

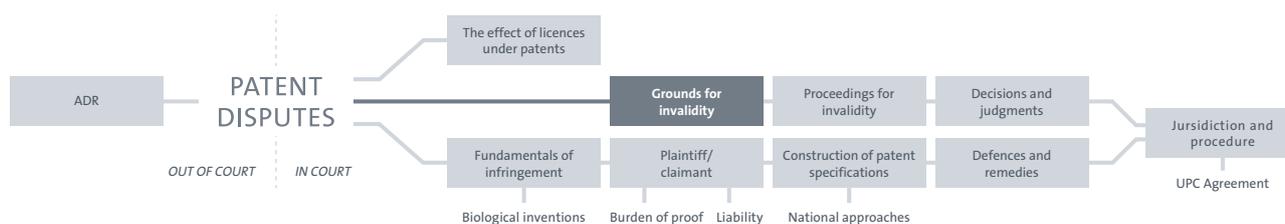
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Grounds for invalidity

Essentials



What is not patentable

According to **Article 138(1)(a)** European Patent Convention (EPC) a European patent can be revoked if the claimed invention is not patentable under Articles 52-57 EPC. These articles set out the basic requirements for patentable inventions.

An “invention susceptible of industrial application” and the definitions of “novelty” and “inventive step” are found in Articles 52 to 57 EPC (see below).

Non-patentable subject-matter – Article 52(2) EPC

The EPC does not provide an explicit definition of what constitutes an invention. Instead, **Article 52(2) EPC** contains a non-exhaustive list of subject-matter that *cannot* be regarded as an invention. Article 52(3) EPC qualifies this list by stating that:

“Paragraph 2 shall exclude the patentability of the subject-matter or activities referred to therein only to the extent to which a European patent application or European patent relates to such subject-matter or activities as such.”

Current EPO approach

Issues of non-patentable subject-matter very often arise in the context of computer-implemented inventions. The current approach to the assessment of computer-implemented inventions is summarised in the European Patent Office (EPO) Guidelines for Examination G-II, 3.6, where

Article 138(1)(a) EPC

Subject to Article 139, a European patent may be revoked with effect for a Contracting State only on the grounds that: (a) the subject-matter of the European patent is not patentable under **Articles 52 to 57...**

Article 52(1) EPC states that European patents will be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application.

Article 52(2) EPC

The following in particular shall not be regarded as inventions within the meaning of paragraph 1:

- discoveries, scientific theories and mathematical methods;
- aesthetic creations;
- schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;
- presentations of information.

it is stated that the basic patentability considerations in respect of claims for computer programs are in principle the same as for other subject-matter. While “programs for computers” are one of the items listed in Article 52(2) EPC, if the claimed subject-matter has a technical character it is not excluded from patentability by the provisions of Article 52(2) and (3). Moreover, a data processing operation controlled by a computer program can equally, in theory, be implemented by means of special circuits, and the execution of a program always involves physical effects, e.g. electrical currents.

According to **T 1173/97**, such normal physical effects are not in themselves sufficient to lend a computer program technical character.

T 1173/97 (IBM computer program product)

However, if a computer program, when running, is capable of bringing about a further technical effect going beyond these normal physical effects, it is not excluded from patentability. This further technical effect may be known in the prior art. A further technical effect which lends technical character to a computer program may be found, for example, in the control of an industrial process or in processing data which represent physical entities or in the internal functioning of the computer itself or its interfaces under the influence of the program, and could, for example, affect the efficiency or security of a process, the management of the computer resources required or the rate of data transfer in a communication link.

As a consequence, a computer program may be considered as an invention within the meaning of Article 52(1) EPC if it has the potential to bring about, when running, a further technical effect which goes beyond the normal physical interactions between the program and the computer. A patent may be granted on such a claim if all the requirements of the EPC are met.

Moreover, following **T 769/92**, the requirement for technical character may be satisfied if technical considerations are required to carry out the invention. Such technical considerations must be reflected in the claimed subject-matter.

T 769/92 (General purpose management system)

Any claimed subject-matter defining or using technical means is an invention within the meaning of Article 52(1) EPC. Therefore, the mere inclusion of a computer, computer network, readable medium carrying a program, etc. in a claim lends technical character to the claimed subject-matter.

If the claimed subject-matter does not have a *prima facie* technical character, it should be rejected under Article 52(2) and (3) EPC. If the subject-matter passes the *prima facie* test for technicality, the examiner should then proceed to the questions of novelty and inventive step.

National approaches

The extent to which national case law on patentable subject-matter follows that of the EPO varies from country to country.

The Netherlands

The Netherlands Patent Office and the Netherlands courts follow EPO practice very closely. The patent courts in The Hague almost always explicitly apply the same patentability criteria as applied by the EPO. Thus, for example, in *Looijengoed v Dronrijp et al.*, even though decisions of the Boards of Appeal of the EPO are not strictly binding on the Netherlands Patent Office, when a third party raised an objection relating to non-patentable subject-matter, the Netherlands Patent Office stated that it would follow the case law of the patent courts in The Hague and the EPO.

Netherlands Patent Office
20.08.2010, BIE 2010, 19 (*Looijengoed v Dronrijp et al.*)

Germany

In Germany, in order to be patentable, an invention must have technical character. Technical character is considered to be present if an invention at least partially concerns some technical aspects. Examples include the embedding of a program in a technical device, the processing, storage and transfer of data via technical means, and where a processing system's elements interact directly with particular data. The mere use of a device or its components may be sufficient to fulfil the requirement of technical character, even if this only represents a partial technical aspect of an invention.

Bundesgerichtshof (BGH), German Federal Supreme Court, 22.04.2010, Xa ZB 20/08 – “*Dynamische Dokumentengenerierung*”

BGH, 26.10.2010, X ZR 47/07 – “*Wiedergabe topografischer Informationen*”

BGH, 17.10.2001 – “*Suche fehlerhafter Zeichenketten*”

BGH, 20.01.2009, X ZB 22/07 – “*Steuerungseinrichtung für Untersuchungsmodalitäten*”

BGH, 22.04.2010, Xa ZB 20/08 – “*Dynamische Dokumentengenerierung*”

Subject-matter excluded from patentability – programs “as such” – is examined more critically in addition to the more general requirement of technical character. Under established German case law, programs are only patentable if they are designed to solve a specific technical problem. Accordingly, the mere content of a program – the program “as such” – is excluded from patentability as not serving a technical function. Consequently, a patent's objective teaching is examined in order to rule out programs which do not solve a concrete technical problem. Based on a comprehensive survey of the claimed solution, the question is whether a patent's teaching serves to solve a concrete technical problem which goes beyond mere data processing. This is the case, for instance, if an external device is controlled by a computer program, requiring the consideration of conditions outside the data processing unit as part of the claimed teaching.

A concrete technical problem can be affirmed if device components are modified or addressed in a new way, or if a program is determined by external technical aspects. In the same way, the adaptation of a computer

program to the technical features of a computer may be deemed to be a technical solution. In other words, as a computer is a technical device, software tailored to its characteristics may have technical character.

France

If an invention does not involve a technical effect, the French Patent Office will reject an application on patentability grounds rather than declaring that the invention lacks inventive step (as is the practice at the EPO). Thus, for example, in **Sagem**, the Paris Court of Appeal confirmed a decision of the French Patent Office which refused to grant a patent for a method for electronically ordering products at a sales outlet, on the grounds that the technical effect requirement was not met and that the invention amounted to a business method. Similarly, in the **Catalina** rulings, the French courts held that an invention aimed at delivering coupons to customers was patentable, as long as what was claimed was a device characterised by a precise structure and defined by its features, which constituted its technical aspect.

Sagem, Cour d'appel (CA), Court of Appeal of Paris, 10.01.2003

Catalina, Tribunal de Grande Instance (TGI), Regional Court of Paris, 21.06.2002; confirmed by the CA Paris, 28.04.2004

United Kingdom¹

In **Merrill Lynch**, the Court of Appeal endorsed the then approach of the EPO, which had been established in *T 208/84 Vicom/computer-related invention* and which required, in the patentable subject-matter, the presence of a “technical” effect. This has remained the key test applied in the UK. This approach was endorsed by the Court of Appeal in 2006 in *Aerotel Limited v Telco Holdings Limited; Macrossans’ Patent Application* [2006] EWCA Civ 1371, where the Court set out the structured approach to assessing whether a claimed invention relates to patentable subject-matter shown on the right.

Merrill Lynch’s application [1989] RPC 561

UK Aerotel test for patentable subject-matter

1. Properly construe the claim.
2. Identify the actual contribution.
3. Ask whether it falls solely within the excluded subject-matter.
4. Check whether the actual or the alleged contribution is actually technical in nature.

Subsequently, in *AT&T Knowledge Ventures and CVON Innovations Limited applications* [2009] EWHC 343 (Pat), the English High Court provided further guidance on the correct approach to determining technical contribution under the *Aerotel* test. Noting that it was impossible to define the meaning of “technical” in the context of the *Aerotel* test, the Court identified a number of signposts as to what might be a relevant technical effect. These signposts were then subsequently endorsed by the Court of Appeal in a slightly modified form.

AT&T: Signposts for patentable subject-matter as amended by the Court of Appeal

- (i) whether the claimed technical effect has a technical effect on a process which is carried on outside the computer;
- (ii) whether the claimed technical effect operates at the level of the architecture of the computer, that is to say whether the effect is produced irrespective of the data being processed or the applications being run;
- (iii) whether the claimed technical effect results in the computer being made to operate in a new way;
- (iv) whether the program makes the computer a better computer in the sense of running more efficiently and effectively as a computer;
- (v) whether the perceived problem is overcome by the claimed invention as opposed to being merely circumvented.

¹ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Other exceptions to patentability

In addition to the exclusions set out in Article 52(2) EPC, Article 53 EPC prohibits patents from being granted in respect of certain inventions. These exceptions to patentability do not result from the application of the traditional criteria (novelty, industrial applicability, and so on). Rather, they reflect political choices not to grant patents with respect to the specific subject-matter of those exceptions, even though such subject-matter would otherwise have been patentable.

Ordre public and morality

Traditionally, the exception to patentability resulting from **Article 53(a) EPC** was applied on the rarest of occasions only. However, in more recent times, this provision has become the basis for a specific body of law concerning biotechnological inventions.

Further definitions of inventions excluded from grant under Article 53(a) EPC are set out in Rule 28 EPC.

Point (c) of the list in **Rule 28 EPC** has been problematic and has given rise to case law, because it is the basis on which applications relating to human embryonic stem cells have been held not to be patentable. To the extent that such stem cells – or more generally the product that is the subject-matter of the claim – could, at the filing date, be exclusively obtained through the destruction of human embryos, it was held by the Enlarged Board of Appeal in **G 2/06** that Article 53(a) EPC made the claim unallowable.

With respect to biotechnological inventions, account must also be taken of EU Directive 98/44/EC of 6 July 1998 on the legal protection of biotechnological inventions. In a ruling of 18 October 2011 (**Oliver Brüstle v Greenpeace eV**), the Court of Justice of the European Union (CJEU) interpreted the Directive to exclude from patentability a process which involves the removal of a stem cell from a human embryo at the blastocyst stage, entailing the destruction of that embryo. According to the Court, the exclusion from patentability covers any process that involves the destruction of an embryo, defined broadly as any ovum capable of commencing the process of development of a human being, irrespective of its development stage and method of creation.

Plant or animal varieties or essentially biological processes

Article 53(b) EPC excludes from patentability, on the one hand, plant and animal varieties and, on the other, essentially biological processes for the production of plants or animals.

Article 53(a) EPC

European patents shall not be granted in respect of:
(a) inventions the commercial exploitation of which would be contrary to “ordre public” or morality; such exploitation shall not be deemed to be so contrary merely because it is prohibited by law or regulation in some or all of the Contracting States

Rule 28 EPC

Under Article 53(a), European patents shall not be granted in respect of biotechnological inventions which, in particular, concern the following:
(a) processes for cloning human beings;
(b) processes for modifying the germ line genetic identity of human beings;
(c) uses of human embryos for industrial or commercial purposes;
(d) processes for modifying the genetic identity of animals which are likely to cause them suffering without any substantial medical benefit to man or animal, and also animals resulting from such processes.

G 2/06 (Use of embryos)

Brüstle v Greenpeace, C-34/10

Article 53(b) EPC

European patents shall not be granted in respect of:

...
(b) plant or animal varieties or essentially biological processes for the production of plants or animals; this provision shall not apply to microbiological processes or the products thereof; ...

As to plant and animal varieties, this provision includes applications directed to a specific plant or animal variety, or to a multiplicity of such varieties.

However, inventions that can be applied to an indefinite number of individual varieties *are* patentable under Article 53(b) EPC. This was applied, for example, to claims directed to transgenic plants comprising in their genomes specific foreign genes, without however the plants being further defined.

G 1/98 (Transgenic plants/Novartis)

Essentially biological processes for the production of plants or animals are further defined by Rule 26(5) EPC.

Rule 26(5) EPC

A process for the production of plants or animals is essentially biological if it consists entirely of natural phenomena such as crossing or selection.

It was held that the addition of further steps to the essentially biological process (e.g. a selection step based on genetic molecular technologies) does not change the fundamental nature of the process, such that it remains non-patentable. Conversely, a process that does not rely on “natural phenomena such as crossing or selection”, e.g. genetic engineering involving the artificial insertion of genetic material into a genome, does not constitute an essentially biological process for the purposes of Article 53(b) EPC.

G 2/07 (Broccoli/Plant Bioscience)

Methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body

Article 53(c) EPC is the provision that has led to the most difficulties, because it is directly relevant to the way in which companies active in the area of life sciences protect their innovations.

Article 53(c) EPC

European patents shall not be granted in respect of:

...

(c) methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body; this provision shall not apply to products, in particular substances or compositions, for use in any of these methods.

The intention behind this provision is to exclude non-commercial and non-industrial medical and veterinary activities from the claim. But as evidenced by the final portion of Article 53(c), that does not apply to products for use in surgical therapeutic methods (e.g. medicaments), which are definitely patentable.

Case law concerning the patentability of medicaments

The wording of Article 53(c) EPC confirms that products that can be used for the treatment of the human or animal body are patentable. However, questions arise as to the patentability of first and further medical uses of known compounds.

As far as such cases are concerned, it is clear from the wording of Article 53(c) EPC that a claim cannot be directed to the “use of compound X for the treatment of disease Y”, as this would be “*in no way different in essential content from a claim directed to a method of treatment*”. The Enlarged Board of Appeal of the EPO held that so-called Swiss-type claims, i.e. claims to the “use of compound X for the manufacture (or preparation) of a medicament for the treatment of disease Y”, were compliant with Article 53(c) EPC. This formulation could be used to protect first or subsequent medical uses of a known compound.

G 5/83 (Second medical indication)

While French case law had been somewhat unclear for a while, the decisions of the Enlarged Board of Appeal holding Swiss-type claims to be patentable under Article 53(c) EPC were uniformly accepted by the national courts.

Another question arose more recently from patent claims taking the Swiss-type form, but differing from the prior art not through the illness to be treated, but rather through the patient population or, frequently, through the dosage regime for administration of the medicament (e.g. a claim to the “use of compound X for the manufacture of a medicament for the treatment of illness Y, characterised in that a daily dosage amount of Z mg”).

In this respect, the Enlarged Board of Appeal held that such claims are directed to products for use in methods according to Article 53(c) EPC, such that they are allowable under that provision. The Board also held that, because of changes to the EPC provisions covering novelty, claims concerning further medical uses should no longer take the form of Swiss-type claims, but of purpose-limited product claims (e.g. “compound X for use in the treatment of illness Y”).

G 2/08 (Dosage regime)

National case law in this area is generally in line with that of the Enlarged Board. It is the position of the UK, German and Netherlands courts. Recent French case law has also followed this line.

Actavis UK Ltd v Merck & Co Inc [2008] EWCA Civ 444

BGH, 25.02.2014, X ZB 5/13, X ZB 6/13 – “Kollagenase I” and “Kollagenase II”

Merck Sharp & Dohme Corp. v Mylan B.V., Rechtbank Den Haag First Instance Court of The Hague, 23.04.2014

CA Paris, 30.01.2015, *Merck v Actavis*

Surgical methods

The scope of the exception from patentability concerning surgical methods is defined by the nature of the treatment rather than its purpose. As soon as a surgical step is performed, the method in issue is surgical, and hence excluded from patentability by **Article 53(c) EPC**.

Surgical steps correspond essentially to those types of intervention for which specific medical qualifications are required. Most of the time they will be invasive; conversely, most (although not necessarily all, e.g. ear piercing) invasive operations are considered to be surgical.

Importantly, as soon as a method recites one surgical step, the exclusion from patentability resulting from Article 53(c) EPC applies, even if the other steps are not surgical.

Article 53(c) EPC

European patents shall not be granted in respect of:

...

(c) methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body; this provision shall not apply to products, in particular substances or compositions, for use in any of these methods.

The skilled addressee and common general knowledge

The skilled person/notional skilled addressee

There are two concepts in the law of patents which are extremely important to all aspects of patent litigation. The first is the “person skilled in the art”, sometimes known as the “skilled addressee”. The second is the “common general knowledge” of the art which this person is deemed to possess.

The first thing to note is that this person is hypothetical, a flexible construct. Patents are not addressed to the public in general, for example, or even to lawyers. They are practical documents, addressed to people who know what they are doing in a particular technical field. The person skilled in the art is deemed to be such a person.

Likewise, many questions concerning validity, particularly obviousness and sufficiency, are assessed through the eyes of this notional person. The person skilled in the art is referred to in Articles 46, 83 and 100 EPC.

Judgments in the field of patents frequently establish what in the case would be the attributes of the skilled person and to the extent of his knowledge (see “Common general knowledge” below).

Disputes frequently arise as to the attributes of the skilled person and the nature of the relevant art. These attributes will vary from case to case, and evidence may be produced to help determine who the skilled addressee is. In some areas of technology, the level of qualification may be high. Caution must, however, be exercised when differentiating the skilled person from any experts called to give evidence and the temptation to equate an expert witness (i.e. a real person) to the notional person.

The skilled person may also be a team of persons. For example, in the field of colour television two sciences are involved, electronics and colorimetry, and the court has assumed in such cases that the skilled person will be a composite team from those two fields working together. In the pharmaceutical field, the team is often comprised of a chemist/biochemist, a medical expert and a pharmacist. The attribute of hard work is also assumed to be present; the skilled person has “a will to make something work”. He is competent with workshop techniques. He may be presumed to have at his disposal a reasonable level of external (e.g. laboratory, library or mechanical) support and will have access to standard textbooks in the field. Patent specifications do not, however, usually form part of this working equipment, unless they are universally well-known.

Above all, the skilled person, whether an individual or a team, is always assumed to be non-inventive. He is unimaginative and incapable of a “scintilla of invention”. He will make use of the common general knowledge which he is assumed to possess. But he will always be an intelligent “plodder” or, as one well-known patent judge said, a “nerd”. Nor will he ever be at the top of his profession.

The attributes of the skilled person may be assessed at different times. For some purposes, e.g. obviousness, the relevant date will be the priority date. For other purposes it will be the date of publication of the document. This may be of some consequence in a rapidly moving technology.

Common general knowledge of the art

The common general knowledge of the art can be defined as the information which, at the date of the patent in question, is common knowledge in the art or science to which the alleged invention relates so as to be known to duly qualified persons of ordinary skill and experience engaged in that art or science. It has often been said that it is part of the mental equipment of a competent but not overly bright person working in the field in question. The knowledge must be “commonly and generally known”.

There is a difference between common general knowledge and what may be “public knowledge”. Even a well-known scientific paper may not be common general knowledge. It is in fact a common-sense notion derived from what would be known to a man good at his job but no more, at the relevant time. However, today, where access to the delivery of information through computer sources is available to all, deciding what was in fact common general knowledge at a particular time in the past may present the court with some problems.

The common general knowledge will be the subject of evidence in each case and may often form common ground between the parties. The evidence required is usually given by experts as part of their job in educating the court in the technology. It is often supported by references to standard textbooks.

Substantive grounds for invalidity

Extension of subject-matter

It is almost inevitable that claims are amended during prosecution. There may be a number of reasons for such amendments, including the need to adapt the claims of a Patent Cooperation Treaty (PCT) application to European formatting, the need to overcome prior art that was identified further to the filing of the application and/or the desire to adapt the claims to the marketed products.

Claims may also be amended after the patent has been granted, either in opposition/appeal proceedings, where the patent proprietor may elect to defend his patent in a modified form compared with that initially granted, or upon the patent proprietor's own initiative (post-grant limitation/ amendment; see below).

G 1/93 (Limiting feature)

Since such changes modify the scope of protection of the patent, and hence the legal situation of third parties, rules have been enacted to protect the rights of such third parties. Their purpose is *“to create a fair balance between the interests of applicants and patentees, on the one hand, and competitors and other third parties on the other”*.

Article 100(c) EPC – The subject-matter of the patent extends beyond the content of the application as filed: “added matter”

Article 138(1)(c) EPC states that a European patent may be revoked if *“the subject-matter of the European patent extends beyond the content of the application as filed or, if the patent was granted on a divisional application or on a new application filed under Article 61, beyond the content of the earlier application as filed”*. Identical wording in Article 100(c) EPC makes the same motive a ground for opposition against a European patent, while **Article 123(2) EPC** addresses in a general manner against “added matter” by amendment that *“the European patent application or European patent may not be amended in such a way that it contains subject-matter which extends beyond the content of the application as filed.”*

Article 138(1)(c) EPC

Article 123(2) EPC

The fundamental idea underlying these provisions is that *“an applicant shall not be allowed to improve his position by adding subject-matter not disclosed in the application as filed, which would give him an unwarranted advantage and could be damaging to the legal security of third parties relying on the content of the original application.”*

G 1/93 (Limiting feature)

This ground of nullity is commonly referred to as “added matter”.

Scope of application and test

Amendments that must be reviewed are any changes made to the specification except for additions to the specification that consist of references to the prior art, drawings and/or claims, compared with the application as filed. In practice, most of the issues that arise concern amendments to the claims.

Importantly, these provisions apply to all amendments made to the patent, whether during prosecution or opposition/appeal proceedings, or in voluntary post-grant limitation proceedings.

The UK courts have formulated this test as follows: *“the essential task for the court is to consider the disclosure of the [application as filed] and the Patent and to ask whether any subject-matter relevant to the invention has been added whether by deletion or addition. The comparison is a strict one. Subject-matter will be added unless it is clearly and unambiguously disclosed in the [application as filed].”*

Guidelines for Examination
H-IV, 2.2

The test is to determine whether the skilled person is presented with information which is not directly and unambiguously derivable from that previously presented by the application, even when account is taken of the matter which is implicit to the person skilled in the art.

Virgin Atlantic Airways Ltd v Premium Aircraft Interiors [2010] RPC 8 at para 67

The application as filed

Any assessment of the admissibility of an amendment thus requires a comparison of the subject-matter of the patent with the application as filed, to determine whether the technical information present in the patent can already be found in the application. This raises the question of how to identify the content of the application as filed.

BGH, 22.12.2009, X ZR 27/06 –
“Hubgliedertor I”

Identification of the relevant application

The relevant application is the application **as filed**, that is, the application initially filed by the patentee, including its specification, drawings and claims. It is not the priority application: a comparison between the priority application and the patent claims may be relevant for the entitlement to priority but not for the provisions on added matter.

For PCT applications, amendments are possible in the PCT phase, before the application enters the European phase. The application to be considered in such situations is the original application, before it was amended in the PCT phase. That application is normally published as a WO document.

Content of the application as filed

The provisions on added matter do not require all the features of the subject-matter of the patent to find literal support in the application as filed. Rather, it is permissible to include, for example in the claims, features that are implicitly – but yet clearly and unambiguously – disclosed in the application as filed as read and understood by the person skilled in the art (see below). It is important to note that this does not

allow one to assume that all elements that would be obvious to the skilled person in light of the application as filed would form part of its teaching. Rather, the test is whether the features in issue are clearly and unambiguously implied by the application as filed.

Features that are not present in the application *stricto sensu*, but only in documents referred to in the application, or in the priority application, are, as a general rule, not considered to form part of the disclosure of the application as filed.

The application as filed must be considered from the perspective of the skilled person, to whom it is directed, at the date of filing, and as a whole (i.e. looking at the teaching of the document in its entirety, including the specification, claims and drawings).

Examples of inadmissible added matter

A number of aspects of this general rule have given rise to disputes. One established principle is that the content of an application may not be considered to be a reservoir from which features pertaining to separate embodiments of the application can be combined in order artificially to create a particular embodiment. Indeed, in such a situation, the skilled person, reading the application, would not consider the particular combination of features in issue to form part of its teaching.

Another principle is that it is normally not permissible to generalise the teaching of the application beyond its content. For example, an application concerning “diesel engines” cannot be generalised to “combustion engines” if that does not form part of what the skilled person would directly and unambiguously derive from the application.

Conversely, it is not possible to specify the teaching of the application beyond its content. Hence, if the application concerns “combustion engines” generally, without any specification or exemplification of the type of engine, a claim may not include a feature restricted to “diesel engines”.

Because drawings form part of the application as filed, the teaching contained in them can support an amendment of the claims consisting of an inclusion of features derived from the drawings. Again, the basic criterion is that, when looking at the drawings, the skilled person is able to directly and unambiguously derive the feature in issue.

One very important question is the extent to which features can be isolated from a particular embodiment described in the application as filed, to be claimed in isolation from the other features of that embodiment. This is known as intermediate generalisation. As a rule,

G 3/89, 19.11.1992

Amendments are permissible only “within the limits of what a skilled person would derive directly and unambiguously, using common general knowledge and seen objectively and relative to the date of filing, from the whole of these documents as filed.”

BGH, 16.12.2008, X ZR 89/07 – “Olanzapin”

T 296/96 (Carboxamides/Shell)

T 1206/01 (Isostanol/Raisio Benecol)

ECB v DSS, TGI Paris, 09.01.2008

Protomed BV's Application [1983] FSR 110

BGH, 18.02.2010, Xa ZR 52/08 – “Formteil 296/96”

intermediate generalisations are permissible only if the skilled person, reading the application as a whole, would understand that the feature in issue can be isolated from the other features relating to that particular embodiment. That may in particular be the case if there is no structural or functional relationship between those features.

Abbott Laboratories Ltd v Evysio Medical Ltd
[2008] RPC 23

BGH, 29.09.2011, X ZR 109/08 –
“Sensoranordnung”

Article 123(3) EPC – The claims of the patent have been amended post-grant in such a way as to extend the protection conferred

Article 123(3) EPC has a very different scope of application compared with the provisions on added matter considered above. It applies only to amendments to the patent after grant, i.e. in opposition/appeal proceedings or further to a limitation. It has no application to amendments made during prosecution prior to grant of the patent.

G 1/93

“Article 123(3) EPC is directly aimed at protecting the interests of third parties by prohibiting any broadening of the claims of a granted patent, even if there should be a basis for such broadening in the application as filed.”

As from the date of publication of the grant of the patent, its claims as granted retrospectively determine the scope of protection given (Article 69(2) EPC). Third parties should therefore be able to rely on the scope of these claims as granted. Legal certainty of the patent requires that the scope of protection offered by the patent must not be extended after grant.

Importantly, the provisions of Article 123(3) EPC would bar such amendments, even if they otherwise had a basis in the application as filed, and hence complied with the provisions on added matter considered above.

Terms of comparison

The application of Article 123(3) EPC requires a comparison to be made between two matters. These are on the one hand the patent claims as amended after grant, and on the other, the set of claims as granted.

Where a patent undergoes a series of post-grant amendments (e.g. in opposition or appeal proceedings or within the framework of a voluntary limitation), the version of the patent to be considered is the set of claims resulting from the immediately preceding amendment. In other words, each consecutive amendment must comply with the rule of Article 123(3) EPC, such that the claims of the patent may not have a broader scope than **any** of the post-grant set of claims.

Importantly, the scope of protection offered by the set of claims (as granted and as amended) must, pursuant to Article 69(1) EPC and the Protocol on the Interpretation of Article 69, be determined using the description and the drawings. This means that, if it modifies the interpretation of the claims, an amendment to the description may contravene Article 123(3) EPC, even though the wording of the claims remains unchanged.

Test to be applied

The test to be applied to determine whether there has been a contravention of Article 123(3) EPC is simple. Article 123(3) EPC has not been complied with if, after amendment, there are embodiments that fall within the scope of the patent even though they would not have infringed the patent as granted.

Interaction between the provisions on added matter and Article 123(3) EPC

The provisions on added matter and those of Article 123(3) EPC are in principle to be applied separately and cumulatively: compliance with one set of provisions does not make contravention of the other allowable.

There is, however, one particular situation in which Article 123(2) and (3) EPC place the patentee in an “inescapable trap”. That is where, before grant (e.g. during prosecution, to overcome cited prior art), a feature is introduced into the claim which, after grant (e.g. during opposition proceedings), is considered to constitute impermissible added matter under Article 123(2) EPC. Compliance with Article 123(2) EPC would require removing the feature in issue from the patent claim. However, to do so would directly contravene Article 123(3) EPC, since removing a limitation from the claim would *ipso facto* extend its scope. The patentee can thus find himself in a situation where he cannot save his patent through any type of further amendment – hence the “inescapable trap”.

This can be illustrated with a practical example. Let us imagine a patent application directed to a combustion engine with some features, and prior art disclosing relevant petrol engines. The patentee might be tempted, during the examination procedure, to limit his claim to diesel engines in order to differentiate his patent over the prior art. However, if the patent is granted with a claim limited to diesel engines, there might then be an opposition challenging its validity on the grounds that the application as filed would not disclose diesel engines, such that the amendment to the claim would contravene Article 123(2) EPC. The patentee might be tempted to overcome this objection by removing the feature “diesel engines” from the claim, to return to combustion engines in general. This would address the Article 123(2) EPC concern, but would result in the fact that certain embodiments – petrol engines – would now be infringing the claim, whereas they would not have infringed the patent as granted. That would be contrary to Article 123(3) EPC.

In such situations, unless the patentee finds support in the description for another amendment that is both compliant with Article 123(2) EPC and more restrictive than the scope of the patent as granted, he cannot save his patent.

Novelty

Lack of novelty is one of the grounds for revocation of European patents (Article 138(1)(a) EPC).

According to **Article 54(1) EPC**, “an invention shall be considered to be new if it does not form part of the state of the art.” The state of the art comprises everything made available to the public (anywhere in the world), whether by written or oral description, by use or in any other way, before the filing or priority date of the application. Since the entry into force of the EPC 2000, for the assessment of novelty (but not obviousness), the state of the art includes the content of all European patent applications having an earlier priority date but published after the application in question (i.e. co-pending patent applications). A co-pending PCT application may also form part of the state of the art as long as it is published in one of the official languages of the EPO, or its translation into one of these languages is filed with and published by the EPO, and the fee for entering the regional phase to prosecute the application before the EPO is paid.

The rationale of considering unpublished patent applications is to try to prevent “double patenting” in systems such as the EPO which follow the “first-to-file” rule. A party seeking to rely on an unpublished patent application will have to prove (a) disclosure and enablement (more on this below), (b) that the disclosure is in the prior art application both as filed and as published, and (c) that the prior application is entitled to an earlier priority date.

It is sufficient for the prior art to be “available to the public”, regardless of the language (which is irrelevant), even if nobody has actually read it. However, a confidential document or a document disclosed in breach of a confidentiality obligation may not be considered as being available to the public.

No combinations (“mosaicing”) allowed

Unlike inventive activity, when considering novelty it is not admissible to combine separate items of the prior art. It is not even admissible to combine separate items pertaining to different embodiments described in one single document, unless such combination has been specifically suggested.

Article 54 EPC

Novelty

(1) An invention shall be considered to be new if it does not form part of the state of the art.

(2) The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.

(3) Additionally, the content of European patent applications as filed, the dates of filing of which are prior to the date referred to in paragraph 2 and which were published on or after that date, shall be considered as comprised in the state of the art.

(4) Paragraphs 2 and 3 shall not exclude the patentability of any substance or composition, comprised in the state of the art, for use in a method referred to in Article 53(c), provided that its use for any such method is not comprised in the state of the art.

(5) Paragraphs 2 and 3 shall also not exclude the patentability of any substance or composition referred to in paragraph 4 for any specific use in a method referred to in Article 53(c), provided that such use is not comprised in the state of the art.

T 108/01 (Dialysis machine with safety monitoring)

T 305/87 (Shear)

Two-limb test

The prior art destroys novelty if it discloses the claimed invention and enables the skilled person to perform it using only his common general knowledge. So for the novelty attack to succeed, the party seeking to revoke the patent must prove two separate facts: (a) that the invention is disclosed in the prior art, and (b) that the disclosure is enabling.

Meaning of disclosure: explicit and implicit disclosures

A claimed invention will lack novelty if it is explicitly or implicitly disclosed in the prior art. In particular, a document would destroy novelty if the claimed invention were directly and unambiguously derivable from the document, including any features implicit to the skilled person in what is expressly mentioned in the document (“clear and unambiguous directions”). The classical example cited in the Guidelines for Examination in the EPO is that a disclosure of the use of rubber in circumstances where clearly its elastic properties are used, even if this is not explicitly stated, takes away the novelty of the use of an elastic material.

Guidelines for Examination
G-VI, 1

However, unlike inventive activity, when considering novelty, it is not admissible to interpret the teaching of the prior art as embracing equivalents which are not disclosed as such. So the claimed invention must be disclosed as such, explicitly or implicitly. It will be considered to be implicitly disclosed if, when carrying out the teaching of the prior art, the skilled person would inevitably arrive at a result falling within the claim (doctrine of the inevitable result). According to the Boards of Appeal of the EPO, this doctrine must be applied with caution. It requires the party seeking to revoke the patent to prove that the probability of arriving at a result falling within a claim, carrying out the teaching of the prior art as such, that is, without making any adaptations, is 100%. In particular, experiments aimed at questioning novelty must not deviate from the disclosure.

Time of interpretation

Interpretation of the disclosure is by reference to the knowledge of the skilled person in the field at the relevant date. A prior art document must be construed as it would have been construed by the skilled person at the date on which it was published. In the case of unpublished documents (**Article 54(3) EPC**), the relevant date is the date of filing or the priority date, where appropriate.

