

## **Cross border issues in patent-litigation in Europe. / Reflections on the hypothetical cases.**

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### **Introductory remark.**

The hypothetical cases about patent infringement all end up with the question whether the patentee can sue the alleged infringer(s) in country A.

There are two sides to this question:

- A. that of jurisdiction: will the court hold itself competent and
- B. that about infringement: when will the court hold the patent infringed.

### **Jurisdiction.**

Jurisdiction is in Europe in principle a matter for national law. However since more than 20 years this is in fact regulated by two treaties: the conventions of Brussels and of Lugano. These treaties have the same text but different member states. Roughly speaking the EU countries are members of the Brussels treaty and the EFTA states members of the Lugano convention.

As of 1 March 2002 this matter will for the EU countries be regulated in Regulation 44/2001 of the European Community, having – as far as patent infringement and validity are concerned - substantively the same content as the Brussels convention.

The applicable rules are in principle very simple:

- the competent court is the court of the domicile of the defendant (if there are more defendants the plaintiff can choose between the different courts and sue all defendants there together.)
- competent is also the court in whose territory the infringement has taken place.(If there is infringement in more countries then the plaintiff has also here a choice.)
- however: for the validity of registered rights (as e.g. patents) there is an exclusive competence for the courts of the state where the registration has taken place.

It is easy to see how these rules, in spite of their simplicity, can cause problems: in nearly every infringement action the defence will be raised that the patent is invalid and therefore a decision about both infringement and validity is necessary.

Example: if X has a patent in A and in B and it is infringed by Y (domiciled in A) in A and B, X can sue Y in A, the place of the domicile of Y. The court in A can give an injunction against Y regarding the infringements both in A and in B. However if Y raises the defence that the patent is invalid, what should the court in A do? Of course it can give a decision about the validity of the patent registered in A. For a decision about the validity of the patent in B however only the courts in B are competent.

Different courts solve this puzzle in different ways.

The courts in Germany and in the Netherlands tend to stay the infringement proceedings regarding other countries (unless it concerns proceedings for a preliminary injunction) until a decision about the validity is taken in these countries.

The judges in the UK go further than that and hold that their competence regarding infringement in other countries lapses as soon as the validity defence is raised for those countries.

Whatever solutions the courts choose, the practical result is the same: as nearly every infringement action is countered by a nullity claim, the patentee has to go to court in every country where his patent is infringed. (With not only the extra costs involved but also with the risk of conflicting decisions.) Formerly this seems to have been acceptable because patents were (and are) territorial rights.

However, two developments have made this situation unacceptable for the users of the patent system:

First: the centralisation of the granting of patents under the EPC, resulting in literally the same patents with identical claims for the different countries, coupled with the de facto harmonisation of the substantive patent law (as a result of the – never ratified – Community Patent Convention)

Second: the unification of the national markets into a common European internal market. More and more Europe is seen and experienced as one single market where global (or at least multi-national) players sell their commodities. On a single market it does not do to have the same product labelled as infringing in some parts and not infringing in others.

To cope with this unfortunate situation, two different initiatives are developing in Europe:

1. the European Commission has launched a proposal for a community patent;
2. a number of EPC-states (coinciding to a large extent but not wholly with EU-states) are developing an optional protocol to the EPC, creating a supra-national patent court in two instances with exclusive jurisdiction for all infringement and nullity cases concerning European patents for these countries, the so called European Patent Litigation Protocol (or EPLP).

ad 1 the Community patent:

The envisaged community patent will be granted by the EPO; the only difference with the other European patents will be that not a country is designated but the EU as such. It will be a unitary title valid (or invalid) for the whole EU.

Problems: the EPC has to be changed to enable a supranational organisation as the EU to become a member. Some countries seem inclined to use the need for their consent as a leverage to get their language qualified as an official language of the EPO and/or to divert some of the work of the EPO to their national patent offices.

Further problem: in order to be able to create a jurisdiction for patents on a supra-national basis the Nice-treaty, revising the EC-treaty, has to be ratified. Since the refusal of the Irish people to do so, it is uncertain whether and when that will happen.

At the moment the ideas on litigation about the future community patent don't seem to have developed very far, as the main energy seems to be absorbed by the problems mentioned.

ad 2 the EPLP:

The basic idea is to create a supranational court for European patents in a separate optional treaty, i.e. a treaty that member states of the EPC can join but do not have to join. That does away with the necessity of unanimity on all subjects: there is negotiated a system with a greatest common denominator and each state can decide whether to accept that package or not.

The proposed court will have one central chamber in second instance, composed of experienced patent judges of different nationalities.

In first instance there will not only be a central chamber but also regional chambers in all countries that do want one. Also these chambers will be composed of experienced patent judges of different nationalities, who will also go on working in their own national courts. A totally new procedural law is being written for these courts, combining the best elements from different legal systems throughout Europe. Because the protocol will be optional, there is no room for abuse of a possible veto.

The court will have the power to grant injunctions, damages, preliminary injunctions, seizures and forfeitures of infringing goods, saisie contrefaçon, freezing orders, orders protecting confidential information, etc.

