

Patent Litigation in
Europe & Bird & Bird

Topics

European Patent Litigation

- Procedure – Common Features and Differences
- Procedure – A closer look at procedure in the UK and Germany
- Interim Injunctions
- Cross-Border Injunctions
- Harmonisation
- Patentability

IPR and Competition Law

- Antitrust license defence in patent infringement cases?

European Patent Litigation

- Overview

National Patents

- Applied for nationally and granted nationally
- Enforced nationally

European Patents

- Applied for and granted centrally at EPO BUT validated nationally (“bundle of national patents”)
- Enforced nationally

Substantive patent law has (for the most part) been harmonised in the EU

Procedural law remains very different from country to country

European Patent Litigation

- Procedure - Common Features

Specialised courts (to a greater or lesser extent)

Bifurcated trials on liability and quantum

Objective determination on both infringement and validity

- No triple damages for willful infringement
- No duty of disclosure to the EPO

Interplay between national infringement/validity proceedings and post-grant EPO Oppositions

European Patent Litigation

- Procedure - Differences

Infringement jurisdiction

- Single (Holland, France)
- Multiple (Germany)
- In some countries (Germany, Poland) infringement and validity are heard separately

Proof of infringement

- Is there full disclosure (e.g. UK)
- A saisie (e.g. Belgium France, Italy, Spain); or
- Mere possibility of limited disclosure (e.g. Germany, Holland)

Technical expert

- Is an independent expert desirable (e.g. Germany in complex cases) or necessary (e.g. UK)

European Patent Litigation

- Procedure - Differences

Speed to trial

- Fast (e.g. UK, Germany, Holland)
- Slow (e.g. France, Italy, Spain)

Enforceability of first instance judgment on infringement

- Is it discretionary e.g. Germany or not e.g. the UK

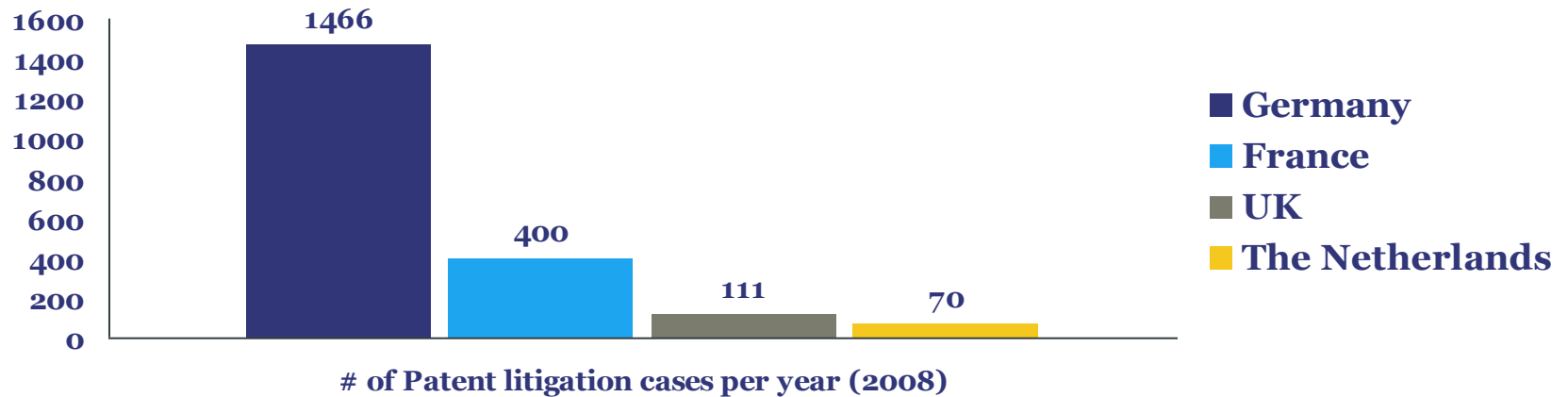
Interim injunctions

- More readily in some countries than others

Stay of national action pending outcome of EPO Opposition

- Again more readily in some countries than others

European Patent Litigation Status quo: Cases per country



Source: Juve-Rechtsmarkt 04/2010, p. 79

European Patent Litigation

- Procedure - UK

Why Litigate in the UK?