T 396/96 (Technip)

Article 54(3) EPC Novelty

Additionally, the content of European patent applications as filed, the dates of filing of which are prior to the date referred to in paragraph 2 and which were published on or after that date, shall be considered as comprised in the state of the art.

Purpose irrelevant

The purpose of the prior art disclosure is irrelevant for the assessment of novelty. So a disclosure in an unrelated technical field, which may be directed at a completely different technical problem, may still constitute an “accidental” anticipation (even if the same disclosure would be irrelevant for the assessment of inventive step).

Exclusions from the state of the art

Article 55(1) EPC provides for a limited six-month “grace period” for disclosures made in consequence of “an evident abuse in relation to the applicant or his legal predecessor” (e.g. where a disclosure is made in breach of a duty of confidence owed to the inventor) or for disclosure of an invention at officially recognised international exhibitions.

A generic disclosure does not anticipate a specific example

A generic disclosure does not normally destroy the novelty of any specific example falling within the terms of that disclosure. On the contrary, a specific disclosure normally destroys the novelty of a generic claim comprising such disclosure.

Selection inventions

An invention may consist of the selection of individual elements, species, sub-sets or sub-ranges from a wider known gender, set or range. A classic case, which concerns chemical inventions, is **T 12/81**, “selection inventions”. The Board of Appeal held that a selection from a single list of specifically disclosed elements does not normally confer novelty. However, if two classes of starting substances are required to prepare the end products, and examples of individual entities in each class are given in two lists of some length, then a substance from the reaction of a specific pair from the two lists can nevertheless be regarded as a selection and, therefore, new.

Unfortunately, EPO case law does not clarify how long such lists should be. This has to be determined taking into account the specific circumstances of each case and the technology involved.

Second medical use claims

Substances already known to have been used in a first medical use may still be patentable under **Article 54(5) EPC** for any second or further use in a method according to Article 53(c) EPC, provided that such use fulfils the novelty and inventive activity requirements.

Such claims must be carefully drafted. For example, a claim in the form “Use of substance X for the treatment of disease Y” will not be patentable, as it will be regarded as seeking to protect a method of treatment, which is excluded from patentability (Article 53(c) EPC). On the contrary, a claim in the form “Substance X for use as a medicament” would be admissible, as long as the use of substance X as a medicament was not known. A claim in the form “Substance X for use in the treatment of disease Y” would also be patentable, provided that such use fulfilled the novelty and inventive activity requirements.

Article 55(1) EPC

Non-prejudicial disclosures

For the application of Article 54, a disclosure of the invention shall not be taken into consideration if it occurred no earlier than six months preceding the filing of the European patent application and if it was due to, or in consequence of:

(a) an evident abuse in relation to the applicant or his legal predecessor, or

(b) the fact that the applicant or his legal predecessor has displayed the invention at an official, or officially recognised, international exhibition falling within the terms of the Convention on international exhibitions signed at Paris on 22 November 1928 and last revised on 30 November 1972.

T 12/81 (Diastereomers)

Article 54(5) EPC

Novelty

(5) Paragraphs 2 and 3 shall also not exclude the patentability of any substance or composition referred to in paragraph 4 for any specific use in a method referred to in Article 53(c), provided that such use is not comprised in the state of the art.

According to decision **G 2/08**, the treatment of a disease with a substance or composition which is already known to be used for treating such disease, where the only difference from the known treatment is in the dosage regime, is a specific further medical use within the meaning of Article 54(5) EPC. Therefore, according to G 2/08, which is the main reference in this field, therapeutic uses of a substance or composition may be based not only on the treatment of a different disease, but also on the treatment of the same disease by a different therapeutic method differing by parameters such as the dosage or administration regime, the group of patients or the route of administration.

G 2/08 (Dosage regime)

At present, the EPO only admits a claim in the old “Swiss-type” form (e.g. “Use of substance or composition X for the manufacture of a medicament for therapeutic application Z”) if such claim is new and inventive and is included in an application having an application or priority date before 29 January 2011.

Second non-medical use claims

A claim to the use of a known compound for a particular second non-medical use which is based on a technical effect should be interpreted as including that technical effect as a functional technical feature. Therefore, according to **G 2/88**, such claim would be patentable as long as said technical feature had not previously been made available to the public.

G 2/88 (Mobil/Friction reducing additive)

Stringent test

The test for novelty is a stringent one. For a disclosure or prior use to anticipate a claim it must disclose all of the features of the claim (i.e. only if the invention disclosed by the prior art would infringe the claim in question, if performed post-grant, will it deprive that claim of novelty). The test is not simply that the prior product or process was available to the public, but that the information conveyed by that product or process made the invention available. The limits of novelty are illustrated by decision G 2/88, in which a proposal to use an additive as a rust inhibitor was not held to anticipate the use of the same additive as a lubricant, even though the use of the additives in question for the known purpose would necessarily have achieved the new use as well.

Inventive activity: obviousness

Lack of inventive activity, also called inventive step, is another of the grounds for revocation of a European patent (Article 138(1)(b) EPC).

An invention is considered to involve an inventive step if, having regard to the state of the art, it would not have been obvious to a person skilled in the art. For the purposes of considering inventive step and in contrast to the assessment of novelty, later-published European patent applications

Article 56 EPC

Inventive step

An invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art. If the state of the art also includes documents within the meaning of Article 54, paragraph 3, these documents shall not be considered in deciding whether there has been an inventive step.

are not considered to form part of the state of the art. The state of the art may reside in the relevant common general knowledge.

If anything in the claim is obvious, then the whole claim is invalid.

Problem/solution approach

The EPO and the courts of countries such as Germany and Spain normally follow the so-called “problem/solution approach” when assessing inventive step. Although application of this test is not compulsory, it is widely used, as it is aimed at reducing the risk of the inventive step being tainted by hindsight.

T 939/92 (Triazole)

The relevant dates for assessing whether or not the invention would have been obvious are of course the application date and, where the application claims priority from previous documents, the priority date of such documents. If different claims have different priority dates, then each claim has to be examined taking into account the respective priority date.

Problem/solution approach

1. Determine the “closest prior art”.
2. Establish the “objective technical problem” to be solved.
3. Consider whether the claimed invention, starting from the closest prior art and the objective technical problem, would have been obvious to the skilled person.

Closest prior art

The “closest prior art” is the one single prior art reference which discloses the combination of features which constitutes the most promising starting point (“springboard”) for an obvious development leading to the claimed invention. The process of identifying the closest prior art normally starts with a search for a reference directed to a similar purpose or effect and/or belonging to the same technical field or a technical field closely related to that of the invention. It is normally that which corresponds to a similar use and requires the minimum structural and functional modifications to arrive at the claimed invention.

T 632/02 (Thread formation)

Technical problem

Once the “closest prior art” has been identified, any technical effects which flow from the differences between a claimed invention and the closest prior art are then identified and used to establish the “objective technical problem” which the claimed invention may be said to solve. According to the EPO, the “technical problem” means the aim and task of modifying or adapting the closest prior art to provide the technical effects that the invention provides over the closest prior art. The expression “technical problem” does not imply that the technical solution must necessarily be an improvement over the prior art. It may simply be a new alternative solution.

T 606/89 (Particulate detergent composition)

Guidelines for Examination
G-VII, 5.2

The so-called “objective” technical problem may or may not coincide with the “subjective” technical problem that the applicant has revealed in the application. After the patent has been granted, it is legitimate for the patentee to reformulate the technical problem within the context of

T 92/92 (Valmet Paper Machinery)

T 495/91 (Oberflächen-ausrüstung/
PEGULAN)

litigation, particularly in view of new art asserted against the invention. For the purpose of reformulating the technical problem, any effect provided by the invention may normally be used as a basis, as long as such effect is derivable from the application as filed. The EPO also accepts reliance on new effects submitted by the applicant subsequently during the proceedings, as long as the skilled person would recognise such effects as implied or related to the technical problem initially suggested.

The technical problem must be carefully defined so as to avoid including pointers to the solution, as this would result in an *ex post facto* analysis and be contrary to EPO case law.

In establishing the objective technical problem, only differences which can be said to achieve a “technical effect” or lend an invention “technical character” are considered. Non-technical features and non-technical benefits such as purely economic benefits are ignored when formulating the objective technical problem. This is because the EPO considers that deriving such benefits is not the solution to a technical problem, so they are considered incapable of supporting an arguable technical inventive step.

At the EPO, this is achieved by formulating the objective technical problem from the perspective of a person skilled in the art who is aware of the non-technical aspects of the invention.

Could/would approach

Having formulated the objective technical problem, the final stage of the problem/solution approach involves assessing whether there is any teaching in the prior art as a whole that would have prompted the skilled person faced with the objective technical problem to modify or adapt the closest prior art to arrive at the claimed invention. In making this final assessment, the test applied is not merely whether a skilled person *could* have arrived at the claimed result but rather whether or not he *would* have done so in the hope of solving the objective technical problem or achieving some improvement or advantage (“could/would” approach).

The EPO Guidelines for Examination, following EPO case law, warn against an *ex post facto* analysis when assessing inventive step. Another general principle followed by the EPO is that a solution is obvious if it is established that the skilled person would have followed the teaching of the prior art with a “reasonable expectation of success”.

T 184/82 (Poly (p-methylstyrene) articles)

T 13/84 (Reformulation of the problem)

T 162/86 (Plasmid p SG2)

T 386/89 (Tractor wheel)

T 229/97 (Atorvastatin/Warner-Lambert)

T 229/85 (Ätzverfahren)

T 99/85 (Diagnostisches Mittel)

T 322/86 (Robert Bosch)

T 931/95 (Pension benefits)

Guidelines for Examination
G-VII, 8

“It should be remembered that an invention which at first sight appears obvious might in fact involve an inventive step. Once a new idea has been formulated, it can often be shown theoretically how it might be arrived at, starting from something known, by a series of apparently easy steps. The examiner should be wary of *ex post facto* analysis of this kind. When combining documents cited in the search report, he should always bear in mind that the documents produced in the search have, of necessity, being obtained with foreknowledge of what matter constitutes the alleged invention. In all cases he should attempt to visualise the overall state of the art confronting the skilled person before the applicant’s contribution, and he should to seek to make a “real-life” assessment of this and other relevant factors [...].”

T 2/83 (Simethicone tablet)

T 90/84 (American Cyanamid)

T 7/86 (Xanthines)

T 249/88 (Monsanto)

T 1053/93 (Detergent composition/
Unilever)

Other possible tests

As mentioned, the problem/solution approach is not the only possible method to assess inventive activity. The UK courts, for example, take a different approach. This is due in part to the availability of expert evidence, which is tested under cross-examination to assist the court with its determination of what would actually have been obvious to a person skilled in the art at the relevant priority date. The current test was developed by the Court of Appeal in *Windsurfing v Tabur Marine* [1985] RPC 59 CA and restated in a slightly re-ordered form in *Pozzoli SpA v BDMO SA* [2007] EWCA Civ 588.

Unlike at the EPO, where inventive step is assessed based on a single identified closest piece of prior art, any suitable item of prior art can form the starting point for assessment of inventive step. The assessment of inventive step is then a factual enquiry based on the evidence before the court as to differences between the claimed invention and a particular item of prior art and the common general knowledge of the relevant person skilled in the art. Such an assessment is purely factual and is not dependent on the formulation of a technical problem which can be said to have been solved by the invention, as the presence of a “technical contribution” for the basis of a patent is assessed separately as part of the test for patentable subject-matter.²

Relevance of expert evidence

Since the determination of inventive activity requires a decision on whether or not the invention would have been obvious to the skilled person, the examination and cross-examination of experts is very important in the courts of member states such as the United Kingdom and Spain. Experts are usually independent of the litigating parties and are often academics. In such countries, the court makes a careful assessment of the background and experience of the expert to ascertain whether they are suitable to assist the court in determining factual aspects of the case, and expert evidence normally has a key influence on the outcome of the case. In contrast, in countries such as Germany and France, it is not usual for the courts to hear the oral evidence of experts.

Secondary indicia

Both the EPO and the national courts consider factors such as the overcoming of a technical prejudice, the age of the documents asserted against inventive activity, the commercial success of the invention, the long-felt need of a solution to the problem solved by the invention, the contemporary reaction (for example, quick imitations or granting of licences) to the invention, the simplicity of the solution and/or an unexpected (bonus) effect as “secondary” indicia that may (or may not) reinforce the presence of inventive activity. However, such indicia are not

Windsurfing test as restated in Pozzoli

1. Identify the notional ‘person skilled in the art’ and the relevant common general knowledge of that person.
2. Identify the inventive concept of the claim in question or, if that cannot readily be done, construe the claim.
3. Identify what, if any, differences exist between the matter cited as forming part of the ‘state of the art’ and the inventive concept of the claim or the claim as construed; and viewed without any knowledge of the alleged invention as claimed, decide whether those differences constitute steps which would have been obvious to the person skilled in the art or whether they require any degree of invention.

- T 79/82 (System- & Verfahrenstechnik)
- T 109/82 (Hearing aid)
- T 181/82 (Spiroverbindungen)
- T 192/82 (Formassen)
- T 106/84 (Packing machine)
- T 229/85 (Ätzverfahren)
- T 295/94 (Double flow valve)
- T 848/94 (Polyamide film)

² As noted above, “mosaicing” of prior art documents may be permissible when assessing inventive step.

of course a substitute for the assessment of inventive activity described above. The presence of such indicia serves to reassure the court on the conclusions stemming from such analysis. They may be particularly useful in case of doubt.

Relevance of a general technical prejudice

One of the indicia that normally carries more weight is the existence of a technical prejudice. In particular, according to EPO case law, inventive activity can sometimes be established if it is shown that the solution overcame a general technical prejudice (i.e. a widely held but incorrect opinion of a technical fact). The existence of such prejudice should normally be proven either by reference to the literature published before the priority date or by expert evidence.

Selection inventions

As mentioned in the section dealing with novelty, a selection invention represents a sub-set, sub-range or sub-class from a wider group. Such a selection may be inventive when is connected to a particular technical effect and there are no hints in the prior art leading the skilled person to make that selection. The technical effect may, for example, be an unexpected improvement or the same effect attained within the broader known range, but to an unexpected degree.

Non-technical inventions

When assessing inventive step, it is EPO practice to reject applications which do not solve a “technical” problem, the reason being that the application lacks inventive step. Typical examples of such “non-technical” inventions are claims to implementing computerised business methods. Under the current EPO approach, such claims are considered to relate to patentable subject-matter if they claim or involve something non-abstract, but they are then rejected as lacking inventive step since they do not provide a technical solution to a technical problem.

This approach has not been uniformly adopted by the national courts. Courts in, for example, France and the United Kingdom have rejected such non-technical inventions on the grounds of non-patentable subject-matter rather than lack of inventive step.

Insufficiency of disclosure

Under Article 138(1)(b) EPC, there are grounds for revocation if the patent as granted does not fulfil the corresponding sufficiency requirement for a patent application under **Article 83 EPC**.

The sufficiency requirement is an important means of maintaining the balance between, on the one hand, encouraging or rewarding invention

T 231/97 (Emissionsarme Dispersionsfarben)

T 555/91 (Oxygen enrichment/Teijin)

T 677/91 (Mass selective ejection)

T 812/92 (Formstahl-Walzwerk)

T 645/94 (Treibladungspulver)

T 284/96 (Pigmente/Bayer)

T 626/96 (Commercial success)

T 12/01 (Lactoferrin)

T 252/06 (Flaschendispenser)

T 60/82 (Eichorn Helmut)

T 119/82 (Gelation)

T 939/92 (Triazole)

T 931/95 (Pensions benefits systems)

T 258/03 (Hitachi/Auction method)

T 154/04 (Duns Licensing/estimating sales activity)

Article 83 EPC

Disclosure of the invention

The European patent application shall disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art.

and, on the other, ensuring that the invention becomes part of the art for use as a basis for further development and for the free use of the invention after the expiry of the patent. Such is the *quid pro quo* of the patent system. The need for fair protection governs the consideration of both the scope of the claims and the requirement for sufficient disclosure. To this end, the principle has been developed whereby the extent of the monopoly, as defined by the claims, should correspond to the technical contribution of its teaching to the art in question.

Disclosure in the patent

The invention has to be disclosed to the skilled reader in the patent itself, i.e. in the claims, description and drawings (if any). The reader of the patent is deemed to be the person skilled in the art (see above), who is further deemed to possess the relevant common general knowledge (see above). He will make use of such knowledge in reading and interpreting the patent. But information from other documents (extrinsic material) cannot be used to supplement an otherwise insufficient disclosure. Moreover, neither the abstract nor the priority document nor any other document accompanying the application can be used for this purpose. Since no new matter can be added during grant proceedings, insufficiency existing at the filing date in respect of claimed subject-matter cannot be remedied later on. On the other hand, insufficiency can arise as a result of amendments made during grant proceedings.

T 292/85 (Genentech/Polypeptide expression)

T 409/91 (Fuel oils/Exxon)

G 11/91 (Glu-Gln/Celtrix)

The “same invention” has to be based on an enabling specification. Thus, the earlier application has to fulfill the requirement of sufficiency of disclosure.

Patents often contain references to other documents, in particular to applications pending at their filing date. The information in the documents referred to forms part of the original disclosure of the application only if

Article 87 EPC states that a right of priority may be claimed from an earlier application only in respect of the same invention.

- it was available to the public at the filing date, or
- it was available to the EPO at the filing date and became available to the public before the publication of the application; and
- the reference is so clear that the skilled reader is able to derive directly and unambiguously the subject-matter of the incorporated document which is intended to form part of the original application.

Assessment of sufficiency may depend on the claim format. An invention for a product is sufficiently disclosed if the product can be produced. A product claimed for a specific purpose, e.g. a pharmaceutical purpose, is only sufficiently disclosed if it is adapted for this purpose.

T 689/90 (Event detector/Raychem)

T 1497/06 (GPCR/Arena)

Breadth of claims

A critical aspect of the general principle that the protection given should correspond to the contribution made to the art is the allowable breadth of the claims. Usually, the claims generalise the specific embodiments in the description, in particular in the examples. The applicant is permitted to include in the originally filed claims all obvious modifications, equivalents and variants of the subject-matter disclosed, because the skilled person is presumed to be aware of such alternatives. Thus, it is regarded as fair and proportionate to protect the proprietor against the use of such alternatives, taking into account the fact that the applicant is not in a position to describe all possible alternatives at the filing date.

This raises the question as to how many ways of teaching the skilled person how to carry out the invention have to be disclosed. In principle, an invention is sufficiently disclosed if at least one way of carrying out the invention is clearly described. A separate example pursuant to **Rule 42(1)(e) EPC** may be unnecessary if the description, claims and drawings (if any) are detailed enough to provide the skilled person with the necessary information. A single embodiment may thus be sufficient to support even a broad claim. If the invention goes against prevailing technical opinion or is conceptually different from earlier proposals in the art, at least one reproducible example is necessary. However, sufficiency of disclosure requires the skilled person to be able to carry out substantially all the embodiments falling within the ambit of the claims. This requires him to assume that the effect aimed at by the invention may be obtained outside the conditions of a single example. If the invention teaches to apply a known technical method in a specific technical field, and the technical contribution is to be seen in providing the necessary steps, this disclosure cannot be generalised to fields of application for which the necessary steps have not been disclosed.

The skilled person is not expected to look for non-workable embodiments. Rather, it is his task, on the basis of his common general knowledge, to choose, from among given alternatives, those which lead to success. Although it may be possible to find conditions within a claim that do not lead to the desired result, e.g. by using extreme circumstances or correlations, the question to be answered is rather whether or not the skilled person, using the best of his abilities and trying to make the invention work, would, in reality, consider them. Claims defined by ranges are legitimate and allowable if the skilled person is given reasonable areas for which he can find combinations of components, including the end values. This may be a situation in which more than one example is required to illustrate that the invention can be carried out as claimed.

However, the act of finding workable embodiments within a broad claim must not give rise to an undue burden for the skilled person. Whereas a

T 1616/09 (Combination therapy with anti-neoplastic agent and DNA methylation inhibitor/Supergen)

Rule 42(1) EPC

Content of the description

The description shall:

(a) specify the technical field to which the invention relates;

(b) indicate the background art which, as far as is known to the applicant, can be regarded as useful to understand the invention, draw up the European search report and examine the European patent application, and, preferably, cite the documents reflecting such art;

(c) disclose the invention, as claimed, in such terms that the technical problem, even if not expressly stated as such, and its solution can be understood, and state any advantageous effects of the invention with reference to the background art;

(d) briefly describe the figures in the drawings, if any;

(e) describe in detail at least one way of carrying out the invention claimed, using examples where appropriate and referring to the drawings, if any;

(f) indicate explicitly, when it is not obvious from the description or nature of the invention, the way in which the invention is industrially applicable.

Generics v Lundbeck, [2009] RPC (2009) 126 (6): 407–436

T 792/00 (Varied binding proteins/Dyax)

T 1440/07 (Gene expression/Serono)

T 694/92 (Modifying plant cells/Mycogen)

T 973/98 (Mitsubishi Chemical Corporation)

T 43/01 (Akzo Nobel)

reasonable amount of trial and error is permissible, e.g. in an unexplored field, the skilled person has to have at his disposal, either from the information in the specification or on the basis of his common general knowledge, adequate information leading necessarily and directly towards success through the evaluation of possible initial failures. This is not the case if the necessary amount of experimentation amounts to what is in effect a research programme.

Problems may arise if the claims are defined in functional language. In respect of sufficiency of disclosure, functional features are allowable if they give clear instructions on how to reduce them to practice without undue burden. This will be the case if the skilled person knows of several means readily available for executing the function, these means being accessible on the basis of a technical concept fit for generalisation. If this is the case, and if further, as yet unknown, means may become available, the functional definition may comprise as yet unknown embodiments if the person skilled in the art is able to test without undue effort whether possible candidates are suitable for fulfilling the function.

Biological inventions

For inventions involving living matter, it is not always possible to describe the material involved in writing in such a way that it could be obtained or reproduced by a skilled person. Rule 31 EPC, supplementing **Article 83 EPC**, allows an otherwise insufficient disclosure to be made good by the deposit of biological material which is not available to the public and which is not amenable to being described in such a manner as to enable the invention to be carried out.

The formal requirements regarding deposits are set out in **Rules 31 to 33 EPC**.

The deposit of biological material is not a formal requirement of the application, but a substantive requirement of sufficiency of disclosure. Therefore, a deposit of biological material indicated in the description is not necessary if this material is permanently available to the public from reliable sources. Nor is a deposit necessary if the indicated material it is not necessary for carrying out the invention because the description contains sufficient information on how to obtain other suitable material for this purpose. If the deposit is necessary, a claimed priority is only valid if the deposit was made up to the priority date.

T 123/06 (Vapour dispensing device/
Reckitt Benckiser)

T 243/91 (Screw conveyor)

T 435/91 (Detergents/Unilever)

BGH, GRUR 2013, 1210 – “*Dipeptidyl-
Peptidase-Inhibitoren*”

Article 83 EPC

Disclosure of the invention

The European patent application shall disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art.

Rules 31 to 33 EPC

- The deposit must have been made not later than the filing date of the application with a recognised depository on the same terms as laid down in the Budapest Treaty concerning the Deposit of Micro-organisms.
- The application as filed must give such relevant information as is available to the applicant on the characteristics of the biological material.
- The depository institution and the accession number of the material have to be stated in the application; this information has to be submitted at the latest within 16 months from the date of filing or priority.
- The deposited material must be available to the public upon request from the date of publication of the application; the applicant may restrict the access for certain periods to a recognised expert.

Relationship to other requirements: Article 84 EPC

In appropriate cases, the features of a claim may be defined by parameters, i.e. measured values of the properties of a particular subject-matter. Objections to sufficiency of disclosure are often based on the argument that there are different measuring methods or that the measuring method indicated can be applied under different conditions giving rise to different results. Such submissions are not enough to prove insufficiency of disclosure. The fact that an ill-defined parameter allows different ways of measuring, entailing different results, may result in the skilled person not knowing whether he is working within or outside the scope of the claim. While this may be a lack of clarity of the claim, it does not mean that the skilled person cannot reproduce the invention. For establishing insufficiency, it has to be shown that the skilled person, following the instructions in the patent, would choose measuring values which would not allow him reliably to achieve the result aimed at by the invention without undue burden.

Insufficiency of disclosure may be caused by the fact that the application was filed too early, at a stage of development when the expectation of success was still speculative, and the disclosure gives only vague guidance for performing the invention. In some cases of this type, the Boards of Appeal have applied the patentability requirement for industrial application under **Article 57 EPC**, concluding that providing a new substance (e.g. a peptide) does not necessarily mean that the requirement of industrial application is fulfilled, unless there is some profitable use to which the substance can be put. The boards clarified this by stating that a patentable invention has to define in technical terms a purpose and how it can be used in industrial practice to solve a problem. There has to be a real, as opposed to a purely theoretical, possibility of exploitation. Providing a new substance for further research in the mere hope of identifying some useful application is not sufficient.

A substantiated objection to sufficiency of disclosure must be based on serious doubts derived from verifiable facts. Where the parties make contradictory but unsubstantiated assertions concerning facts relevant for establishing patentability and the EPO is not in a position to establish the facts of its own motion, the benefit of the doubt is given to the patent proprietor. The strength of the presumption that the invention is sufficiently disclosed depends on the nature and detail of the information given in the specification.

T 418/89 (Monoclonal antibody/ORTHO)

G 2/93 (Hepatitis A virus/United States of America II)

T 361/87 (Micro-organisms/Nabisco)

Article 84 EPC Claims

The claims shall define the matter for which protection is sought. They shall be clear and concise and be supported by the description.

T 396/02 (Hair conditioning composition)

T 1052/98 (Gene switch/Syngenta)

Article 57 EPC Industrial application

An invention shall be considered as susceptible of industrial application if it can be made or used in any kind of industry, including agriculture

T 870/04 (BDP1 Phosphatase/MAX-PLANCK)

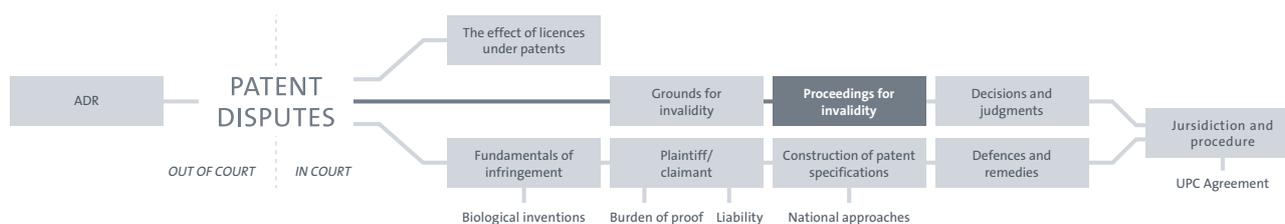
T 898/05 (Hematopoietic receptor/Zymogenetics)

T 19/90 (Onco-mouse/Harvard)

T 72/04 (Pulp heating/Kvaerner)

Proceedings for invalidity

Essentials



Introduction

The grant of a patent, a supplementary protection certificate (SPC) or a utility model is subject to review as to whether or not the requirements for patentability have been met. Patents are granted by national patent offices or the European Patent Office (EPO) after an examination as to the patentability of the invention. However, not all the relevant prior art or other relevant issues for the assessment of patentability may have been identified by the patent office, or their significance may not have been correctly recognised during examination. Given the potential impact on the public at large of the monopoly which patents and SPCs provide, there are public policy reasons for facilitating the removal of invalid patents from patent registers.

Relationship between infringement and invalidity

Differences between bifurcated and non-bifurcated systems

Accordingly, a number of judicial means exist across Europe for challenging the validity of patents. Invalidity can be raised in separate invalidity (revocation or cancellation) proceedings (before the EPO, see Article 99 of the European Patent Convention (EPC) for European patents, and/or national decision-making bodies such as courts or patent offices). It can also be raised in most European jurisdictions as a counter-claim or defence in infringement proceedings (“no invalid patent can be infringed”), so that the respective court can revoke the patent (with *erga omnes* effect) or dismiss the action on invalidity grounds. Such counter-claim and use as a complete defence does not exist in, for example, Germany, Austria and Hungary, which operate a “bifurcated” system. Under this system, *erga omnes* revocation decisions are given by specialised decision-making bodies rather than the trial courts hearing the infringement case. In German and Austrian infringement proceedings, the infringement courts will only suspend an injunction to await the revocation decision if they believe the likelihood of revocation

to be high (i.e. there is a presumption of validity). In the bifurcated system, if a patent is subsequently revoked, the relief granted in the interim falls away and damages are due for any loss suffered as a result of the enforcement of the patent before its invalidation.

Opposition proceedings before the EPO

Post-grant, the validity of a European patent (including all its national parts) can be challenged in opposition proceedings before the EPO. Any third party may file an opposition within a period of nine months after the date of the publication of the grant of the European patent. The competent authority for dealing with the opposition in the first instance is the opposition division, and in the second instance, the technical boards of appeal. The opposition may be based on any of the following grounds: lack of patentability, insufficiency of disclosure and inadmissible extension.

Opposition term: nine months after publication of grant

National invalidity proceedings

UK

Parties: Any party may initiate proceedings for the revocation of a patent/SPC. The English³ courts have even accepted revocation proceedings by a straw man, who does not disclose the identity of his ultimate controlling party. Further, parties may subsequently challenge the validity of a patent which has previously been found valid by the courts but may not challenge validity on evidence previously relied upon.

In the UK, any party may bring revocation proceedings

Deadline: Proceedings may be brought at any time after the grant of a patent/SPC.

Expired patents: Revocation proceedings may even be commenced after a patent/SPC has expired.

Competent jurisdiction: In the UK, proceedings for the revocation of a patent/SPC may be brought either in the courts or before the UK Intellectual Property Office (UK IPO). In England and Wales, the Patents Court and the Intellectual Property Enterprise Court (IPEC) are the first instance courts with exclusive jurisdiction for patent matters. They are specialised patent courts. Appeals are heard by the Court of Appeal and the highest court is the Supreme Court. Proceedings are also possible in the courts of Scotland and Northern Ireland.

The UK Patents Court, IPEC and UK IPO have concurrent jurisdiction for revocation proceedings

³ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Important features of the proceedings: UK law does not provide for opposition to the grant of a national patent.

The UK courts hear validity and infringement in the same proceedings at the same time

A defendant to a revocation action (i.e. the patentee) may counterclaim for infringement of the patent in issue. As the UK courts believe that infringement should not be considered independently of the analysis of validity, they will not bifurcate the two issues, except in very exceptional circumstances. The reason for this is that the courts take the view that an invalid patent cannot be infringed. They also seek to ensure that a consistent approach is taken by all parties and the court to the issue of the construction of the claims of the patent in issue. The patentee is thus prevented from putting forward a broad construction for infringement purposes but a narrow construction for validity – an approach commonly known as a “squeeze”. While claim construction is considered to be a matter for the judge, typically the parties will rely on the evidence of independent (party-appointed) experts to inform the court as to the state of the art at the priority date and the skilled person’s understanding of it. An expert may also give evidence as to the meaning of any technical words or expressions, but not that of ordinary English words. Although party-appointed, the experts owe an overriding duty to the court, and the accuracy and truth of their evidence may be challenged by cross-examination.

Relation to EPO opposition proceedings: The existence of pending EPO opposition proceedings does not prevent the commencement of UK revocation proceedings. Where such EPO proceedings are pending, the basic position is that a stay of the national proceedings should be granted in order to avoid inconsistent decisions (see *Virgin v Zodiac*). However, in practice such stays are very rare. The UK courts take the view that it is preferable to achieve commercial certainty for the parties by proceeding to trial, rather than awaiting the outcome of a lengthy EPO procedure (which may involve an appeal).

The UK courts allow revocation proceedings while EPO opposition proceedings are pending and will typically not grant a stay of national proceedings pending the outcome of the EPO proceedings

Virgin Atlantic v Zodiac [2013] RPC 29

IPCom v HTC Europe [2014] RPC 12

France

Parties: Revocation proceedings against French national patents or the French part of a European patent may be filed by any third party having a legal interest (“*intérêt à agir*”). Current competitors of the patent owner are presumed to have an interest. Other parties have to show that the commercialisation or manufacturing of relevant products or services is imminent.

Filing of invalidity proceedings requires legal interest

The public prosecutor may *ex officio* apply for the revocation of a patent.

Deadline: A claim for invalidity can be subject to limitation, as there is a general civil law provision for a five-year statute of limitation. These provisions are, however, applied on a case-by-case basis. The five-year term for limitation starts when the claimant has knowledge of the

Invalidity claims can be time-barred

patent. If infringement proceedings are initiated, the limitation term for a counterclaim for invalidity starts at this point.

Expired patents: Due to the retroactive effect of revocation, a party may have a legal interest in invalidating an expired patent. Therefore, initiating revocation proceedings against an expired patent may be possible. However, this has not yet been confirmed by a decision.

Competent jurisdiction: The competent court for all patent matters (including revocation proceedings) is the *Tribunal de Grande Instance de Paris*, the Paris District Court. The competent appellate court is the *Cour d'Appel de Paris*. The competent court in the third instance, hearing appeals concerning questions of law, is the *Cour de Cassation* (French Supreme Court) in Paris.

Important features of the proceedings: French law does not provide for opposition to the grant of a national patent.

Relation to EPO opposition proceedings: EPO opposition proceedings and national invalidity proceedings can proceed in parallel. That is, the party claiming invalidity has another opportunity to secure invalidation. However, in the absence of new invalidity grounds or new prior art, the court will most often follow the findings of the EPO.

If opposition proceedings are pending at the EPO, the court has the discretion to stay the proceedings. In cases where national invalidity proceedings relate to the French part of a European patent that is subject to pending opposition proceedings, the courts will only stay the national revocation proceedings if they find that the likelihood of success of the opposition is high. If the revocation proceedings relate to a French patent and the subject of the opposition is the French part of a European patent which is deemed to replace the French patent, the courts tend not to stay the invalidity proceedings.

