IPLA INTELLECTUAL PROPERTY LAWYERS' ASSOCIATION

Submission for EC Consultation on Brussels Regulation

INTELLECTUAL PROPERTY LAWYER'S ASSOCIATION

COMMENTS ON EUROPEAN COMMISSION GREEN PAPER ON THE REVIEW OF THE BRUSSELS REGULATION (EC No. 44/2001)ON JURISDICTION AND THE RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

Introduction

The Intellectual Property Lawyer's Association ("IPLA") act as a representative body for law firms in England and Wales with Intellectual Property practices, who wish to lobby for improvements in IP law and practice. Some 66 firms are members of IPLA, and the vast majority of patent and other litigation and transactional work relating to Intellectual Property rights in England and Wales is conducted by these member firms. Because of the international nature of patents, member firms are also familiar with how the patent system operates across Europe and elsewhere (several have offices in other European countries). Member firms act for a wide range of clients, from major multi-national groups and companies to SMEs and technology start-up companies, as well as universities and private inventors and investors. As a group, IPLA has probably unparalleled experience of how patent litigation works in practice in the United Kingdom, and good familiarity with parallel litigation elsewhere in Europe. We accordingly have relevant experience of the jurisdictional issues addressed in the Green Paper.

Because of the particular specialism of member firms of IPLA, this submission will not address all the questions, but only those where our experience of patent litigation in the UK and across Europe enables us to make useful comments.

Question 3 – Choice of Court

This question primarily addresses choice of law clauses, on which IPLA has no particular views, but we do have experience (in patent cases) of the operation of the *lis pendens* rule which is also addressed in this question.

The major problem of the *lis pendens* rule in our view is the time which can be taken by the court first seised to decide the jurisdiction issue. In some countries, jurisdiction is not decided until the full trial on the merits, and, including time for appeal, the issue is not resolved, at best, before 2 years and more frequently 4 years or more. In cases where jurisdiction is declined, and in particular those cases where an injunction or other non-pecuniary relief is sought, this can lead to major injustice as proceedings in the correct court can be very substantially delayed.

IPLA accordingly supports the proposal that the court first seised should be required to decide on the question of jurisdiction within a strict time limit (to include any relevant appeals). We consider that a time limit of 6 months would be more than ample. We recognise that compliance by member states might be a problem, and we accordingly propose that the court second seised should be entitled to lift the stay of its own proceedings and make its own decision at the jurisdiction if the court first seised fails to decide the issue in time.

In some cases, a prospective defendant can commence proceedings in a court where there is no properly arguable basis for jurisdiction. Such proceedings are, in the view of many lawyers, manifestly abusive, and even a six month delay while the court first seised disposes of the case is too great an advantage for the prospective defendant. We understand that the courts of some Member States take the view in such cases that they, as the court second seised, are entitled to proceed without a stay. IPLA suggests that this approach may be formalised in the revised Regulation.

There is a further issue, whether the *lis pendens* rule should apply where the parallel proceedings are proceedings on the merits on one hand and proceedings for (negative) declaratory relief on the other. We address this below.

Question 4 – Industrial Property

The Green Paper notes the progress which is being made towards a Unified Patent Litigation System ("UPLS"), and assumes that the problem of jurisdictional games in patent litigation, in its present form, will disappear when the UPLS is implemented. IPLA supports the UPLS in principle, but notes that it will be several years before it is brought into effect and that even then there will be a substantial body of "old" European patents which will fall outside the system (even leaving aside any "opt out provisions"). Further, even when the UPLS is fully implemented with regard to European patents, there will remain companies who for various reasons obtain parallel national patents across Europe which are substantially identical but which, not being European patents, fall outside the UPLS. Pressure for supra-national enforcement of such parallel national patents through a single national court will therefore continue if the jurisdictional rules permit.

Accordingly, it is important to address the jurisdictional problems in patent cases in the proposed review of the Brussels Regulation (No. 44/2001), rather than assuming that they will be solved by the UPLS.

Further, the issue does not only arise with regard to patents (although it is in the area of patents that it has received greatest attention). It can also arise in respect of national registered designs and national trade marks. With regard to national trade marks, it is particularly undesirable that infringement issues should be decided by a foreign court, since the question of infringement frequently turns on nuances of national language and local market factors.

It is recognised by the Commission in the negotiations on UPLS that the degree of expertise in deciding patent cases varies significantly from country to country (the judges in some countries have extensive experience of patent matters, while judges in other countries have very little such knowledge or experience). Further, the duration of patent proceedings can vary markedly from country to country. It is also recognised by the patent judiciary in the leading patent countries that differences in procedures can lead to different decisions. There are accordingly important reasons why parties want to litigate in particular courts: it is said, for example, that potential infringers tend to favour the English courts – indeed, a large proportion of cases in England start as revocation (invalidity) claims. On the other hand, the German and Dutch courts are said to be preferred by patentees, and indeed, most of the best-known "torpedo" cases involve an accused infringer trying to avoid infringement proceedings in Germany or The Netherlands.

