

Report of the Litigation Committee

T. Walshe (IE), Secretary

The most recent meeting of the Litigation Committee was on 17th October 2019. The major topics under discussion at that meeting are reported below and where appropriate include updates.

1. The UP and the UPC

1.1 Constitutional complaint at the Federal Constitutional Court of Germany and Brexit.

There was much discussion about the two main issues that remain in existence which have prevented the UPC Agreement from coming into force to date, namely the pendency of the constitutional complaint (No. 2 BvR 739/17) with the Federal Constitutional Court of Germany (Bundesverfassungsgericht, BVerfG) and Brexit. The status of each had not changed at the time of the meeting. The Federal Constitutional Court of Germany had not handed down their decision and Brexit had not come into being.

A number of specific topics were discussed during the meeting in relation to the above issues. One such topic was the questions submitted to the German Government from some Members of the German Parliament in the summer of 2019 regarding the expenses and timing of the UPC. The response provided by the German Government was regarded as surprising as it inferred the following: if the Constitutional Court were to dismiss the case the Government was not prepared to immediately ratify the UPC agreement until such a time as the issues regarding Brexit and the consequences of the same in relation to the UPC would be clarified. However, it was understood that the Preparatory Committee is confident that, once the German Constitutional Court provides a green light, the German Government would swiftly ratify the Protocol on the Provisional Application of certain institutional and financial provisions of the UPC Agreement, so that the preparatory phase of the UPC could start in parallel to finding a solution for the role of the UK in the UPC after a possible BREXIT.

Also discussed during the meeting was the legal opinion on the EU Patent and Brexit published at the beginning of November 2019 by the EU Parliament. The opinion was prepared by the policy department for Citizen's rights and Constitutional Affairs upon request by the JURI Committee ([http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_IDA\(2019\)596800](http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_IDA(2019)596800)); the conclusion is that the UK even after BREXIT could, from a purely legal perspective, participate in the UPC,

which would be politically unlikely from today's perspective, because the UK would have to accept the supremacy of EU law, the CJEU as binding source of final interpretation of EU law and a joint liability together with the other participating member states for violations of EU law by the UPC.¹

1.2 Revision of the epi Code of Conduct (CoC).

The amended **epi** CoC package prepared by the Professional Conduct Committee (PCC) and approved by the **epi** Council is currently waiting for an approval by the EPOrg Admin Council. Further discussions are however necessary in preparation of the UPC Agreement coming into force. The Litigation Committee has been following this issue with the draft of the amended CoC. The majority of amendments were introduced to make the CoC applicable for activities of **epi** members before a future UPC. It is crucial that there is a functioning CoC including a disciplinary framework for all representatives before the UPC, including European Patent Attorneys under Art. 48(2) UPCA, when the UPC may start working. The status of the UPC Agreement Ratification Process.

The Litigation Committee's overview on ratification of the UPCA (Art 89(1) UPCA), together with information on the Member States' consent to be bound by the Protocol on Provisional Application (PPA) and the potential establishment of local or regional divisions (Art 7 UPCA) and the corresponding languages of proceedings (Art 49 UPCA) was discussed. The completed document is publicly available on the **epi** website (latest update: 2 September 2019). The Litigation Committee has undertaken to update this document on a regular basis.

2. Report of Proportionality and Injunctive Relief in Germany

Currently, the main patent litigation topic under discussion in Germany centres around 'proportionality and injunctive relief'. The German LitCom member Mr Tilman Pfrang presented on this topic at the Litigation Committee meeting. A short summary of his presentation follows:

'Under German law, injunctions are granted "in the event of the risk of recurrent infringement". Thus, it is called

¹ Note: On the 31st January 2020, the UK left the EU and entered into an 11-month transition period. We have recently learnt (as of the 27th February 2020), that the UK Government is not going to seek to participate in the Unitary Patent or the Unified Patent Court System.