The Netherlands

Parties: Any third party may bring revocation proceedings against a Dutch patent or the Dutch part of a European patent.

Deadline: The validity of a Dutch patent or the Dutch part of a European patent can always be challenged.

Expired patents: Revocation proceedings can also be brought with respect to expired patents.

Competent jurisdiction: The competent court for all patent matters, including revocation proceedings, is the *Rechtbank's-Gravenhage* (District

Court of The Hague). The competent appellate court is the *Gerechtshof's-Gravenhage* (The Hague Court of Appeal). Appealed decisions may be subject to a final judgment at the *Hoge Raad* (Dutch Supreme Court) in The Hague.

Important features of the proceedings: Dutch law does not provide for opposition to the grant of a national patent.

Invalidity can either be alleged in separate revocation proceedings or in connection with infringement proceedings as a counterclaim.

When revocation proceedings are brought against a national patent, the plaintiff must provide the results of an advisory report of the patent office concerning the applicability of the grounds of nullity. If he fails to do so, the invalidity proceedings will be dismissed. The advisory report may be requested by any person, on providing reasons for objection to the patent.

For a European patent, it is not necessary to obtain an advisory report to start an action for nullification.

The owner of the patent may reduce the scope of the patent by way of limitation of the claims.

Implications of EPO opposition proceedings: If national revocation proceedings regarding the Dutch part of a European patent are brought while opposition proceedings are pending, the invalidity proceedings may be stayed. This is, however, unusual. Typically, the court only stays infringement proceedings if the opposition hearing will take place shortly (within a few months) or if the court has serious doubts as to the validity of the patent.

Typically no stay of invalidity proceedings pending opposition

Germany

Parties: In national opposition proceedings (applicable to German patents) the opponent and the patentee are not parties within the meaning of court proceedings, but are “involved parties” (for the consequences see “Important features of the proceedings” below).

In national revocation actions (applicable to European patents, SPCs and German patents), the plaintiff and the patentee/SPC holder (as defendant) are parties to the proceedings. Intervention by third parties is possible.

Deadline: In national opposition proceedings against German national patents an opposition may be filed within nine months after grant. Appeals against such a decision may be filed within one month after delivery of the decision. Under certain circumstances, a further appeal, limited to issues of law, is possible against the appealed decision. This appeal needs to be filed within one month after adjudication by the Court of Appeal. It is not possible to oppose SPCs.

Deadline
Nine months for opposition, no deadline for nullity action

In national revocation actions, a revocation action cannot be filed when opposition is still possible or pending; otherwise there is no deadline. An appeal can be filed against the revocation judgment within one month after delivery or, at the latest, five months after an oral announcement of the judgment.

No nullity action while opposition is still possible or pending

Expired patents: While the patent/SPC is pending, the plaintiff does not need to establish a particular legal interest, as there is thought to be a public interest in revoking invalid IP rights. After expiry, he needs to establish a legal interest, for example the fact that he risks being sued by the IP holder.

Upon expiry a particular legal interest of plaintiff needs to be established to continue

Competent jurisdiction: In national opposition proceedings the following forums are competent:

Appeals in nullity actions
Heard by Federal Supreme Court, which otherwise only hears appeals on law

- First instance: *Deutsches Patent- und Markenamt* (German Patent and Trade Mark Office) (DPMA) or (if requested) *Bundespategericht* (Federal Patent Court) (BPatG)
- Appeal: Federal Patent Court (if first instance is the German Office)
- Appeal on points of law: *Bundesgerichtshof* (Federal Supreme Court) (BGH)
- In national nullity actions the first instance court is the Federal Patent Court; appeals are heard before the Federal Supreme Court.

Important features of the proceedings: In national opposition proceedings the opposition is an *ex officio* proceeding and continues even if the opponent withdraws the opposition (Section 61(1) German Patent Act (PatG)). A hearing must be scheduled, if one of the involved parties so requests. The hearing is public (Sections 59(3) and 78 PatG). The hearing is not as strictly structured as an EPO opposition and there are only very limited possibilities to disregard documents due to late filing. The general rule is that the parties involved bear their own costs. In the normal case, where the German Office hears the opposition, the decision-making body at the German Office can be made up exclusively of members who have technical training but not a full legal training.

Opposition v nullity action
Ex officio proceedings v court proceedings

Opposition
Continues if withdrawn, no cost reimbursement

In a national revocation action, the proceedings are conducted between the parties with only a limited applicability of *ex officio* principles. The parties can end the proceedings, for example by withdrawing the action or by reaching a settlement. The reimbursable costs of the other side and the court costs are borne by the losing party. At the Federal Patent Court, judges with technical training and members with full legal training decide jointly.

Nullity action
Terminates when withdrawn; reimbursement of costs

Nullity action appeal
Court technical expert often involved

Implications for EPO opposition proceedings: A revocation action can only be filed once the EPO opposition is no longer pending. The Federal Patent Court and the Federal Supreme Court are not bound by the prior assessment of the EPO, and a prior opponent can file his arguments from the opposition in the revocation action.

No parallel EPO opposition and nullity action

Austria and Hungary

Austria and Hungary both have bifurcated patent litigation systems, meaning that patent infringement and patent invalidity are adjudicated in separate legal proceedings and the infringement court does not have jurisdiction to rule on the validity of the litigious patent.

Bifurcation system
Patent infringement and invalidity proceedings are separate

Parties to the proceedings: The revocation (and in Austria, opposition) of a patent is subject to a request for revocation being filed against the patentee. Generally speaking, anyone may file such a request.

Parties
Anyone may request revocation of patent; opposing party is patentee

In revocation proceedings, the patents acts of both countries permit the intervention of interested third parties (e.g. a licensee) on the side of either party.

Intervention by third parties permitted

It is important to note that both countries' patents acts allow the patent office to continue the revocation proceedings *ex officio* if the applicant withdraws their request.

Ex officio continuation
Permitted if applicant withdraws revocation request

Deadline: Neither the Austrian Patents Act nor the Hungarian Patents Act stipulate a deadline for filing requests for revocation. The Austrian Act, however, stipulates a deadline of four months from the grant of the patent for filing an opposition.

No deadline for filing request for revocation
Deadline for filing opposition (Austria): four months after grant

Expired patents: Neither the Austrian Act nor the Hungarian Act deals explicitly with the question of whether an expired patent may be revoked. In the absence of any provision suggesting otherwise, in Hungary the revocation of an expired patent may be requested, and the expiry of the subject patent during the proceedings does not affect the same.

No explicit provision regarding revocation of expired patents

In Hungary, expiry does not affect revocation

The Austrian Act, however, states that nullity proceedings must be discontinued if the patent expires during the proceedings before the Austrian Patent Office, unless the applicant can demonstrate a legal interest in their continuation. According to judicial practice in Austria, the requirement for demonstration of legal interest also applies if the patent expired before the initiation of revocation proceedings.

In Austria, discontinuance of proceedings if patent expires
Revocation proceedings are discontinued if patent expires in the meantime, unless legal interest demonstrated

Competent jurisdictions: In both Austria and Hungary, the patent offices and the administrative authorities, as opposed to the courts, are competent for the first instance adjudication of invalidity proceedings. A common feature of both countries is that, while patent offices that

First instance – patent office
Higher instances – courts

proceed at first instance count as administrative authorities, the appeal forums are courts.

In Hungary, revocation proceedings are handled by the Hungarian Intellectual Property Office. The Metropolitan Court (Budapest) acts as the second and the Metropolitan Appeal Court (Budapest) as the third appellate court. Decisions of the Appeal Court are final and binding. Regarding questions of law, either party may file a request for judicial review to the *Curia*, the Supreme Court, which acts as a final, extraordinary court of appeal.

In Austria, revocation proceedings are handled by the Austrian Patent Office. Decisions may be appealed to the *Oberlandesgericht* (Higher Regional Court), and then to the *Oberster Gerichtshof* (Supreme Court), both of which are located in Vienna.

Important features of the proceedings: In both Austria and Hungary, revocation proceedings generally consist of a preparatory written part and a subsequent oral hearing.

In Hungary, the validity of a granted patent can only be challenged by revocation proceedings, while in Austria granted national patents can also be contested by post-grant opposition proceedings.

Implications for EPO opposition proceedings: The laws of both countries clearly provide for the subsidiarity of national revocation actions to parallel EPO opposition proceedings, i.e. national revocation proceedings are suspended for the duration of the EPO opposition proceedings and discontinued if the patent is revoked in opposition.

In Austria, pending national opposition proceedings also cause the *ex officio* suspension of any parallel revocation proceedings.

Hungary

Hungarian intellectual Property Office + three judicial instances

Austria

Austrian Patent Office plus two judicial instances

Preparatory phase followed by oral hearing in revocation proceedings

Opposition and revocation

In Hungary, no post-grant opposition against national patents. In Austria, opposition and revocation both available

Subsidiarity

National revocation proceedings suspended if opposition proceedings pending before EPO

Invalidity as counterclaim/defence in infringement proceedings

UK

Can invalidity be claimed as a counterclaim in infringement proceedings?

Invalidity is usually pleaded as both a defence and a counterclaim to an infringement action. The defendant will typically put forward invalidity arguments in addition to non-infringement arguments as part of his overall defence. He will also then seek a declaration from the court that the patent is invalid.

Invalidity is usually relied upon as a defence to an infringement claim

Can invalidity be raised as a defence if there are separate national invalidity proceedings or if an EPO opposition is pending?

The existence of other invalidity proceedings either in the courts or before the EPO will not prevent a defendant from raising an invalidity defence if sued for infringement. For case management purposes, the court will order that two separate court proceedings concerning the same patent be heard together.

France

Can invalidity be used as a counterclaim in an infringement proceeding?

If infringement proceedings are pending, invalidity can be used as a counterclaim or as a defence. The counterclaim, if admitted, results in the invalidation of the patent with general effect.

A successful invalidity defence results in the dismissal of the claim for infringement (inter partes effect), but the patent remains in force.

Can invalidity be raised as a defence if there are separate national invalidity proceedings or if an EPO opposition is pending?

Both a counterclaim for invalidity and an invalidity defence can be raised even if separate national revocation proceedings are pending.

The Netherlands

Can invalidity be used as a counterclaim in infringement proceedings?

If infringement proceedings are pending, invalidity of the patent can be used as a counterclaim for revocation or as an invalidity defence.

Can invalidity be raised as a defence if there are separate national invalidity proceedings or if an EPO opposition is pending?

Both a counterclaim for revocation and an invalidity defence can be raised even if separate national revocation proceedings are pending.

Germany

Can invalidity be used as a counterclaim in infringement proceedings?

The infringement court is not competent to adjudicate on revocation because of the bifurcated system in Germany.

No invalidity counterclaim
Infringement court cannot revoke

Can invalidity be raised as a defence if there are separate national invalidity proceedings or if an EPO opposition is pending (stay of proceedings)?

In cases on the merits, invalidity can be raised as a defence only insofar as a stay can be requested to await the decision on the revocation. In patent/SPC infringement litigation, suspension of proceedings requires a high likelihood of invalidation as, in the absence of convincing invalidity arguments raised in the separate invalidity proceedings, the patent/SPC (which has been granted after substantive examination) is presumed to be valid.

Infringement court will only consider invalidity issues regarding patent/SPC if separate invalidity proceedings filed
Invalidity arguments can be put forward to achieve suspension of main proceedings and dismissal of preliminary injunction proceedings

In utility model infringement litigation, the threshold for suspension is generally considered lower because these models are granted without substantive examination. In preliminary injunction proceedings, invalidity can be raised as a defence insofar as dismissal of the preliminary injunction can be requested. The burden of proof in preliminary injunction proceedings is on the right holder, who must show that the IP right will, in all likelihood, be upheld. However, this requires separate invalidity proceedings (see below).

Can invalidity be argued as a defence without pending invalidity proceedings?

It is not admissible for cases concerning patents and SPCs. Without separate invalidity proceedings there can be no revocation of a patent/SPC under Germany's bifurcated system. Even using the fast preliminary injunction proceedings, the courts expect the defendant to file invalidity proceedings when sued; otherwise they will possibly disregard the invalidity arguments.

Regarding utility models, invalidity can be raised as an objection without a separate cancellation action. As utility models are granted without substantive examination, the infringement court may issue its own finding of invalidity. This has effect between the parties to the infringement proceedings (but *not erga omnes*).

An invalidity defence without separate invalidity proceedings is possible only in the case of utility models
But no *erga omnes* revocation

Austria and Hungary

Can invalidity be used as a counterclaim in infringement proceedings?

Courts acting in proceedings for infringement in either Austria or Hungary, which both have a bifurcated system, may not adjudicate on the invalidity of the patent. Invalidity cannot be used as a counterclaim in infringement proceedings.

No invalidity counterclaim

Invalidity cannot be asserted as a counterclaim in infringement proceedings

Can invalidity be raised as a defence if there are separate national invalidity proceedings or if an EPO opposition is pending?

In both Austria and Hungary, defendants in patent infringement lawsuits can assert invalidity as a defence by referring to a revocation or opposition action.

Invalidity may be raised as defence relying on separate revocation action

The question of subsequent suspension or stay, however, is treated differently in the two countries.

Suspension of infringement lawsuit

In Hungary, the stay of the proceedings is within the discretionary competence of the court acting in the infringement proceedings. Judicial practice is very clear insofar as the court will suspend the lawsuit without in any way taking the potential outcome of the revocation action into consideration. Essentially, if the defendant can prove that there is a pending revocation action against the patent in suit, the court stays the infringement action virtually automatically.

Hungary

Virtually automatic suspension

In Austria, a stay is not automatic. According to the Austrian Patents Act, the court assesses the invalidity arguments and only stays proceedings if it considers invalidity likely. To reach such a conclusion, the court may seek the opinion of the Austrian Patent Office.

Austria

Suspension only if court finds invalidity likely

Can invalidity be argued as a defence without pending invalidity proceedings?

Mere argumentation for invalidity of the patent cannot lead to the rejection of the infringement claim in either country. Both Austrian and Hungarian law require actual, separate invalidity proceedings in order to decide on the validity of a patent.

Arguing for invalidity without invalidity proceedings in place not admissible

In Austria, if the court stays the infringement action, the defendant is given one month to prove that revocation action or opposition has been started between the parties, or that he has joined such an action.

Austria

Infringement court assesses invalidity and calls defendant to initiate or join invalidity proceedings if it finds invalidity likely

In Hungary, a stay will not be granted unless a revocation action has been started. The judge sets a reasonable deadline for the party to initiate revocation proceedings and suspension of the infringement lawsuit. Unlike in Austria, the law does not require the defendant to be party to the revocation proceedings in order to achieve a stay of the infringement action.

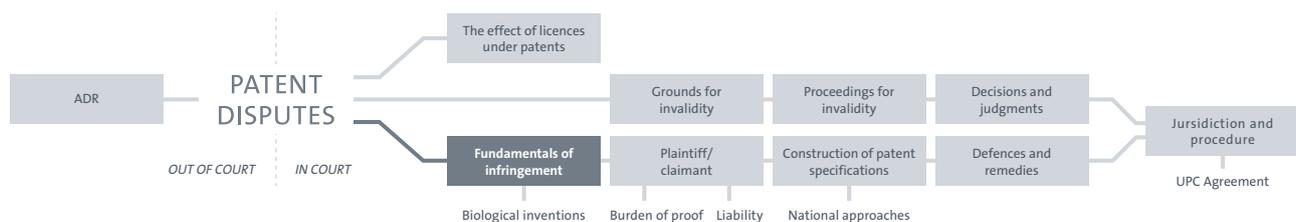
Hungary

Infringement court does not assess invalidity arguments

Defendant not necessarily party to revocation proceedings

Fundamentals of infringement

Essentials



General introduction

This module covers two fundamental aspects of patent protection: the scope of protection and the kind of conduct falling within the scope of protection that is prohibited by European national patent laws. We will start with the conduct which is prohibited.

According to the Trade Related Aspects of Intellectual Property Rights ("TRIPS") Agreement, given that a patent is an exclusive right, the patent proprietor has the right to prevent third parties who do not have the owner's consent from doing the following acts:

- making, using offering for sale, selling, or importing for these purposes the patented product, or
- where the subject-matter of the patent is a process, using offering for sale, selling or importing for these purposes at least the product obtained by the patented process.

With regard to the question of conduct prohibited by national laws, it is conventional to distinguish between direct and indirect infringement. The question which acts constitute direct and indirect infringement is not harmonised by the European Patent Convention ("EPC") and thus even today remains a question of national law. Nevertheless, the EPC Contracting States generally have very similar wording in their patent acts with regard to direct and indirect infringement. This wording is based on Articles 25 and 26 Community Patent Convention ("CPC").

Although in many cases the wording of the claim gives a clear indication as to whether it concerns a product or a process claim, in certain cases

Careful interpretation may still be required as to what the claim is intended to protect.

Mixed forms of claim have also been developed and accepted by the European Patent Office (“EPO”) and the national courts. Thus, one finds product-by-process claim. Such claims concern products which are not described by the characteristics of the product but in part or as a whole by a process of making the product. Product-by-process claims raise particular issues with regard to admissibility and scope of protection.

BGH, GRUR 2001, 1129 – “Zipfelfreies Stahlband”; *Rechtbank Den Haag*, 20.10.2010 – CEVA/BEA PHAR

Another category of claims are what are known as “use claims”. Such claims protect the specific use of a certain product, for example a chemical compound for a certain pharmaceutical treatment. Usually, such products are known, but not the use for which protection is claimed. It is also accepted that a patent can be granted for an additional new use of a known product even if another use is already protected (“second medical indication” patents). Such use claims also have a particular scope of protection.

G 1/83; BGH, GRUR 1983, 729 – “Hydropyridin”

A specific topic which regularly leads to legal issues is the territorial scope of patent protection. It is clear that any infringing conduct within the territory of a state will be considered an infringement under the national patent laws of that state. However, the question becomes more complicated if parts (or the whole) of the infringing activity is conducted outside the scope of a particular state.

The skilled addressee

Role

The ‘person skilled in the art’ (also known as the ‘skilled addressee’ or ‘skilled person’) is a concept of central importance in European patent law. As explained below, the person skilled in the art plays a crucial role in claim construction (**Article 69 EPC** and the Protocol on Interpretation) and thereby in determining the scope of protection conferred by a European patent.

The EPC also makes express reference to the person skilled in the art in the context of assessment of inventive step (**Article 56 EPC**) and insufficiency (**Article 83 EPC**).

This ‘person’ is a notional person who plays a key role in several aspects of patent law.

Characteristics

Under English law⁴, the person skilled in the art is someone ‘likely to have a practical interest in the subject matter of the invention’. The relevant art will usually be apparent from the specification itself. He or she is a construct.

Catnic v Hill & Smith [1982] RPC 183 at 242 (HL)

The person skilled in the art may, where necessary, be a notional team of people having different but complimentary skills. This is particularly likely where the art is one making use of a highly developed technology, which employs the combined skills of a number of individuals.

General Tire v Firestone [1972] RPC 457 at 485

The person skilled in the art is:

- a skilled technician who is well acquainted with workshop techniques in the relevant art and who has carefully read the relevant literature;
- a person who ‘if real, would be very boring – a nerd’, unimaginative with no inventive capacity;
- a person with excellent background knowledge – common general knowledge.

Technograph v Mills & Rockley [1972] RPC 346 at 355

Technip France SA's Patent [2004] RPC 46, §§ 7–10

The level of skill and academic or other training of the person skilled in the art may differ widely depending on what would be usual in that particular area of technology. Identification of the relevant characteristics of the skilled person may have an important bearing on the outcome of a case.

Under German law, the (average) person skilled in the art is not a real person but rather a fictitious or notional person with a professional background, qualification and practical experience as usually is possessed by the person who is entrusted with the development of technical improvements in an undertaking with a business in the area to which the teaching of the patent belongs. As under English law, the person skilled in the art may, where necessary, be a notional team of people having different skills. The capabilities, experiences and the methodology of this person skilled in the art is the general basis of the knowledge on which the patent, and in particular the claim wording, has to be understood and interpreted.

Under French law, the skilled person is a pure legal fiction, defined by the late Professor Jean-Marc Mousseron as “*a strange average technician having access to a vast amount of documents but with reasoning abilities limited to those of an average agent without any inventive capacity and with no ability to go beyond the obvious area surrounding his knowledge*”.

“*Technicien moyen étrange, il accède à une documentation considérable, mais ses facultés de raisonnement sont limitées à celles d'un agent moyen sans la moindre capacité inventive, sans la moindre aptitude à dépasser la zone d'évidence qui entoure les connaissances qu'il maîtrise.*” by Professor Jean-Marc Mousseron, *Traité des brevets*, Librairies techniques, 1984, pg 398.

⁴ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. However, jurisdictionally, the United Kingdom is divided in to three parts, England and Wales, Scotland and Northern Ireland. The proceedings in Scottish courts, however, differ markedly from those in the other jurisdictions.

Since around 2009, French judges rarely omit to define the field and skills of the skilled person: he usually is the manufacturer, and not the user, of the claimed product; it is also now clearly admitted that the skilled person may be a team when the technical problem solved by the patent is at the crossroads of several technical fields.

For example, the decision of the *Tribunal de Grande Instance (TGI) de Paris*, 3rd chamber, 3rd section, of 25 March 2009 (*Novartis v Johnson & Johnson*), held that:

“the person skilled in the art is a team made up of a polymer chemist whose objective is to develop suitable materials, of a physicist in charge of determining the physical properties of the lenses and of a clinician ophthalmologist specialised in contact lenses”.

The skilled person is defined as a specialist of average qualification or capacity in the field concerned: this can lead one to consider an intermediate technician for a relatively simple technical field and a highly qualified specialist in a more complex case.

The knowledge of the skilled person includes all the knowledge of his technical field, the knowledge of neighbouring fields involving identical or similar problems, the general knowledge which is not specific to the relevant field (for example general mechanical knowledge) and common sense; but does not include research data which are not yet validated. This knowledge is proved by documents, sometimes (but not frequently) with the help of party's expert opinion to clarify the meaning of documents exhibited by the parties.

The skilled person has the ability to make logical deductions and to perform routine operations as well as implementation work.

Common general knowledge

Definition

The concept of “common general knowledge” (“CGK”) is not defined by the EPC, but is generally considered to comprise the information which, at the priority date of the patent in question, would have been commonly known to appropriately qualified persons engaged in the technical field to which the patent relates.

CGK is also that which would generally be regarded as a good basis for further action by the bulk of those working in that particular field.

The scope and content of the CGK is important as it influences the skilled person's reading and understanding of the patent and of its claims. It also informs their reaction to the prior art and what approaches would have been considered (or rejected) when attempting to solve a particular technical problem.

CGK is not limited to material that the skilled person has at the front of their mind but will include material that would have been readily available and referred to in, for example, a standard textbook. It is not to be confused however with what is publicly available.

Proof

Procedures for proving common general knowledge vary across Europe. In the UK, for example, where there is no agreement, common general knowledge is established by expert evidence. This evidence will usually be supported by references to textbooks or other reference texts. Under German law, CGK mainly refers to knowledge which is not documented in writing. If there is a written document or publication, such document is usually the basis for the prior art. If no such written document exists, for example, if it concerns general practical experience which is not documented; the general practical knowledge of the person skilled in the art becomes relevant. In this context, CGK is often argued referring to both written documents and general practical experience.

At the EPO, CGK is normally proved 'by the content of encyclopaedias, handbooks and dictionaries on the subject in question'. However, 'special considerations prevail when a field of research is so new that technical knowledge is not yet available from textbooks.'

Direct infringement

Product claims

Making the product covers a range of manufacturing activities.

German law

Under German law, it is irrelevant whether the product is subsequently used in a patent-infringing way. The fact that a protected product is obtained as an intermediate product also constitutes a making of the product. A making of the product is established if a company uses third parties for manufacturing, but supervises the production and tests the final products itself. In principle, all the steps of the manufacturing process need to take place in the territory of Germany. The *Bundesgerichtshof* ("BGH"), German Federal Supreme Court, held that even if products are manufactured outside the protected territory this may constitute an infringing act if they are distributed within the territory, as there may be a sufficient likelihood of future manufacture in Germany.

BGH, GRUR 2012, 512 – "Kinderwagen"

“Offering the product” means any act by which the product is made available to third parties. The product offered does not have to have been manufactured or brought within the territory of Germany. Where the product is manufactured or where it is delivered from is also irrelevant. The BGH has even held that offering the product during the term of the patent, but delivering it after the term of the patent, constitutes a prohibited offering.

BGH, GRUR 2007, 221 – “*Simvastatin*”

The offer does not need to be an offer in a formal sense, leading to a contract after acceptance. General advertisements can suffice. A typical example is offering and showing a product at a trade fair. Also, for the alternative of offering a product, the principle of territoriality determines limits. Only an offering in Germany constitutes a relevant infringing act. This can be particularly problematic in the case of trade fairs. If the trade fair takes place within Germany, an offer or exposition of the product at such a fair is an infringing act. Offering and exposition of the product at a trade fair outside Germany will not automatically constitute an offer within Germany. Further factors, for example offering to a German customer, can suffice. A similar problem arises with offering via the internet. The fact that an internet offer can always be made from Germany is not sufficient to establish an offering in Germany. A closer economic connection is required. Such a closer link can be deemed to exist if the internet offer is directed to Germany (for example by means of the language used and the place of offering of the products).

BGH, GRUR 2005, 431 – “*Hotel Maritim*”

English law

Where the patent claim relates to a product, the patent will be infringed by any person who makes, disposes of, offers to dispose of, uses, imports or keeps the product.

Section 60(1)(a) Patents Act 1977

“Make” is an ordinary English word and the question of whether a person is making a product (as opposed to, for example, repairing an existing product) is a question of fact that will involve consideration of a number of factors, including whether the means supplied embody the inventive concept of the patent and whether the means have an economic existence separate from the article into which they are incorporated.

Schutz (UK) Ltd v Werit UK Ltd [2013] UKSC 16, [2013] 2 All ER 177

“Disposal” is understood as the giving up of physical possession of the product in the course of trade, or, more simply, putting the product on the market. Offers to dispose will include offers to sell, but “offer” should not be equated with the concept of an offer under English contract law: advertising a product for sale, for example, will amount to an offer to dispose for the purposes of patent infringement (whereas under contract law it might be regarded not as an offer but as an “invitation to treat”).

Gerba v Lectra [1995] RPC 383

“Uses” has its ordinary English meaning.

“Importation”, if interpreted consistently with the CPC, will not cover any kind of importation but only importation for making, offering, putting on the market or using a product which is the subject-matter of the patent. In essence the importation needs to be for commercial purposes. As to whom the importer is, this – if there is any dispute – has to be determined by reference to the contract of carriage for the goods in question.

Article 25 CPC

Sabaf SpA v MFI Furniture Centres Ltd
[2005] RPC 10

Finally, “keeping”, if interpreted in line with the CPC, is concerned with stocking products for the purposes of the other commercial acts that can amount to direct infringement (making, disposing, etc.).

Process claims

German law

“Using the process” means that all steps protected by the patent have been applied by the potential infringer. An exception can be made if the final act is conducted by a third party, provided that this act is foreseeable and will take place with certainty. Acts which concern a preparatory step do not constitute “use” of the process. The delivery of a device or machinery by which the patented process can be implemented, for example, does not constitute a direct infringement of a process claim (but could constitute an indirect patent infringement). Furthermore, all steps protected by the process need to be undertaken in Germany. Under certain circumstances, steps conducted outside Germany can be attributed to Germany, so that a direct infringement arises even if some of the process steps are conducted outside Germany.

Oberlandsgericht („OLG“), Higher Regional Court Düsseldorf, 15 May 2014 – I 2 U 74/13 – “Zielführungssystem”

OLG Düsseldorf, InstGE 11, 203 – “Prepaid-Telefonkarte”

Under German law, the requirement that the product must be **directly** obtained by the process can be deemed to be met if the product is a direct (chronological) result of the patented process and no further steps of processing or treatment are required. The fact that a product directly obtained becomes part of a larger unit or is subsumed into a product does not absolve the infringement. However, “directness” is not only established in a direct chronological context. The patented process does not need to be the last step which leads to the infringing product. What is important is that the product obtained by the patented process maintains its characteristics. If such characteristics are lost, or the product has no independent importance in the challenged combination, the combination will not be a “directly obtained” product.

OLG Karlsruhe, InstGE 11, 15 – “SMD-Widerstand”; OLG Düsseldorf, 14 January 2010 – I-2 U 124/08

These principles can also be applied if a product directly obtained by the process is mixed with another product, as, for example, in a chemical composition. The question will be whether the product directly obtained by the patented process maintains its characteristics in this composition and has an independent importance.

OLG Düsseldorf, 4 October 2002 – VI-U (Kart) 44/01

Under German law, it is ultimately a question of fact and degree whether an alleged infringement which partially or at an earlier stage has been obtained by the patented process is still a product directly obtained by the patented process.

English law

Where the invention is a process, use of the patented process in the UK will infringe the patent, regardless of the state of knowledge of the infringer.

Section 60(1)(b) Patents Act 1977

Offering a process for use in the UK will only constitute infringement if a knowledge requirement is satisfied: the person making the offer must know, or it must be obvious in the circumstances, that the use of the process in the UK would be an infringement of the patent. This implies knowledge of the patent itself, not just of the invention. (Compare indirect infringement, for which the knowledge requirement concerns the invention, not the patent itself.)

Dealings in the UK in products “obtained directly by means of the patented process” may also infringe. The relevant infringing acts are disposing, offering to dispose, using, importing or keeping. It does not matter where the process is carried out. “Obtained directly” requires the product alleged to infringe to be the direct and immediate result at the end of applying the patented process – directly being given the same meaning as the German word “*unmittelbar*” (without intermediary). However, further processing of the product is permitted, provided the product retains its essential characteristics and does not lose its identity.

Section 60(1)(c) Patents Act 1977

Pioneer v Warner [1997] RPC 757

Use claims

German law

The German courts recognised very early on that not only actual use constitutes a prohibited act, but that also preparatory steps for such use are covered by use claims. The courts have developed the teachings that even a goal-oriented preparation of a substance for use amounts to prohibited conduct (“*sinnfälliges Herrichten*”). An important limitation to such preparatory acts is that the product needs to be prepared for the specific protected use. This can, for example, be the case if the product is manufactured and specific instructions for use are included with the product package. Nevertheless, the boundaries between preparatory acts falling within the scope of use claims and those outside their scope are not always clear. If the conclusion is that the preparatory act is not clearly meant for the protected use, the question will also arise as to whether such preparatory act does not constitute an indirect infringement of such use claims.

BGH, GRUR 1992, 305 – “*Heliumeinspeisung*”;
BGH, GRUR 2001, 730 – “*Trigonellin*”;
BGH, GRUR 2014, 464 – “*Kollagenese II*”;
OLG Karlsruhe, GRUR 2014, 764 – “*Verwendungspatent*”.

See for example, LG Düsseldorf,
14 March 2013, 4a O 145/12 – “*Ribavarin*”

English law

Use claims, when in the form of “Use of X as ...” are treated as a type of process claim.

In the medical field, methods of treatment by therapy or surgery are excluded from patentability, but claims of the form “(substance X) for use in the treatment of (medical condition Y)” are permissible. Claims of this form (purpose-limited product claims) are treated as second medical use claims for the purpose of novelty and are only anticipated by a prior disclosure of the use of X for the treatment of Y.

Prior to the implementation of the EPC 2000, “Swiss-form” claims (“use of X in the manufacture of a medicament for the treatment of Y”) were permitted. The Patents Court has considered the requirements for infringement of such a claim and held that the word “for” in Swiss-form claims imports a requirement of subjective intention on the part of the manufacturer that the medicament or pharmaceutical composition will be used for treating the specified condition. (NB This is a very recent decision which may be appealed.)

Warner-Lambert v Actavis [2015] EWHC 72 (Pat)

Warner-Lambert Company LLC v Generics (UK) Ltd (t/a Mylan) & Ors [2016] EWCA Civ 1006

Indirect infringement

Germany

Under German law a number of requirements must be fulfilled for a finding of indirect infringement:

- A third party supplies or offers, within the territory of Germany, means relating to an essential element of the invention, and these means are suitable and intended to exploit the invention.
- The means are offered or supplied to a person who is not entitled to exploit the patented invention.
- Further, the third party must act without the consent of the patentee.
- The customer intends to use the supplied means in an infringing manner.
- The person offering or supplying knows **or** it is obvious from the circumstances that such means are suitable **and** intended for exploiting the invention.
- The means are not staple commercial products, unless the person offering or delivering these means induces the recipient to act in a directly infringing manner.

First, the offered or supplied means must relate to an essential element of the invention. The BGH has construed the term “means relating to an essential element of the invention” rather widely. A means relates to an element of the invention if it is capable of functionally interacting with one or more features of the patent claim as to implement the protected invention. A means is, in general, essential when it is part of the patent claim, irrespective of whether or not it is part of the characterising part of the patent claim.

BGH, GRUR 2004, 758 – “Flügelradzähler; BGH, GRUR 2005, 848 – “Antriebs-scheibenaufzug”; BGH, GRUR 2006, 570 – “Extracoronales Geschiebe”

BGH, GRUR, 2007, 773 – “Rohrschweiß-verfahren”

Furthermore, the means must be suitable and intended to exploit the patented invention. The “suitability” is assessed based on the objective character of the item which is offered or supplied. The suitability requires that a direct infringement is possible when the means offered or supplied are used together with other means or used in a process. Therefore, an assessment of a potential direct infringement must be made. It is not necessary that the patented teaching is actually used.

BGH, GRUR 2005, 848 (850) – “Antriebs-scheibenaufzug”

It is necessary that the means are offered and supplied for the use in the patented invention. Hence the circumstances and perceptible intentions of the parties concerned must lead to the conclusion that the recipient will use the means in an infringing manner. The offering and supplying of the means as well as the intended use of the patented invention must take place in Germany (double territorial reference). The intention to use in Germany also is given in the event of an intended re-import.

BGH, GRUR 2007, 313 – “Funkuhr II”

The offering or supply must take place vis-à-vis a person who is not entitled to exploit the patent. Entitlement can result from the permission of the patentee, right of prior use, compulsory licence, order for exploitation or the use of exhausted products with fuel, repair materials or spare parts, unless the latter leads to a re-manufacture of the device.

