

# European Patent Litigation Jurisdiction Issues and Changes on the Horizon

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# The Present (and some of the future) of European Patent Litigation

## Jurisdiction in EU – Why does it matter?

- IPRs are national or regional (ie EU) rights whose infringement is a matter for national (or regional) laws
- Typically applied by the Court of the jurisdiction in which the IPR has effect
  - Limited differences in substantive law in EU as a result of harmonisation
  - Extensive differences in procedural laws in EU as harmonisation has been extremely limited, eg:
    - Court structure, approach and expertise
      - eg bifurcation, approach to preliminary issues and speed to trial
    - Fees and costs regimes
      - Levels and degree of cost shifting
    - Attitude to evidence
      - Discovery, expert evidence, experiments
    - Attitude to relief and remedies (notwithstanding enforcement Directive)
      - eg Attitude to interim relief



# Jurisdiction – General Principles

- Approach of EU Member States to IP infringement outside the EU and rest of the EEA
  - Matter of national law
    - Application of Brussels I Regulation and Lugano Conventions to actions brought in Member States of the EU and rest of EEA for IP infringement outside the EU and rest of the EEA is unclear (cf Case C-281/02 *Owusu v Jackson* in a PI context)
    - As to UK, where court has personal jurisdiction over a defendant allegations of copyright infringement outside the EU or the rest of the EEA are regarded as justiciable in the UK (*Lucasfilm v Ainsworth* [2011 ] UKSC 39)
- As to IP infringement within the EU and rest of the EEA (at present)
  - Regulation 1215/2012 (replacing as from January 2015 Regulation 44/2001) on jurisdiction and the recognition of judgments in civil and commercial matters ("Brussels I Regulation") for national IP Rights
  - Modified Brussels I regime for unitary IP rights (including Community designs)
  - Lugano Convention, as to EU plus rest of EEA (Iceland, Liechtenstein, Norway) and also Switzerland



# Jurisdiction in EU – Brussels I Regulation

- Regulation 1215/2012 (ex 44/2001) on jurisdiction and the recognition of judgments in civil and commercial matters ("Brussels I Regulation")
  - Excludes "forum non conveniens" considerations within EU in favour of court first properly seised in cases where there are parallel proceedings:
    - Article 29( ex 27) - Mandates Member State courts to decline jurisdiction as to a parallel action where:
      - same cause of action
      - between the same parties
    - Article 30 (ex 28) - Permits Member State courts to decline jurisdiction as to a parallel action where the actions are "related"
      - "... actions are deemed to be related where they are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings."



# Jurisdiction in EU – Brussels I Regulation

- Brussels I Regulation 1215/2012 (ex 44/2001):
  - Article 4 (ex 2) – "persons domiciled in a Member State shall be sued in the courts of that Member State"
    - Allowing relief to be granted throughout the EU
  - Article 7(2) (ex 5(3)) – "place where the harmful event occurred or may occur"
    - Allowing relief to be granted only in the place where the jurisdiction is so established
  - Article 8(1) (ex 6(1)) – Multiple defendants, where any one of them is domiciled, "provided claims so closely connected that it is expedient to hear and to determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings..."
  - Article 24(4) (ex 22(4)) – National courts have exclusive jurisdiction over validity of registered IP rights
  - Article 35 (ex 31) – Saving for provisional, including protective, measures



# Jurisdiction in EU - Application to IP

- National IPRs
  - Brussels I Regulation 1215/2012 (ex 44/2001)
    - Unregistered Rights – eg copyright
      - Combination of Article 4 (ex 2) and 8(1) (ex 6(1)) jurisdiction gave English court jurisdiction over NL copyright dispute - *Pearce v Ove Arup* [1999] EWCA 625
    - Registered Rights – e.g. patents, registered trade marks
      - Scope to use Article 8(1)(ex 6(1)) in pan-European proceedings against companies in a group ...
      - Effect of Article 24(4) (ex 22(4)) exclusive jurisdiction over validity on infringement actions with scope for a validity counterclaim ...
  - Unified Patent Court Agreement (once in force)
    - Non opted out European “bundle” patents in countries where Unified Patent Court Agreement is in force
- Unitary IPRs
  - Modified Brussels I Regulation Regimes under CTMR and CDR
  - Unified Patent Court Agreement (once in force) for European patents with unitary effect

# Brussels I Regulation - Application to IP

- National Registered IPRs and the Brussels I Regulation
  - Article 24(4) (ex 22(4)) confers exclusive jurisdiction over validity on national courts
    - Case C-4/03 *GAT v Luk*
      - Article 24(4) applies where validity challenged in a counterclaim
        - (now reflected in amended wording of Article 24(4) over Article 22(4))
      - Therefore national courts have exclusive jurisdiction over final determination of infringement in cases in which validity is in issue
      - But this does not stop national courts exercising pan-European jurisdiction over infringement in an action for a declaration of non-infringement in which the applicant does not challenge validity – *Actavis v Eli Lilly* [2012] EWHC 3316, [2013] EWCA Civ 517
    - Case C-616/10 *Solvay v Honeywell*
      - Article 24(4) does not stop national courts ordering provisional measures (eg interim relief) under Article 35 (ex 31) on a pan-European basis in an infringement action even if validity challenged





