement is made conditional that the patent is held to be valid by the Central Division."

- b. If the proposed Rule 25.3 wishes to repair the deficiency of Article 47.5 of the Agreement, it is proposed that it provides that:

"The defendant who wants to bring a counterclaim for revocation of the patent should file an application to join the proprietor(s) in the proceedings, which application must be served on the proprietor(s). The proprietor(s) in question shall be deemed to become a party/parties to the revocation proceedings upon such service, which will be deemed to be bringing an action against the proprietor as meant in Article 47(5) of the Agreement."

Rule 26: Fee for the counterclaim for revocation

There should be no difference between the fee for a Counterclaim for revocation for a Local Division (Rule 26) and the fee for starting a revocation action before the Central Division (Rule 47).

Rule 33: Allocating a technically qualified judge

1. Since article 8(5) of the Agreement mentions an "additional" technically qualified judge, the proposed Rule 33 should make clear that:

"the judge rapporteur can request the President of the Court of First Instance to allocate a fourth (or second, if there is only one judge sitting) technically qualified, judge to the panel."

2. The proposed Rule 33 should also make clear that this technically qualified judge will not participate in decisions about preliminary objections (such as the language) and will only participate in the hearing in the oral procedure.
3. The term "consult" in Rule 34.2 unduly reduces the role of the technically qualified judge: he should not sit as a "sapiteur" but as a true judge.

Rule 44: Exchange of written pleadings

Rule 44.3 does not provide for a reply and a rejoinder with regard to the application to amend the patent in a revocation action, whereas this is foreseen if the application is part of an infringement action in Rule 12. This is an omission that causes an imbalance in the system. Therefore a sentence should be added:

"The claimant may lodge a Reply to the application to amend the patent and the defendant may lodge a Rejoinder to the Reply."

Rule 70: Revocation action and subsequent infringement action

The deadline for a claimant in a revocation action to "repeat" his claim via a Counterclaim in an infringement action before a Local Division is too long. It is better that Rule 70.4 obliges the claimant to confirm his intention of filing such Counterclaim immediately, i.e. within the same (short) deadline of one month after service of the Statement of Claim, just as for a Preliminary Objection. When that (shorter)

deadline passes, and no Counterclaim is announced, the stay of the Revocation Action will be lifted earlier, so that the revocation action can proceed sooner.

Rule 104, 115: Hearing of witnesses and experts

The intention of Rule 104(g) and Rule 115 is that the panel will hear experts and witnesses during a separate hearing as part of the oral procedure, but prior to the oral hearing. A new section should be added to Rule 115:

“2. Witnesses and experts will be heard during the oral procedure, preferably during one or more separate hearings that are concluded no later than two weeks before the oral hearing.”

This allows the parties sufficient time to properly prepare for the oral hearing after the witnesses and experts have been heard. Given the fact that under Rule 108 there is at least two months’ notice for the oral hearing, the schedule allows for this, so parties should not be forced to prepare overnight. It also means that an addition is necessary to Rule 28:

“as well as, where applicable, one or more dates for the hearing of witnesses and experts.”

Rule 172: Duty to produce evidence

Unfortunately, AIPPI has suggested adding the following sentence:

“The parties are to make their declarations as to the facts and circumstances fully and completely and are obligated to tell the truth.”

The first part of this sentence may be understood to provide for a type of discovery that does not exist in any Contracting Member State, especially since it should be read in the context of Rule 172.1, Rule 13.1(m) and Rule 24.1(f), which in practice means that the defendant will only have three months to do his discovery and produce a Statement of Defence based on that discovery. This is simply too burdensome for the parties. The parties should have the freedom to decide the scope of their litigation and the evidence needed for that. In fact, this also means that the words “or likely to be contested” in Rule 172.1 should be deleted.

The second part of the sentence, stating that parties are obliged to tell the truth, may create the wrong impression that otherwise parties involved in patent litigation are not inclined to tell the truth. Besides, this rule would be very difficult to enforce and the UPC Agreement does not provide for any specific sanctions if it is violated, nor do the Rules of Procedure. Thus, it would be a moral appeal that gives the wrong impression of being a rule of procedure.