- **Fast trial:** enforceable first instance judgment within about 1 year upon service of complaint. Expedited proceedings possible
- **Specialist patent judges:** judgments are generally well reasoned - may have impact in other jurisdictions (e.g. in pan-European patent litigation)
- **Validity and infringement considered together**
- **Expert evidence can be adduced:** requires an order of the court - an expert's duty is to the court not the client
- **Disclosure available**
- **Declaratory and interim relief available**

European Patent Litigation

- Procedure - UK

UK Court System

- The Patents Court (High Court)

- Specialist Court within the Chancery Division.
- Hears all patent cases initiated in the High Court.
- Non jury trials before a single judge. Specialist judges nominated by the Lord Chancellor.
- Procedure governed by the Civil Procedure Rules.
- Disclosure, witness evidence, expert evidence, further written submissions, skeleton arguments available.
- Losing party normally ordered to pay legal costs of the successful party - costs awarded on an issue by issue basis.
- Successful party would usually recover approx. 2/3 of its actual legal costs.

European Patent Litigation

- Procedure - UK

UK Court System

- The Patents County Court

- Low cost alternative to the Patents Court
- Procedure governed by the Civil Procedure Rules – new rules introduced in October 2010
- Streamlined procedure - default position is no disclosure, witness or expert evidence, further written submissions or skeleton arguments. These will only be ordered where “*the benefit of the further material ... appears likely to justify the cost of producing and dealing with it*”
- Non jury trials before a specialist judge
- Trial length limited to 2 days

European Patent Litigation

- Procedure - UK

UK Court System

- The Patents County Court – Costs

- Losing party normally ordered to pay legal costs of the successful party - costs awarded on an issue by issue basis
- Costs capped at £50K for liability, £25K for inquiry as to damages/account of profits. Scale of costs, limits the amount that can be recovered for each stage of a claim
- Cap on damages of £500K currently being considered

European Patent Litigation

- Procedure - Germany

Why litigate in Germany/Düsseldorf

- **Fast trial:** Enforceable first instance judgment within about 1 year upon service of complaint – often rendered before judgment in invalidity action is available (German two track system).
- **Inexpensive:** Statutory court fees often less than € 25.000; reimbursed upon victory as well as statutory attorney/patent attorney fees. However, court fees in larger cases will be much higher.
- Judgments are generally **well reasoned** - may have impact in other jurisdictions (e.g. in pan-European patent litigation).
- Courts are generally **pro patentee**.
- Usually infringer cannot afford to be off the German market – many cases are settled after infringer was enjoined in one (important) country.

European Patent Litigation - Procedure - Germany

Warning letter prior to bringing suit?

Pros

- Risk of having to bear the statutory costs of the proceedings in case infringement proceeding is initiated without prior warning letter and Defendant immediately acknowledges claims.
- Damage risk in case of unjustified cease and desist claim.
- Can increase chances of *ex parte* PI (“*right to be heard*”).
- If uncertainties remain, consider *request of entitlement* (“*Berechtigungsanfrage*”).

Cons

- Increases risk of a negative declaratory action with blocking effect (“*Torpedo*”).

European Patent Litigation

- Procedure - Germany

How to gather evidence?

- No full blown discovery available in Germany.
- However, with implementation of the Enforcement Directive 2004/48/EC pre-trial inspection and submission of certain identified devices/documents can be claimed.
 - Available also ex parte.
 - Court can allow Plaintiff or its counsel to enter Defendant's place of business and inspect/be submitted certain evidence.
 - Involvement of independent court appointed expert sworn to secrecy for confidentiality reasons and for obtaining full evidence for subsequent infringement proceeding.
- In addition, efficient seizure proceedings available in other European countries (e.g. Belgium, France and Italy).
- Evidence obtained abroad can be used in German litigation.

European Patent Litigation

- Procedure - Germany

Typical course of first instance proceedings

- Complaint is served to adverse party upon advance of court fees.
- Case management conference is scheduled pointing out dates for further written submissions as well as date for oral hearing (Düsseldorf court).
- Defendant replies to complaint.
- Plaintiff files a rejoinder.
- Defendant replies to rejoinder.
- Oral hearing.
- Announcement of decision (in due course of oral hearing).
- Written judgment is available for (preliminary) enforcement.