# Jurisdiction in EU - Application to IP

- National Registered IPRs and the Brussels I Regulation
  - Article 8(1) (ex 6(1))
    - Used by Dutch courts in 1990s and early 2000s to found jurisdiction over groups of companies where each was alleged to be infringing different national designations of the same European patent
  - Case C-539/03 *Roche v Primus*
    - Article 8(1) could not be so used on those facts
  - Case C-616/10 *Solvay v Honeywell*
    - Distinguishes specific facts of Case C-539/03 and holds:
      - “where two or more companies established in different Member States, in proceedings pending before a court of one of those Member States, are each separately accused of committing an infringement of the same national part of a European patent which is in force in yet another Member State by virtue of their performance of reserved actions with regard to the same product, is capable of leading to ‘irreconcilable judgments’ resulting from separate proceedings as referred to in that provision. It is for the referring court to assess whether such a risk exists, taking into account all the relevant information in the file”



## Applicable Law

- Irrespective of the court that has jurisdiction, what law applies to the dispute?
  - *Pearce v Ove Arup* [2001] EWHC 455, 481
    - English court asked to apply Dutch law to alleged infringement of Dutch copyright
  - *Lucasfilm v Ainsworth* [2011] UKSC 39
    - English court at first instance applied English and US laws to find there to be copyright infringement under the latter but not the former owing to different treatment of designs
- Even amongst apparently harmonised national IPRs within EU there is scope for differences in the substantive law
- Within the EU “Rome II” Regulation (EC) No 864/2007 on the law applicable to non-contractual relations ...



## “Rome II” Regulation

- **Article 8 - Infringement of intellectual property rights**
- “1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.”
  - [i.e. *Lex loci protectionis*]
- “2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.”
- “3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.”



# “Rome II” Regulation

- Article 1(3) – Does not apply to evidence and procedure
- **Article 15 - Scope of the law applicable**
- The law applicable to non-contractual obligations under this Regulation shall govern in particular:
  - (a) the basis and extent of liability, including the determination of persons who may be held liable for acts performed by them;
  - (b) the grounds for exemption from liability, any limitation of liability and any division of liability;
  - (c) the existence, the nature and the assessment of damage or the remedy claimed;
  - (d) within the limits of powers conferred on the court by its procedural law, the measures which a court may take to prevent or terminate injury or damage or to ensure the provision of compensation;
  - (e) the question whether a right to claim damages or a remedy may be transferred, including by inheritance;
  - (f) persons entitled to compensation for damage sustained personally;
  - (g) liability for the acts of another person;
  - (h) the manner in which an obligation may be extinguished and rules of prescription and limitation, including rules relating to the commencement, interruption and suspension of a period of prescription or limitation.”



## Applicable Law issues in *Actavis v Lilly*

- Law applicable to whether Actavis's proposed acts infringe
  - No dispute as to this being *lex loci protectionis*, ie substantive law of relevant country
  - Expert evidence as to each such law
    - Although no such evidence as to skilled addressee under each such law
- Law applicable to the other conditions that Actavis must satisfy in order to secure a Declaration of Non Infringement
  - *Lex loci protectionis* or *lex fori* (ie English law)?
  - i.e. is this subject to Article 15(c) and (h) of Rome II or Article 1(3) Rome II (Procedure)?
  - Held such conditions were a rule of procedure and thus Article 1(3) excluded the application of Rome II
  - Thus English law applied
  - But judgment also analysed situation under French, Italian and Spanish law.



## Conclusions

- Even post UPC, in patent law the Brussels I and Rome II regimes will continue to apply to:
  - Opted out European “bundle” patents
  - National patents
  - Utility models
- But we are only just starting to learn how they do so
- The possibility of pan-European relief in patent matters under the Brussels 1 regime cannot be excluded
  - And will no doubt be explored further by at least the Dutch and English courts in the wake of *Solvay v Honeywell* and *Actavis v Lilly*

# Future European Patent Litigation



# International Patent Litigation

- Patent rights are territorial so historically patent litigation was less international
- Many disputes were determined by litigating in the US alone
- Globalization is leading to common international products and services and global businesses
- Courts share ideas and take notice of decisions in other jurisdictions – although do not always agree
- A seismic change – in future, EU Unified Patent Court will have single jurisdiction with 500 million people (in place of fragmented system) so most disputes will be heard in both US and EU
- The initial years will be uncertain
- Businesses need to consider their strategy now





# The Future European System

- Inefficiencies and inconsistencies arising from patchwork system led to desire for a unified European patent system
- Unitary patent protection (European patent with unitary effect) eventually covering 25 EU Member States (not Spain, Italy and Croatia)
- Three routes to patent protection
  - National
  - Classical European patent (available in 38 EPC countries), needs to be validated in designated countries
  - European patent with unitary effect
- New Unified Patent Court