The offeror or supplier needs to have sufficient knowledge of the suitability and intention to exploit the patented invention or the suitability and intention are obvious in the circumstances. This requirement regularly creates difficulties if the means can also be used in a non-infringing way. In this case, the injunctive relief can be limited to the infringing use as, for example, specific warning references or an obligation to agree on a cease and desist for the infringing use.

BGH, GRUR 2007, 679 – “Haubenstretch-automat”; LG Düsseldorf, 4b O 108/03 – “Kaffeekapseln”

Finally, German law provides for an exception to indirect infringement for goods which are freely available on the market, so-called “staple goods” (e.g. nails, screws, wires, resistors, chemicals, etc.). However, the exception does not apply if the supplier (deliberately) induces the recipient to use the staple goods in an infringing way.

United Kingdom

The elements of indirect infringement in the United Kingdom are essentially the same as in Germany, which is not surprising, given that the statutory provisions have their basis in the CPC. A person will infringe a patent if:

- while the patent is in force and without the consent of the proprietor,
- he supplies or offers to supply in the United Kingdom
- a person other than a licensee or other person entitled to work the invention
- with any of the means, relating to an essential element of the invention, for putting the invention into effect
- when he knows, or it is obvious to a reasonable person in the circumstances,
- that those means are suitable for putting, and are intended to put, the invention into effect in the United Kingdom.

The statutory provisions further stipulate that there will be no infringement if the supply or offer to supply is related to a “staple commercial product”, unless the supply or offer to supply is made for the purpose of inducing the person supplied, or to whom the offer is made, to do an act which would infringe the patent.

Accordingly, the supply or offer to supply must be in the United Kingdom, and the means supplied must be suitable for, and intended to put the invention into effect in, the United Kingdom.

The person to whom the supply is made or offered must be a person other than a licensee or other person entitled to work the invention. A purchaser of a machine protected by a patent may be impliedly licensed to obtain and use components needed in order to operate the machine. For example, it was held that purchasers of a coffee machine were impliedly licensed to obtain coffee capsules compatible with the machine from third parties, in the absence of any restriction having been placed on the purchaser to prohibit this by the patentee.

Nestec v Dualit [2013] RPC 32

Whether or not the means supplied relates to an essential element of the invention will be a question of fact, to be decided in each case. The English Patent Court has indicated that not every feature in a patent claim is necessarily an essential element of the invention. However, there has not been a great deal of case law on the point. In *Nestec v Dualit*, the UK court decided to follow the German approach, and a coffee capsule was held to be a “means relating to an essential element”, as the flange of the capsule plays a significant role in the way in which the claimed invention works.

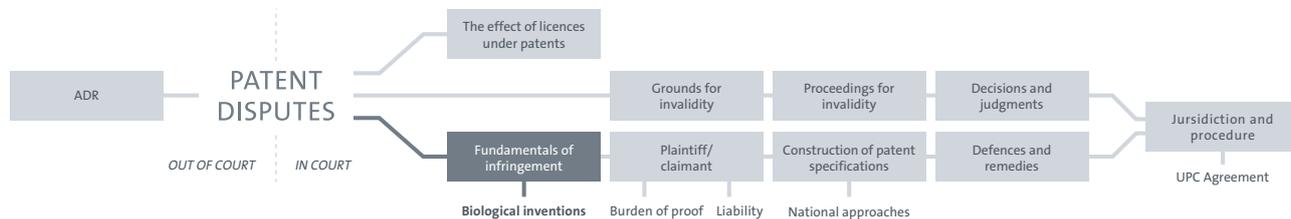
Schutz v Werit [2010] FSR 22

The means must be suitable for putting the invention into effect. This may involve an assessment, for example, of whether the person supplied, or ultimate consumers, make the patented article, which will involve the consideration of a number of factors (see the section above regarding direct infringement).

Finally, there is the knowledge requirement, for which there are both subjective and objective considerations: the person supplying the means, or offering to supply them, must know, or it must be obvious to him in the circumstances, that the means are suitable for putting the invention into effect and intended to do so. This condition will be satisfied if the person knows, or it is obvious in the circumstances, that at least some end users will use the means to put the invention into effect.

*Grimme Maschinenfabrik GmbH & Co KG v
Scott* [2010] EWCA Civ 1110

Biological inventions (Supplementary reading)



Definition

Inventions relating to biotechnology are specifically addressed in **Directive 98/44/EC (“Biotech Directive”)**, which was incorporated into the Implementing Regulations to the European Patent Convention (EPC) in 1999 in order to ensure uniformity in harmonised European patent law.

Article 3(1) Biotech Directive states that “inventions which are new, which involve an inventive step and which are susceptible of industrial application shall be patentable even if they concern a product consisting of or containing biological material or a process by means of which biological material is produced, processed or used.”

“Biological material” is defined in **Article 2(1)(a)** as “any material containing genetic information and capable of reproducing itself or being reproduced in a biological system”.

Scope of protection

The scope of protection conferred by a European patent for a product containing or consisting of genetic information is referred to in **Article 9 Biotech Directive** and “shall extend to all material, save as provided in **Article 5(1)**, in which the product is incorporated and in which the genetic information is contained and performs its function.”

The Court of Justice of the European Union, (“CJEU”) held that the protection provided for in **Article 9** was not available when the genetic information has ceased to perform the function it performed in the initial material from which the material in question was derived.

C-428 Monsanto Technology LLC v Cefetra BV [2010] EC1 1-0000

Accordingly, it seems that a claim to a DNA (or RNA) sequence will only be enforceable in the EU where the sequence is capable of performing its function.

Plaintiff/claimant

Essentials



The patent proprietor as plaintiff/claimant in infringement proceedings

In a patent infringement action and/or any other protective measure, the plaintiff/claimant will normally be the proprietor of the right, i.e. the owner of the patent.

Under national patent laws, normally the person who is registered in the national register as the patent proprietor is considered the proprietor of the patent. In most European Patent Convention (EPC) contracting states, the registered proprietor – even if he is not the legal owner under substantive law, for example due to a transfer of rights which has not (yet) been recorded – may, therefore, file an infringement action and damages claim and/or a request for protective measures or a preliminary injunction.

After the national validation of a European patent, the original patent proprietor may transfer any national part of his European patent to different persons and/or entities. As a consequence, the actual patent proprietor of a European patent may vary from member state to member state. This does not, however, give rise to any problems in the current national court systems, as the proprietor of the respective national part of the European patent is decisive for national infringement proceedings.

Under the national systems, patent proprietors who file an infringement action have, if required, to prove their right to sue. For this purpose, in many EPC contracting states, for example Germany, they may submit an extract and/or certification from the national patent register concerned. This means that, in a number of EPC contracting states, the registration of a patent assignment, including the registration of the assignee as the

Article 4 of the Enforcement Directive (2004/48/EC of the European Parliament and of the Council of 29 April 2004)

Member States shall recognise as persons entitled to seek application of the measures, procedures and remedies referred to in this chapter:

- the holders of intellectual property rights, in accordance with the provisions of the applicable law;
- all other persons authorised to use those rights, in particular licensees, in so far as permitted by and in accordance with the provisions of the applicable law.

The registered patent proprietor may enforce a granted patent

The status of the patent proprietor can usually be verified from the national register concerned.

new patent proprietor, is a mandatory condition for the assignee to sue patent infringers if ownership is disputed by the defendant. However, in the UK and Denmark for example, non-registered patent proprietors may also file infringement actions, and the patent registry is not definitive proof of ownership of the patent. In the Netherlands, conversely, a registered patentee would not be able to enforce the patent if it had been transferred and the register had not yet been updated.

Co-owners as plaintiff/claimant in infringement proceedings

If a patent is owned by more than one person or entity, under the current national legislation in the European Union, each of the proprietors owns a share of the patent. The co-owners may enter into an agreement as to who has the right to sue.

Generally speaking, the statutory requirements of the co-owners' right to sue are the same throughout Europe. In other words, each co-owner may enforce the patent by himself.

However, the legal requirements and consequences relating to the co-owners' right to sue differ from country to country.

- **In the United Kingdom**, Section 66 of the Patents Act 1977⁵ states that any of the co-owners may file a claim in respect of an alleged infringing act, but such a co-owner must make all the other co-owners party to the proceedings as co-defendants. It also states that the non-participating (defending) co-owner(s) are not liable for any costs or expenses arising from the proceedings.
- **In France**, under Article L. 613-29 of the *Code de la propriété intellectuelle* (Intellectual Property Code), any co-owner may sue a third party for patent infringement. However, the co-owner who files an action for infringement must forward a copy of his filed claims to the other co-owners, thereby notifying them of the action he has initiated. The proceedings are stayed until it is shown that such notification has been made.
- **In Germany**, the *Patentgesetz* (German Patent Act) (PatG) does not contain any specific regulation regarding co-ownership. For this reason, Section 1011 of the *Bürgerliches Gesetzbuch* (German Civil Code) (BGB) applies by analogy. In other words, any co-owner may enforce the patent without notification to or the consent or obligatory involvement of the other co-owner(s) in the proceedings.

Patent co-owners' right to sue

Co-owners may individually file an infringement lawsuit against an alleged infringer.

For an international overview see point 7 of AIPPI summary report of AIPPI, question Q194 (www.aippi.org).

⁵ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

- **In the Netherlands**, according to Article 66 of the Netherlands Patents Act, any co-owner has the right to enforce his patent against an alleged infringer without the consent or notification or obligatory involvement of the co-owner(s). However, the alleged infringer as defendant cannot file a counterclaim for revocation of the patent if not all the co-owners are participating in the proceedings.

The licensee as plaintiff/claimant in infringement proceedings

Licensees as plaintiff/claimant

Most European jurisdictions distinguish between the rights of exclusive and non-exclusive licensees to sue in their own name. Licensees may often intervene in patent litigation procedures.

Patent proprietors may grant a licence to other parties to exploit their patents. When negotiating the terms of the licence, one of the key issues is usually to establish the extent to which the licensee has the right to enforce the patent against third-party infringers. Regulations in the EPC contracting states differ from country to country.

In several EPC contracting states, the status of the licensee can easily be proven by producing a register extract from the respective national patent office. However, not every kind of licence or licensee can be registered in every country.

- **In the United Kingdom**, an exclusive licensee may file an infringement action in his own name. According to Section 67 of the Patents Act 1977, the holder of an exclusive licence has the same rights as the proprietor of the patent with respect to any infringement of the patent committed after the date of the licence. However, where an exclusive licensee files an infringement action, the patentee must be formally joined as a co-defendant in the action, unless the patent proprietor agrees to join the action as a claimant. The patent proprietor is not liable for any costs if he does not take part in the proceedings. Note that if the exclusive licence is not registered, the exclusive licensee will not be entitled to recover the costs of the action, should he win.

Non-exclusive licensees have no statutory right to sue for infringement. So even if the licensor was to grant a contractual right to file an infringement claim, a non-exclusive licensee would be unable to do so in the UK courts. Non-exclusive licensees may rely upon relevant contractual provisions of the licence to compel the patent proprietor to bring infringement proceedings, or to be joined in the proceedings. However, there is no formal entitlement to intervene in the litigation.

- **In France**, Article L. 615-2 of the *Code de la propriété intellectuelle* states that if the licence agreement does not state otherwise, only an exclusive licensee may sue for alleged patent infringement, as long as the exclusive licence is registered in the French (or European) patent register and provided that the owner of the patent does not institute such proceedings, after receiving specific written notice of the licensee's intention to sue.

In France, non-exclusive licensees do not have the right to sue in the event of an alleged infringement. Any licensee, even a non-exclusive or non-registered one, may voluntarily intervene in infringement proceedings which have been initiated by the patent proprietor to claim for damages.

- **In Germany**, the position of the exclusive licensee is close to that of being the patent proprietor. He may file an infringement action and claim injunctive relief and damages, as from the date of grant of the exclusive licence. If the exclusive licence does not cover all possible forms of use of the patent, the licensee's right to sue is limited to its scope. In infringement proceedings, the licensee must also prove that the exclusive licence was validly granted by the registered patentee, e.g. by producing the licence agreement. As an exclusive licensee may only request that the notice of grant of the exclusive licence, (but not the name of the licensee as such), is entered in the registry by the *Deutsches Patent- und Markenamt* (German Patent Office), the submission of a register extract is not considered to be sufficient evidence of proprietorship.

With regard to non-exclusive licensees' rights to sue under German law, a distinction must be made between the different exclusive rights arising under the patent. As claims for injunctive relief and destruction may only be transferred together with the patent, a non-exclusive licensee may not assert such claims in his own name but only in the name of the patentee/licensor. In order to do so, the licensee must (1) be authorised to do so by the patentee/licensor and (2) have an interest in enforcing the patentee/licensor's rights. In contrast, claims for damages, compensation and rendering of account may be asserted by non-exclusive licensees in their own name, provided they can prove that such claims have been assigned to them by the patentee/licensor.

- **In the Netherlands**, under Article 70 of the *Octrooiwet* (Netherlands Patents Act), licensees do not have the right to file a claim for an injunction in their own name. They may, however, request an injunction in infringement proceedings in the name of the patentee, on the basis of a power of attorney granted by the patentee. Licensees may also act as co-plaintiffs alongside the patentee or intervene in infringement proceedings initiated by the patentee in order to obtain direct compensation for damages or be paid a proportional share of the profits by the defendant. The licence has effect vis-à-vis third parties if it is registered (although third parties could also be notified by other means).
- **In Hungary**, only registered licensees (whether exclusive or non-exclusive) may lodge an infringement case on their own behalf. They must first invite the patent proprietor to take appropriate steps against the alleged infringer. They may only lodge an infringement action if the patentee fails to take action within thirty days of the said invitation.

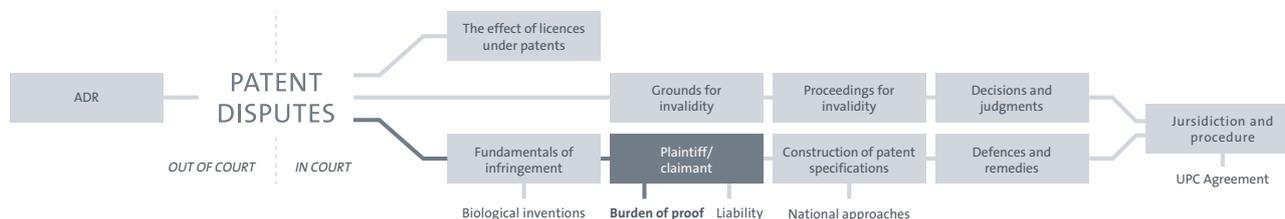
The plaintiff/claimant in revocation proceedings

In most EPC contracting states, anyone may file a revocation (invalidity) action against the proprietor(s) of a granted patent. There is usually no need for a declared commercial interest. In France, however, the plaintiff/claimant in a revocation action must have standing to bring his claim (either because the patent has been asserted against him or because he is a competitor of the patentee, and thus has an interest in clearing the way). In most EPC contracting states (including Germany and Denmark), if the ground for revocation is that the patent was granted to a person not entitled to the invention, only the person claiming to be the true proprietor may seek revocation or amendment of the patent.

Plaintiff/claimant in revocation proceedings

In most EPC contracting states, anyone may file a revocation action against a patent in force, regardless of whether or not they have a proven legal or economic interest.

Burden of proof (Supplementary reading)



Burden of proof

National laws – General

In most legal systems, the burden of proving a fact is generally on the party relying on that fact. Accordingly, in infringement proceedings, the claimant has to prove the infringing act(s), and that a given product or process falls within the scope of protection afforded by the patent. In contrast, the alleged infringer must prove the facts on which possible exceptions or defences are based.

Generally speaking, only contested facts have to be proven by evidence (see, for example, Section 138(3) *Zivilprozessordnung* (German Civil Procedure Code) (ZPO) or Article 115(2) *Codice civile* (Italian Civil Code)). However, in France this is not yet established case law.

The standard of proof is usually that of a preponderance of the evidence. This means that a given fact must be more probable than not. It is not necessary to exclude “all reasonable doubt” (e.g. Italy: Cass. Civ. Oct. 222013, No. 23933; Cass. Civ. Jul. 8 2010 No. 16123; Germany: Section 286 ZPO). In the UK, the relevant standard of proof for a fact is the balance of probabilities, i.e. the judge must be convinced that it is more probable than not that a given fact is true.

There are certain circumstances in which the burden of proof may be reversed, in particular when it comes to process claims. This is discussed further below.

UPCA – General

The general rule on the burden of proof is set out in Articles 54 and 55 UPCA. **Article 54** states that the burden of proving facts is on the party relying on those facts. However, this rule applies without prejudice to Article 24(2) and (3) UPCA, when the Court applies national law. Article 54 may not therefore apply in circumstances where the Court applies national law, in particular that of a non-contracting state. By way of example, this may be the case in infringement proceedings concerning a

General rule

The burden of proving a fact is on the party relying on those facts.

Facts to be proven

Only contested facts in some jurisdictions

Standard of proof

Reasonable level of certainty

Cass. Soc. 16 November 1972, case No. 72-40.080 Bull. Civ. V. n.626 (p. 571), and Cass. Civ. 1, 3 January 1980, case No. 78-12.753 Bull. Civ. I, n. 7 (p.6)

Article 54 UPCA sets out the general rule on the burden of proof

The burden of proving facts shall be on the party relying on those facts.

European patent under Article 64(3) EPC, in particular where a state is an EPC contracting state but not a UPCA contracting state.

Despite Article 54 UPCA not applying in these circumstances, the impact of national law is likely to be low, as the basic principle set out in Article 54 is widely accepted and applied (for example, it is suggested in the Principles of Transnational Civil Procedures, 21.1).

Article 55 UPCA sets out two situations where the burden of proof is reversed, both of which apply to scenarios where a product has been derived from a process. These are discussed in more detail below.

Article 55 UPCA sets out when the burden of proof is reversed in process claims.

Reversed burden of proof for process claims

Under national law

Pursuant to Article 34 of the TRIPS Agreement, where a patent claim concerns a process for obtaining a product and an identical product is then produced without the proprietor's consent, the contracting states are required to legislate to reverse the burden of proof (i.e. the identical product will be deemed to have been obtained by the patented process) in at least one of the following circumstances:

- If the product obtained by the patented process is new; or
- If there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used.

By way of example, in Germany and the UK, the burden of proof is reversed in case (a) above. In contrast, in Italy and France the burden of proof is reversed in both cases (a) and (b).

Under the UPCA

Pursuant to **Article 55 UPCA**, a reversal of the burden of proof applies to process claims in infringement proceedings. Products are deemed to be obtained by a patented process, i.e. the burden of proof is reversed, in two specific scenarios:

- The product allegedly manufactured using the patented process is new; and
- There is a substantial likelihood that an identical product has been manufactured using the patented process, but the proprietor has been unable, despite reasonable efforts, to establish what process has in fact been used.

It can be seen that Article 55 UPCA therefore reflects Article 34(1) of the TRIPS Agreement (as discussed above in the context of national laws).

TRIPS Agreement

The burden of proof is reversed in at least one of two scenarios involving the derivation of a product from a process.

Article 55 UPCA

A reversal of the burden of proof applies in both of the two possible scenarios envisaged by Article 34 of the TRIPS Agreement.

However, unlike the TRIPS Agreement, the contracting states cannot choose to reverse the burden of proof in only one of the two scenarios.

As an aside, it is evident that Article 55 UPCA therefore strengthens the position of proprietors of process claims vis-à-vis the TRIPS Agreement in those contracting states that chose to reverse the burden of proof in only one of the two scenarios (for example, Germany and the UK). The position will not be affected in those contracting states that reversed the burden of proof in both scenarios under the TRIPS Agreement (for example, France and Italy).

Article 55(1) UPCA

Pursuant to Article 55(1) UPCA, if the subject-matter of a patent is a process for obtaining a new product, then an identical product produced without the consent of the proprietor will, in the absence of proof to the contrary, be deemed to have been obtained by the patented process.

Therefore, the proprietor will only have to prove that the product is new and that there is “identity” between the product obtained with the patented process and the one obtained by using the alleged infringing process. While the debate as to the correct interpretation of the expression “new product” is ongoing, it appears to have been widely accepted that the expression “identical product” does not exclude products with minor and/or insignificant differences.

Article 55(2) UPCA

Pursuant to Article 55(2) UPCA, in the case of known products, where there is a substantial likelihood that an identical product was manufactured using the patented process, but the proprietor has been unable, despite reasonable efforts, to establish what process has, in fact, been used, it will be presumed that the identical product was manufactured using the patented process.

The rule extends the reversal of the burden of proof in cases involving process claims to include known products.

Exception to applicability of Articles 54 and 55 UPCA

As set out above, Articles 54 and 55 UPCA may not apply when the Court applies national law, in particular the national law of a non-contracting state.

Article 55(1) UPCA

Claims directed at obtaining new products: the identical product can be deemed to have been obtained by the patented process.

Article 55(2) UPCA

Claims directed at obtaining known products – reversal of the burden of proof if

- a substantial likelihood exists that the identical product was made by the patented process and
- the proprietor has been unable, despite reasonable efforts, to determine the process actually used.

Exception to the applicability of Articles 54 and 55 UPCA

National law may provide for different rules governing when the burden of proof is reversed.

Typical facts in an infringement claim

Typical facts relied upon by claimants

In a typical case, the claimant (i.e. proprietor or exclusive licensee) may be claiming an injunction and damages for the alleged direct infringement of a product claim. Pursuant to the general rule set out in Article 54 UPCA, the claimant will offer evidence for the following facts:

- The product falls within the protection of one or more of the product claims of the patent.
- The defendant is engaged in one or more of the actions indicated, for instance, in Article 25 UPCA:
 - making
 - offering
 - placing on the market
 - using
 - importing or
 - storing the product for the above purposes.

Pursuant to Article 68 UPCA (which concerns the award of damages), the claimant must prove that the infringer either:

- knew, or
- had reasonable grounds to know,

that they were engaging in an infringing act.

Article 68 may be interpreted in such a way as to require the court to establish whether the claimant has provided a translation of the patent to the infringer in accordance with Article 4 of Regulation 1260/2012. As Article 68 UPCA reflects Article 13(1) of Regulation 48/2004 (and thus is derived from EU law), it may require an autonomous interpretation.

Typical facts relied upon by the defendant

In a typical case, the defendant (i.e. potential infringer) may raise a number of issues in addition to denying infringement (due to the claims of the patent not covering the alleged infringing product/process) or asserting that the patent is invalid. For example:

- The defendant may claim that it has the proprietor's consent (i.e. a licence). The burden of proof is on the defendant to prove that consent has been given and that such consent covers the infringement in issue.
- Subject to national law, the defendant may raise one or more of the exceptions in Articles 27 to 29 UPCA. For example, it might claim, and therefore need to prove, that (a) the allegedly infringing acts were done privately and for non-commercial purposes (Article 27), (b) he

Typical facts relied upon by claimants

A given product falls within one or more of the product claims of the patent.

The defendant is engaged (or is about to be engaged) in one or more of the acts indicated in Articles 25 to 26.

Further facts relied upon by the claimant

Facts that show that the engagement in an infringing activity occurred knowingly or with reasonable grounds to know.

The existence and scope of any consent or licence

The exceptions in Articles 27 to 29 UPCA

would have had, in a contracting state, a right based on prior use of that invention (Article 28), or (c) the product was placed on the market in the EU by, or with the consent of, the proprietor (Article 29).

As regards specific exceptions, such as exhaustion (Article 29 UPCA), the Court of Justice of the European Union (CJEU) case law has seen a shift in the burden of proof.

Actions for threats in common law countries

Introduction to threats legislation

The UK and the Republic of Ireland have “threats” provisions. The position is broadly comparable, so the following summary refers to the UK position only.

Threats to potential infringers may be unlawful, depending on the nature of the infringer.

This aspect of intellectual property (IP) jurisprudence first arose in UK legislation in 1883 and in due course found its way into the relevant legislation in all countries forming part of the British Empire, as it then was. It came about because of the concern felt in industry at the time that unjustified threats of litigation could have disproportionately negative effects on the recipients of such threats. The expense of IP litigation, for example, could be used to stifle competition, particularly in the hands of the unscrupulous. Therefore a new tort was created making it illegal to unjustifiably threaten a party with infringement proceedings, regardless of whether or not the threat was made *bona fide*. Since then, the law on this topic has swung back and forth, but is still present in many jurisdictions.

Section 70 of the UK Patents Act 1977 outlaws certain “threats” of patent infringement proceedings. The philosophy behind this section is that proprietors should raise issues of infringement with primary infringers (manufacturers and importers) rather than secondary infringers (such as distributors and ultimate customers). In particular, there is a concern that customers may be dissuaded (without assessing the merits of the allegations) from purchasing products if they are threatened with potentially complex and expensive legal proceedings.

The UK has recently reconsidered whether threats should continue to be outlawed, bearing in mind in particular the fact that the provisions are not the same for all IP rights. The outcome of this consultation was that the threats provisions should continue, and that they should be harmonised across all IP rights and extended to unitary patents. It has therefore been proposed that the existing legislation be revised; at the same time, it is understood that the changes, whilst important, will not significantly affect the way in which the legislation works in practice.

What is a threat?

There is no statutory definition of what constitutes a threat. The only guidance is that a “mere notification” of a patent right is not a threat. Case law suggests, however, that going beyond a mere notification is likely to be regarded as a threat. For this reason, it has become common practice simply to send a copy of the relevant patent, drawing its existence to the attention of the recipient. Sometimes the patent is accompanied by a letter written “without prejudice”, offering a settlement.

What constitutes a “threat” is very widely interpreted, although a “mere notification” is not a threat.

It is also permissible to ask secondary infringers for information as to who the primary infringer is, if this is not known.

Mere requests for information are not threats.

Lawful threats

As mentioned above, it is perfectly lawful to issue threats against primary infringers, namely manufacturers and importers. One difficulty that proprietors often have, however, is that they do not necessarily know whether a person who is marketing the product is a primary infringer. That person may merely be a distributor. In these circumstances (that is, if the proprietor is not 100% sure as to the position), it is necessary to exercise caution. However, if the proprietor believes that the person is a primary infringer, he can write to him, and can also ask him, if he is not the primary infringer, for information about the primary infringer.

It is lawful to “threaten” primary infringers.

However, where the proprietor believes, on balance, that the infringer is a secondary infringer, then any letter should be written purely as a request for information as to the identity of the primary infringer, or merely notifying the person of the existence of the patent rights.

Actions against threats

Potential claimants

Any person “aggrieved” by a threat can bring proceedings. This includes not only the person who receives the threat, but also the person or persons supplying the threatened person with the allegedly infringing goods (who will usually be the primary infringer, i.e. the manufacturer or importer).

Anyone aggrieved by a threat may be able to bring an action.

Potential defendants

An action may be brought by the person aggrieved against anyone issuing a threat, as well as against the person on whose behalf the threat is made. In the UK, the usual situation is that a solicitor will write on behalf of his client to an alleged infringer, and that that person may then bring proceedings against the solicitor’s client. However, he may also bring

Both the party making the threat, and the party on whose behalf the threat is made, are potentially liable.

an action against the firm of solicitors that wrote the letter. For that reason, UK solicitors are very careful about writing letters which may be considered as threats, and will often require indemnification from their client before doing so.

The law may, however, change in the near future to allow regulated professionals immunity from threats actions where they act upon instructions received from a client that has been identified.

Defences to threats actions

There are two basic defences which are normally pleaded. The first is that the alleged threat is, in fact, not a threat. For the reasons explained above, this defence usually fails. The second, and more important, defence is that the threat was justified, i.e. that the patent is, in fact, valid and infringed.

Common defences

- It was not a threat and/or
- The patent is valid and infringed (i.e. the threat was justified)

Generally speaking, the defendant will not only plead that the threat was justified, but will also file a counterclaim for infringement, which in most cases will be met by a further counterclaim that the patent is invalid. The overall effect is that the threats action turns into a patent infringement action with the usual defence of invalidity.

Remedies in threats actions

As is usual in UK litigation, the remedies that can be applied are injunctions (to prevent further threats), damages and costs. Interim injunctive relief may also be available.

Remedies include injunctions, damages and costs.

UK threats and the UPC/unitary patents

For obvious reasons, the UK courts at present only deal with threats which are made in the UK relating to EP(UK)s or national UK patents. The advent of the UPC, therefore, causes a very significant complication.

The interplay between unitary patents and UK threats legislation remains open to interpretation.

For example:

- Lawyers for German company A write to French company B alleging infringement of a unitary patent owned by A, and threatening UPC proceedings which would seek an injunction, damages etc. This would (inevitably) have pan-European effect. The UK court would arguably have jurisdiction to entertain a threats action by the French company and/or the person supplying the French company with the goods because the injunction threatened by the German company would apply in the UK by reason of the unitary patent covering the UK. If in defence it is alleged that the threat was justified because the unitary patent was valid and infringed, the UK court would have to determine the issues of infringement and validity, even though no relief could be granted other than in respect of the alleged “threat” itself.

– A similar problem arises with conventional bundle patents. If instead of being the proprietor of a unitary patent, Company A is the owner of a bundle containing an EP(UK) and makes a more general threat than the specific EP(FR), then this might be construed as a threat by the UK court, even though the action which had been threatened was in the UPC. In this scenario, the UK court would have jurisdiction to hear not only the defence of infringement of a valid claim, but also a counterclaim for infringement and a subsequent further counterclaim for revocation, at least during the transitional period (Article 83(1) UPCA).

The UK legislature is aware of these issues and is currently reviewing how it might limit the effects as described above potentially by bringing in national limitations.

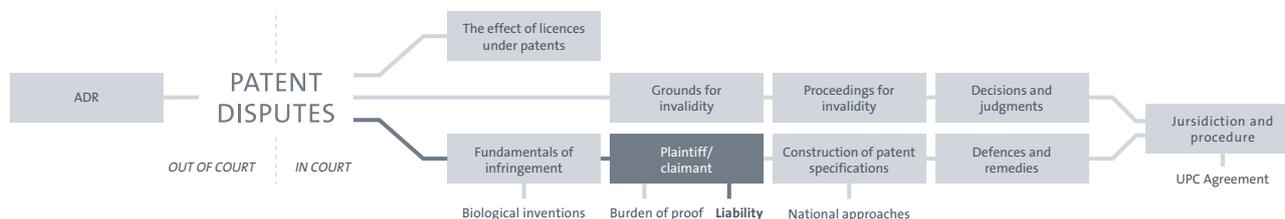
Similar concepts in other jurisdictions

Other jurisdictions which do not have codified legislation to restrain unwarranted threats of infringement may nevertheless offer the possibility of seeking redress by way of unfair competition law.

Unfair competition laws are similar to threats laws.

For example, under German law, an unjustified warning letter could be considered an act of unfair competition. A warning letter can be unjustified if the patent is invalid or if the warning letter is misleading or incomplete (e.g. because it does not disclose a negative validity decision). If the letter is sent to the customer of a primary infringer (German: *Abnehmerwarnung*), the requirements for a complete and truthful approach are even higher, as such customers are more likely to simply accept the allegation of infringement without their own legal analysis and just stop purchasing the allegedly infringing products from the manufacturer. In such cases, the manufacturer could even claim damages for such an unjustified approach.

Liability (Supplementary reading)



The parties

Who is the claimant?

In the majority of cases, the claimant in an infringement action will be the proprietor. However, under the Unified Patent Court Agreement (UPCA), exclusive licensees (i.e. a party with a licence which excludes even the proprietor) are also permitted to bring infringement proceedings (Article 47(2) UPCA). Non-exclusive licensees are not permitted to bring infringement proceedings unless their licence expressly permits it (Article 47(3) UPCA).

In almost all cases, the claimant will be the proprietor or an exclusive licensee.

Where a licensee brings infringement proceedings, the proprietor is entitled to be joined as a party. Furthermore, the validity of a patent may only be challenged in proceedings where the proprietor is a party, so in such cases the proprietor will need to be joined as a party.

Who is the infringer?

In general terms, an infringer is a person who commits any of the acts set out in Articles 25 and 26 UPCA. Article 25 relates to acts of direct infringement and Article 26 relates to acts of indirect infringement.

An infringer is any person directly or indirectly committing any of the infringing acts.

Due to the wide definition of infringing acts (Article 25), a number of different persons (legal and/or natural) are involved in what may otherwise be thought of as a single instance of infringement. For example, a product may be manufactured and sold down a supply chain, and, although a distinction is drawn for some purposes between primary infringers (manufacturers and importers) and secondary infringers (those responsible for subsequent infringing acts), in cases where there are a multitude of infringers, in principle each infringer is liable for his acts without regard to an infringement by another infringer.

The claimant can assert all claims against every infringer, or can select just one infringer to pursue. However, in claims for financial losses, the infringers might be jointly liable (see below), and it is common for a number of different infringers to be included as defendants so as to

ensure that the compensation recovered is maximised and/or in order to put commercial pressure on the main infringer (usually the manufacturer) by suing its customers. However, the claimant is not permitted to “double recover” for any given act of infringement.

Infringement of both European patents and European patents with unitary effect (unitary patents) is determined under the national law of the country in which the infringing act is committed (see Article 64(3) European Patent Convention (EPC) and Article 5(3) Regulation 1257/2012 respectively). The outcome of an infringement action may therefore vary depending on where the infringement occurs. This raises the question of the effect (or non-effect) of Articles 25 to 27 UPCA, which does define infringing acts. It could be argued that all the contracting states should amend their laws to bring them into line with Articles 25 to 27 UPCA, but only the Netherlands has done so to date (although the UK has made some amendments to its legislation).

Award of damages

Prior to considering liability further, it is worth clarifying that Article 68 UPCA (worded to be considered with the Enforcement Directive) makes it clear that damages are intended to be compensatory rather than punitive, and sets out the basis on which damages may be awarded.

In cases where the infringer knew, or ought reasonably to have known, that his acts amounted to an infringement, the Court will order the payment of damages commensurate with the harm suffered by the claimant. When assessing damages, the Court may take into account all the appropriate circumstances, including the claimant’s lost profits, any unfair profits made by the infringer, any negative economic consequences for the claimant and any non-economic factors. Alternatively, it may determine the damages on the basis of a licence analogy, i.e. on the basis of the claimant’s lost royalty or fee revenue.