The length of the proceedings in first instances is thought to be about 12 months if no witnesses need to be heard and about 15 or 16 months otherwise.

This initiative is worked out quite far in detail: a possible text for a protocol and an annexed procedural law will be finalised at the end of this year and could then be put before the intergovernmental conference.

Problem: the European Commission seems to think that there is no competence for the member states of the EU to conclude a treaty like this. This attitude could lead to serious problems, if not of a legal than in any case of a political nature.

A summary scetch of the proposal (comprising itself more than 150 pages) as it now stands and seems to be acceptable for some 9 or 10 states is attached to this paper as an annex.

### **Infringement?**

In Europe the question whether infringement has taken place is also to be decided by the national judges according to their national laws. This issue is harmonized only in part.

What is harmonised to a great extent is the question what actions do constitute an infringement: manufacturing, using, selling, offering, importing and having in stock.

What is harmonised in theory also is the extent of the protection of a patent: that is determined for all EPC countries in article 69 of the EPC and the protocol on that article. The wording is however vague enough to allow different jurisdictions to draw the line along different borders<sup>1</sup>. Nevertheless the European judges do try to get a harmonised view on this difficult subject matter, helped by the EPO, that is organising bi-annual conferences for national patent judges, where they discuss recent decisions and hypothetical cases

What however still is not harmonised are questions like: what does constitute a joint infringement, at what place does an infringement take place, have all elements of an

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<sup>1</sup> Article 69 (1) EPC:

The extent of the protection conferred by a European patent or a European patent application shall be determined by the terms of the claims. Nevertheless, the description and drawings shall be used to interpret the claims.

The Protocol on the interpretation of Article 69 says:

Article 69 should not be interpreted in the sense that the extent of the protection (...) is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity found in the claims. Neither should it be interpreted in the sense that the claims serve only as a guideline and that the actual protection conferred may extend to what (...) the patentee has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

infringement to be present in the same country, etc. All these questions are decided according to the national laws on tort. So here a general European answer cannot be given.

## **ANNEX: SUMMARY OF EPLP-PROPOSAL.**

### **Structure of a future European Patent Judiciary.**

There will be a Court of Second Instance, sitting at the seat of the court in internationally composed panels of five members of whom at least three members will be lawyers and at least one member will be a technical judge.

There will furthermore be a Court of First Instance, sitting in internationally composed panels of three judges, one of whom will be a technician and two members will be lawyers. This EPC1 will have a Central Division at its seat. (The Central Division however will in principle have its sessions at the domicile of the defendant and not necessarily at its own seat.) Moreover the EPC1 can (and certainly will) have Regional Divisions. Every state or group of states can require at least one Regional Division, provided they are able to staff it with at least two experienced legal patent judges. If a state (or a Regional Division) has more than one hundred patent cases (concerning European patents) a year, it can require the creation of a further Regional Division, however to a maximum of three Regional Divisions per member state.

The advantage of this structure is not only that litigation can be done near to the parties concerned but also that the (scarce) experienced patent judges, working on national courts can be used: part of their time they will be functioning as judges of the European court and part of their time they will continue to function as national judges.

Each Regional Division will have its own language of proceedings. Somewhat simplified: if the state of the Divisions seat has an official language of the EPC as one of its national languages then that language will be the language of proceedings before that Division. If the state of the Divisions seat does not have such a national language that state will have to designate one of the official languages of the EPC, that then will be the language of the proceedings.

All legal judges will be assigned as permanent members to one of the Divisions (Regional or Central) and will be ex officio temporary member of all the other Divisions. The technical judges will all be permanent members of the Central Division and ex officio temporary members of the Regional Divisions.

The Registry will comprise a Central Registry at the seat of the EPJ and will have subregistries in all member states, even if there is no regional division of EPC1 in that member state.

Cases can be filed at every (sub)registry. They will be checked for formalities at the receiving (sub)registry and sent to that Division that according to the opinion of the plaintiff should deal with the case, strictly applying the rules on jurisdiction of the Brussels/Lugano conventions and of the EU Regulation on jurisdiction (EU Regulation 44/2001, coming into force on 1 March 2002).

If that Division does not agree with the assignment of the case it will send the case to the President of EPC1 who will then decide what Division will deal with the case.

The competent Division will classify the case both as regards its financial importance (with consequences both for the court fee and the costs at the end to be paid by the losing party) and as regards the technical field involved. It will furthermore compose a panel to deal with the case: one legal member as rapporteur (preferably from that Division), one legal member from another state as chairman and one technical judge competent for the relevant field of technique. This composition of a panel will take place according to strict rules, leaving no discretion as regards the choice of the judges for a certain case.

The rapporteur will be responsible for getting the case ready for oral proceedings or for deliberation. The chairman will be responsible for the conduction of the oral proceedings, the deliberations and the case management from the moment of the closure of the debate by the rapporteur. The technical judge can be appointed as co-rapporteur in cases where either the chairman, the rapporteur or both parties do think it advisable.

