

European Patent Litigation: An overview

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Hogan Lovells in partnership with the Association of Corporate Counsel Europe



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Pre-litigation: What steps precede a decision to litigate? Will the choice of forum have an effect on initial steps? (Overview)

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- Pre-litigation steps are key to the success of any patent litigation
- They are generally intended to prove alleged infringing activities
- Even if they have recently been harmonised through the Enforcement Directive, there are differences between Member States
- The choice of forum will therefore have an effect on these initial steps

Pre-litigation: France

- *Saisie-contrefaçon* procedure (infringement seizure)
- Intends to establish that, at a certain date, infringing acts occurred on the French territory
- Authorized by the Court without notice of the alleged infringer
- Only a bailiff can proceed with seizure with the assistance of an expert designated by the plaintiff
- The seizure will be limited to samples of alleged infringing goods, technical documents and other documents relating to the alleged infringement

Pre-litigation: Germany

- Following the implementation of the Enforcement Directive, search orders are more common in Germany, but remain relatively rare
- Intention is to find evidence for infringement in Germany
- Requires proof that infringement is sufficiently likely (e.g., proof that device sold abroad by same entity infringes)
- Carried out by bailiff, expert and possibly lawyer of patentee (bound by confidentiality obligations even towards his client)

Pre-litigation: UK

- Assessment of prospects of success
 - Validity and infringement analysis
- Identify key witnesses, especially experts
 - Identify relevant parties
 - Who should be the defendants?
 - Who should be the claimants?
- Evidence of infringement
 - Actual or threatened act of infringement in the UK
 - Pre-action: Ex parte search orders (*Anton Piller*)
 - During litigation: disclosure of documents
- Sending warning letters is risky
 - Actionable threat of infringement proceedings (s.70 Patents Act 1977)
 - Brussels Regulation torpedoed

Timing of patent litigation / Preliminary injunctions (Overview)

- Quick decisions are often crucial in order to
 - Avoid almost irreparable harm by market entries of competitors
 - Reduce the possibility to achieve a design around
 - Keep litigation costs low
- How can patent infringement proceedings be accelerated?
 - Choice of jurisdiction
 - Choice of Court
 - Preliminary Injunctions

Timing of patent litigation / Preliminary injunctions: Germany

- Proceedings on the merits
 - Duration predictable
 - Infringement proceedings
 - First instance District Court: 10 – 15 months
 - Appeals Court: 18 months
 - Nullity
 - Heard separately → does not delay infringement proceedings
 - First instance German Patent Court: 18 – 24 months
 - Second instance Federal Supreme Court: approx. 4 years
 - Reform of nullity proceedings implemented (1 November 2009) aimed at significantly shortening the duration of the 2nd instance

Timing of patent litigation / Preliminary injunctions: Germany

- Preliminary injunctions
 - Used to be very rare five years ago, but have are now frequently used
 - Requires (according to landmark decision of Appeals Court Düsseldorf, *Blasenkatheterset*, 19 April 2010)
 - Rather clear infringement
 - Validity has to be "reasonably certain", as evidenced by
 - A confirmatory decision in nullity or opposition proceedings, or
 - Submissions filed by infringer already in application process, or
 - Nullity arguments of infringer are obviously without merits
 - Urgency: Application needs to be filed within one month after patentee became aware of infringement or patent was confirmed in opposition or nullity proceedings

Timing of patent litigation / Preliminary injunctions: UK

- Proceedings on the Merits
 - Infringement and validity heard together at same court hearing
 - Duration
 - First instance: 12 months
 - Appeal: 10 months
- Preliminary Injunctions
 - Rare in patent cases except for pharmaceuticals
 - Criteria:
 - Serious issue to be tried
 - Irreparable harm
 - Balance of convenience
 - Cross-undertaking in damages
 - Speedy trial instead?

Timing of patent litigation / Preliminary injunctions: France

- Duration
 - Proceedings on the merits
 - Infringement claims and nullity are heard by the same court
 - First instance (*Tribunal de grande instance de Paris*): 12 to 18 months
 - Appeal: 18 months to 2 years
 - Preliminary injunctions
 - Preliminary injunctions can be obtained in a few days

Timing of patent litigation / Preliminary injunctions: France

- Preliminary injunctions
 - Can be obtained in *ex parte* procedure, but extremely rare
 - Usually granted in *inter partes* procedure
 - An injunction is granted if the merits of the case appear well-founded
 - The Court may:
 - Require the patentee to provide security for any harm suffered by the alleged infringer if the infringement proceedings are subsequently held to be unfounded, or
 - Authorise the alleged infringer to continue its activities subject to the provision of security
 - An injunction can only prohibit the continuation of the alleged infringing acts; no damages
 - The patentee needs to initiate a procedure on the merits in a short period of time after the injunction

Outcome: what damages and other remedies? (Overview)

- National law applies
 - Inconsistent situation in Europe
 - Depends on type of proceedings (PI or proceedings on the merits)
- Some harmonisation through Enforcement Directive (Art. 10 et seq.)