In cases where the infringer did not know, and had no reasonable grounds to know, that his acts amounted to an infringement, the Court may order either the payment of compensation (as above) or the recovery of profits (also known as an “account of profits”).

This distinction is important, since some jurisdictions distinguish between damages and the recovery of an infringer’s profits, with the claimant potentially able to elect which it seeks (e.g. in the UK⁶). Under the UPCA, “damages” potentially encompasses both options.

⁶ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Joint tortfeasorship

A person may be liable as a joint tortfeasor (i.e. an accessory) if he procures an act of infringement (for example by inducing, inciting or persuading) or participates in an act of infringement in some way. Generally, this occurs pursuant to some common design between the parties, i.e. it is more than mere facilitation of an infringing act.

Unfortunately, neither the UPCA nor the EPC contain provisions governing joint tortfeasorship. Accordingly, questions of joint tortfeasorship in infringement proceedings are also determined under national law.

The position in Germany and the UK is as follows:

- **Germany:** The concept of *Störerhaftung* (meaning “interferer’s liability”) is applied. A *Störer* is someone who (without being a participant or a perpetrator) wilfully contributes to an infringement in a sufficiently causal manner. Liability requires the *Störer* to have actual or constructive knowledge of the infringement, i.e. he either knows about the infringement, or at least should have known about it, such that he had the possibility to stop further infringement. Once a *Störer* has either actual or constructive knowledge, he must take steps to prevent further infringement to avoid liability.

By way of example, an internet auction platform is not obliged to check whether a certain offer relates to an infringing product. If, however, the platform operators have been informed about an infringing offer, they have to act to prevent further infringement or risk being held liable.

As a further example, in general a transport company does not have to check whether it is shipping infringing goods, but if it learns that it is, in fact, doing so (e.g. through a customs order to stop the delivery), then it must investigate and potentially stop shipping or risk being held liable.

- **UK:** Two parties will be joint tortfeasors if there was a common design between the parties to do acts which amount to infringements. The mere provision of facilities to assist an infringer which do not inherently lead to infringement and are capable of use in a non-infringing manner is unlikely to lead to joint liability. However, it is possible to obtain documentary disclosure from persons who have been innocently mixed up in the infringing acts of a defendant, for example, to discover the identity of the owner on whose behalf infringing goods are being transported or stored.

Accessory liability

Involvement of a party who, for example, procures an act of infringement by another.

BGH, GRUR 2011, 152 –
“Kinderhochstühle im Internet”

BGH, GRUR 2007, 708 –
“Internet-Versteigerung”

BGH, GRUR 2009, 1142 –
“MP3-Player-Import”

Unilever Plc v Gillette (UK) Ltd (Joinder)
[1989] RPC 583

L’Oreal SA v eBay International [2009]
EWHC 1094 (Ch)

Norwich Pharmacal v HM Customs & Excise
[1973] UKHL 6

Joint liability

According to most national laws, two or more infringers are jointly liable for any damage caused (*in solidum*) if they are liable for the same damage caused to the claimant. In the UK, the House of Lords held that a party who procured an infringement (in the case, of copyright infringement) by inducement, incitement or persuasion was a joint tortfeasor (***CBS Songs v Amstrad***, also known as the “Twin deck tape recorder” case). A joint tortfeasor is jointly liable for infringement. However, in ***Credit Lyonnais v ECGD***, Hobhouse LJ said:

“There is no tort of knowing assistance ... the liability in tort of a defendant for the act of another depends ... upon the defendant’s participation in or authorisation of that act. Mere assistance, even knowing assistance, does not suffice to make the “secondary” party liable as a joint tortfeasor with the primary party. He must have conspired with the primary party or procured or induced his commission of the tort or he must have joined in the common design pursuant to which the tort was committed.”

A common example where this may arise is a CEO who is jointly liable with an infringing company due to his actively procuring the company’s infringement.

Joint liability and apportionment

The concept of joint liability means that each infringer is liable for the same damage caused to the claimant in full, even though his personal share or contribution to that damage may be lower. Once an infringer who was jointly liable has reimbursed the claimant in full, the claimant may not pursue the other jointly liable infringers for the same damages. Thus, the claimant may choose which of the jointly liable infringers he holds liable.

In cases where the claimant is awarded damages, and those damages are calculated on the basis of lost profits or a license analogy, it may appear fair to apply the above principles, i.e. that each infringer is jointly and severally liable for the full amount of the damages awarded.

In cases where the claimant is awarded an account of profits, it may be argued that each infringer should only have to pay his own profits. On the other hand, as this is effectively only a different calculation of the same damage suffered by the claimant, it may also be argued that each infringer is jointly and severally liable for all profits made by all infringers.

Joint liability (*in solidum*)

Where a multitude of infringers have caused the claimant damage, each infringer is liable for the damage in full (also known as joint and several liability).

CBS Songs v Amstrad [1988] RPC 567

Credit Lyonnais v ECGD [1998]
1 Lloyds Rep 19

The impact of joint liability on the claimant’s recovery of damages / an account of profits.

Joint liability and indemnification

An infringer who reimbursed the claimant may ask the other jointly liable infringers for indemnification. Among the infringers, depending on the national law and on the particulars of each case, the share of each is determined on the basis of their contribution to the overall infringement of the patent. (According to Article 2055 of the *Codice civile* (Italian Civil Code), the level of negligence/fault and the range of consequences of the contributory elements must be assessed, with a presumption of equal partition of negligence/fault unless the evidence shows otherwise.)

An infringer who has reimbursed a claimant in full may ask the other infringers for indemnification.

Liability within companies and groups

An infringer can be a natural person (i.e. a human being) as well as a legal person (e.g. a private company or public organisation). The complex question of liability for infringement within a company (or group of companies) is treated differently depending on the applicable national law concerned: liability may relate to the company itself or its members (i.e. its owners, directors, employees or any legal person who is part of the group of companies). In a chain of contracts – mainly in distribution contracts – there are several entities that may be liable for infringement.

Liability often extends beyond a company to its officers, owners, employees or other group companies (e.g. its parent).

A company can be held liable for infringement as a consequence of acts committed by its employees in its name and on its behalf (e.g. Germany: Section 31 *Bürgerliches Gesetzbuch*) (German Civil Code) (BGB); France: Article 1384 Section 5 *Code civil* (French Civil Code); Italy: Article 2049 *Codice civile* (Italian Civil Code).

Liability of directors

According to most national laws, the director of a company can be held liable for acts of infringement committed by that company. (Where the director has directly committed the infringing act, he will generally be liable.) The position in France, Germany, Italy and the UK is as follows:

Directors can be held liable when they act beyond the scope of their duties.

- **France:** A director can only be held liable if he has committed a “personal fault separable from his functions”. The *Cour de Cassation*, the French Supreme Court, has provided guidance: it means that the director intentionally commits a serious tort which is incompatible with the execution of his normal duties. Otherwise, only the company is held liable.
- **Germany:** The director of a company or any other manager (i.e. an employee with management responsibilities) can be held liable because of his duty to avoid infringement of third-party rights. If there are several directors, only the directors responsible for the infringing activities can be held liable.
- **Italy:** Under Italian tort law, it is possible for company representatives to be personally liable for infringement. However, personal liability is only pursued in exceptional cases (see also Article 2395 *Codice civile*).

Cass. Com. 20 May, 2003, case No. 99-17.092

BGH, GRUR 2012, 1145 – “*Pelikan*”

OLG Hamburg, GRUR-RR 2013, 464 – “*Z. Games Abo*”

- **UK:** A director will generally not be held liable where he only carries out his constitutional role in the governance of the company, for example, by voting at board meetings. If, however, his acts go beyond the exercise of constitutional control and he procures or induces the infringing acts to be done by the company, he may be liable as a joint tortfeasor.

MCA v Charly Records [2002] FSR 26

Liability of employees

According to some national laws, an employee (whether a manager or not) can be held personally liable for infringement. The position in Germany, France, Italy and the UK is as follows:

Employees of a company may be liable in some jurisdictions

- **Germany:** Employees can theoretically be held liable but are rarely sued.
- **France:** An employee can be held personally liable for infringement if he acts outside the scope of his employment, without permission of the company and for non-business purposes (Article 1384 Section 5 *Code civil*).
- **Italy:** Employees can be held liable for infringement, individually or jointly with the company, although as a general principle the employer is responsible for damages caused by the employee acting within his normal duties (see also Article 2055 *Codice civile*.)
- **UK:** Employees are not liable for acts of infringement committed by the company they work for unless they can be shown to be a joint tortfeasor. Where an infringing act is directly committed by an employee, then the employee is liable for that act (and his employer is vicariously liable if the employee was acting within the scope of his employment). However, actions against employees innocently carrying out their normal duties are extremely rare and are not encouraged.

OLG Düsseldorf, GRUR 1978, 588

Cass. Assemblée plénière, 19 May 1988, case No. 87-82.654

Liability of company owners

In general, company owners are unlikely to be liable unless they have engaged in the infringing acts themselves or can be shown to be joint tortfeasors. For example, in the UK, shareholder control alone is not enough to attract liability.

Company owners/shareholders are unlikely to be liable except in specific circumstances.

Unilever v Chefaro [1994] FSR 135

Under some national laws the owner of a company can be liable for infringement for acts committed before the incorporation of the company (e.g. France: Article 1843 *Code civil*; Germany: Sections 128, 161 *Handelsgesetzbuch* (HGB) regarding the *offene Handelsgesellschaft oHG* and the *Kommanditgesellschaft KG*).

Cass. Civ. 1, 10 July 2013, case No 12-12.277

Liability within a group of companies

It is often the case that a claimant will allege that a parent company is either jointly liable with the company actually carrying out the allegedly infringing acts in the relevant jurisdiction, or is a joint tortfeasor. This may be for a number of reasons, including:

- if there is doubt about whether the subsidiary is able to meet an award of damages;
- to obtain an injunction against the parent to prevent it from continuing infringement through other subsidiaries; or
- if an order for documentary disclosure is available, to obtain documents from the parent.

A parent company is not automatically liable for an act of infringement committed by its subsidiary (as set out above, company owners are unlikely to be liable unless they engaged in an infringing act or are a joint tortfeasor). However, there are certain exceptions to this principle, the details of which may vary according to national law. The following are two key examples of these high-level exceptions:

- **The appearance theory:** A client thinks he is concluding a contract with the parent company whereas he is in fact contracting with the subsidiary.
- **The interference theory:** A parent company interferes with the internal management of its subsidiary. Usually, case law requires strong evidence in this regard and it is possible that, in such a case, only the parent company will be held liable.

Here are two examples relevant to Germany and Italy:

- **Germany:** A company affiliated with and acting on behalf of a parent company with respect to the infringing acts may be jointly liable for infringement with the parent company.
- **Italy:** A company controlling another company and whose conduct causes harm to the controlled company and to its creditors may be liable for infringement (Article 2497 *Codice civile*).

In most cases, some evidence that the parent company was actually involved in furthering the common intention to infringe the patent must be shown. Some illustrative examples from UK case law are set out below:

- **Unilever v Gillette:** The claimant was held to have a good arguable case that a US parent and its UK subsidiary were acting in concert pursuant to a common design as there was a “meeting of minds” between the two companies with a view to furthering the sale of infringing products in the UK.

Liability of a parent company for the acts of an affiliated company

BGH, GRUR 2012, 1279 –
“Das große Rätselheft”

Unilever v Gillette [1989] RPC 583

– **Lubrizol v Esso:** A worldwide research effort by a parent company for the benefit of all subsidiary companies, and centralised sales literature and training, led to a finding of joint infringement.

Lubrizol v Esso [1992] RPC 281

– **Napp v Asta Medica:** A parent company which was content with the actions of, or gave willing assistance (e.g., supply of product, help with a Medicine Controls Agency application) to, a subsidiary was, nevertheless, not sufficiently involved in the (allegedly) tortious actions of the subsidiary to be liable.

Napp v Asta Medica [1999] FSR 370

Liability in cases of company asset transfer

When a company transfers assets (e.g. by assignment, cession, merger or amalgamation of a firm), patents may be transferred and enforced by the new proprietor provided the patents are in force.

The transfer of company assets may include patents.

Where a patent is co-owned, if one of the co-owners illegally transfers the patent rights to a company, that company can be held liable for infringement of the patent “*if it commits an act which would infringe the patent*”.

Cour d'appel Paris (Paris Court of Appeal) (CA), 23 September 2009, case No. 08/11403

In cases involving a large group of companies, or a complex series of transactions involving patents, a thorough understanding of the company/partnership laws of the relevant jurisdiction, and the details of the various transactions, is often required to work out the parties that are liable for any acts of infringement.

Further, in the UK, a potential claimant must be careful not to fall foul of the provisions on “groundless threats” when making enquiries to establish the true identity of an infringer (see “Action for threats” below). Section 70(5) Patents Act 1977 permits “notification” to be made without liability, including the provision of factual information about a patent and making enquiries to discover whether the patent has been infringed by a manufacturer, importer or user of a process, and if so, by whom.

Infringements within a distribution chain

Where an infringing product is manufactured and sold down a distribution chain, in principle each infringing party in the distribution chain is liable for its own acts, irrespective of the acts of the other infringers. The claimant can sue each infringer in the chain, but there are often commercial reasons why only certain parties are sued.

The position in France, Germany, Italy and the UK is as follows:

- **France:** Manufacturers, importers and customers (including retailers) can be held liable (e.g. Article L. 613-3 *Code de la propriété intellectuelle* (French Intellectual Property Code) (CPI)). Companies performing the role of an intermediary, such as a packager, transit company or carrier, may also be held liable.
- **Germany:** Different parties within the distribution chain are not jointly liable. Where a claimant seeks an account of profits, each infringer is liable on the basis of their own profits only. Further, an infringer at a higher level of the supply chain (e.g. a manufacturer) may claim his profit is reduced as a result of sums (e.g. damages) paid to the claimant by subsequent customers in the supply chain (“*Tripp Trapp Stuhl*”, which relates to copyright law).
- **Italy:** Article 2055 *Codice civile* sets out the principle of joint liability (see also Court of Turin, 27 January 1999), although the liability of sole traders is limited (Court of Turin, 5 June 1993).
- **UK:** See the comments above on joint tortfeasorship in the UK.

The general issues involved in claiming damages from multiple infringers have been discussed above. In a distribution chain, calculating damages based on a licence analogy can be particularly problematic.

On the one hand, it could be argued that the proprietor of a patent is only entitled to ask for a licence once with respect to a distribution chain (as, once licensed, the rights are exhausted). If the licence fee differs between infringers because of different infringing acts (e.g. sale of a patented component versus sale of a larger article including the component within it), then there is only partial overlap.

On the other hand, it could be argued that each level of the distribution chain causes a new act (or acts) of infringement, and therefore each infringer should pay damages on the basis of a licence analogy.

As can be seen from the above, joint liability generally only applies to damages (and indemnification for the same). Other remedies – e.g. claims for injunctions – are specific to infringers.

Chain of Infringers

The liability of infringers who consecutively infringe a patent at different stages of a distribution chain depends on the method used for calculating damages.

Cass. Com., 14 May 2013,
case No. 11-27.686

BGH, GRUR 2009, 856 – “*Tripp Trapp Stuhl*”

Assessing damages based on a licence analogy in cases involving a distribution chain can be problematic.

Joint liability is only relevant in respect of damages, not other remedies.

The liability of third-party suppliers

A third party may be liable for infringement where it indirectly participated in the infringing acts of an infringer by supplying means to facilitate those acts. For example, this may cover the provider of an internet auction platform, a transport company or a raw materials supplier. The position in France, Germany, Italy and the UK is as follows:

- **France:** A seller or supplier may be held liable for infringement if they acted with full knowledge of the facts. Further, a subcontractor that had participated in the infringement process was held liable based on general civil law principles. Joint liability of internet service providers is subject to the conditions set in the E-Commerce Directive 2000/31 and, in addition, participation in the infringement must be shown.
- **Germany:** The concept of *Störerhaftung* is applied. This liability is usually limited to the cease and desist claim and does not include a liability for damages. The liability is based on the factual and legal ability of the *Störer* to stop an infringement, i.e. that the *Störer* knows about the infringement or at least should have known about it. Specific examples relating to internet auction companies and shipping companies are discussed above.
- **Italy:** Italian case law does not provide for an equivalent principle to the German *Störerhaftung*, but similar considerations would apply in Italy in the e-commerce sector (including for infringement of other intellectual property rights) as a consequence of the implementation of the E-commerce Directive 2000/31.
- **UK:** Third-party suppliers, for example of raw materials, may be liable if they supply “means essential” to an infringer for carrying out the infringing acts and they knew, or reasonably ought to have known, that the means supplied were suitable for putting, and intended to put, the patented invention into effect. Those who do not keep products for the purpose of supply, such as carriers and warehousemen, do not infringe. However, it is still possible to obtain documentary disclosure from such persons to discover the identity of the owner on whose behalf the goods are being transported or stored (***Norwich Pharmacal v HM Customs & Excise***).

Facilitating an infringement can lead to liability.

Cass. Com., 6 November 2012, case No. 11-19.375

Cass. Com., 13 November 2013, case No.13-14 803

German *Störerhaftung* for internet auction platforms and transport companies

Norwich Pharmacal v HM Customs & Excise [1973] UKHL 6

Intention, negligence and innocent infringement

In cases of direct infringement, the intention or negligence (i.e. the knowledge or reasonable deemed knowledge) of an infringer is irrelevant (Article 25 UPCA). Accordingly, this section is only relevant in cases of indirect infringement.

However, in cases of indirect infringement (i.e. supplying means relating to an essential element), Article 26 UPCA requires that the third party “knows or should have known” of the patentee’s rights (it should, be noted that Italian law does not yet contain a similar rule, although Italian case law does incorporate this principle). Also, Article 68 UPCA states that an infringer who knowingly (intention) or with reasonable grounds to know (negligence) engages in the infringement is liable for the damage caused to the claimant.

Intention

An infringer acts with intent when he knows the facts (i.e. has actual knowledge) from which it can be inferred that the process or the product he uses fall within the claims of a patent. Intention may also apply when the infringer has doubts regarding the claims of the patent but nevertheless accepts that his act may constitute an infringement (“*Spielautomat II*”), or when he deems the patent to be possibly invalid but nevertheless accepts that it may turn out to be valid (“*Kunststoffschläuche*”).

Negligence

An infringer acts negligently if he fails to exercise reasonable care. Thus, negligence applies when the infringer ought reasonably to have known that his acts would amount to an infringement (= deemed knowledge). This is a high duty of care. For example, traders must inform themselves about patent rights that might relate to their business area (“*Dia-Rähmchen I*”; “*Melanie*”; a presumption of knowledge of the patent applies and can be rebutted only where appropriate due diligence is shown).

Traders may have to engage patent attorneys or experts for such an evaluation. There are stricter requirements for manufacturers and importers than for mere intermediaries, and the level of the duty of care is influenced by the size of the company. Where an infringer has been notified of a potential infringement, he cannot argue that he did not act intentionally or negligently if he fails to then engage an expert, i.e. if he continues to rely on his own judgment.

Direct infringement

The knowledge of the infringer is irrelevant.

Indirect infringement

The knowledge of the infringer is relevant.

Intention

Knowledge of the facts from which it can be inferred that the process or the product used fall within the scope of a third-party patent right

BGH, GRUR 1973, 518, 521 – “*Spielautomat II*”

OLG Düsseldorf, GRUR 1982, 35 – “*Kunststoffschläuche*”

Negligence

Failure to exercise reasonable care – the level of reasonable care which can be expected depends on the personal abilities of the infringer.

BGH, GRUR 1958, 288 – “*Dia-Rähmchen I*”;
BGH, GRUR 2006, 575 – “*Melanie*”

Negligence in Germany, France and Italy

It is important to be aware of how broad the concept of negligence is in the legal systems of France, Germany and Italy.

- **France:** Proof of the intent to infringe may be required by the criminal courts. In some cases, for example where the infringer is a mere distributor rather than an importer or manufacturer, the *Code civil* requires the claimant to show that the infringer had knowledge in order to establish liability.
- **Germany:** A party must, before entering the market, inform itself as to whether or not its acts fall within the scope of a patent. The onus is therefore upon the infringer to show that (a) it discharged that duty with reasonable care and (b) despite doing so it was unable to establish that its acts would amount to infringement. Generally speaking, a company can only avoid liability if it has undertaken, and can provide evidence of, for example, a full freedom to operate analysis performed by a patent attorney (“*Kunststoffhohlprofil I*”; “*Wandabstreifer*”).
- As regards newly granted patents, a potential infringer is usually permitted a grace period of one month to inform itself of that newly granted patent. In practice, this means that claims for infringement may only be asserted one month after the publication of the grant of the patent (“*Formstein*”).
- **Italy:** Knowledge of the existence of the patent is presumed and this presumption can only be rebutted where a high level of due diligence can be shown.

In principle, every company is considered to act negligently, because it can be assumed that before entering the market it has informed itself about third-party patent rights that might be affected.

BGH, GRUR 1977, 250 – “*Kunststoffhohlprofil I*”; BGH, GRUR 1993, 460 – “*Wandabstreifer*”

BGH, GRUR 1986, 803 – “*Formstein*”

Innocent infringement under UK law

In the UK, an innocent infringer is not liable for damages or to render an account of profits (Section 62 Patents Act 1977). This differs from the principle set out in Article 68(4) UPCA. The onus is on the infringer to prove that its infringement was innocent, which is a heavy burden to meet (see *Lancer Boss v Henley Forklift*). The infringer must show that it “was not aware, and had no reasonable grounds for supposing, that the patent existed”. This is an objective test and the infringer will be liable if he has not made full investigations despite having reasons to suspect the existence of the patents, i.e. whether the infringement is innocent is directed at the infringer’s actual or deemed knowledge of the existence of the patent, not at whether or not the patent is infringed (*Schenck Rotec v Universal Balancing*; *Lux v Pike*).

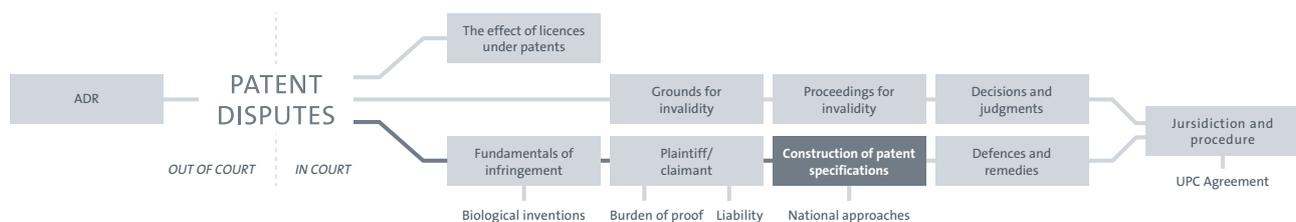
Innocent infringement
In the UK, there is no liability in cases of innocent infringement.

Lancer Boss v Henley Forklift [1975] RPC 307

Schenck Rotec v Universal Balancing [2012] EWHC 1920 (Pat); *Lux v Pike* [1993] RPC 107

Construction of patent specifications

Essentials



Construction of the specification and claims

Article 69 European Patent Convention (“EPC”)

The starting point for the construction of the claims of a European patent is **Article 69(1) EPC**, which states:

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

Protocol to Article 69 EPC

Guidance as to the correct interpretation of **Article 69** can be found in **Article 1** of the **Protocol on the Interpretation of Article 69**.

Under English law⁷, the well-established approach to the construction of patent claims is to ask what the skilled person would have understood the patentee to have used the language of the claim to mean. Whilst Article 69 says that the extent of protection conferred by a patent is determined by the claims, it goes on to say that the description and drawings are to be used to interpret the claims. Accordingly, the notional skilled person must construe the claims in the context of the specification as a whole.

Under German law, similar questions arise. The *Bundesgerichtshof* (German Federal Supreme Court) (BGH) clarified the general principles

“**Article 69** should not be interpreted as meaning that the extent of the protection conferred by a European patent 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. Nor should it be taken to mean that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patent proprietor has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patent proprietor with a reasonable degree of legal certainty for third parties.”

Kirin Amgen v TKT [2005] RPC 9 at paragraph 69

⁷ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

of claim construction in five decisions rendered on the same day in 2002. According to these decisions, the relevant starting point is the meaning and wording of the patent claims as understood by the person skilled in the art. As under English law, the description and drawings must be used when interpreting the claims. The patent specification can even be its own lexicon for the interpretation of claims.

BGH, GRUR 2002, 515 – “Schneidmesser I”;
BGH, GRUR 2002, 519 – “Schneidmesser II”;
BGH, GRUR 2002, 511 – “Kunststoffrohrteil”;
BGH, GRUR 2002, 523 – “Custodiol I”;
BGH, GRUR 2002, 527 – “Custodiol II”.

BGH, GRUR 1999, 909 – “Spannschraube”

In addition, **Article 2 to the Protocol** states:

“For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims.”

This is discussed below in the section on the doctrine of equivalents.

Particular aspects of construction

Construction is a question of law and is not a matter for expert evidence. However, expert evidence may be given on the technical background or general technical understanding in the context of the claims and the specification. In some countries, such as the UK, expert evidence may also be given on the meaning of technical terms.

The aim of claim construction is to determine the true scope of the claims as they would have been read and understood by the skilled person at the relevant date. The claims must be construed without reference to either the alleged infringement or to any cited prior art. Accordingly, the scope of the claim should be the same for the purposes of assessing infringement and validity.

In the UK, there is no clear authority as to the date when the claims of the patent are to be construed, although the leading contender would appear to be the date of publication of the granted patent. It is likely that, at least in the UK, there may be different dates for consideration of inventive step (priority date), sufficiency (filing date) and construction (publication). In practice, differences in the dates upon which the patent is to be construed are unlikely to have a material effect on the interpretation.

The position on the date of construction varies across Europe. In Germany, for example, the relevant date for construction is the priority date (or, if no priority is claimed, the application date). The *Hoge Raad*, the Supreme Court of the Netherlands, has ruled that the perspective of the skilled person at the filing or priority date should serve as guidance.

Hoge Raad, the Supreme Court of the Netherlands 4 April 2014, NJ 2015, 11, *Abbott v Medinol*

Is there a doctrine of equivalence/equivalents?

Background

Under the doctrine of equivalents, the scope of protection of a patent is not based solely on the literal wording of the claims, but may be something outside the claims which performs substantially the same function in substantially the same way to obtain the same result. Under this doctrine, a defendant cannot make “immaterial variations” and by doing so avoid infringement.

Under Article 69 EPC, the extent of protection of a European patent is determined by the claims. As described above, **Article 2** to the Protocol on the Interpretation of Article 69 states that, when considering the scope of the claims of a European patent, “...*due account shall be taken of any element which is equivalent to an element specified in the claims.*”

The extent to which the doctrine of equivalents is relied upon as a guide to construction varies across Europe. The position in a number of European countries is set out below.

The approach of national courts

UK and Ireland

In the UK, following the decisions of the House of Lords in *Catnic* and *Kirin-Amgen*, the courts adopt a purposive approach to construction, the key question being what the skilled person would understand the patentee to be using the language of the claim to mean. This approach is similar to that adopted for interpreting commercial documents in general.

The role that equivalents play in claim construction was considered in the *Improver* case. When considering whether a feature embodied in an alleged infringement that fell **outside** the literal wording of the claim (‘a variant’) was nonetheless **within** the language of the claim as properly construed, the Court should ask itself the following questions:

- “(1) Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no?*
- (2) Would this (i.e. that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes?*
- (3) Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.”*

Per Arnold J, *Actavis v Lilly* [2014] EWHC 1511 (Pat) at paragraph 100

These questions are referred to as the *Improver* or *Protocol* questions and were routinely relied on prior to the *Kirin-Amgen* case. They are, however, only guidelines and not legal rules. They have now rather fallen out of fashion and have rarely been referred to in UK court judgments in the last 10 years. Nonetheless, the *Improver* questions remain part of UK law and continue to provide a means by which ‘equivalents’ may be considered in assessing claim construction.

These explanations refer to cases in which **only one means** of claim is not literally reproduced. However, they also apply when the differences relate to several means.

France

As explained above, the assessment of equivalence in determining infringement is of major importance in France.

Infringement by equivalence is deemed to exist if means which are not identical to those of the claimed means in their form or structure nevertheless perform the same function to achieve the same results. However, the doctrine of equivalence will only be applied if it has been ascertained that the function of the claimed means is novel.

The test for infringement by equivalence is therefore three-fold:

- Does the essential means of the patent whose form is not reproduced in the means at issue perform a novel function?
- If so, do the alleged infringing means nevertheless perform the same function?
- If so, does the accused means produce the same results?

Tests as to whether it would be obvious to the skilled person that the means at issue were equivalent or as to the intention of the patentee are not applied in France.

The claimed means at issue must perform a novel function

The doctrine of equivalence is not necessary if the function is claimed *per se*, because in such a case, any means which performs this function will be held to infringe, whatever its structure may be. In this case, the infringement is literal.

As a result, the doctrine of equivalence is relevant only for claims which protect one or more means characterised at least partly by its/their form or structure.

For these claims, the doctrine of equivalence applies only if the claimed means at issue performs a novel function.

In other words:

- If the function of the claimed means at issue is known in the prior art, then the scope of the claim is limited to the claimed structure (and its minor variants). In this case, the claim is said to cover “*moyen particulier*,” (specific means), and infringement by equivalence cannot apply.
- If the function of the claimed means at issue is novel, the scope of the claim extends to structures performing the same function for the same results: in this case the claim is said to cover “*moyen general*,” (general means), and the doctrine of equivalence can apply.

So the key question to be addressed when assessing whether infringement by equivalence can apply is the contribution of the invention to the art.

This is illustrated by the following decisions.

In a decision of 16 April 2013 (*Cycles Lapierre v Decathlon*), the *Cour de Cassation* (French Supreme Court) (*CCass*), commercial chamber, held that the appeal judges did not need to determine whether the allegedly infringing means were equivalent to the claimed means because they had previously found that the claimed combination of means differed from the prior art by their form but not by their function, which was not new.

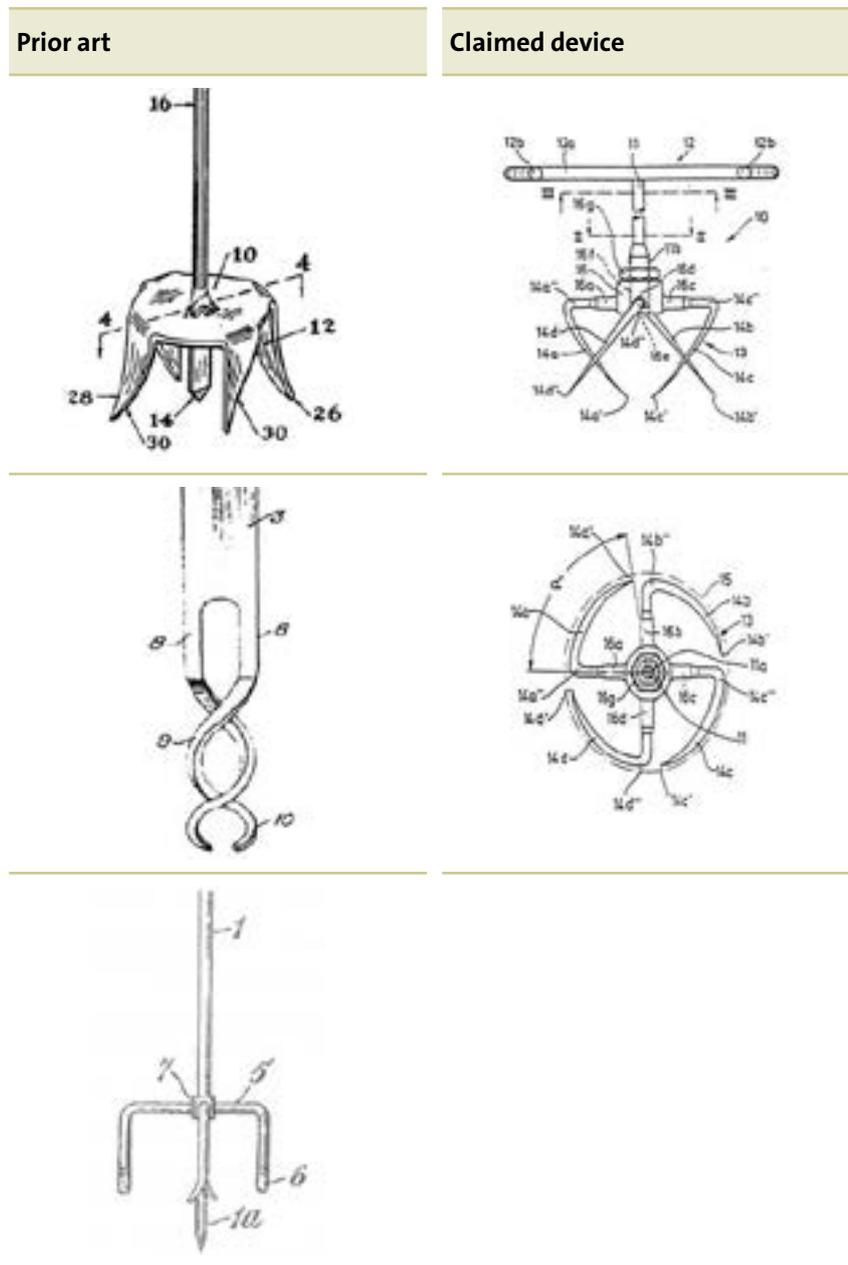
Likewise, the *Cour d’appel (CA) de Paris* (Paris Court of Appeal), in a decision of 26 September 2012 (*Beaba v Seb France*) held that infringement by equivalence was excluded since the claimed cooking device was novel only as a result of the combination of its structural features.

The same approach was followed by a decision of the Paris Court of Appeal of 17 June 2011 (*Salomon v Merrell and Wolverine*), which held that the claimed shoe device could be protected only in the form defined by the claim because the function performed by the device was not novel.

These decisions are consistent with well-established French case law.