## Unified Patent Court (UPC)

- A single patent court across the EU
- All EU countries have joined other than Spain (which has challenged the legality of the regime), Poland (waiting and seeing) and Croatia (joined EU after agreement)
- Won't cover Non-EU EPC states
- Exclusive jurisdiction over infringement proceedings, declaration of non-infringement proceedings and revocation proceedings involving:
  - New unitary patent
  - Classical European patent (non-exclusive during transitional period and note opt-out)
  - Supplementary Protection Certificates (SPCs)
- Doesn't cover national patents
- Starts end of 2015 "at the earliest" (probably 2016 or 2017)
- 13 EU Member States (including UK, Germany and France) need to ratify, starts four months later



# Structure of the UPC

- Court of First Instance
  - Local and regional divisions
    - Every state entitled to have a local division – new forum shopping
    - Multinational panels with 3 “legally qualified judges” to ensure consistent standards (currently UK, Germany, France, Netherlands and regional divisions will have 2 local judges, others will have 1 local judge)
    - Can choose single judge
    - Technically qualified judge in some circumstances (including revocation proceedings)
    - Generally language is designated language of local division (rules yet to be finalised for when more than one language is designated)
    - Can be language of patent if parties agree or on application to President
  - Central division (Paris, London, Munich)
    - 2 legally qualified judges and one technically qualified
    - Language of proceedings is that of patent
- Court of Appeal
  - Based in Luxembourg
  - 3 legally qualified judges and 2 technically qualified judges



## The New Forum Shopping

- Detailed rules allocating division of the Court of First Instance
- Can bring infringement action in any local or regional division where infringement takes place or where defendant has principal place of business (or else any place of business) OR
- in central division if defendant has no place of business in contracting state OR
- in central division where relevant contracting state has no local or regional division OR
- in central division where revocation claim is pending OR
- any division agreed by parties



## The New Forum Shopping

- There will often be a number of options, particularly where infringement occurs in more than one jurisdiction
- Factors influencing choice may be:
  - Approach to procedure (there is a single civil law/common law hybrid procedure but local jurisdictions may have a bias towards common law or civil law elements)
  - Experience of jurisdiction
  - Language of division
  - Bifurcation



## Bifurcation

- Separation of infringement and validity/revocation proceedings
- If counterclaim for revocation is brought CFI can:
  - (i) hear both infringement claim and counterclaim
  - (ii) refer counterclaim to central division
  - (iii) refer counterclaim and stay infringement claim
  - (iv) refer everything to central division
- Controversial
- Germany is very attached to it
- Other jurisdictions are hostile to it



# Bifurcation

- Compromise – leaves to court to decide
  - Decision is after pleadings stage so arguments already set out
  - Power to stay infringement proceedings
  - Must stay if “high likelihood” patent will be found invalid
  - Judgment and orders conditional on validity



## The Procedure

- Completely new procedure
- Continental civil law and common law hybrid
- Predominately written procedure
- Three stages: written, interim and oral
- Detailed pleadings
- Some discovery (if ordered)
- Written evidence
- Some oral fact and expert witness evidence (if ordered) including cross-examination (at a separate hearing?)
- One-day trial
- Flexibility may allow local divisions to have own practice to an extent, limited by court of appeal and multinational panels





## Transitional Period and Opt-out

- UPC agreement was rushed through
- New Court, with new procedure, has unprecedented powers (pan-European injunctions, declarations of non-infringement and revocations)
- This has led to understandable reticence
- Need to consider strategy in light of transitional provisions



## Transitional Period and Opt-out

- Seven-year transitional period (extendable by a further seven years)
- Dual jurisdiction during transitional period for classic European patents. Proceedings can be brought in UPC, or in national courts (provided no action has already been brought in the UPC)
- Can opt out classic European patents from “exclusive” jurisdiction of UPC up to one month before the end of transitional period unless an action has already been brought in the UPC
- Can opt back in (once) unless national proceedings have commenced
- Opt-out sunrise period
- Does not apply to unitary patents



## Strategy

- No one size fits all – need to consider particular circumstances and do so in advance of sunrise period
- Consider opting out key existing European patents initially
- Key future patents are probably best not designated as unitary patents and are best opted out (or filed as national patents)
- Can opt in if required, although may lose possibility of doing so if defendant has taken steps in national court (e.g. revocation action or declaration of non-infringement)
- Consider allowing other European patents to remain “opted in” or designating future patents as unitary patents
- Use of divisionals
- Licences should provide for who decides this



## A Brave New World

- It's here to stay
- In medium term, likely to be a success with great advantages for clients (costs, efficiencies and consistent decisions)
- A seismic change that will hugely impact European patent litigation and global patent litigation
- But early days will be uncertain and there is a need to consider opt-out and filing strategy now



Questions?

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