Outcome: what damages and other remedies?: Germany

- Injunctions
 - Granted as a consequence of patent infringement (unlike in the US (EBay vs. MercExchange) no matter of equity / discretion of the court)
 - Penalty in case of non-compliance: money penalty / imprisonment
- Damages
 - Three ways to calculate
 - Actual own damages (small relevance)
 - Reasonable royalties (usual approach)
 - Infringer's profit (more and more popular)
 - No punitive damages
 - Not available in PI proceedings
- Other remedies
 - Information and rendering account (to some extent available also in PI)
 - Destruction of infringing goods (PI: seizure)
 - Recall from distribution channels (Only proceedings on the merits)
 - Publication of judgment (Only proceedings on the merits)

Outcome: what damages and other remedies?: UK

- Permanent Injunction
- Damages (to compensate patentee for its loss)
 - Lost profits (sales the patentee would have made)
 - Lost sales (primary and ancillary)
 - Price depression
 - Springboard and post-expiry sales
 - Reasonable royalty (sales patentee would not have made)
- Account of profits (infringer's profit)
 - Rare (infringer may deduct a proportion of its overheads in addition to direct costs)
- Delivery up/destruction

Outcome: what damages and other remedies?: France

- Injunctions
 - Usually awarded, subject to a penalty
 - When specified by the Court, it is enforceable notwithstanding an appeal
- Damages
 - Usual way to calculate damages
 - If the patentee does not exploit its patent, the amount of damages will be based on a royalty
 - If the patentee does exploit its patent, damages will be based on lost sales
 - Courts may take infringer's profit into consideration
 - The patentee may choose to calculate damages on a reasonable royalty basis
 - No punitive damages
- Other remedies
 - Publication of the decision (in whole or in part) in magazines or newspapers and on the infringer's website at infringer's costs
 - Destruction of infringing goods at infringer's cost
 - Recall from distribution channels
 - Confiscation of apparatus used to manufacture the infringing goods (rarely ordered)

Cost (Overview)

- Art 14, IP Enforcement Directive
 - Unsuccessful party should pay "reasonable and proportionate legal costs and other expenses" of winning party
- UK
 - Losing party will generally be ordered to pay winning party's costs, or award costs on an issue by issue basis
 - If not agreed, the court will assess costs: assessed costs are generally about 65% of actual costs
- France
 - No strict rules: courts award costs on the basis of information produced by the parties (such as external counsels' fees and disbursements) and depending on the length and complexity of the case
 - Under the Enforcement Directive, French courts now do not hesitate to award substantial amount of costs to the prevailing party
- Germany
 - Costs of patent litigation are generally rather low and predictable
 - Court fees: Fixed costs on basis of fictitious "value in dispute", Normal case (1st instance, value 1.000.000 €): 13.368 €
 - Attorneys' fees: Loser has to reimburse winner in limits of statutory law, Average case 1st instance 50.000 €, about 50 % will be reimbursed

Interaction between national courts: Exchange of information? Stay of proceedings? Precedents? (Overview)

- Exchange of information: do national courts accept documents or evidence used in a parallel actions in another jurisdictions?
 - France: yes
 - Germany: yes
 - UK: documents are admissible but witness evidence from foreign proceedings is rarely admissible as such

Interaction between national courts

- Stay of proceedings:
 - Do national courts stay proceedings when the European patent is subject to an opposition at the EPO?
 - France: generally no
 - Germany: only if patent will probably be invalidated
 - UK: generally no
 - The German situation resulting from the parallel actions for infringement and nullity

Infringement proceedings will (only) be stayed if it is likely that patent will be invalidated (requires convincing novelty attack or very convincing inventive step attack submitted in nullity proceedings)

Interaction between national courts

- Precedents: what is the weight of decisions of foreign jurisdictions having granted decisions (infringement and nullity) in relation to the same patent?
 - National courts are not bound by foreign decisions but they may have some weight
 - Germany: Federal Supreme Court, 15 April 2010 - *Walzenformengebungsmaschine*: German courts are not bound by foreign decisions but have to discuss them in the reasoning of the judgment
 - UK: Courts tend to follow 'settled jurisprudence' of the EPO. Decisions of national courts in relation to parallel European patent may also carry some weight

US Patent litigation: Key differences

- Jury Trial
- Burden of proof
 - Invalidity
 - Preliminary injunction
- Discovery
 - Privilege for legal advice from in-house counsel
 - Depositions
- Remedies
 - Injunction
 - Damages
 - Attorneys' fees

The Future: Towards a unified European patent litigation system?

- 37 EPC states and 27 EU countries
 - Patents must be enforced on a country-by-country basis
 - Harmonised patent law of EPC states, but differences in nature of evidence and procedure
- UPLS
 - Single litigation for whole of EU for EP patents (and Community patents)
- Issues
 - Languages; Slovenia problem
 - AGs' Opinion of July 2010: UPLS is not compatible with EU Treaties (supremacy of EU law and the ECJ; languages; judicial control of EPO)

Q&A