In the example of the gardening device shown here, the question of whether the claimed means (and, in particular, the tines at an angle of 90° to the axis) had a novel function led the court to study the prior art cited by the alleged infringer in order to assess whether this specific angle of 90° amounted merely to a structural difference or whether it in fact represented a functional difference over the prior art.

The drawings below show the claimed device and three gardening tools of the prior art:



Dossiers Brevets
1993, 1, 2

The court considered that the function of the 90° angle in the claimed device, i.e. permitting rotation like a screw in the soil, and loosening the soil, was not disclosed in prior art.

Therefore, the function of the claimed device, and hence the role of the 90° angle, was novel.

When a claimed feature, which is not literally reproduced, performs a new function, the judges have to move to the next part of the test, to determine whether the accused means nevertheless performs the same function.

The accused means must perform the same function

Two means perform the same function when they produce the same primary technical effect.

The “*primary technical effect*” can be defined as the effect directly and immediately produced by the implementation of the means.

It must not be confused with the result, which is the advantage provided by the means.

This distinction between function and result was particularly well explained in a decision of the *Ccass, chambre commerciale*, of the 26 January 1993 in a case involving a patent for a process for making doxycycline through hydrogenation of methacycline, using a modified catalyst.

The alleged infringer argued that the function of the process was to reduce, through hydrogenation, methacycline into doxycycline, which was not novel; the patentee argued that the function of the process was rather to obtain selectivity and stereospecificity at almost 100% of the required epimer (a), which was novel.

The *Ccass* affirmed the judgment of the CA Paris which had decided that the production of a very high yield of epimer a was a novel function, not a result. As the process carried out by the defendant involved not only the known result of reduction through hydrogenation of methacycline into doxycycline, but also the novel function of selectivity and stereospecificity to yield epimer a, the defendant was found to infringe the patent. In the example of the gardening device, the question whether the accused device performs the same function to achieve the same result led the court to a finding of non-infringement. It considered that the tines of the accused device did not perform the same function as those of the claimed device because they did not achieve the screw effect on insertion into the soil: the accused device had to be introduced in the soil using a vertical pressure applied by the foot.

If, however, the accused means do perform the same function as the claimed means at issue, then it is necessary to determine whether, in fact, they achieve the same result.

Tribunal de Grande Instance (TGI), Regional Court of Paris, 3rd chamber, 1st section, 3 April 2014 (Équipement pour l'environnement v Rabaud), and TGI Paris, 3rd chamber, 3rd section, 22 November 2013, (Manitou v Haulotte)

For example, the decision of the TGI Paris, of 29 September 2004 (*L'Oréal v Al Khouri*) recalled that obviousness is not taken into account:

“That it does not matter much, concerning the discussion on the infringement, that the skilled person can replace – based on Mr Al Khouri’s patent – the alkyl monomers by polymers, since this criterion is only relevant, as pointed out by the defendants, for assessing the inventive step of a patent and therefore its validity and not for deciding whether there is an infringement or not;”

The accused means must achieve the same result

Until recently, French case law considered that the result obtained by the means at issue had to be similar, without necessarily being identical. As a consequence, the result could be of a different quality (less perfect, or higher or poorer yields) or of a different degree than the result obtained by the patented means.

A recent example of infringing improvement is provided by the decision of the TGI Paris, 3rd chamber, 3rd section, of 22 November 2013 (*Manitou v Haulotte*).

However, some recent decisions indicate that the result should be of *“the same nature and of identical quality and efficacy”*.

Irrelevant factors (obviousness and the intention of the patentee)

The question of whether the accused means would have been obvious to the skilled person is not relevant to the assessment of infringement by equivalence under French law. In fact, an improvement of the claimed means may still be an infringement.

This position used to be summed up in the formula: *“improving is infringing”*.

However, this does not mean that any improvement of a claim would necessarily be an infringement: it only means that an improvement will not automatically avoid infringement and that the infringement test must be applied as usual.

Lastly, equivalence is assessed in a purely objective manner, so that intentions of the patentee are not relevant. However, when the patent explicitly and unambiguously excludes a variant from its scope, this variant, if exploited by a third party, will not be held equivalent to the patented invention.

In the same way, when the variant directly and unambiguously goes against the teachings of the patent, it will not be held equivalent.

Germany

The doctrine of equivalence has long been recognised under German law. Today, Germany has well-established case law which defines this extended scope of protection and provides detailed guidance on whether or not an embodiment falls within the scope of protection as an equivalent infringement.

The basic test was set by the five decisions of the BGH already cited in the context of claim interpretation in 2002. According to these decisions, a three-step test must be applied:

First, the court must consider whether the variant objectively has the same technical effect for the solution of the problem addressed in the patent. Other effects which are connected with the use of the alternative means are irrelevant if the patent itself does not consider or evaluate such effects. The application of this criterion requires a careful interpretation of the feature in question.

Second, the court should ask whether, at the priority date, the skilled person using the common general knowledge would have been able to discover the variant. In other words, it has to examine whether the variant, when compared with the claimed feature, is inventive and not within the general knowledge of the person skilled in the art. If that is the case, an equivalent infringement will be excluded.

The third question is, are the considerations applied by the skilled person drawn from the technical teaching of the patent claim (so that the person skilled in the art took the modified embodiment into account as being an equivalent solution)?

This third requirement is usually the most difficult, as it requires an assessment of the closeness of the solution protected by the patent and the variant. In the context of this third requirement, the BGH significantly limited the scope of the doctrine of equivalence in two decisions handed down in 2011.

BGH, GRUR 2011, 701 –
“Okklusionsvorrichtung”;

BGH, GRUR 2012, 45 –
“Diglycidverbindung”

In these decisions, the court held that an infringement by equivalence will be excluded if the reader of the specification has to conclude that – for whatever reason – the variant is not intended to be protected by the claim after reading the patent as a whole. This is particularly the case if the specification discloses several embodiments but only one of them is protected by the wording of the claim. In this case, an infringement by equivalence is excluded. Such an exclusion may even be present if the description refers to a specific embodiment in the prior art which, again, is not covered by the meaning of the patent wording.

OLG Düsseldorf, I-2 U 22/10 –
“Regenschirm”

Further problems can arise if the claim was amended during opposition, in particular if the variant is not explicitly disclosed as an alternative embodiment in the description, but can be deduced from the description and general references to prior art in the description. The court must assess such matters on a case-by-case basis. The BGH also ruled that features with a numeric content cannot be interpreted beyond their literal meaning and that in such cases there is no scope for the doctrine of equivalence.

OLG Düsseldorf, I-2 U 24/13 –
“Drosiprenon”

BGH, GRUR 2002, 515 –
“Schneidmesser I”

Finally, the court will ask whether the variant is anticipated or obvious in light of the art. This last factor, known as the **Formstein** objection, prevents the extension of the patent’s scope to matter which would have

BGH, GRUR 1986, 803 –
“Formstein”

been non-novel or obvious at the time of patenting. This requirement is a deviation from the bifurcated German system. It compensates for the extension of the scope of protection to variants not covered by the literal meaning of the words of the claims.

Netherlands

The Dutch courts favour the “function-way-result” test for equivalence. According to this test, a variant is to be considered equivalent to the claim insofar as it employs measures which perform essentially the same function, in essentially the same way, and with essentially the same result.

Hoge Raad, the Supreme Court of the Netherlands, 12 November 2004 – *Impro v Liko*

Furthermore, the *Rechtbank’s-Gravenhage*, the Hague Court of Appeal, has ruled that an embodiment will not fall within the doctrine of equivalents if it is an inventive advance over the claims. In addition to the function-way-result test, an “insubstantial difference” test is also recognised.

In recent decisions, the *Hoge Raad* has also held that embodiments disclosed but not claimed are disclaimed. This is particularly important for divisional applications which cover the variant. Such applications are regarded as an indication that the variant is disclaimed for the patent under which equivalent infringement is invoked.

E.g. *Hoge Raad*, 25 May 2012 – *AGA – Occlutec*; *Rechtbank ‘s-Gravenhage*, 31 December 2013 – *Bayer v Sandoz*

Conflicting authorities exist as to whether equivalence is assessed at a fixed date (e.g. the priority date) or from the date of infringement.

Is there a doctrine of file wrapper estoppel?

Background

Under the doctrine of prosecution history (or “file wrapper”) estoppel, a statement made by the patentee during the prosecution of the patent concerning construction is binding on the patentee thereafter. In other words, in subsequent court proceedings, a patentee may not argue a claim construction different to that which he argued before the patent office.

The extent to which prosecution history estoppel exists in national court proceedings across Europe, and its advantages and disadvantages, are discussed below.

Arguments in favour of prosecution history estoppel

File wrapper estoppel plays a particularly important role in those jurisdictions where the doctrine of equivalents is relied on, and acts as

Festo Corp v Shoketsu Kinzoku Kogyo Kabushiki Co. 535 U.S. 722, 727 (2002)

a means to obviate the “*substantial uncertainty about where the patent monopoly ends [caused by equivalence].*”

Additionally, the courts have remarked that referring to the file wrapper may prevent abuse of the system by patentees “*accepting narrow claims during prosecution and then arguing for a broad construction of those claims for the purpose of infringement.*”

Actavis UK Ltd & Ors v Eli Lilly & Company
[2014] EWHC 1511 (Pat) at [111]

Arguments against prosecution history estoppel

Opponents of prosecution history estoppel argue that neither Article 69 EPC nor the corresponding Protocol specify that the prosecution history is to be considered in construing the claims.

Equally importantly, opponents argue that the doctrine can lead to courts and lawyers having to look through hundreds of pages of correspondence between the patentee, the patent office and third parties, often in an unfamiliar language. This task can give rise to an undue burden and expense in patent proceedings.

Supporters of the doctrine frequently observe that litigators often review the prosecution history in detail anyway, so no additional burden is caused by making these documents admissible in the proceedings.

The approach of national courts

UK and Ireland

The UK has never had a doctrine of prosecution history estoppel. The English courts do not actually prohibit inspection of the prosecution history, but the general position is that such inspection is discouraged. In a recent case, it was held that the court may refer to communications between the applicant and the patent office as an aid to construing a claim. Such reference is considered especially appropriate when it is “*short, simple and shows clearly why the claims are expressed in the manner in which they are to be found in the granted patent and not in some broader manner.*” Prosecution history is, however, sometimes used for cross-examination of a witness.

Per Arnold J, *Actavis UK Ltd & Ors v Eli Lilly & Company* [2014] EWHC 1511 (Pat) at [108]

Per Lord Hoffmann, *Kirin-Amgen Inc & Ors v Hoechst Marion Roussel Ltd & Ors* [2004] UKHL 46 at [35]

Actavis UK Ltd & Ors v Eli Lilly & Company
[2014] EWHC 1511 (Pat) at [111]

France

Under French law, there is no doctrine of prosecution history estoppel as such. However, the court may look to a patentee’s representations to the patent office. Such consideration is not necessarily limited to cases where the patentee attempts to argue for the expansion of the scope of the claims via equivalence.

Germany

German courts have rejected the doctrine of prosecution history estoppel. Only in the event of a clear waiver, statements made in patent prosecution or nullity actions can be held against the patent owner. The latter also is limited to the party which is conducting the cancellation action. German courts may consult prosecution history as a guide to construing the claims, though this is generally applied very restrictively.

BGH, 22 December 2006, NJ 2008, 538 –
“Dijkstra v Saier”

Netherlands

There is no doctrine of file wrapper estoppel as such in the Netherlands. *Hoge Raad* case law has established that a court may look to the file wrapper in construing a claim, but may only do so in favour of the patentee where the scope of the claim seems ambiguous. This restrictive approach does not apply where a third party relies on the file wrapper to determine the scope of the claims.

Scandinavia

The courts of the Scandinavian countries have been comparatively open to referring to prosecution history as an aid in assessing construction. Indeed, the preparatory document for the joint Nordic patent legislation expressly states that prosecution documents may be relevant to claim interpretation.

NU 1963:
6 p. 186.

Matters not to be taken into account on construction

Expert evidence on the construction of the claims

It is not for the experts to make decisions for the court (for example, whether the allegedly infringing product does indeed fall within the scope of the claims, or whether the patented invention is obvious having regard to the prior art). Their main function is to educate the court in the technology relevant to the subject-matter of the dispute and in matters relevant to the state of the art.

In practice, party-appointed experts are often asked to provide their opinion on questions which are properly for the court to determine. The expert’s personal view will not be all that helpful for the court. What may be of considerably more assistance are the reasons for this view. The court can then consider these reasons when forming its own conclusion as to the construction of the claims.

The actual intention of the inventor

The task of claim construction is not to find out or to form a view as to what the inventor actually intended the words of the claim to mean. It is the claims themselves that, according to **Article 69(1) EPC**, determine

the extent of protection. Furthermore, the **Protocol to Article 69** expressly prohibits such an approach:

“Nor should [Article 69] be taken to mean that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patent proprietor has contemplated.”

Instead, a purposive, contextual approach is taken to claim construction. Under the English approach, the question to be asked is: What would the skilled person have understood the patentee to have used the language of the claim to mean? However, this is not asking the court to ascertain the inventor’s actual intention, but rather to ascertain what the notional skilled person would have understood the patentee to have meant.

The knowledge/intention of the defendant (for direct infringement)

Patents confer monopoly rights. The basic principle is that the intention of the defendant is irrelevant when it comes to determining whether the acts committed by him directly infringe a patent.

For example, if the patent is for a product, disposing of that product will infringe the patent, regardless of the defendant’s knowledge. Likewise, where the patent is for a process, using the process, or disposing of a product obtained directly by means of that process, will infringe the patent, regardless of the defendant’s knowledge.

The defendant’s knowledge is relevant in respect of process inventions, where the alleged infringement is the offering of the process for use, and in respect of indirect infringement of a patent. In the case of process inventions, offering a process for use in the territory in which the patent is in force will only amount to an infringement if the alleged infringer knows, or it is obvious to a reasonable person in the circumstances, that its use there without the consent of the proprietor would be an infringement of the patent. The knowledge test is accordingly both subjective and objective: the defendant will not be able to avoid infringement by showing that he himself did not have the requisite knowledge, if the infringement would have been obvious to a reasonable person in the same circumstances.

Similarly, there are both subjective and objective elements to the assessment of indirect infringement. The person supplying or offering to supply means (relating to an essential element of the invention) for putting the invention into effect must know that those means are suitable for putting, and are intended to put, the invention into effect. Alternatively, this must be obvious to a reasonable person in the circumstances.

No *contra preferentem* rule against patentee

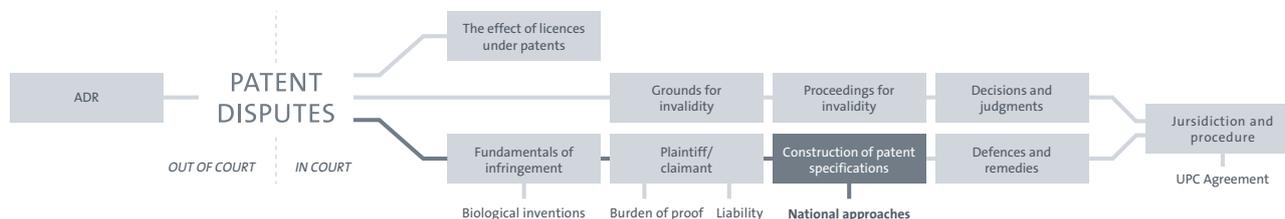
There is no *contra preferentem* rule in claim construction. The claims are not to be given the narrowest possible scope consistent with their language. Neither are they to be given the broadest possible scope. As explained in more detail above, the claims are to be given a purposive, contextual interpretation.

Claims not usually narrowed by reference to examples in the specification

The description and figures of a patent are used to interpret the claims, but it does not follow that the claims are to be limited to the particular examples provided in the description or the embodiments shown in the figures. Very unusually, the European Patent Office may allow a claim to be granted which does contain a specific reference to a figure or example. This may be done, for example, where it is not practical or possible to succinctly express the configuration that the patentee wishes to protect in words. In such circumstances, the figure referred to should of course be taken into account when construing the claim.

It is normal practice for claims to contain reference signs relating to features in the figures in the patent. As is made clear by **Rule 43(7) EPC**, the purpose of these reference signs is to increase the intelligibility of the claims. They are not to be construed as limiting the claims.

National approaches (Supplementary reading)



The UK approach – purposive construction

The key question

The key question to ask under UK⁸ and Irish law is to ask: what would the skilled person⁹ have understood the patentee to have used the language of the claim to mean? This was the question posed by Lord Hoffmann in the leading authority of *Kirin-Amgen v TKT*. To put *Kirin-Amgen* into context however it is necessary to look at some earlier cases.

Kirin Amgen v TKT [2005] RPC 9 at paragraph 69

The development of the UK/Irish approach

The Protocol to Article 69 of the European Patent Convention (“EPC”) begins by stating that Article 69 EPC “*should not be interpreted as meaning that the extent of the protection conferred by a European patent 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 ambiguity found in the claims.*” It goes on to say that it should likewise not be taken to mean that the claims should serve only as a guideline. It concludes that the protection conferred by a European patent should be one between these extremes that provides fair protection for the patentee and a reasonable degree of legal certainty for third parties. This instruction to avoid a strict, literal approach has been interpreted as an instruction to avoid what was considered to be the approach of the UK and Irish courts at the time.

However, **purposive construction** has been central to English law for over 30 years. The case that established this approach was *Catnic v Hill & Smith*.

“A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge.”
Lord Diplock, *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183 at 243

Catnic was concerned with the question of whether a support member that extended 6 or 8 degrees from the vertical nevertheless fell within the scope of the term “*extends vertically*”. The court held that it did.

⁸ The EPC and The UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. However, jurisdictionally, the United Kingdom is divided into three parts, England and Wales, Scotland and Northern Ireland. The proceedings in Scottish courts, however, differ markedly from those in the other jurisdictions.

⁹ Hereinafter, the masculine shall include the feminine.

Catnic also considered the relevance of equivalents to the issue of construction, holding that the question to be asked was whether (or not) the skilled person would understand the patentee to intend “strict compliance” with a particular word or phrase used in claim, such that any variant would fall outside the patentee’s monopoly, even though it had no material effect on the way that the invention worked. However, the question would not even arise if the variant in fact had a material effect on the manner in which the invention worked, or if it was not obvious to the skilled person that the variant had no effect on the manner in which the invention worked.

Lord Hoffmann summarised these questions in the subsequent case of ***Improver v Remington***:

Improver Corp v Remington Consumer Products Ltd [1990] FSR 181 at 189

“The Court should ask itself the following three questions:

- (1) Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no -*
- (2) Would this (i.e. that the variant has no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes -*
- (3) Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.*

On the other hand, a negative answer to the last question would lead to the conclusion that the patentee was intending the word or phrase to have not a literal but a figurative meaning... denoting a class of things which include the variant and the literal meaning.”

These questions became known as the “Improver” or “Protocol” questions and, prior to *Kirin-Amgen*, were widely applied by the UK/Irish courts.

The approach following *Kirin-Amgen*

Kirin-Amgen, reported in 2005, has put purpose at the very heart of the UK/Irish approach to claim construction. The essential question, as mentioned above, is: what would the skilled person have understood the patentee to have used the language of the claim to mean? When a skilled person reads a patent specification he assumes that its purpose is to describe and demarcate an invention – a practical idea which the patentee has had for a new product or process. In determining the patentee’s purpose, the language that the patentee has chosen to use is important. We are able to use words and syntax to convey meaning with great accuracy and subtlety, and the skilled person will ordinarily assume that the patentee has chosen his language accordingly. In the end it

comes back to the question of what the skilled person would understand the patentee to have meant by the words used.

In the view of Lord Hoffmann, who gave the leading opinion, this approach fully complies with the requirements of the **Protocol to Article 69 EPC**. A principle of claim construction that is fair to the patentee is one that gives the patentee the full extent of the monopoly which the person skilled in the art would think that the patentee was intending to claim. Likewise, reasonable certainty for third parties is provided by a principle of claim construction that does not give the patentee more than the full extent of the monopoly which the person skilled in the art would think that he was intending to claim. Furthermore, to give a broader interpretation could be unfair to the patentee, as that could expose the patent to invalidity challenges.

The UK/Irish approach to construction has been comprehensively summarised in subsequent decisions, in particular *Virgin Atlantic v Premium Aircraft Interiors*, as follows:

Virgin Atlantic v Premium Aircraft Interiors
[2010] RPC 8

Principles of claim construction

One might have thought there was nothing more to say on this topic after Kirin-Amgen v Hoechst Marion Roussel. The judge accurately set out the position, save that he used the old language of Art 69 EPC rather than that of the EPC 2000, a Convention now in force. The new language omits the terms of from Art. 69. No one suggested the amendment changes the meaning. We set out what the judge said, but using the language of the EPC 2000:

The task for the court is to determine what the person skilled in the art would have understood the patentee to have been using the language of the claim to mean. The principles were summarised by Jacob LJ in Mayne Pharma and refined by Pumfrey J in Halliburton v Smith International following their general approval by the House of Lords in Kirin-Amgen v Hoechst Marion Roussel. An abbreviated version of them is as follows:

Mayne Pharma v Pharmacia Italia
[2005] EWCA Civ 137

Halliburton v Smith International
[2005] EWHC 1623 (Pat)

Kirin-Amgen v Hoechst Marion Roussel
[2005] RPC 9

- *The first overarching principle is that contained in **Article 69 of the European Patent Convention**.*
- *Article 69 says that the extent of protection is determined by the claims. It goes on to say that the description and drawings are to be used to interpret the claims. In short, the claims are to be construed in context.*
- *It follows that the claims are to be construed purposively, the inventor's purpose being ascertained from the description and drawings.*

- *It further follows that the claims must not be construed as if they stood alone, the drawings and description only being used to resolve any ambiguity. Purpose is vital to the construction of claims.*
- *When ascertaining the inventor’s purpose, it must be remembered that he may have several purposes depending on the level of generality of his invention. Typically, for instance, an inventor may have one, generally more than one, specific embodiment as well as a generalised concept. But there is no presumption that the patentee necessarily intended that the widest possible meaning consistent with his purpose be given to the words that he used: purpose and meaning are different.*
- *Thus purpose is not the be-all and end-all. One is still at the end of the day concerned with the meaning of the language used. Hence the other extreme of the Protocol – a mere guideline – is also ruled out by **Article 69** itself. It is the terms of the claims which delineate the patentee’s territory. It follows that if the patentee has included what is obviously a deliberate limitation in his claims, it must have a meaning. One cannot disregard obviously intentional elements.*
- *It also follows that where a patentee has used a word or phrase which, acontextually, might have a particular meaning (narrow or wide), it does not necessarily have that meaning in context.*
- *It further follows that there is no general “doctrine of equivalents”.*
- *On the other hand, purposive construction can lead to the conclusion that a technically trivial or minor difference between an element of a claim and the corresponding element of the alleged infringement nonetheless falls within the meaning of the element when read purposively. This is not because there is a doctrine of equivalents: it is because that is the fair way to read the claim in context.*
- *Finally, purposive construction leads one to eschew the kind of meticulous verbal analysis which lawyers are too often tempted by their training to indulge in.*

It is clear that “purpose” is a vital part of construction. But it is not the be-all and end-all. What matters is the **meaning** of the words used in the claims.

Equivalents

As the *Virgin Atlantic* summary states, there is no general “doctrine of equivalents” under UK law. This was also the view of Lord Hoffmann in *Kirin-Amgen*, who held that Article 69 EPC – which requires the extent of protection conferred by a European patent to be determined by the claims – prohibits any approach to the determination of the scope of protection that extends protection **outside** the claims. It is in that sense that there is no doctrine of equivalents under UK law.

That is not to say that the UK approach does not take equivalence into consideration. On the contrary, equivalence is still an important part of the background of facts known to the skilled man which would affect what he understands the claims to mean. Accordingly, equivalents will fall within the scope of the claims of a European patent if, properly construed, the skilled person would understand from the words of the claim that the patentee had intended to cover such an equivalent. A purposive, contextual construction is key to determining this question.

In *Kirin-Amgen*, Lord Hoffmann did not disapprove the use of the “Protocol” questions set out above, but he cautioned that those questions are to be seen as a guide, not a rubric, and that they may not always be useful, for example in cases concerning rapidly advancing technologies. It should also be noted that the Protocol questions came about in order to prevent infringement being avoided by an overly strict, literal interpretation of the claims. The questions should therefore have less application when, in place of the old “literal” approach, a purposive approach to claim construction is adopted in accordance with *Kirin-Amgen*. In practice, the English courts, following *Kirin-Amgen*, have applied a purposive construction of patent claims and have not usually referred to the “Protocol” questions.

Kirin-Amgen (supra) at 190

The German approach: meaning of the claim

In Germany the starting point for claim interpretation is the wording of the claims. The scope of protection cannot be derived from the description and the drawings alone. A teaching which is exclusively disclosed in the description but which has not been incorporated into the claim wording is not protected. The patent description and drawings are only means for interpreting the content of the patent claims. They do not define the scope of protection of the patent independently.

The focus on the wording of the claim also means that a broad wording cannot be limited by reference to words used in the description. The description and the drawings cannot limit the scope of protection.

BGH, GRUR 2004, 1023 – “*Bodenseitige Vereinzelungseinrichtung*”; BGH, GRUR 2007, 778 – “*Ziehmaschinenzugeinheit*”

The description and drawings are thus means for assisting in interpreting the wording and the meaning of the wording of the claim. It has also been recognised that the patent specification can contain its own lexicon for the terminology used, which needs to be taken into account when determining the understanding of the wording of the claim.

In practical terms, the courts make a careful comparison of the wording of the claims and their meaning with the disclosure in the description and drawings in order to interpret the patent specification as a whole and to avoid inconsistencies between the claim wording and the description.

If, for example, several interpretations of a claim are possible, the courts will take into account the variants in the patent specification and will prefer an interpretation that such variants remain covered by the claim wording.

The *Bundesgerichtshof* (German Federal Supreme Court) (BGH) has also stressed that the words and/or features of the claims cannot be interpreted individually, out of context. It is important to remember that the features of the claim constitute an interdependent unit. This means that they cannot be interpreted separately, regardless of the general context of the teaching protected by the claim as a whole.

BGH, GRUR 2004, 844 –
“Drehzahlermittlung”;
BGH, GRUR 2012, 1124 –
“Polymerschaum”

Moreover, it is important to establish the technical meaning the individual features have in their context and their contribution to the intended result of the claim. As a result of this exercise, a feature can have a different meaning in a prior art document to which the patent refers. It is also recognised under German law that the question of whether the claim in a broader interpretation is invalid or constitutes added subject-matter is irrelevant for the claim interpretation and is only a question of validity. Arguably, this approach is a consequence of the bifurcation system in Germany.

Against this background, several criteria for claim interpretation have been developed by the German courts. Some of them are described below.

Sub-claims and embodiments may also provide an indication as to how the wording or features of the main claim should be interpreted. However, the fact that a particular variant has not been expressly mentioned in the description is no indication that such variant is outside the scope of the patent. Sub-claims and embodiments are only examples of how the teaching of the main claim can be implemented. The scope of protection is not limited to the variants described in the sub-claims or in an example.

Claim interpretation can also involve a function-oriented interpretation. Features and terms in the claim can be interpreted functionally according to the technical function attributed to the teaching of the invention. What the patent specification subjectively discloses as the object of the invention is not relevant. The objective problem has to be determined in order to identify which disadvantage in the state of the art is to be avoided and which advantages are to be achieved by a specific feature. However, if the feature is defined by its physical form, it may not be reduced to its function only, and a functional interpretation may not be appropriate. In this case, only the doctrine of equivalence can help to extend the scope of protection.

BGH, GRUR 2010, 602 –
“Gelenkanordnung”

OLG Düsseldorf, GRUR-RR 2014 –
“WC-Sitzgelenk”

Indicators to help interpret a feature can also be derived from the state of the art, but the German courts are generally cautious about

interpreting features in a claim in a limited way by reference to the prior art documents.

Features which refer to a specific effect or function can be problematic need to be interpreted carefully. They may indicate that an infringing embodiment needs to be in a form that enables this function to be achieved. Sometimes they do not limit the scope of protection but only refer to a specific functionality.

BGH, GRUR 2009, 837 –
“Bauschalungsstütze”

The French approach

The French courts will take into account the technical contribution of the patent over the prior art when construing the claims in order to assess infringement.

In summary, the first step is to determine whether the patent claims differ from the cited prior art by a novel form (or structure) (these are called “particular means”) or by a novel function (these are called “general means”).

This distinction is relevant in assessing whether there is infringement, either on a literal basis or by equivalence.

Claim construction

The French courts adopt a purposive approach to patent construction, to give a broad meaning to the claim, whilst nevertheless defining the core of the claimed invention.

This key step is governed by Article 69 of the EPC for the French designation of European patents and by **Article L. 613-2** of the *Code de la propriété intellectuelle*, the French Intellectual Property Code for national patents. These two articles, which are identical, provide that “*the extent of the protection conferred by a patent shall be determined by the terms of the claims*” but that “*nevertheless, the description and the drawing shall be used to interpret the claims*”.

The French approach was defined by the decision issued by the *Cour d’appel* (“CA”), Court of appeal of Paris on 11 October 1990 in the first case involving a European patent, (*Dolle v Emsens*), and that approach continues to apply:

“Article 69, as interpreted by its protocol, has chosen a middle way between a literal construction of the claim, in which the description and the drawings should be used only to resolve ambiguities, and a broad construction in which the claim should be used just as a guideline and

in which the protection would extend to what, according to the skilled person, the patentee had intended to protect.

This compromise must ensure a fair protection for the patentee against the skill of the infringer to avoid infringement and enable third parties to know with certainty what is protected.

In view of Article 69, the judge must construe the claims by reference to the description and to the drawings.

He must give to the claim its full meaning, so that this condensed text is understood.

The construction requires that the substance of the claimed invention is defined, without adding any element which the claim did not include and did not suggest.”

The reference to the full meaning of the claim and the substance of the invention shows that French judges adopt a purposive approach to the construction of patent claims. They seek a fair balance, ensuring both a reasonable protection for the patentee and a reasonable degree of legal certainty for third parties.

When construing a claim, French judges seek to understand its teaching, through the eyes of the skilled person, as well as the technical problem solved by the patent, the means taught to solve that problem and the way in which those means function.

However, the construction of a claim must not result in adding to the claim a feature which it does not include (“interpreting is not adding”) or, conversely, in omitting a feature which it comprises.

Definitions provided in dictionaries, manuals or other documents exhibited by the parties may be taken into account when seeking to understand the patent, but they should never take precedence over the meaning stemming from the patent itself.

Such documents are used mainly to help clarify, where necessary, the knowledge of the skilled person and the way he would read and understand the patent.

Parties are not prohibited from producing a written expert opinion on the issue of claim construction, if it is necessary to clarify the documentary evidence relied upon and to substantiate the knowledge of the skilled person. However, the use of expert opinions on this point is not usual in France.

The proper construction of the patent is relevant to the assessment of infringement in order to identify:

- the features of the claims which should be considered as the so-called “essential means”, i.e. the features without which the claim would not be considered novel and inventive, or the features without which the claimed means would not perform the function of the invention; and
- the features which should be considered as minor (i.e. details) because they are not necessary for the claim to be considered novel and inventive over the prior art and are not indispensable for the claimed means to perform their function.

This analysis requires a consideration of the contribution of the invention to the art, the aim being to understand whether the means taught by the patent differ from the prior art only, or mainly, by details of structure (or form), or whether they perform a new function.

Claim construction is partly a question of fact and partly a question of law.

The *Cour de cassation* (French Supreme Court) (Cass) will review the legal reasoning of the *Cour d’appel* but will not review its factual findings.

As a result, the *Cour de cassation* will only overturn decisions where the construction exercise led to a distortion of the claim (by either adding or omitting a feature) or to the creation of a contradiction between the specification and the claim.

It will not, however, review the technical findings of the *Cour d’appel* as to the knowledge of the skilled person.

The claims and the specification are construed as at the filing date, or priority date, of the patent.

This approach to claim construction ensures that the scope given to the claims is the same for both validity and infringement, so that the so-called “**Angora cat**” paradox cannot apply.

The man skilled in the art and the common general knowledge

The person skilled in art has no place in the assessment of infringement under French law, notably because the question of whether the alleged infringement was an obvious alternative to the claimed invention is not relevant (see below).

However, the person skilled in the art and his common general knowledge are taken into account for the purpose of construing the claims and the specification, (see above).

The Angora cat paradox refers to the contradictory approaches adopted by some patentees during prosecution and infringement litigation: for the purpose of assessing validity, the claims are presented as narrow (like a wet Angora cat) to better distinguish them from prior art; but once granted and for the purpose of an infringement case, the same claims become far broader (like the dry Angora cat with its fluffy coat).

Under French law, the skilled person is considered to be the same for all aspects of assessing the patent (see above).

The French tests for infringement

The philosophy which underlies the purposive construction approach described above also leads French judges to a relatively broad conception of infringement by equivalence. This trend has given rise to the idea of “France versus The rest of the world”, as in the similarly titled article by Pierre Véron in Patent World magazine.

“Doctrine of Equivalents, France v The rest of the world” by Pierre Véron, Patent World, November 2001

Infringing means were defined by Paul Mathély in a leading text as those reproducing the essential means of the claimed invention, i.e. the novel and inventive means brought by the patent to the art and which are necessary and sufficient to perform the function of the claimed invention. This broad approach is also reflected by the traditional formula *“infringement is assessed by similarities and not by differences”*.