“automatic” injunction. Almost everyone agrees that there should be exceptions to this. One fraction thinks that sufficient tools for balancing the interests are already available. Others (e.g. Deutsche Telekom AG and certain car manufacturers) think that additional tools should be created by a change in the law. They also argue that the Enforcement Directive requires this. Art 3(2) Enforcement Directive requires measures, procedures and remedies to be “proportionate”. Mr Pfrang was not so sure about this, referring to Arts 11 and 12 Enforcement Directive. In his opinion, it could be argued that Germany did not opt for the alternative measures of Art 12. Mr Pfrang further discussed the proposal to introduce a proportionality requirement into the German Patent Act, including a list of factors that could be taken into account by the court.’

Subsequently, it has been reported that there are three alternate proposals under discussion, the first is to leave everything as is, the second is to introduce a proportionality requirement into the Patent Act (as mentioned above) and the third is to change the current practice to make first instance decisions on patent infringement always quasi-automatically provisionally applicable (e.g. by an amendment to the German Civil Procedural Code) to address the timing of the enforcement of a judgement until such a time as the validity of a patent is decided. The discussions coordinated by the German Ministry of Justice are ongoing.

Subsequent to the above discussion, Mr. Pfrang reported that the German Ministry of Justice and Consumer Protection, released a draft bill to amend the German Patent Act on 14th January 2020.

An important amendment in the draft bill relates to §139. Therein, the ministry of justice suggests adding wording which is very similar to the “Wärmetauscher” decision of the BGH. The reasoning of the draft bill indicates that this amendment is to be understood as a mere clarification to encourage the infringement courts to make use of the already existing options and considerations regarding “proportionality”. The reasoning of the draft bill also suggests that ‘A permanent refusal of the right to injunctive relief because of a disproportionate burden on the debtor, on the other hand, will only be possible in very few cases.’ It presupposes that unreasonable hardship for the debtor cannot be sufficiently taken into account by means of a conversion and use up period. Secondly, the draft bill proposes that the federal patent court “soll” (“shall/should”) present a preliminary opinion on validity after 6 months if an infringement suit is pending. This should ease the decision of the infringement courts whether or not to stay the infringement proceedings.

The Litigation Committee continue to follow this matter and provide commentary on any proposals that may impact **epi** members. The LitCom is also preparing an overview of the situation in some other EPC jurisdictions.

3. CJEU decision interpreting damages under the Directive on the Enforcement of Intellectual Property Rights (2004/48/EC): Bayer vs. Richter (C-688/17) of 11. September 2019

The Litigation Committee also followed this referral to the CJEU with interest as it relates to the interpretation of compensation for defendants under Art 9(7) of the Enforcement Directive. A summary of the decision of the CJEU was prepared and published on the **epi** website as a news item by the Executive group of the Litigation Committee with assistance of the legal advisors.

Mr. Ferenc Török (HU) presented on this topic at the Litigation Committee October meeting. Mr. Török noted that the decision is of particular relevance to countries with a bifurcation system. He further remarked that since the decision did not contain many clues as to the uniform interpretation of the concept of “appropriate compensation”, more referrals on this issue may be expected. Mr Thomsen further noted that this decision triggered further questions (e.g. regarding the interpretation of “misuse” and “ordinary behaviour”). It was concluded that this decision creates more questions and will trigger more referrals. The relating/similar decisions should be followed by the LitCom. A first consequence was already noticed when the new CJEU decision needs to be taken into account by the Court of Appeal in Lithuania (see next item).

4. Decision of Supreme Court in Lithuania and pending case before Lithuanian Court of Appeal AstraZeneca v Krka Tovarna Zdravil, d.d. on the question of damages for an alleged infringer when the underlying patent was finally found invalid or not infringed

The Litigation Committee have also been following this case currently pending before the Lithuanian Court of Appeal after a remittal by the Supreme Court. As in the Bayer vs. Richter case (item 3 above), this case also concerns a request for compensation of damages caused by a preliminary injunction which was later finally found not justified, e.g. because the patent was held invalid. The Court of Appeal will now need to take the CJEU decision in the Bayer v. Richter case into account. Ms Vilija Viesunaite, LitCom member from Lithuania, reported on this case for the Litigation Committee.

The Litigation Committee will continue to follow this matter until it reaches a natural conclusion.