The jurisdictional problem with patent litigation is that patentees wish to obtain relief for infringement of their "bundle" of European patents in a single action before one court (of their choosing), which could order an injunction against infringements occurring in any country of the European Union where one of the "bundle" patents is in force, and award damages in respect of past such infringements. However, by Article 22(4) of the Brussels Regulation, the validity of such patents can only be determined by the courts of the member state where the patent is registered (even where the patent is a European "bundle" patent originally granted with one text in one procedure by the European Patent Office). Does the jurisdictional rule regarding validity proceedings also apply to infringement proceedings, in which the main defence could be that the patent is invalid? There are different attitudes towards the answer to this question.

In Germany, infringement is handled by the District Courts, and validity is handled by the Federal Patent Court. This means that the invalidity of a patent is not as such a defence to a claim for infringement. In a German-type system, no legal, procedural or conceptual difficulty arises from a system where different jurisdictional rules govern infringement and validity proceedings[1].

An alternative view, which we have heard put forward by Dutch lawyers and which we accordingly refer to as the Netherlands view, is that the invalidity of the patent is indeed a full defence to a charge of patent infringement. However, a court can rule on that defence *inter partes* in a decision which takes effect only *in personam*, and not *in rem*. Under this view, a decision that a defendant does not infringe because the patent is invalid is not binding against the patentee in proceedings against a subsequent defendant. Since such an *in personam* decision does not affect the enforceability of the patent, it does not contravene the exclusive jurisdiction rule under Article 22(4), since, it is said, that rule operates only *in rem*.

According to the Dutch view, a patentee could maintain an action in one national court in respect of infringements committed in other member states notwithstanding that the accused infringer raises invalidity as a defence. A defendant who wishes validity to be determined by the court which, under Article 22(4), has the exclusive right to do so, must then bring separate nullity proceedings in all relevant jurisdictions. This places such a defendant at a significant disadvantage.

The UK view is that the Dutch distinction between a decision on invalidity as a defence and a decision on invalidity in its own right is over-subtle and specious, and that a court's decision on invalidity takes effect both *in personam* and *in rem*. The UK considers that there is an important public interest in ensuring that a patent, which has been held invalid according to a decision of a properly seised court, should not be permitted to remain on the register as an apparently valid patent, to deter other competitors. To allow that to happen has potentially serious competition law ramifications.

A further public interest in validity and infringement being heard together, is that it ensures that arguments as to the scope of the patent claims are consistent. In other words, if a claim must be interpreted broadly if it is to cover the accused product, it may be invalid because it also covers a prior art product: the assessment of validity and infringement by different courts permits a patentee to argue for a broad interpretation for infringement but a narrow scope for validity: this can lead to injustice.

The European Court of Justice has recognised that decisions on patent infringement should not be separated from decisions on patent validity and IPLA considers that this view is correct and that there is no need to amend the Brussels Regulation in order to change that position.

This does not necessarily resolve the problem of actions for supra-national (negative) declaratory relief, since such actions do not necessarily involve claims for invalidity. IPLA supports the proposal that such negative declaration proceedings should not trigger the application of the *lis pendens* rule in respect of parallel proceedings for infringement, which could thus continue to be brought in front of the court which has jurisdiction to deal not only with the issue of infringement but also with the issue of validity of the right which is said to be infringed.

The Report from the Commission to which the Green Paper refers identifies the potential problem if infringement proceedings are stayed because the defendant raises a defence of validity, but then fails to commence invalidity proceedings in the relevant national courts. The solution to this problem is simple: the patent holder can simply sue the defendant in each relevant national court.

The Green Paper envisages strengthening the communication and interaction between the courts seised in parallel proceedings. This is clearly desirable, although in the absence of specific proposals it is difficult for IPLA to comment in any detail. IPLA does consider, however, that there should be transparency with regard to such communications and interaction. While we appreciate that the efficiency of such interactions might be compromised if every detail has to be disclosed to the parties to the litigation, it is nevertheless desirable that the parties should be informed when such communications take place and, in general terms, of their substance.

The Green Paper finally addresses the concern that groups of companies acting in accordance with a co-ordinated policy must be sued in several member states. IPLA does not consider that this is a special case requiring special rules. There seems to be no justification for treating differently a manufacturer which chooses to distribute its products within the European Union through its own subsidiaries as compared to a manufacturer which chooses to distribute through third party distributors (or indeed to a manufacturer which distributes partly through subsidiaries and partly through third party distributors): it is always the case where a patentee seeks supra-national relief from a national court that the infringing product is the same in all relevant member states, and is therefore being distributed by a single organisation (whether that organisation is a group of companies linked by corporate ownership or by contractual distribution agreements).

As indicated above, the differences between the court systems and procedures for enforcing patents in different member states vary widely. IPLA would view with concern a requirement that a group of companies is always sued in the country of its head office: this would mean that a group of companies headquartered in a country with inefficient litigation procedures and inexperienced judges would be in a very different position to a group of companies headquartered in a country with efficient litigation procedures and experienced patent judges. Furthermore, it may be that infringements in the headquarter country are commercially insignificant to the patentee, while infringements which are commercially significant will take place in other member states. In such a case, a patentee should have the possibility of seeking to enforce its patent in the jurisdiction where its rights are most gravely threatened.

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[1.] It should be noted that the submission in this consultation process by EPLAW (the European Patent Lawyers' Association) is written from the German viewpoint and almost all of the learned papers and reviews cited in that submission are German. For reasons of time, EPLAW was not able to consult with its members across Europe.