Rule 175: Written witness statements

1. Rule 175.2 as currently drafted is too vague because it refers to "applicable national law", whereas it should instead refer to the law of the seat of the Division and to the law of the domicile of the witness.
2. Since certain local bar rules prevent lawyers from having contact with witnesses, but provide for exceptions in an international context, Rule 175 should explicitly state that

“Witnesses can have contact with counsel of the parties, but counsel shall refrain from changing or influencing the content of the witness statements”.

Rule 190: Order to produce evidence

The first section of the first sentence of Rule 190.1 reads “[w]here a party has presented reasonably available and plausible evidence in support of its claims [...]”. In our view, this phrase is too vague, provides insufficient legal certainty, and is not in conformity with the corresponding section of Article 59(1) UPCA, which reads “[a]t the request of a party which has presented reasonably available evidence **sufficient to support** its claims”. Contrary to Article 59(1) UPCA, Rule 190.1 does not, or at least sufficiently, prescribe

that the Court shall assess whether the presented evidence is sufficient to support the applicant's claims. Instead, it merely seems to prescribe an assessment whether the evidence is "reasonably available" and "plausible".

We therefore suggest changing this first section as follows:

*"Where a party has presented reasonably available and plausible evidence **sufficient to support its claims** [..]"*

Further, to secure appropriate levels of confidentiality, and against abuse, the last sentence of Rule 190.1 should be amended as follows:

*"For the protection of confidential information the Court may order that the evidence be disclosed to certain named persons only and be subject to appropriate terms of non-disclosure, **and can only be used in the framework of proceedings that stem directly from the Order to produce evidence.**"*

Finally, a small clarifying change to Rule 190.3:

*"The judge-rapporteur may make such order in the written procedure or in the interim procedure, **but only after** having given the other/third party an opportunity to be heard."*

Rule 191: Application for order to communicate information

Rule 191 is worded more broadly than its legal basis, Article 67 of the UPC Agreement and also extends beyond the scope of Article 8 of the Enforcement Directive. Obviously, the scope of Rule 191 is limited by the scope of Article 67, which should not be repeated in Rule 191, but the extension in the last part ("or such other information as is reasonably necessary for the purpose of advancing that party's case") lacks a legal basis and should be deleted.

In addition, a sentence should be added, reading:

"Rule 190.2 190.7 apply mutatis mutandis. The order shall state that the information is confidential and can only be used in the framework of proceedings that stem directly from the order. It will order the requesting party to identify all its employees and persons who shall have access to it, and order these persons to respect the confidential nature of the information and not to use it for purposes outside the proceedings. It shall contain appropriate penalties against the requesting party and the identified employees and other parties in case of violation of these confidentiality provisions."

Rules 192-199: "Saisie description"

1. The proposed Rule 192.3 should oblige an applicant to disclose not only relevant facts, but also any relevant document (such as court or EPO decisions) that might influence the court. It is not enough to oblige the applicant only to refer to these documents.
2. The proposed Rule 196 should give more specific powers to the Court so that:
 - a. digital media can be seized or copies of digital files be made
 - b. defendants must give access to passwords and administrator rights on information and digital networks
 - c. the person who will draft the report must take privacy laws into account. Situations must be avoided whereby reports obtained under the UPC rules are held to violate privacy laws or laws regarding data protection.
3. We propose to add to Rule 196.2:

“The order will contain appropriate measures to safeguard the protection of confidential information. It shall specify that preserved evidence shall not be produced or otherwise disclosed, unless and to the extent ordered by the Court on a request pursuant to Rule 190”

4. The proposed Rule 197.3 should provide for a longer deadline than ten days for requesting a review of the order, especially when the order for inspection is issued by a Local Division from another country than the country of the defendant. A deadline of thirty (30) days is more workable.
5. The protection of confidential information, provided for in article 60(1) of the Agreement, should be further worked out in the Rules. Rule 196.4 should be completed with an additional paragraph reading as follows:

“The order to preserve evidence shall also at least:

- a. *specify a person who shall carry out the measures referred to in paragraph 1 and present a written Report on the measures to preserve evidence to the Court within a time period to be specified;*
- b. *order that the said person shall keep secret, and not disclose to any party, all confidential information, including confidential information in preserved evidence, which is disclosed to him or otherwise comes to his notice when carrying out the actions of sub (a), unless and to the extent that he would be released thereof in an order on a request pursuant to Rule 190;*
- c. *state that the written Report is confidential and that it can only be used in the framework of proceedings that stem directly from the Order to produce evidence;*
- d. *order the claimant to identify all its employees and persons who shall have access to it, and order these persons to respect the confidential nature of the Report and not to use it for purposes outside the proceedings;*
- e. *contain appropriate penalties against the claimant and the identified employees and other parties in case of violation of these confidentiality provisions.”*

New Rule 318: Amicus curiae briefs

Right from its start, the Court will have to deal with many important questions of procedural and substantive law. The provisions on substantive law are very concise, whereas the provisions on procedural law allow for a lot of flexibility, at least initially. In addition, due to the transitional regime, the parties involved in litigation may not represent a cross-section of the relevant industry. The circumstances make it especially desirable to allow for *amicus curiae* briefs to be submitted. Both EPLAW and AIPPI have suggested this and AIPPI is going to set up a standing committee for *amicus curiae* briefs, for those jurisdictions (world-wide) that allow them. The importance of this is also underlined by the fact that an open letter was sent to the European Commission and the Member States by a group of companies ranging from Adidas to Yahoo on 23 September 2013.² There should be a well-established option for the Court to take such views into account. We therefore strongly support this opportunity, for which a new Rule 318 should be introduced, reading (in line with EPLAW’s proposal):

“Rule 318 – Brief of an Amicus Curiae

1. *In cases involving legal questions of general importance the Court of First Instance or the Court of Appeal may invite any person or legal entity concerned by that legal question to file a brief as amicus curiae.*
2. *The invitation may be posted on the Court's webpage and shall include:*
 - a. *the legal question of interest;*
 - b. *a time limit for filing; and*
 - c. *limits of scope.*
3. *Rule 313.3 shall apply mutatis mutandis.*
4. *The Amicus curiae brief shall contain*
 - a. *a reference to the action number of the file,*
 - b. *the names of the amicus curiae and of the amicus curiae's representative,*
 - c. *comments solely within the admitted scope.*

² https://docs.google.com/file/d/0B_U9nV8-MjxrQWVwZmpDNXdGUDA/edit?usp=sharing&pli=1

5. Amicus curiae briefs which are not in compliance with Rule 318.4 or filed later than the deadline of Rule 318.2 (b) may be disregarded by the court.
6. Any person or legal entity may also request the Court for leave to file an amicus curiae brief in cases where the Court has not issued an invitation. The Court may decide without extensive motivation. No appeal against such decision will be possible.”

Rule 340a: Coordination of simultaneous actions

The proposed Rules do not contain provisions on the coordination of simultaneous actions. Decisions on infringement and on invalidity may be taken at various points in time, which means that appeals with regard to the same patent may enter the Court of Appeal at various times. For instance, it is by then no longer possible to file a counterclaim for infringement in an action for a declaration of non-infringement. Therefore, a Rule 340a should be introduced:

“Rule 340a – Coordination of simultaneous cases

Where several cases relating to the same patent are pending before the Court simultaneously,

- 1. The President of the Court of First Instance may, after consultation with any other relevant presiding judge and after having heard the parties, decide on the coordination of these cases in the Court of First Instance to ensure that judgments with conflicting effect are avoided;*
- 2. The President of the Court of Appeal may, after consultation with any other relevant presiding judge and after having heard the parties, decide on the coordination of appeals, including where appropriate the coordination of pending appeals with actions still pending before the Court of First Instance;*
- 3. These decisions may include the temporary suspension of pending actions, taking into account the parties’ interest in expedient decisions.”*

Rule 346: Settling difficulties under Article 7 of the Statute

This rule does not specify what should happen if a judge is removed from the panel pursuant to Article 7(4) of the UPC Statute. Does the case need to be retried, or shall it continue in the stage it is in? Does this depend on whether decisions made in the proceedings are affected, for instance if the objection concerns the judge-rapporteur?

This requires further consideration, so no concrete text suggestions are made at present.

This concludes our comments. Of course, we are quite happy to further discuss these suggestions with the Preparatory Committee and we would of course be very happy to participate in the public hearing that is envisaged for early next year.

Finally, we hereby grant permission to publish this submission, including the personal data of the authors.

Regards,

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