“Les éléments constitutifs de l'invention sont les moyens, nouveaux et inventifs, que le brevet apporte à la technique antérieure, et qui exercent la fonction qu'il a prévue. Ces moyens sont essentiels, lorsqu'ils sont nécessaires et suffisants pour assurer l'exécution de cette fonction ; les moyens essentiels sont ceux qui forment la substance de l'invention, et qui sont la condition même de la fonction qu'elle exerce.” (« Le nouveau droit français des brevets d'invention » by Paul Mathély, chapter II, section 1, page 413)

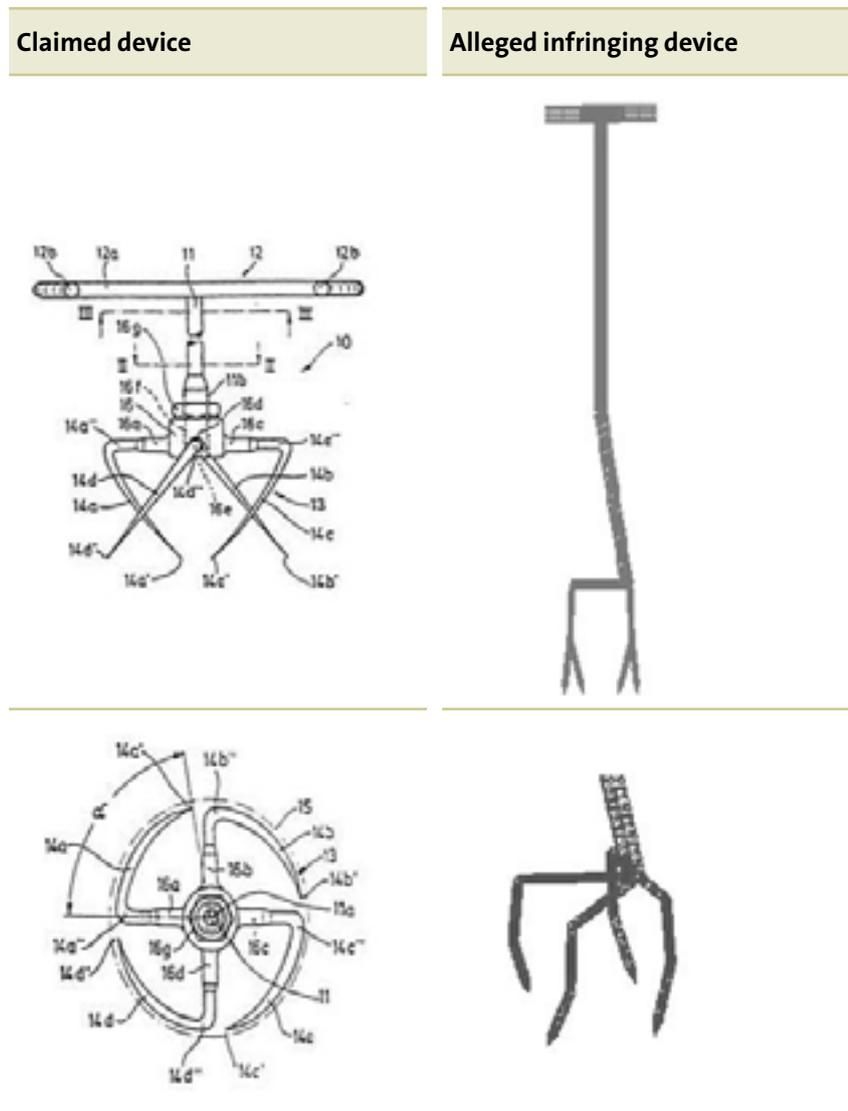
The French infringement test can be considered as threefold: the first question is whether there is literal infringement, i.e. whether the accused means reproduce the claimed means both in their form (or structure) and function. If not, then the second question is whether there is infringement by reproduction of the essential means of the claim, a question requiring a positive reply if the differences between the claimed and the accused means relate only to details and not to the essential means of the claim. If not, then the third question is whether there is infringement by equivalence, which is the case if the claimed invention performs a new function and the accused means perform said function for the same results as the claimed means.

For all of these steps, both the claimed and the means at issue should be considered in terms of form (or structure) as well as function (the primary technical effect) and results (the advantages provided by the invention).

Tribunal de Grande Instance (TGI), Regional Court of Paris, 3rd Chamber, 1st section, 26 April 2000 (Garden Claw v Leborgne)

The explanation below will be illustrated by the example of a claim covering a gardening device.

The figures below show the claimed device and the alleged infringing device:



The patent in issue relates to a manual gardening device, comprising a handle at one end and a tool at the other end, for loosening soil, mixing soil layers and removing weeds without great effort by way of helical movement.

Claim 1 relates to the structure of the tool, and in particular the arrangement of its tines, which have the following main characteristics:

- The tines envelop a virtual cylinder along the axis of the shaft.
- They form an angle of 90° to the shaft.

On the basis of the explanations provided by the description, the Court considered that the function of the device was to rotate, allowing insertion of the tool into the soil in the manner of a screw, for loosening the soil and mixing its different layers during rotation.

Claim 1 reads:

“A manual agricultural implement, comprising a shaft (11), a handle (12) arranged on one end of said shaft and a tool on the other end of said shaft and including a plurality of helically curved tines (14) disposed around said shaft (11) in radially spaced relationship therewith, characterized in that said tines (14a – 14d) extend parallel to each other along an imaginary cylinder (15) which is coaxial to said shaft (11), and that said tines (14a – 14d) are evenly distributed over the circumference of said imaginary cylinder (15) and curved such that the lines which connect the tine feet (14a” – d”) and tine tips (14a’ – 14d’) with the axis of said shaft (11) form an angle of approximately 90°.”

Literal infringement

There is literal infringement (“*contrefaçon à l’identique*”) when the accused means reproduce the claimed means in their form and their function for the same result.

However, most often, the accused means are not identical to the claimed ones.

In the gardening device example, the device did not reproduce the claimed means in their form and function for the same result, since there was a difference notably relating to the angle between the axis of the shaft and the tines (which was 90° in the patent but far smaller in the alleged infringement).

However, far from excluding infringement, the existence of differences leads to the second step of the infringement test, namely determining whether these differences relate to detail or to the essential means of the claim.

Infringement by reproduction of the essential means of the claim

There is infringement by reproduction of the essential means of the claim when the differences in the alleged infringing means relate only to minor features.

The question to be considered is, in fact, two-fold:

- First, the claimed and infringing means should be compared so as to determine the features of the claim which are not reproduced.
- Second, the non-reproduced features should be assessed to determine whether they amount only to detail (so there is infringement) or to essential means of the claim (in which case it will be necessary to apply the third part of the infringement test).

French decisions illustrate the various questions which should be examined to determine whether a feature is a detail or an essential feature of the claim:

- Is it presented as essential in the patent or during prosecution, for example? Does the patent mention alternatives?
- Is the feature one of those without which the claim would not have been found novel and inventive?
- Is the feature indispensable to fulfilling the function of the claimed means and to solving the technical problem underlying the invention?

The question whether the patent mentions alternatives appears in a decision of the TGI Paris, 3rd chamber, 4th section, of 28 March 2013 (*Somfy v Gaposia*): the fact that the patent precisely described the form of the brake, without mentioning any alternative, was considered as showing that this feature was essential — (“*L’invention n’envisage qu’un seul type de frein... sans autre alternative. Il ne peut donc être considéré que cet élément de la revendication du brevet n’est pas essentiel*”, i.e. “*The invention considers only one type of brake... with no alternative. Therefore, it cannot be considered that this feature of the claim is not essential.*”)

In a decision of the TGI Paris of 29 September 2004, 3rd chamber, 1st section (*L’Oréal / Al Khouri*), the judges examined the technical importance of the modified means: in this case, the use of the polymer selected by the defendant changed the whole chemical reactions involved in the formation of the capsules: “*That, therefore, there cannot be an infringement, since the defendants’ process is based on a polymer while the claimant’s process involves no polymerisation chemical reaction. [...] the CNRS patent, used by the defendants, uses a polymer that dissolves in organic phase leading to a solution polymer which, after injecting the solution, precipitates at the surface of the oil nanodroplets also leading to nanocapsules;*”

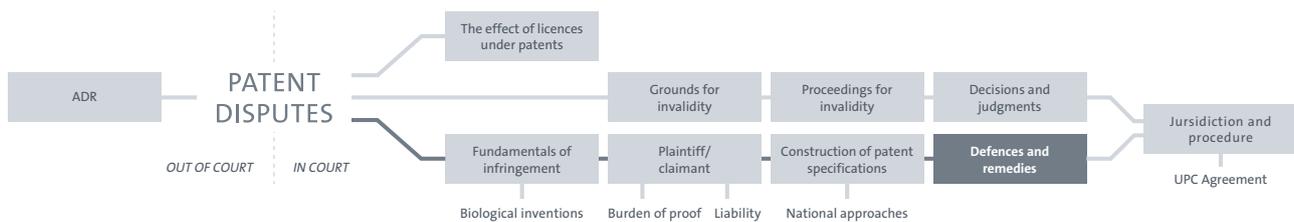
If those claimed means which are not literally reproduced are merely a minor feature (i.e. a detail), then there is infringement. Otherwise, it is necessary to consider whether there is infringement by equivalence.

When applied to the example of the gardening tool, this two-fold test leads to the following conclusion: the accused device differs from the claim notably in that it has tines forming angles of less than 90°. The angle of 90° was not a minor feature, notably because it was said to be important during prosecution to obtain the grant of the patent and because it is indispensable for the rotation of the tool in the soil like a screw. As a result, this feature is essential and the accused device does not constitute an infringement by reproduction of the essential features of the claims.

This leads to the last part of the infringement test, which involves the determination of whether there is infringement by equivalence.

Defences and remedies

Essentials



If infringement is established, there will normally be a remedy for the patentee against the infringer. There are, however, circumstances when that will not be the case, either because the scope of the patent has been limited by law, or because a statutory defence is available to the infringer.

TRIPS Article 30 and the Community Patent Convention (CPC)

Article 30 of the TRIPS Agreement states that member states can introduce limited exceptions to the scope of the granted patent. Such exceptions must, however, protect:

- the “normal exploitation” of the patent
- the legitimate interests of the patentee
- the legitimate interests of third parties

It is in light of the above that Article 27 CPC should be considered. Article 27 CPC provides the basis for most of the statutory defences provided by the member states. Indeed, the cases referred to below (founded on national laws) are discussed as if they had arisen out of Article 27: the language is very similar, and the judgments are analogous.

Article 27 CPC states that patents covered by the CPC will not extend to certain actions by a potential infringer. It should be noted that this is a limit on the scope of the patent, rather than a defence as such (i.e. a legal excuse for an otherwise infringing act). In comparison, where an act falls under one of the statutory exceptions, it is statutorily defined as not infringing in the first place.

TRIPS Article 30

Exceptions to Rights Conferred

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

Community Patent Convention (CPC)

The CPC was signed December 15, 1975 in Luxembourg and was meant to create a unitary patent for all EU member states. Because it has not yet been ratified by all the signatory states it has not yet come into force.

There are three primary heads of defence under the CPC: (i) private use, (ii) medical and experimental use, and (iii) ships, vehicles, and aircraft, each of which is considered in turn below.

Private use

Article 27(a) CPC states that acts done privately and for non-commercial purposes are not within the scope of patent protection.

The meaning of “done privately” has not been considered by the German or UK courts¹⁰ very often, possibly because truly “private” infringements are unlikely to be litigated or of great concern. One of the few English cases to consider the question of “done privately” is *Smith Kline & French v Evans Medical Ltd.* In that case, Aldous J made it clear that the expression “done privately” does not simply mirror “secretly” or “confidentially”. The question is rather whether the act complained of was done “for the person’s own use”.

Perhaps as a consequence of this definition, the private nature of a particular action is often elided with the second item of the clause: commercial use.

Accordingly, it is typically in terms of commerce that many of the cases are made out, and here the language, as Aldous J wrote in *Smith Kline & French*, “does not need explanation and clearly includes any commercial purpose”. Nevertheless, the German courts clarified that in each case all the particular circumstances need to be considered. In particular, “commercial purposes” should be interpreted fairly broadly. So, for example, the use of a patented lamp in a waiting room of a physician’s clinic qualifies as “commercial purposes” within the meaning of this exception.

In *Smith Kline & French*, the judge was required to go further and consider a case where there was a non-commercial purpose, but also a commercial gain. The test promulgated for such a circumstance is a subjective one, in order to determine what the purposes of the private use were. If at least one of the purposes was commercial, then the “private use” defence is not available.

Article 27(a) CPC

The rights conferred by a Community patent shall not extend to:
(a) acts done privately and for non-commercial purposes

Smith Kline & French v Evans Medical Ltd.
[1989] FSR 513, 517

See, for example, *Merrell Dow Pharmaceuticals v HN Norton & Co* [1996] RPC 76 (HL)

Smith Kline & French v Evans Medical Ltd.
[1989] FSR 513, 517

BGH, GRUR 2009, 871 – “Internet-Plattform”

BGH, NJW 1968, 197 – “Glatzenoperation”

Smith Kline & French v Evans Medical Ltd.
[1989] FSR 513, 516

¹⁰ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Experimental and medical use

Articles 27(b) and (c) CPC relate to experiments and medical uses respectively. In some respects, these articles are the most interesting “non-commercial” uses.

Article 27(b) permits acts “done for experimental purposes relating to the subject-matter of the patented invention”. In *Monsanto v Stauffer Chemical Co*, it was held by the English Court of Appeal that this part of the test was not limited in the same way as Article 27(a) to non-commercial purposes. Whilst a party is not allowed to financially benefit from the experiments, during the period of the patent, the Court of Appeal thought that if this provision were to be binding, it was necessary to permit such experiments, even though the potential infringer might have profits in mind which will only be made at the end of the patent’s term. The court held that for defence to apply, the experiment must be for the purpose of finding out something new about the patented invention.

More recently, in *CoreValve v Edwards*, it was reiterated that whilst the fact that an experiment is conducted in ultimate contemplation of commercial gain does not mean that the experimental exception cannot apply, if the envisaged commercial gain is immediately realisable, the exception will not apply. In this case, the experiment was found to have been done primarily to “generate revenue”. As such, the defence failed.

A similar test is applied for contract manufacturers. In *Inhale v Quadrant* it was found that Quadrant, who had conducted the experiments primarily in contemplation of trying to exploit and sell its technology to third parties, could not invoke the defence.

With respect to permitted medical uses, the CPC allows the extemporaneous preparation for individual cases in a pharmacy of medicine in accordance with a medical prescription, and the administration of the medicine produced.

Bolar exemption

What is important to consider here is the Bolar exemption, named after a case of the Court of Appeals for the Federal Circuit in the US, and the legislation subsequently passed to overturn it. It concerns the use of a patented invention for the purpose of complying with regulatory processes.

Prior to Directive 2001/83/EC on the Community Code relating to medicinal products for human use, the *Bundesgerichtshof* (German Federal Supreme Court) (BGH) (“*Klinische Versuche II*”) had noted that clinical tests for a regulatory body do not constitute a “typical research activity” because of the introduction of a commercial element, and that

Article 27(b) and (c) CPC

The rights conferred by a Community patent shall not extend to:

...

(b) acts done for experimental purposes relating to the subject-matter of the patented invention;

(c) the extemporaneous preparation for individual cases in a pharmacy of a medicine in accordance with a medical prescription nor acts concerning the medicine so prepared;

...

Monsanto v Stauffer Chemical Co
[1985] RPC 515

CoreValve Inc v Edwards Lifesciences AG
[2009] FSR 8

Inhale Therapeutic Systems Inc v Quadrant Healthcare plc [2002] RPC 21

BGH, X ZR 68/94 [1998] RPC 423 –
“*Klinische Versuche*”

they would only be undertaken after the traditional research had taken place. The rationale for the decision was that “[t]he legal pharmaceutical authorisation inaugurates the commercial exploitation of the active agent.”

This judgment would now be contrary to two directives: 2001/83/EC and (as amended by) 2004/27/EC, most importantly **Article 10(6)**, which explicitly states that patent rights are not infringed if the experiments, or “studies and trials,” are for the purpose of complying with safety and other regulations. Activity to comply with regulations is now a protected activity.

However, the implementation of these directives in the member states has been far from uniform. In some, the defence has been adapted to cover testing only for the approval of generic products (and potentially only for submission in the EU), whilst in others it has been extended to cover all tests relating to regulatory approval. In the Unified Patent Court Agreement (UPCA), the scope is of the narrower kind. This means that there will continue to be disparate protection under the experimental use defence in some member states and the UPC.

Given that these provisions for the benefit of science and healthcare are heavily policy-driven, it is important to keep in mind the overarching TRIPS language referred to above. Such balancing of policy concerns is explicitly allowed, but the interests of the patentee must be considered carefully, with the obligation to justify the exception resting on the state, and the obligation to make out the defence on the alleged infringer.

Ships, vehicles and aircraft

Article 27(d) to (f) CPC protects the use of patented equipment on board vessels by non-parties to the CPC (excluding states that are not part of the Union of Paris), if the invention is used for the needs of the vessel, and the vessel strays into the waters of a member state. For the construction of aircraft (from a state that is party to the Union of Paris), and relatedly, under the Convention on International Civil Aviation, no aircraft of one contracting state to that Convention may be interfered with by another contracting state on the grounds of a patent having been infringed in the construction of the aircraft.

Article 10(6) of Directive 2001/83/EC

6. Conducting the necessary studies and trials with a view to the application of paragraphs 1, 2, 3 and 4 [regarding preclinical testing, and the regulation of medicinal products and generic pharmaceuticals] and the consequential practical requirements shall not be regarded as contrary to patent rights or to supplementary protection certificates for medicinal products.’

Article 27(d) to (f) CPC

→ see below

Article 27(d) to (f) CPC

The rights conferred by a Community patent shall not extend to:

...

(d) the use on board vessels of the countries of the Union of Paris for the Protection of Industrial Property, other than the Contracting States, of the patented invention, in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of Contracting States, provided that the invention is used there exclusively for the needs of the vessel;

(e) the use of the patented invention in the construction or operation of aircraft or land vehicles of countries of the Union of Paris for the Protection of Industrial Property, other than the Contracting States, or of accessories to such aircraft or land vehicles, when these temporarily or accidentally enter the territory of Contracting States;

(f) the acts specified in Article 27 of the Convention on International Civil Aviation of 7 December 1944, where these acts concern the aircraft of a State, other than the Contracting States, benefiting from the provisions of that Article.

Prior use exception

There is an exception in UK law (as well as in other laws such as Section 12 of the *Patentgesetz* (German Patent Act) (PatG)) which amounts to a defence to infringement, where defence is used in the classical sense.

Under **Section 64 UK Patents Act 1977**, if, in good faith, someone has been doing some act which would now infringe a more recently granted patent, or made in good faith effective and serious preparations to do such an act, that person is still entitled to do that act, even though it is otherwise infringing behaviour. The motivating concept is that someone should be able to continue doing what in substance he was doing before, notwithstanding the new patent.

The exception here is narrow. Whilst the act complained of need not be identical to the prior act, it is expected to be close to it. In particular, in Germany modifications are not covered by said prior use only if with such modifications all claim features are fulfilled – even if the addition is straightforward and absolutely obvious.

Furthermore, if the party claiming the prior act exception is a natural person, the right cannot be assigned. If it is a legal person, it can be assigned under English law, but only under strict rules set out in the Act, and under German law (**Section 12(I) PatG**) only if the entire related business is assigned.

Finally, in Germany, if the use of a patented teaching was initiated in good faith at a point in time where a patent ceased to exist, but said patent is reinstated later on, such use may be continued under similar restrictions as discussed above (**Section 123(5) PatG**).

Section 64(1) UK Patents Act 1977

(1) Where a patent is granted for an invention, a person who in the United Kingdom before the priority date of the invention—

- (a) does in good faith an act which would constitute an infringement of the patent if it were in force, or
- (b) makes in good faith effective and serious preparations to do such an act, has the right to continue to do the act or, as the case may be, to do the act, notwithstanding the grant of the patent; but this right does not extend to granting a licence to another person to do the act.

Lubrizol v Esso [1997] RPC 195 at 216

Lubrizol v Esso [1998] RPC 727 at 770

BGH, GRUR 2002, 231 – “*Biegevorrichtung*”

Section 12 PatG

(1) This right may only be bequeathed or transferred together with the business.

Section 123 PatG

(5) Any person who, in Germany, has in good faith commenced to use the subject matter of a patent which as a result of reinstatement has re-entered into force, in the period between the lapse and the re-entry into force of the patent or has, in this period, made the necessary arrangements for each purpose, shall be entitled to continue to use the subject matter of the patent for the needs of his own business in workshops of his own or others.

Exhaustion of patentee's rights

Introduction

The right of a patentee to prohibit use of his invention is limited in some jurisdictions by the principle of exhaustion. The basic idea underlying this principle is that it is sufficient if a patentee has the possibility to exploit his right once only for each embodiment of his invention. He can decide on the conditions and the price, and he therefore benefits from the specific monopoly rights conferred by the patent. Once he has done this, he is no longer able to control the distribution channels by intervening each time the embodiment is passed on to the next purchaser. Therefore, with respect to each embodiment, the monopoly right conferred on the patentee lapses (is “exhausted”) as soon as the respective embodiment has been put on the market by the patentee or by a third party with the patentee’s consent. From then on, the patent does not protect the patentee for that particular embodiment of the invention.

In most European jurisdictions (for example, France, Belgium, the Netherlands, Italy and Spain), the principle of exhaustion is regulated by written law. In German patent law there is no regulation concerning the exhaustion of patent rights, but the principle of exhaustion has been established in the case law and is therefore unwritten law (an exception is the exhaustion of biological patents that is the subject-matter of Section 9b PatG). The law of the United Kingdom does not follow the principle of exhaustion. Instead, it applies the theory of implied licence, which will be discussed further below.

Legal nature of the principle of exhaustion

Exhaustion limits the patentee’s rights but is not a form of licence. Therefore, it has effect not only between the patentee and his licensee or other contractual partners, but also for any third party making use of that particular embodiment of the invention. Unlike the situation regarding licences, the patentee cannot limit the scope of exhaustion. Contractual limitations, for example with regard to a minimum price for resale, have contractual effect between the contracting parties only. They cannot be enforced with regard to third parties.

Prerequisites for exhaustion

In principle, a prerequisite for exhaustion is that an embodiment of the invention must have been put on the market, by the patentee or with the patentee’s consent, in the territory of the state that granted the patent.

Exhaustion only occurs with regard to each individual embodiment of the invention for which the prerequisites for exhaustion have been met. Consequently, the right of *production* cannot be exhausted, as production inevitably leads to a new embodiment for which the rights of the patentee have not yet been exhausted. However, all other types of use are

Rationale of the principle of exhaustion

The patentee must not disproportionately hinder the free movements of goods. Therefore, he can exploit his monopoly right only once with regard to each embodiment of the patented invention.

BGH, GRUR 1980, 38, 39 –
“Fullplastverfahren”

The legal basis of exhaustion in European jurisdictions

Section 9b PatG

Should the patentee or a third party with the consent of the patentee put biological material possessing certain characteristics owing to the invention on the market within the territory of a Member State of the European Union or in a contracting state of the European Economic Area Agreement and should further biological material be produced from this biological material by multiplication or propagation, the effects of § 9 shall not come into force if the propagation of the biological material was the reason why it was put on the market. This shall not apply if the material produced by this means is used thereafter for a further multiplication or propagation.

Scope of exhaustion

Exhaustion occurs with regard to each individual embodiment separately; no exhaustion of manufacture.

free, as long as they concern only the respective embodiment for which exhaustion has already occurred.

“Putting on the market” means that the embodiment becomes part of the free market. This is not the case, for example, if it is only transferred within the patentee’s business. The embodiment has to be transferred to a third party’s power of disposition. Therefore, the third party necessarily has to obtain possession of the embodiment.

If the embodiment is not put on the market by the patentee himself but by a third party, this generally only leads to exhaustion if the patentee has given his consent. This consent has to be the result of a free decision. In Germany, the consent can follow an express declaration, but can also be found valid from conclusive behaviour, as long as it is unambiguous. Normally, the consent of the patentee is given in the form of an (exclusive or non-exclusive) licence.

The putting of the embodiment on the market by a licensee may not lead to exhaustion if the licensee violates the licence. If, for example, the licence only permits production, the licensee cannot put the produced embodiments on the market without infringing the patent, and as such cannot cause exhaustion. The same applies with territorial restrictions. However, there are other limitations to licences that do not prevent exhaustion if they are violated, for example no-competition clauses or price-fixing clauses.

However, as well as the consent of the patentee, the putting of the embodiment on the market by a third party may also lead to exhaustion if this third party is justified by a legal right, for example based on a declaration of the patentee that he is willing to grant a licence (Section 23(3) PatG), a right of prior use (Section 9 and 123(5) PatG), a compulsory licence (Section 24 PatG) or an order that the invention is to be used in the interest of public welfare (Section 13 PatG).

Generally speaking, the principle of national exhaustion applies. Therefore, exhaustion of patent rights only occurs if the embodiment is put on the market within the domestic territory. Putting it on the market in foreign territories, even with the patentee’s consent, does not affect the patentee’s right in the domestic market. It may only lead to exhaustion of a parallel foreign patent. If an embodiment is imported, it is put on the market within the domestic territory.

Putting on the market

Putting on the market by the patentee or with his consent

Violation of limited licences

If limitations of licences concern the right to use as such, a violation will prevent exhaustion. In contrast, mere contractual arrangements are irrelevant with regard to exhaustion.

BGH, GRUR 1959, 200, 203 – I ZR 98/57 – “Heiligenhof” (concerning copyright law)

Putting on the market in exercise of legal rights

Principle of national exhaustion

BGH (1999) 32 IIC 685 – X ZR 61/98 – “Karate”

Exhaustion of method claims

As mentioned above, exhaustion only occurs with regard to the specific embodiment that has been put on the market. This also applies with regard to products directly produced by a patented process.

The question often arises as to whether exhaustion follows from a device for performing a method patent being put on the market. Generally, this is not the case. However, because it seems to be unjustified for the patentee to be able to prohibit the execution of the patented method, it is assumed that he has granted an implied licence if he has not made it clear to the contrary. However, the patentee could theoretically exclude such a licence.

BGH, GRUR 1980, 38, 39–
“Fullplastverfahren”

European exhaustion

By derogation from the principle of national exhaustion, when an embodiment is put on the market by the patentee or with his consent within the European Union or the European Economic Area this also leads to exhaustion. Therefore, if a product is put on the market in Spain, the owner of a German patent can no longer restrict the use of the respective embodiment in Germany. The reason is the principle of free movement of goods pursuant to Article 34 TFEU (ex- Article 28 TEC), which, between member states, prohibits quantitative restrictions on imports and all measures having equivalent effect. Article 36 TFEU (ex- Article 30 TEC) by way of derogation allows restrictions to the free movement of goods insofar as they serve the protection of industrial property. However, the exemption pursuant to Article 36 TFEU only applies with regard to the specific subject-matter of intellectual property rights.

ECJ (1974) 6 IIC 102 – *Negram II*

According to the jurisdiction of the European Court of Justice (ECJ), the specific subject-matter of industrial property is the guarantee that the patentee, in order to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties. However, if there was a national law according to which a patentee’s right was not exhausted when the embodiment protected by the patent was marketed in another member state, this would be an obstacle to the free movement of goods. Therefore, putting an embodiment on the market within the European Union or, according to the EEA Agreement, within the European Economic Area, leads to exhaustion of the patent.

This even applies if the patentee or a third party (with the consent of the patentee) puts the embodiment on the market in a member state in which it is not protected by a patent. However, exhaustion does not occur if the embodiment is put on the market in a foreign member state without patent protection by a third party without the patentee’s

ECJ, decision of 14 July 1981. 187/80 –
Moduretik

ECJ (1974) 6 IIC 102 – *Negram II*

ECJ (1985) 17 IIC 357 – *Pharmon*

consent. Nor is the patent right exhausted if the embodiment is put on the market in a foreign member state on the basis of a compulsory licence. Therefore, in the latter cases, the patentee can prevent the import of the embodiment into the member state where patent protection exists.

International exhaustion

There is no international exhaustion. This means that putting the embodiment on a market outside the European Union (EU) or the European Economic Area (EEA) does not lead to exhaustion.

There can only be exhaustion if the patentee or a third party puts the embodiment on the market outside the EU or the EEA and the patentee gives his consent to reimport this embodiment into the EU or the EEA. However, this is not a case of international exhaustion, but rather one of European exhaustion. The exhaustion does not follow from putting the embodiment on the market outside the EU or the EEA but from reimporting it with the consent of the patentee.

ECJ (2001) 33 IIC 505 – *Davidoff*

Burden of proof

With regard to the burden of proof, the normal rules apply, so that the party relying on exhaustion, usually the alleged infringer, has to prove the underlying facts.

However, the European Court of Justice has come to the conclusion that in certain cases the general rules have to be modified, for example if the patentee distributes his products in the EU or the EEA by a selective distribution system. If the alleged infringer has to disclose the identity of his supplier of the impugned embodiments, the patentee could easily strike this supplier from his selective distribution system, so that the supplier would no longer be able to sell products to the alleged infringer. This would have the effect of partitioning national markets. Therefore, the patentee himself has to prove that he has put the attacked embodiments on the market outside the European Union or the European Economic Area. Only if he can successfully prove this is the burden of proof shifts to the defendant.

ECJ (2003) 34 IIC 654 – *Stüssy*

The UK and implied licences

Jurisprudence on this issue originated in 1871, *Betts v Willmott* (LR 6 Ch. App. 239). The judgment upheld the proposition that “[w]hen a man has purchased an article he expects to have control of it, and there must be some clear and explicit agreement to the contrary to justify the vendor in saying that he has not given the purchaser his licence to sell the article”.

Lord Hoffmann described the difference between the UK’s implied licence system and the European exhaustion theory as being primarily that “an

implied licence may be excluded by express contrary agreement or made subject to conditions, while the exhaustion doctrine leaves no patent rights to be enforced”.

If there is no agreement between the parties, the purchaser of a product under a patent has an implied licence to dispose of it as he wishes.

It should be noted that if someone purchases a patented article, the UK courts do not speak of an implied licence to repair, but rather recognise that the act of repairing, in and of itself, does not infringe the patent, as defined by the Patents Act.

United Wire Ltd v Screen Repair Services
[2001] RPC 24 at 458, [69]

Formstein/Gillette defence

Introduction

Under the German bifurcated system, a defendant cannot directly attack the validity of a patent in infringement proceedings but must initiate separate nullity proceedings. All he can do is apply for a stay of the infringement proceedings until a decision in the initiated invalidity proceedings is rendered.

Nevertheless, when the patentee asserts “infringement by equivalent means” (and not literal infringement) there is a defence available that stands close to an invalidity argument. This defence is known as the *Formstein* (formed-brick) defence. Its name was derived from the landmark *Formstein* decision of the BGH rendered in 1986.

In contrast, the *Gillette* defence was developed in the non-bifurcated system of the United Kingdom. It was derived from the *Gillette Safety Razor v Anglo-American Trading (1913)* case and is based on the argument that the contested embodiment might be infringing if the broad interpretation of the claimant is applied, but within the broad interpretation, the contested embodiment is not novel and/or obvious.

Formstein defence to equivalent infringement

The *Formstein* defence has a narrow scope and thus is available in a few cases only. The background to this defence is the consideration that the patent in suit must not be extended by means of equivalency to a subject-matter which is within the prior art and for which the proprietor of the patent in suit could thus not have obtained a patent in examination proceedings. Following that, it is based on the thought that, if the contested embodiment is covered by the patent in suit by an equivalent claim construction, it must be anticipated or obvious from the prior art, and so cannot be said to not fall under the patent.

BGH, GRUR 1986, 803 – X ZR 28/85 –
“*Formstein*”

Key statements:

1. According to § 14 of the PatG, the scope of protection of the patent extends regularly to equivalents of the patented invention described by the patent claims.
2. In this case, the objection that the equivalently contested embodiment is, with respect to the prior art, not a patentable invention is allowed.

The legal basis for “infringement by equivalent means” is purely a matter of construction of the patent’s claims to the extent of what the patent claims cover beyond their strict literal meaning. An “infringement by equivalent means” usually means that the contested embodiment is partly literally and partly equivalently realising the claimed features. The basic idea applied in Germany when determining a patent’s scope of protection in cases of non-literal infringement can be defined as construction of the claims to cover what a skilled person at the priority date would have understood the claims to mean.

The *Formstein* defence is limited to infringement proceedings where the alleged infringement is based on the doctrine of equivalents. This is because, were it to extend to literal infringement, the court would be asked – as is impermissible in infringement proceedings – to hear on whether the German Patent and Trade Mark Office (DPMA) was correct in granting the patent in the first place. If the court is asked to consider a claim under equivalence, however, then it is determining the case on a matter of law, and not on what the DPMA has done.

Gillette defence

The counterpart to the German *Formstein* defence is the so-called *Gillette defence* applied in the UK. It was first developed and applied in the *Gillette Safety Razor v Anglo-American Trading* case.

– Summary of *Gillette Safety Razor v Anglo-American Trading (1913)*

The patent in suit in *Gillette Safety Razor* was for improvements to the safety razor. The main feature was that a thin flexible razor blade was fastened in a curved holder by the handle, the effect of the clamp being to make the blade inflexible.

The alleged infringement by the defendant consisted of a similar razor, but with a flat blade. The defendant referred to a prior American patent which covered the use of the handle acting as a clamp to hold the razor blade.

The defendant’s argument was that he had not infringed (because what he had produced, a flat razor blade, was not covered by the claims as it referred only to curved blades) and that what he had done was not novel because the only difference between his razor and the earlier patent was that his razor had a thinner blade, which could still be fitted to the handle of the American razor.

Lord Justice Moulton decided in favour of the defendant. If one were to follow a wide interpretation of the claim, so that it covers what the defendant had done, the patent would have to be declared invalid because it was anticipated by the prior art. In contrast, if the claimant were to argue for a narrow construction

BGH, GRUR 2007, 58, X ZR 1/05 – “Pumpeneinrichtung”; BGH, GRUR 2011, 313, X ZR 193/03 – “Crimpwerkzeug IV”

Key requirements for infringement by equivalent means:

1. The problem underlying the invention is solved by exchange means which are different to the patent but which still solve the problem with the same technical effect. (same effect)
2. A person skilled in the art with the knowledge of the priority date must have been enabled to find that these exchange means had the same technical effect at the priority date of the patent without any particular inventive considerations. (obviousness)
3. The considerations of the person skilled in the art have to be based on the meaning of the teaching protected in the claim, such that the skilled person considers the differing embodiment with its adapted means as a solution that is equivalent to the teaching in question. (parity)

BGH, GRUR 1964, 606, Ia ZR 173/63 – “Förderband”

“[...] the adjudicating court is insofar bound to the findings of the DPMA and the *Bundespatentgericht (BPatG)* German Federal Patent Court [...]”.