Accordingly: Focus on written submissions in German litigation.

European Patent Litigation

- Procedure - Germany

Timeframe

1st instance – Regional Court

- Commencement of action until oral hearing: about 10 – 16 months.
- Oral announcement of judgment: about 4 weeks after oral hearing.
- Written judgment: about 4 weeks after oral announcement.
- **Note:** Decision is enforceable against posting a bond.

2nd instance – Higher Regional Court

- Appeal: about additional 18 months.
- Since 2002 submission of new facts and evidence more limited. Late filing must be justified (no longer a full *de novo* trial).
- Further appeal on questions of law to Federal Supreme Court can be allowed in proceedings on the merits (rarely granted and not available in PI cases).

European Patent Litigation

- Procedure - Germany

Typical requests in a complaint

- Injunction.
- Rendering of accounts.
- Obligation to remove from supply channels/recall from commercial customers.
- Obligation to destruction infringing embodiments.
- Obligation to pay compensation.
- Obligation to compensate damages (no punitive damages!).
- Publication of judgment at cost of Defendant upon legally binding termination of proceedings.

European Patent Litigation

- Procedure - Germany

Importance of validity in infringement litigation

- No defense of invalidity in Germany due to bifurcated system (infringement and validity are decided on separate tracks).
- Court may consider a stay of proceedings only if a formal validity attack is pending.
- German courts (in particular the Düsseldorf Court) are very pro patentee: Accordingly, a stay is only being granted if there is a high degree of likelihood that the validity attack will be successful.

European Patent Litigation - Procedure - Germany

Potential formal validity attacks

Opposition:

- within 9 months upon publication of mention of grant (EPO) – European Patent
- or
- within 3 months before German Patent Office – German National Patent

Nullity Action: Before Federal Patent Court in Munich (staffed by technically trained judges),

- Only possible after opposition proceedings are terminated or opposition period has lapsed (Sec. 81 para 2 Patent Act).

Interim Injunctions & Bird & Bird

Interim Injunctions

- In General

Courts take the following factors taken into account:

- Merits
- Extent of unquantifiable damage to each party
- Commercial position of the parties
- Delay

The weight given to these factors varies between jurisdictions

For obvious reasons, interim injunctions tend to be granted more commonly in jurisdictions where it takes a long time for the main patent infringement action to come to trial.

Interim Injunctions

- UK

- Factors taken into account by court
 - Is there a serious issue to be tried
 - Will Claimant suffer irreparable damage
 - Will Defendant suffer irreparable damage
 - Where does balance of convenience lie bearing in mind need to preserve status quo, delay and possibly merits

i.e., still governed by *American Cyanamid* principles despite the introduction of the overriding objective of the CPR

- Cross-undertaking in damages required from the claimant
- Recent cases emphasise importance of applying without delay (*KCI v Smith and Nephew*)

Interim Injunctions

- UK

Interim injunctions are seldom granted in patent cases mainly because of speed with which case can be brought to trial and difficulty in establishing irreparable damage

However, courts have granted them in pharmaceutical v generics arena where patentee can show irrecoverable price erosion

- *SKB v Generics, SKB v Apotex, Wyeth v Alpharma, Abbott v APS*; also *Les Laboratoires Servier v KRKA (later Apotex)*
- NB. Failure by defendants to show that they have “cleared the path” also held against them – invites pre-emptive litigation.
- Contrast recent case of *Cephalon v Orchid* which runs counter to this trend

Interim Injunctions?

Germany

Preliminary injunctions (PIs) are generally available.

In order to obtain a PI, Plaintiff must:

- Demonstrate at least imminent threat of infringement (proven e.g. by affidavits/internet advertisement etc.).
- Establish urgency – file PI request as soon as possible.
- Establish patent's validity.
- Duration: if granted *ex parte* a few days (rather rare in patent cases); in case of oral hearing up to 3 months.

In order to mitigate the risk of an *ex parte* PI Defendant may file protective letters before launch.