### **Powers of the Courts.**

The Courts will have the following powers:

- order to stop infringement
- order to pay damages
- order to forfeit infringing goods and/or machinery they were made with.
- sequestration of those goods during proceedings
- orders to inform the plaintiff of the identity of third persons involved in the production and distribution of the infringing goods
- power to draw conclusion from certain behaviour of a party
- order to pay money into court as a security for damages or to put up securities in another way
- order to produce certain documents or articles in the proceedings
- orders for inspection etc. on the property of a party ("saisie contrefaçon")
- freezing orders as regards assets of a party
- protective orders as regards commercial secrets.

### **Rules of procedure.**

These are still under construction. Generally speaking they will have the following characteristics:

The court shall decide according to the law upon the facts put in evidence by the parties. Apart from generally well known facts the court will of its own motion take account of facts not put in evidence only if it suspects abuse of procedure.

It shall apply the law as laid down in EPC, in the protocol and, as far as applicable, in the national laws of the EPJ- states concerned. If these sources of law should differ, they will take precedence in that order. The court may also apply provisions of law not cited by the parties.

In second instance new facts and/or evidence will only be admitted in exceptional circumstances.

Proceedings will be strictly structured (so as to contribute to the envisaged duration of proceedings in first instance, which should not take more than 12 months) and will be divided in a written phase, an instruction phase and oral proceedings.

Parties will have to be represented by European Patent Counsel; in principle every lawyer who at home is entitled to represent clients in normal civil proceedings.

The European patent counsel may be assisted by a technical adviser (patent attorney) who is a professional representative whose name appears on the list maintained by the Office. This technical adviser will have a right to address the court.

There will be a strict case management by the rapporteur. His decisions in this respect however can be revised by the complete panel at the request of a party concerned.

The written phase will in principle consist of only one written document of each party.

Exceptions:

a. if there is a counterclaim in the statement of defence, there has to be of course a statement of defence to the counterclaim.

b. the court can grant a party permission to file a further document or can require a party to do so if the court feels it necessary.

The instruction phase will start with a conference of the rapporteur (possibly accompanied by the technical judge) and the parties. This conference will not only serve as a case management conference, where the further time path of the case is laid down. It will also serve to assess the possibilities of a settlement and to discuss evidence issues. As soon as the rapporteur decides that the case is ready for oral proceedings he will close the debate and hand the management of the case to the chairman. The chairman will instigate the oral proceedings if asked for by a party or if desired by one of the members of the panels. He will also instigate the discussion of the case by the panel and the decision.

#### **Sanctions:**

The sanction on infringement will, of course, be an order to pay damages. General rules about damages are formulated in the protocol, taking TRIPS into account.

There will also have to be sanctions on not obeying orders of the courts.

Orders of the court will be enforceable by way of a so called *astreinte*: the party who disobeys an injunction or other order of the court will have to pay a considerable amount of money to his opponent, independent from the question who in the end turns out to be right. This order for a payment of money is enforceable in all states.

#### **Preliminary measures.**

There will also be a possibility to get speedy interim injunctions and other provisional measures from the EPJ, although there will remain a possibility to request these measures from national courts, however with no cross border effect and with a limited duration if no proceedings before the EPJ are pending or started.

#### **Evidence.**

As to evidence: every party relying on a stated fact, should offer proof of that fact, stating what kind of evidence he offers. Such at the latest as soon as such a statement is contested or, when a party should reasonably have expected such a contestation, at the time of making the statement for the first time. The courts are free to disregard any statement of fact of which no proof is offered. Written evidence generally is not much of a problem: written evidence consumes relatively small amounts of money, time and energy.

Therefore written evidence (including the aforementioned affidavits of witnesses) should be filed as soon as reasonably to be expected from a party. (See above) Furthermore the court should always have the possibility of requesting certain documents. As witnesses are the most time- and cost consuming kind of evidence, in principle all evidence by

witnesses should first be produced in the form of written affidavits. A hearing of the witness in person takes only place if there was no possibility to get an affidavit (e.g. because the witness refused) or if the contents of the affidavit are contested by the other party or when one or more members of the judicial panel want to hear the witness in person. Witnesses will only be heard in person after leave has been given by the court and only on points formulated by the court. The court can give its leave in two forms: either through a decision of the rapporteur, or through a decision of the full panel. If the rapporteur refuses the leave to hear one or more witnesses, redress can be sought by the interested party with the full panel. The hearing will in principle be by the complete panel, unless either all parties request that the hearing should be done by the rapporteur only or the panel itself delegates the hearing to one of its members.

Furthermore there will be some regulation to protect confidential knowledge in the form of a protective order. For instance it will be possible that the court orders that certain information shall only be available to the counsel of the other party and that he will not be allowed to share it with his client. Or the court could order that certain information may not be used outside the pending proceedings.

As to expert evidence: without prejudice to the right of the parties to provide reports from their own experts, the court will have the possibility to appoint, after consultation with the parties, an expert.