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The 17th cut of the UPC Rules of Procedure: the highlights

SPEED READ

The Preparatory Committee for the Unified Patent Court (UPC) published the 17th draft of the Rules of Procedure for the UPC. In this alert, we cover the substantive changes made to the Rules and what effects these might have.

Of particular importance to the industry are the changes made to the Rules concerning permanent injunctions, which are now expected to be quasi-automatic, as well as to bifurcation, where the Rules endeavour to prevent the occurrence of ‘injunction gaps’. Further clarity is also brought on the limits of opt-in/opt-out strategies.

This draft is expected to be very close to what will be the final version of the Rules in force before the UPC.

A public hearing on the Rules is scheduled for 26 November in Trier, Germany.

Background

One of the most important matters for the European Union member states who signed the Agreement on a UPC was the creation of a draft of Rules of Procedure, based on input from expert judges, lawyers and industry representatives, to be used as the basis of broad consultation. The aim was to reach agreement on the Rules well in advance of the end of the ratification procedures.

As such, a drafting committee was formed and, with technical consultation from professional and industry bodies, the 16th draft Rules of Procedure was created and laid open to written comments from interested parties between 25 June and 1 October 2013.

Following this consultation period, the comments received were reviewed by an expert group and a revised 16th draft of the Rules was published in March 2014, along with a digest explaining the decisions behind the approach taken.

A public hearing on the Rules is scheduled for 26 November in Trier, Germany, in advance of which the 17th draft of the Rules of Procedure was published yesterday, together with explanatory notes.

Throughout this process, professionals and industry representatives have raised several issues and intensified their lobbying to obtain amendments of several rules.

These efforts have translated into amendments of the Rules on certain critical issues (including bifurcation, injunctions and languages).

Most material changes to the Rules

The most material changes to the 17th draft of the Rules are as follows:

PATENTEE IN PRINCIPLE ENTITLED TO AN INJUNCTION

Rule 118(2) has been deleted in its entirety. It stipulated the discretion of the court to order payment of damages instead of orders such as an injunction and corrective measures, notably if an infringement occurred unintentionally. Most important is, however, the explanation that is given with that deletion. The Legal Group of the Preparatory Committee writes in the explanatory notes: “*Where the Court finds an infringement of a patent it will under Article 63 of the*

Agreement give order of injunctive relief. Only under very exceptional circumstances it will use its discretion and not give such an order.” This explanation makes clear that, in accordance with the continental tradition, patentees are in principle entitled to an injunction. It will remain to be seen how the courts will make use of their discretion to grant an injunction, but the threshold for not giving an injunction of ‘very exceptional circumstances’ that the Legal Group describes, is clearly very high.

PREVENTING THE ‘INJUNCTION GAP’

Many prospective users had expressed concerns with respect to possible ‘injunction gaps’ in the case of bifurcated proceedings, i.e. of an injunction issuing in the infringement case before (in)validity is determined.

Rules 37(5) and 40 of the new draft seek to address this, notably by providing that, in the case of bifurcation without a stay of the infringement proceedings, the counterclaim for revocation referred to the central

division shall be accelerated and, in any case, heard by the central division “*prior to the date of the oral hearing of the infringement action*”.

These changes are clearly positive and reassuring for the industry. It remains to be seen whether they will be implementable in practice, in view of the respective caseloads of the central and local divisions.

COURT OF APPEAL TO GRANT LEAVE FOR APPEAL PROCEDURAL ORDERS

Under the Rules of Procedure, some procedural orders from the Court of First Instance can be appealed with the final decision, or separately, after having obtained leave to do so. The previous draft of the Rules of Procedure were a source for debate as to which Court should grant

such a leave for a separate appeal (the Court of First Instance or the Court of Appeal?).

Future users of the system notably raised the concern that if only the Court of First Instance was given the

competence to grant the leave for a separate appeal, it would in most cases refuse to do so. This, it was argued, would prevent the Court of Appeal from carrying out its task of unifying practices among first-instance divisions.

This question is addressed in Rule 220(2) of the new draft Rules of Procedure. The new draft of this rule now sets out a two tier system: first the request for a leave to appeal is made to the Court of First Instance. If that Court denies the request, a request for discretionary review can be made to the Court of Appeal. The Legal Group explains that: “*new Rule 220.2 sets out an approach*

designed to give the Court of Appeal means to effectively control procedural orders of the Court of First Instance but at the same time allowing the Court of Appeal to limit its intervention to cases of particular importance thus avoiding systematic appeals in this field which would risk paralyzing proceedings.”

Effectively, while the name has changed, this new provision gives the power to the Court of Appeal to intervene in the procedural practices of first instance divisions, thereby hopefully preventing the emergence of a European counterpart to the Eastern District of Texas.

LANGUAGES UNDER THE NEW RULES

The rules stipulate which languages can be used in proceedings, if the relevant state has several official languages, or if it has designated one or more EPO language(s) in addition.

Normally under rule 14.2, the claimant may choose the language. However, if the defendant is sued in its home state and the action could not be brought elsewhere, proceedings must be brought in (one of) the official language(s) of that state. According to the notes from the Legal Group, this is to protect ‘small local operators’. Hence arguments on jurisdiction of the court division will also be relevant for the language of proceedings.

An ‘English limited clause’ as a further exception is suggested in square brackets only: if a state designates an EPO language in addition, it may restrict the use of that language to preliminary objections, written pleadings and other documents and/or oral hearings. The Legal Group explains that this would also take the language skills of judges into consideration – which is quite important in practice. This proposal would lead to a mixture of languages for certain parts of the proceedings within one court action. Under the UPC Agreement, the language in which the patent was granted may also be used as the language of proceedings if the parties and the court panel agree.

PROCEEDINGS AN ABSOLUTE BAR FOR OPT-OUT AND OPT-IN

In this new draft of the Rules of Procedure, the rules on opting out and opting in have been amended. The most important amendment aims to make sure that proceedings in respect of a European patent before national Courts and the UPC present an absolute bar for opting out of or opting back into, respectively, the relevant European patent. Both rules 5.7 and 5.9 have been amended, to make clear that opting out or opting in is not possible if there is an action pending before the UPC or a national court respectively, or if these proceedings have been concluded. According to the Legal Group, this change will reduce the risk that the UPC and the national courts

will deal with the same European patent, one after the other, resulting in possible diverging decisions. The changes also imply that if an action has been brought before a national court regarding a patent that has been opted out of, any future action will also have to be heard by national courts (and not the UPC).

However, these changes do not address at all the serious and numerous concerns raised by Article 83 on what its correct interpretation should be.

OTHER CHANGES

An amendment to rule 5.13 confirms that, during the sunrise period, the EPO will collect the applications to opt out ‘*as a service to applicants*’, making clear where the opt-out applications during the sunrise period should go.

Pursuant to the new draft of the Rules of Procedure, the application for an order to preserve evidence should be based on supporting evidence. Rule 192(2d) no longer states that providing evidence is only necessary ‘if available’.

IN CONCLUSION

Although the number of changes is relatively limited, their importance and practical impact is in fact very significant. Generally speaking, they clearly aim to provide a more balanced system and to increase predictability and legal certainty for prospective users of the system. The position on permanent injunctions and appeals of procedural orders, while it may not correspond

to that preferred by some, is now much clearer than it used to be. The progress made to avoid the occurrence of ‘injunction gaps’ is also very welcome.

The next step will now be for an oral consultation to take place on 26 November. It is not expected, however, that this would lead to major changes.

Key contacts

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