Cross-Border
Injunctions & Bird & Bird

Cross-Border Injunctions - The Current Position

GAT v. LuK (ECJ; July 2006)

- National courts have exclusive jurisdiction in *all* matters concerning the validity of one of their own patents, irrespective of how the issue is raised

Roche v. Primus (ECJ; July 2006)

- In the context of patent litigation, national courts do not have jurisdiction over other companies for infringements outside the jurisdiction, even where they have acted in an identical manner in accordance with a common policy

Cross-Border Injunction - *Solvay v Honeywell* (C-616/10; Referral from the District Court of the Hague)

- Opinion of the District Court:
 - CJEU ruling in *GAT v LuK* on Article 22(4) of Brussels Regulation does not preclude the District Court from rendering a provisional injunction, including when validity of patent is disputed
 - District Court has jurisdiction of Dutch company under Article 2 of Brussels Regulation as defendant based in the Netherlands, this includes jurisdiction to rule on infringement of foreign patents
 - District Court has jurisdiction to decide infringement of the same foreign patents by a foreign defendant (i.e., the Belgian companies) under Article 6(1) of Brussels Regulation in order to avoid irreconcilable decisions
 - *Roche v Primus* decision not applicable as only concerned allegations of infringement in the respective countries where the defendants were situated. Therefore not the same risk of irreconcilable decisions
- Reference to CJEU for a preliminary ruling on application of Articles 2, 5(3), 6(1) and 22(4) of the Brussels Regulation

Cross-Border Injunction

- *Apple vs. Samsung*

- District Court of The Hague, judgment of August 24, 2011 grant of cross-border injunction in PI case for all EU-member states, where valid

Harmonisation & Bird & Bird

Harmonisation of Procedural Law - IPR Enforcement Directive

Directive 2004/48/EC on the enforcement of intellectual property rights

- Implemented by all Member States
- Harmonises law relating to enforcement, remedies and penalties for IPR infringement
- First evaluation by European Commission indicates Directive has had a '*substantial and positive effect on the protection of intellectual property rights by civil law in Europe*'.

Harmonisation of Procedural Law

- EU Customs Enforcement

Regulation 1383/2003/EC on customs actions against suspected infringing goods

- Rights holders can request Customs authorities to search for and seize goods suspected of infringing IPRs
- Customs authority may seize suspected:
 - Counterfeit goods;
 - Pirated goods; and
 - Goods infringing patent rights
- Overruns, grey market goods and goods in personal baggage are specifically excluded
- Cost effective first line of defence – no filing fee!
- In 2009, EU Customs Authorities detained over 118m articles in over 43,000 seizures

Harmonisation of Procedural Law

- EU Customs Enforcement

Where would you use the Community Application?

- More than one EU country (consider costs, key markets for infringers, major ports and 'gate-way' countries for goods from the Far East and Russia e.g. Finland, and Eastern European Countries)
- Particularly effective when enforcing Community-wide rights e.g. CTMs and CRDs

National Application

- National Applications lodged individually in relevant Member State for national IP rights such as patents

The Community Application - what goes into it?

- Application for Action must contain "*all information needed to enable the goods in question to be readily recognised by the Customs authorities*".
- AFA consists of:
 - Application Form
 - Copies of IPRs
 - Local contacts for Customs
 - Accurate & detailed technical description of suspect goods and differences in genuine goods
 - Information on known countries of origin, routes, ports, exporters, importers, etc.

The Community Application – IPR holders' liability and obligations

- Right holder accepts liability (towards importer and/or any other affected third party) where:
 - seizure/detention is discontinued owing to act/omission by rights holder
 - Seized goods subsequently found not to infringe
- Rights holder also responsible for storage/destruction costs
- Rights holder also under duty to inform Customs in event that any IPRs expire or cease to be enforceable

The Community Application: following a seizure

- Customs notify the right holder via the administrative contact, with details of the infringing goods seized and sender/importer
- Regulation provides for maximum of 10+10 working days to initiate proceedings or goods released
- Precise legal action required varies from country to country:
 - Under the "simplified procedure" (optional), consent of "interested parties" to abandonment for destruction can be sought
 - Consent may be implied if interested parties do not specifically oppose abandonment
 - Customs may take action themselves upon confirmation of infringement
 - Civil or criminal proceedings may ultimately be required



European Anti-Counterfeiting and Anti-Piracy Strategy

- Better enforcement of IPRs to combat growing trade in infringing goods is one of the EU's key objectives
- Number of measures and initiatives being pursued for better enforcement of IPRs within and outside the EU
 - Within the EU – EU Anti-Counterfeiting and Anti-Piracy plan, includes:
 - Customs plan for 2009 to 2012 including review of Regulation 1383/2003/EC
 - European Observatory on Counterfeiting and Piracy
 - Amended proposal on enforcement of IPRs under the criminal law
 - Outside the EU:
 - ACTA
 - IPR standards included in bilateral trade agreements
 - Cooperation with third countries

The EU Patent and the European and Community Patents Court

- **EU Patent:** European Union wide patent having unitary effect
 - **Proposals blocked by Spain and Italy in October 2010**
 - **Common EU patent system to be created using the enhanced cooperation procedure?**
 - European Parliament gave consent in February 2011
 - All Member States except Italy and Spain have indicated they will sign up to the procedure
 - Council of Competitiveness Ministers agreed on March 10, 2011
 - **Commission proposal of April 13, 2011:**
 - EP holders can request unitary patent for territory of 25 MS.
 - Unitary character:
 - ~ Uniform protection and equal effect.
 - ~ Limitation, license, transfer, revocation or lapse in all 25 MS.
 - ~ Revocation/limitation for lack of novelty only for MS designated in application.
 - Specific language regimen which shall lower costs.

The EU Patent and the European and Community Patents Court

- **European and Community Patents Court:** court would deal with enforcement and validity of both the EU Patent and the nationally effective European patents
 - Opinion of CJEU (of March 8, 2011) is that European and Community Patents Court is not compatible with European Community treaties
 - *“The envisaged agreement creating a unified patent litigation system (currently called “European and Community Patent Courts”) is not compatible with the provisions of the EU Treaty and the FEO Treaty.”*

Interplay between IPRs
and Competition Law & Bird & Bird

Antitrust license defense in patent infringement proceedings?

Decision of the German Federal Supreme Court *In re Orange Book* (of May 6, 2009 – KZR 39/06):

- Basic approach:
 - If the patentee has market dominance, and asks for excessive and/or discriminatory royalty rates, the enforcement of a patent against an alleged infringer can constitute an abuse of this market dominance.
 - Courts shall not contribute to such violation of antitrust law (i.e. Article 82 EC, now: Art 102) by issuing an injunction.
 - “*One shall not claim a subject matter in court if one is obliged to return it instantaneously*” – “*dolo petit, qui petit quod statim redditurus est*”.

Antitrust license defense in patent infringement proceedings?

However, according to *In re Orange Book*, an abuse does not automatically result in a right of the defendant to make use of the patent in suit for free!

- Court set forth detailed and quite restrictive preconditions of antitrust license defence:
 - Qualified offer of the alleged infringer
 - Alleged infringer must act as if offered FRAND license is in force by making
 - Payments (to patentee or in escrow)
 - Accounting/Reporting of usage

Your contacts



Oliver Jan Jüngst, Partner

Oliver is partner and co-head of the international electronics group at Bird & Bird. His specific area of expertise is the orchestration and implementation of international patent infringement litigation.

Oliver has run several of the largest patent cases involving patents and standards in recent years, including *Motorola v EADS* and *Qualcomm v Nokia*. He is currently involved in the *IPCom v Nokia* litigation as well as numerous other cases.

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"Clients admire Oliver Jüngst for his approachability and ability to be proactive in suggesting ideas."

Chambers Europe 2011

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"Oliver Jan Jüngst (is a) 'strong court advocate', whose advice is 'carefully considered and well reasoned'."

The Legal 500 - 2011

”

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*"highly responsive and diligent"
"thorough preparation and clear articulation of arguments on paper and in court".*

IAM Life Sciences 250 - 2010

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Thank you **& Bird & Bird**

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