Gillette Safety Razor v Anglo-American Trading [1913] 30 RPC 465

Page v Brent Toy Products (1950) 67 RPC 4 at p. 11

Lord Evershed stated that the *Gillette* argumentation is not a separate defence. Rather it is a convenient brief form of argumentation that covers the whole of the defendant’s case. This way of argumentation is of course only available where the defendant is able to raise the pleas of non-infringement and invalidity as alternatives.

Hickman v Andrews [1983] RPC 14 (CA)

“If a defendant to an infringement action can show that he has merely developed an existing article other than the patentable article itself with no more than non patentable changes of size or substitution of mechanical equivalents, then he shows that the alleged infringement is not novel, from which it must follow, without even reading that the specification claimant is impaled on one or other of the horns of a dilemma. Either his invention is also not novel and the patent is invalid, or there is no infringement.”

of the claims of the patent in suit, to avoid the prior art, the contested embodiment would fall outside the claims of the patent in suit.

– Practical effects and derivable principles

The lengthy method for dealing with a claim of infringement, and the defence that the invention was not patentable in the first place, involves comparing the patented invention with the defendant's product, determining whether it fell within the claims, and then comparing the patented invention with the prior art to determine whether or not the patent was valid.

The *Gillette defence* is a way of avoiding this double comparison, which can make some cases with this particular form less expensive and less time-consuming. The test becomes a simpler comparison of the defendant's version of the invention with the prior art. If the defendant's version is covered by the prior art, it is obvious or anticipated.

In such a case, if the defendant's invention is the same as the patentee's, the patent cannot be valid. But if the patent is valid for the reason that the defendant's version is not the same as the patentee's, then the defendant's invention cannot fall within the claims.

As HHJ Birss (as he then was) put it, "the patent is either not infringed or invalid (i.e. there is a *Gillette* defence) or at worst there is a defence under Section 64 of the UK Patents Act 1977 – the prior use defence." In modern English jurisprudence, the *Gillette defence* is good law, but it has been recognised that the statutory language and provisions of the UK Patents Act 1977 can supplement the defence in various ways. Its connection to the prior use defence, for example, is not to be overlooked.

Schenk Rotec GmbH v Universal Balancing Limited [2012] EWHC 1920 (Pat)

Abuse of a dominant position (Article 102 TFEU)

Introduction

Article 102 TFEU reads as follows:

Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.

Such abuse may, in particular, consist in:

- *directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;*
- *limiting production, markets or technical development to the prejudice of consumers;*

Defences to infringement; abuse of a dominant position (Article 102 TFEU)

Communication from the Commission – Guidance on the Commission's enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings; 2009/C 45/02; par. 1.

BGH, GRUR 2009, 694, 695 et seq., recitals 21 – 28 – "Orange-Book-Standard"

- applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

The rationale behind Article 102 TFEU is to enable markets to work better for the benefit of businesses and consumers, in particular in the context of achieving an integrated internal market.

Although the European Patent Convention (EPC) has provided for harmonisation of a number of aspects of patent laws throughout Europe, and the long-expected unitary patent is imminent, patents are still nationally determined rights limited to specific member states. Patents will thus form barriers throughout the EU, and are at odds with the common internal market. Moreover, patents can contribute to a monopoly on a certain technology, which can interfere with competition. These are two of the sources of tension that exist between patent rights and the functioning of the EU internal market.

It is important to realise that a dominant position is not prohibited, only misuse thereof. As patents can contribute to a dominant position, it naturally follows that there are situations in which their use (enforcement) may be regarded as misuse. Such misuse of a dominant position has been recognised as a valid defence against patent infringement claims by *inter alia* the BGH in its *Orange Book* decision. A dominant position thus entails certain limitations on the enforcement of patent rights.

Dominant position

Whether or not a dominant position exists is normally determined by the Commission by taking into account all the relevant facts, including the competitive structure of the market. In particular, the Commission takes account of the existence of actual competitors on the market, the credible threat of future expansion of competitors and entry of new competitors, and the bargaining strength of the customers of the supposedly dominant company. Concrete indicators include a long period of controlling a large market share and the existence of one or more barriers to entry. The latter can come in various forms, such as tariffs, economies of scale and privileged access to natural resources and important technologies.

Case law in recent decades has shown that patent rights (and other intellectual property rights) can add to a dominant position. By having access to the enforcement of patents that are essential to a certain

Communication from the Commission – Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings; 2009/C 45/02; par. 9 – 18.

Examples of older cases CJEU 12 December 1991 and 2 March 1994, cases T-30/89 (first instance) and C-53/92 P (appeal) – *Hilti v Commission*; CJEU 5 October 1988, case 238/87 – *Volvo v Veng*.

Communication from the Commission – Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements; 2014/C 89/03; par. 4

technology, a company can effectively block others from using that technology and form a barrier to entry into the relevant market. However, merely being able to enforce patent rights against competitors does not automatically lead to a dominant position. This, firstly, is inherent to the “negative effect” a patent has: all it does is give a proprietor the right to prevent others using the technology. However, the proprietor himself is not allowed to use the patented technology if there are older patents owned by third parties that would be infringed. Moreover, substitute products based on other technologies may exist within the relevant market. In the end, it is the competitive structure in the market that is determinative.

There is a special category of patents which, virtually on their own, can establish a dominant position, and these are known as standard essential patents. They will often be part of a patent pool that covers a particular field of technology which constitutes the “standard” in an industry. Many examples exist, such as the JPEG standard and the UMTS standard. Use of the standard normally entails infringement of these standard essential patents.

Misuse

The European Commission has set conditions for the allowance of technology pools under Article 101 TFEU. Where the pool has a dominant position on the market, one of the conditions is that royalties and other licensing terms should be non-excessive and non-discriminatory, and that licences should be non-exclusive. Such requirements are, for example, met by the FRAND (fair, reasonable and non-discriminatory) commitments made by participants in standards set by organisations such as ETSI.

Misuse of a dominant position by means of the enforcement of patents can occur both within and outside a technology pool. The common occurrence of such pools in combination with the special requirements set out in licensing requirements has, however, led to much case law relating to and attention directed towards the latter situation. Obviously, tension exists between on the one hand the (licensing) obligations on the patent proprietor stemming from competition law and, on the other hand, the patent proprietor’s right to enforce his patent. In the case of technology pools where FRAND commitments are made, the position of a dominant patent proprietor may appear somewhat weaker in comparison with situations where there are no such commitments. From the perspective of Article 102 TFEU, however, both are prescribed the same standard by the Commission.

In practice, it often occurs that a patent proprietor and an infringer (who has already started using the patented technology) enter into

See the communication from the Commission – Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings; 2009/C 45/02; in particular par. 75 et seq. on refusal to supply

negotiations about a licence, but fail to reach an agreement. The patent proprietor starts infringement proceedings, and may be accused by the infringer of misuse of his dominant position and of unlawfully pressurising the negotiations. In turn, the patent proprietor usually asserts that the infringer is not willing to obtain a licence and was merely delaying the negotiations.

In recent years case law throughout Europe has endeavoured to find the right balance between the interests of the patentee and (potential) licensees. In the German **Orange Book** decision, the BGH formulated a number of rules for determining the right balance. Enforcement was only regarded as misuse when an infringer made an irrevocable offer meeting the relevant non-discriminatory criteria, and meets the obligations of the licence agreement, including the making of payments.

In **Philips/SK Cassette**, the District Court The Hague took a position favourable to the proprietor of a patent who had made a FRAND commitment, and against an infringer who had not requested a licence. The Court further considered that, if a request for a FRAND licence has been made, the mere forwarding of that request is normally insufficient to prevent enforcement of the patent. If it turns out that the enforcement was unlawful because the patent proprietor refused reasonable licence conditions proposed by the infringer, the latter is entitled to damages. In the later judgment **Samsung/Apple**, the District Court The Hague ruled that Samsung's FRAND declaration did not automatically lead to a licence. An agreement on specific terms by the parties is required. However, because the parties were involved in correspondence and discussions on the scope and terms of a licence, the Court decided that in that case the enforcement of patents was contrary to pre-contractual good faith and misuse of rights, without, however, explicitly referring to competition law. This shows that invoking competition law arguments is only one of the approaches available to the infringer in a situation involving FRAND commitments.

In the Commission's decision in the dispute between Motorola and Apple, an offer meeting the *Orange Book* criteria was found sufficient for misuse to have arisen. In **ZTE/Vringo** recently decided by the District Court The Hague, the patent proprietor made FRAND commitments and seized infringing products based on its patent rights. When trying to lift the seizure, the infringer (unsuccessfully) referred to the *Orange Book* criteria. The offer was considered not to meet those criteria.

A new, more detailed set of "rules of conduct" is likely to emerge from the German referral to the CJEU in **Huawei/ZTE**. The opinion of the Advocate General was recently published. Against the background of various decisions, the Advocate General formulated a set of obligations that have to be met by the infringer and by a patent proprietor having made FRAND

In the **Orange Book** case, BGH, GRUR 2009, 694 – "*Orange-Book-Standard*", the patent proprietor did not make FRAND commitments; see also the opinion of AG M. Wathelet of 20 November 2014 in C-170/13 – *Huawei v ZTE*, par. 48. In that case, the prohibition of discrimination and impediment for dominant undertakings prescribed by German competition law was relevant.

District Court The Hague, 17 March 2010 – *Philips v SK Kassetten*

District Court The Hague, 14 March 2012 – *Samsung v Apple*

See also the opinion of AG M. Wathelet of 20 November 2014 in case C-170/13 par. 9 – *Huawei v ZTE*

European Commission 29 April 2014, case AT.39985.

District Court The Hague 24 October 2014 – *ZTE v Vringo*

LG Düsseldorf, 21 March 2013, case 4b O 104/12 – "*Huawei v ZTE*"

Opinion of AG M. Wathelet of 20 November 2014 in case C-170/13 – *Huawei v ZTE*, par. 7-9 and 83–89.

For the final decision of the CJEU s. case C-170/13 – *Huawei Technology Co. Ltd v ZTE Corp., ZTE Deutschland GmbH* of 16 July 2015

commitments. Less stringent requirements were imposed on the infringer than those in the *Orange Book* criteria. The patent proprietor should in principle notify the infringer about the infringement and make a FRAND offer containing all the normal and usual conditions, including the amount of royalties and the way in which they are to be calculated. The infringer has to answer as soon as possible, in a serious and detailed way and including a counter-proposal. The Advocate General's opinion may be considered more infringer-friendly than the *Orange Book* criteria: a patent proprietor trying to enforce his patent without at the same time making a serious and realistic licensing offer will be considered to be abusing his position. Such a development might be considered contrary to the recent *Ericsson* decision of the Court of Appeal for the Federal Circuit, wherein it was decided that concrete proof was needed for "patent holdup" by the patent proprietor to become a relevant factor.

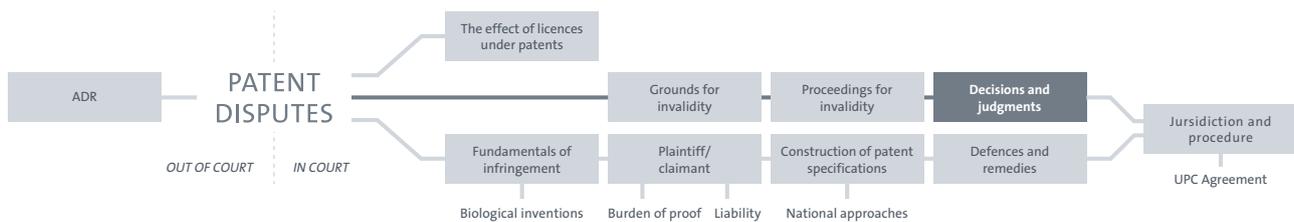
The position in the UK remains, it is fair to say, somewhat underdeveloped compared with German case law in particular. Recent judgments have pointed out that the German system of bifurcated trials makes this a particularly difficult subject for German litigants. In a non-bifurcated system, unless both parties are willing to bind themselves to the assessment that a (separate) FRAND trial would make – that is, unless both parties are willing to stipulate that the patent is valid, infringed (and further, a SEP) – an English court will want to reach the merits of those actions. Without reaching the merits, the courts have suggested, it will be quite difficult to make a determination of the potential value of a patent (or patent portfolio). To avoid inconsistent judgments being produced, the FRAND determination is usually stayed, pending the outcome of the main proceedings.

Ericsson v D-Link, et al., Case numbers 2013-1625, -1631, -1632, -1633 (Fed. Cir., December 4, 2014)

For example, the parallel case to the Dutch case above of *Vringo Infrastructure v ZTE Corporation* [2013] EWHC 1591 (Pat)

Decisions and judgments

Essentials



Introduction

This module deals mainly with judgments, with some reference to decisions on applications for provisional measures (preliminary or interim injunctions).

It focusses on two jurisdictions – England and Wales, and Germany – but also looks at the main aspects relevant for France, Belgium and the Netherlands.

Common law/civil law

All patent courts in the European Union share as their root of law the European Patent Convention (EPC). Each state also has its own national patent legislation. In the UK this is the Patents Act 1977 (as amended), and in Germany the *Patentgesetz* (PG) 1981 (as amended).

A majority of EU countries have a civil law system (with its early origins in the Napoleonic Code), while a minority (England and Wales, Scotland, Northern Ireland and the Republic of Ireland) have a common law system based *inter alia* on case precedents and the concept of “equity”. A few countries (such as Denmark and Malta) have a mixture of both systems. This results in differences in the way patent infringement and invalidity (nullity) proceedings are run, and in the content of the judgments that result.

France, Belgium and the Netherlands

In France, patent law is governed by the *Code de la propriété intellectuelle* (Intellectual Property Code), and in particular Part II, Book VI of that Code. In Belgium, it is governed by Title 1 of Book XI of the *Code de droit économique* (Economic Law Code). In the Netherlands, patent law is governed by the *Rijksoctrooiwet* (Dutch Patents Act) of 1995.

Court systems and rules of procedure

UK

There is no single civil court system for all of the UK. The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ from those in the other jurisdictions. The ultimate court of appeal is the Supreme Court in London.

However, they all share the same patent statute and case law. Their systems are also similar, in that infringement and invalidity are run in tandem. In other words, they are not bifurcated. That does not mean to say that all cases deal with infringement and invalidity issues. There are a fair number of cases where the claimant (plaintiff) launches proceedings for the revocation of a patent for invalidity and there is no counterclaim for infringement. These are typically “clearing the way” cases.

All patent infringement cases initiated in England and Wales are started in London, in either the Patents Court (part of the Chancery Division of the High Court) or the Intellectual Property Enterprise Court (IPEC, formerly called the Patents County Court). For the purposes of this module, we will concentrate on patent litigation before the Patents Court. The procedures in the IPEC are modelled on the proposed Unified Patent Court (UPC) rules. Damages are limited to GBP 500 000 and recoverable legal costs to GBP 50 000.

In the Patents Court, extensive written evidence, through witness statements and expert reports, will have been exchanged between the parties before trial. It consists of primary evidence (“in chief”) and a second round of “reply” evidence. Witnesses may be called to be cross-examined on the written evidence they have each given.

Expert evidence is nearly always given by party-appointed witnesses, one for each side. The court may appoint experts, but in practice this rarely happens. Occasionally, the court may appoint a technical adviser to assist the judges, but again this is rare, and has only happened in the appeal courts.

Germany

Unlike the UK, Germany has one single court system, applying the same civil law and the same procedural rules, the latter laid down in the *Zivilprozessordnung* (Code of Civil Procedure) (ZPO), even if the court system is mostly run by the federal states (*Länder*) and not by the federal government. Nevertheless, the last instance is a federal court, namely the *Bundesgerichtshof* (Federal Supreme Court) (BGH).

Also unlike the UK and most countries in the European Union, Germany has a bifurcated system. Infringement actions are decided by regular civil courts, whereas there is a special (federal) court for actions on validity, the *Bundespatentgericht* (Federal Patent Court) (BPatG) in Munich. The entrance level for civil court proceedings is the *Landgericht* (District Court) (LG), whereas only 12 out of 35 regional courts hear patent cases, all having one or more specialised chambers, consisting of three judges, all having a legal background. The senates at the BPatG, which hear invalidity actions, consist of five judges, two of them (including the presiding judge) having a legal background, the other three having a technical background in the field of the patent in question.

Bundesgerichtshof (BGH)

Like the other courts, the BGH also has a specialised senate hearing all patent cases. The judges must have a legal background.

Decisions of the regional courts may be appealed to the competent *Oberlandesgericht* (Higher Regional Court) (OLG). Appeals are heard on the merits (some exceptions apply). A further appeal to the BGH is on legal issues only. The BGH also acts as an appellate court for decisions of the BPatG. Other than in infringement cases, said appeals are also heard on the merits (exceptions apply).

The civil courts decide the question of infringement only. Invalidity is not a valid defence argument. The defendant may only ask the civil court to stay the proceedings until the invalidity action (if any) has been decided. The standard for staying a case is quite high, as the court must be convinced that the patent will most likely be declared invalid. In practice, most civil actions are not stayed.

The general concept behind this approach, apart from the fact that the civil courts have no jurisdiction with respect to validity, is the assumption that the *Deutsches Patent- und Markenamt* (German Patent and Trade Mark Office) (DPMA) (or the European Patent Office (EPO)) has already investigated the question of validity. In addition, the examiners at the DPMA and the EPO have a technical background, and are therefore generally more competent to decide upon questions of validity than civil courts with legally trained judges. As a result, invalidity arguments based on documents which have already been considered during the examination process will more or less not be considered by the civil court.

When it comes to the question of lack of inventive step, the civil courts are especially reluctant to find invalidity. Being formally a legal issue, albeit with technical implications, such an assessment of technical questions is the task of the BPatG (or the DPMA or EPO in case of oppositions), where three out of five judges have a technical background. As the question of inventive step leaves room for interpretation, arguments with technical implications are usually not sufficient to convince civil courts that the patent will most likely be declared invalid by the BPatG.

As a result, German courts tend to stay patent infringement proceedings only when the defendant is able to present prior art which has not been considered during examination by the DPMA and which is more or less novelty-destroying.

Decision practice in the major patent jurisdictions in Germany has converged somewhat over the last decade. The Düsseldorf LG is still seen as the court which is most reluctant to stay proceedings because of potential invalidity, even though the respective standards in preliminary injunction cases have recently been lowered by the Düsseldorf OLG. The Munich LG has taken a similar position in recent years, whereas Mannheim LG may be slightly more inclined to a stay, although ultimately this depends on the details of the case.

Pursuant to ZPO rules, the parties define the scope of the case. The court may not grant a plaintiff anything which has not been requested. In infringement proceedings – in contrast to invalidity proceedings – the decision may give less than requested.

Most of the evidence is exchanged before the proceedings. Party experts are the exception. They are treated as witnesses by the court. Should the court believe an expert is needed, it will appoint one. Technical advisors to the court (such as are sometimes used in the UK) are not called upon in Germany.

Hearings in infringement cases usually last no more than two hours, as the court will concentrate on the issues that are still open after its evaluation of the written evidence. Witnesses and court experts, if any, will be asked questions by the judges first, after which the parties also have a chance to ask questions.

France / Belgium / The Netherlands

As in the UK, in France, Belgium and the Netherlands, infringement and invalidity are heard together. They are not bifurcated as in Germany. As in the UK, that does not mean to say that all cases deal with both infringement and invalidity issues.

In France, all patent cases are heard by the courts in Paris: the *Tribunal de Grande Instance de Paris* (Paris first instance court) and the *Cour d'appel de Paris*, (Paris Court of Appeal). Patent cases in the Netherlands are heard by the District Court of The Hague in first instance and the Court of Appeal of The Hague in the case of appeals. With regard to Belgium, as from 1 January 2015, only the Brussels Commercial Court is competent for patent cases heard at first instance. The Brussels Court of Appeal hears appeals. An appeal to the Supreme Court is possible on legal issues only.

In France and Belgium, proceedings on the merits consist mainly of the exchange of written submissions and exhibits between the parties. Then, when all the arguments and evidence have been exchanged, a public hearing takes place. The hearing will generally last a few hours, during which each party will present its case and reply to any questions the court might have. There is no-cross examination of witnesses (see below).

In France, the Netherlands and Belgium, the parties often hire experts to draft reports (mainly on technical/scientific issues) which can be submitted as evidence.

In France and Belgium, it is common for the court to appoint an expert to deal with (mostly technical) questions submitted by the court.

Contrary to the UK, in France and Belgium, witnesses are very rarely used as a means of giving evidence; their evidence is considered as the weakest form of evidence, which in principle cannot overrule written evidence. In the Netherlands, witness evidence is more common, and experts will generally be heard at hearings.

As in Germany, proceedings in France, Belgium and the Netherlands are run in accordance with the country's respective code of civil procedure.

Content of decisions

England and Wales

A decision or judgment must set out:

- All submissions and evidence in principle.
- The judge’s assessment of the reliability and usefulness of the witnesses and their evidence.
- The judge’s assessment and decisions on all aspects of the alleged claim infringement and grounds for invalidity (this is necessary in the event of an appeal, which occurs in at least 50% of cases).

Further reading See judgment of Mr Justice Birss in *Vringo Infrastructure Inc v ZTE (UK) Limited* on 28 November 2014; [2014] EWHC 3924(Pat)

Typically a decision will cover the following matters:

- Introduction and the issues.
- Miscellaneous matters raised by the parties, e.g. irrelevant prejudice.
- The technical background.
- The prior art, any relevant standards and what the patent describes as being the invention.
- The witnesses.
- A description of “the skilled person” and the common general knowledge.
- A summary of the relevant parts of the patent specification.
- The judge’s construction of the claims in issue.
- The judge’s assessment of the invalidity grounds raised, e.g. novelty, obviousness, insufficiency.
- Whether, and which, claims are infringed.
- The amendment of any claims applied for during the proceedings.
- A conclusion.

These topics are also covered by patent decisions in France, Belgium and the Netherlands, with the exception of the place of witnesses (see above).

Germany

Whereas the general content of judgments in Germany is similar to that in the UK, there are some differences.

Patent infringement proceedings in Germany are usually brought to the court in stages (*German: Stufenklage*). In a first step, the court will decide on patent infringement. If that is found, the court will issue an injunction and require the defendant to render an account of sales and to destroy infringing products in its possession. In a second step, requiring a separate lawsuit once the defendant has rendered account, the court will decide on

damages. As a consequence, the first decision in an infringement case will usually not refer to damages.

Pursuant to Section 313, I ZPO, a decision must contain the following elements:

- The names of the parties, their legal representatives and the attorneys of record.
- The name of the court and of the judges involved in the decision.
- The date on which the court proceedings were concluded.
- The operative provisions of the judgment.
- The merits of the case.
- The reasons for the decision.

This is different from the UK, as the German court only needs to summarise the essential content and claims. Decisions may not contain statements on any aspect of the alleged claim infringements. For example, should the court come to the conclusion that the embodiment in issue does not make use of feature A of the claims of the patent in suit, it is not necessary to add findings as to whether or not the other features are used. In some cases, the judges may decide to add their views on other aspects too, but this is not a requirement. Where the court finds the patent has not been infringed, it will usually issue no ruling on validity, as the request to stay the proceedings on the basis of the alleged invalidity of the patent in suit is an auxiliary request only.

When it comes to the facts and the merits, the decision may refer to the parties' briefs. The factual part of the decision will contain a description of the embodiment in issue, if necessary including pictures and drawings. It will also refer to the patent in suit, usually providing a feature analysis of the claims in question (claim chart) and addressing the prior art cited in the patent itself. In most cases, the plaintiff will ask for a judgment, declaring one or more of the independent claims to be infringed. In these cases, the decision will neither cite the dependent claims nor contain any findings regarding a potential infringement of those claims, as a dependent claim can only be infringed if the main claim is infringed also. The facts as cited in the decision may serve as proof of what has been said by the parties during oral hearings (Section 314 ZPO) in an appeal case.

When it comes to the reasoning, the decision will contain the court's interpretation of the claims. Based on this interpretation, it will then compare the claims with the features of the impugned embodiment. If a witness has been heard – which is usually not the case – the decision will also contain an assessment of the reliability and usefulness of the witness.

Translation of the provision taken from www.gesetze-im-internet.de/englisch_zpo/englisch_zpo.html

Paragraphs (2) and (3) of Section 313 state that the section addressing the facts and the merits of the case is to summarise, in brief and based on the essential content, the claims asserted and the means of challenge or defence brought before the court, highlighting the petitions filed. The details of the circumstances and facts as well as the status of the dispute thus far are to be included by reference being made to the written pleadings, the records of the hearings, and other documents. The reasoning for the judgment must contain a brief summary of the considerations of the facts and circumstances of the case and the legal aspects on which the decision is based.

Minutes of hearings in Germany

In Germany, the minutes of hearings are extremely short. They sometimes just mention who has appeared, the claims brought to the court and the decision on how to proceed, and therefore basically contain none of the facts or arguments discussed during the hearing. This is why the facts as set out in the decision are so important.

Should the court find that the patent in suit has been infringed, the decision must contain a statement on validity. Due to the high standard necessary for a stay of proceedings, German judges usually do not consider inventive step arguments, but mostly limit their findings to novelty issues with respect to prior art not being considered during examination of the patent.

Decisions on validity have the same general form. The impugned embodiment is not an issue here, so the factual part of the decision is limited to the patent in suit and the cited prior art. Apart from alleged public prior use, the facts are usually not contested, so that the reasoning of the decision can be concentrated on the interpretation of the claims of the patent in suit and the content of the prior art. Unlike infringement cases, the decision here will also contain some statements regarding the dependent claims, at least as far as their invalidity has been claimed.

Remedies

England and Wales / UK / Ireland

In the event of a finding of infringement, the judge will order an injunction, a declaration of infringement, delivery up of infringing products, an inquiry as to damages or an account of profits, and will make an order as to costs.

These remedies are ordered after a separate hearing following the handing down of the judgment. This is done so that the parties may consider their positions in light of the judgment and produce an agreed draft order and schedules of costs incurred relevant to the findings made by the judge. Leave to appeal may also be discussed at this hearing.

It is common practice for English judges to send their judgments to the parties in draft form for them to consider and to point out any obvious mistakes. It is not done for the parties to contest any of the findings. During that short period – usually 2-5 days – the judgment is under embargo, that is to say it may only be seen by the parties and their legal advisers and its contents must not be disclosed to anyone else. The judgment is then formally handed down and made public and is often reported.

Germany

The remedies are mentioned in the first part of the decision. They are mostly the same as those available in the UK, which is not a surprise as substantive patent law is widely harmonised within the EU.

France / Belgium / The Netherlands

The remedies will be mostly the same as those mentioned above for the UK and Germany.

Possible outcomes

UK / France / Belgium / The Netherlands

There are four possible outcomes:

- Valid and infringed.
- Valid but not infringed.
- Infringed but invalid.
- Not infringed and invalid.

In its judgment, the court may – and frequently does – also deal with any post-grant amendments of the claims proposed during the proceedings.

Germany

In Germany, the following outcomes are possible in infringement actions:

- Infringed, proceedings not stayed – decision is preliminary and enforceable.
- Infringed, proceedings stayed because of high likelihood of invalidity.
- Not infringed.

Validity is decided in separate proceedings, with three possible outcomes:

- Valid, patent upheld.
- Invalid, patent revoked.
- Partly invalid, patent upheld as amended only.

Decisions on infringement do not usually deal with post-grant amendments, provided that the latter have not already been confirmed by validity proceedings.

Article 10 Enforcement Directive **Corrective measures**

1. Without prejudice to any damages due to the rightholder by reason of the infringement, and without compensation of any sort, Member States shall ensure that the competent judicial authorities may order, at the request of the applicant, that appropriate measures be taken with regard to goods that they have found to be infringing an intellectual property right and, in appropriate cases, with regard to materials and implements principally used in the creation or manufacture of those goods. Such measures shall include:
 - (a) recall from the channels of commerce;
 - (b) definitive removal from the channels of commerce; or
 - (c) destruction.
2. The judicial authorities shall order that those measures be carried out at the expense of the infringer, unless particular reasons are invoked for not doing so.
3. In considering a request for corrective measures, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account.

Article 11 Enforcement Directive **Injunctions**

Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.

Article 13 Enforcement Directive **Damages**

1. Member States shall ensure that the competent judicial authorities, on application of the injured party, order the infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the rightholder damages appropriate to the actual prejudice suffered by him/her as a result of the infringement.

When the judicial authorities set the damages:

 - (a) they shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement;
 - or
 - (b) as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.
2. Where the infringer did not knowingly, or with reasonable grounds know, engage in infringing activity, Member States may lay down that the judicial authorities may order the recovery of profits or the payment of damages, which may be pre-established.

Article 14 Enforcement Directive **Legal costs**

Member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general rule, be borne by the unsuccessful party, unless equity does not allow this.

Interim decisions and preliminary injunctions (provisional measures)

England and Wales

During the course of any proceedings, it is usual for the court to deal with applications on various issues, e.g. for the disclosure of documents, the requirement for one party to give the other more details of its claim, defence or counterclaim, and experiments.

Early on in the case, the court may also be asked to order an interim, interlocutory or preliminary injunction. On matters beyond anything but timetabling (where dates will be set out in an order), it is customary for the judge to give a reasoned decision, either *ex tempore* (“off the cuff”) or in writing. If the former, it will usually be transcribed by a shorthand writer from a recording. In the decision, the judge sets out the issues and the main arguments put by each side, comments on any evidence given (in writing only) and then hands down a decision. After submissions he makes an award for costs.

Germany / France / Belgium / The Netherlands

In Germany, France, Belgium and the Netherlands, preliminary injunctions are available, sometimes even in *ex parte* proceedings. Unlike in the UK, plaintiffs have to request a preliminary injunction in a separate case. The rules of evidence are somewhat different in those proceedings and not all remedies are available. In addition, the case must be “urgent” in order to start such proceedings, which is not the case if the plaintiff filed his action more than four to eight weeks (depending on the court and the circumstances) after gaining knowledge of the potential infringement.

As virtually no discovery is available in Germany, the court usually does not rule with respect to the need for disclosure of documents, experiments and the like. The burden of proof lies with the plaintiff (exceptions apply).

Nevertheless, following the introduction of the Enforcement Directive into national law, plaintiffs in Germany also have the chance to obtain further evidence with the help of the court. If the court finds that there is reasonable evidence for a patent infringement, it may – if asked to do so by the plaintiff – order the defendant to produce documents or allow the inspection of potentially infringing devices. There are measures available for the protection of the plaintiff’s confidentiality.

Such a decision is usually issued as a preliminary injunction – mostly *ex parte* – in separate proceedings.

While no discovery is available in France and Belgium, in these jurisdictions evidence of infringement can be obtained through an *ex parte* procedure known as “*saisie-contrefaçon*”, as set out in Article 7 of the Enforcement Directive.

Article 6 Enforcement Directive Evidence

1. Member States shall ensure that, on application by a party which has presented reasonably available evidence sufficient to support its claims, and has, in substantiating those claims, specified evidence which lies in the control of the opposing party, the competent judicial authorities may order that such evidence be presented by the opposing party, subject to the protection of confidential information. For the purposes of this paragraph, Member States may provide that a reasonable sample of a substantial number of copies of a work or any other protected object be considered by the competent judicial authorities to constitute reasonable evidence.
2. Under the same conditions, in the case of an infringement committed on a commercial scale Member States shall take such measures as are necessary to enable the competent judicial authorities to order, where appropriate, on application by a party, the communication of banking, financial or commercial documents under the control of the opposing party, subject to the protection of confidential information.

Article 7 Enforcement Directive Measures for preserving evidence

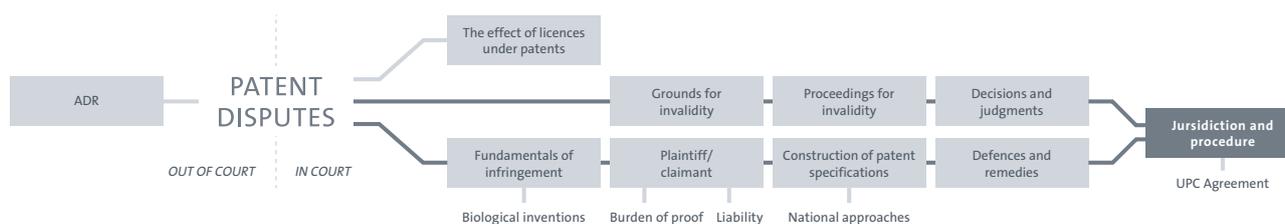
1. Member States shall ensure that, even before the commencement of proceedings on the merits of the case, the competent judicial authorities may, on application by a party who has presented reasonably available evidence to support his/her claims that his/her intellectual property right has been infringed or is about to be infringed, order prompt and effective provisional measures to preserve relevant evidence in respect of the alleged infringement, subject to the protection of confidential information. Such measures may include the detailed description, with or without the taking of samples, or the physical seizure of the infringing goods, and, in appropriate cases, the materials and implements used in the production and/or distribution of these goods and the documents relating thereto [...]

Article 9 Enforcement Directive Provisional and precautionary measures

1. Member States shall ensure that the judicial authorities may, at the request of the applicant:
 - (a) issue against the alleged infringer an interlocutory injunction intended to prevent any imminent infringement of an intellectual property right, or to forbid, on a provisional basis and subject, where appropriate, to a recurring penalty payment where provided for by national law, the continuation of the alleged infringements of that right, or to make such continuation subject to the lodging of guarantees intended to ensure the compensation of the rightholder; an interlocutory injunction may also be issued, under the same conditions, against an intermediary whose services are being used by a third party to infringe an intellectual property right; injunctions against intermediaries whose services are used by a third party to infringe a copyright or a related right are covered by Directive 2001/29/EC;
 - (b) order the seizure or delivery up of the goods suspected of infringing an intellectual property right so as to prevent their entry into or movement within the channels of commerce.

Jurisdiction and procedure

Essentials



Infringement proceedings. Jurisdiction: Regulation (EC) No. 1215/2012

Basics

Regulation (EC) No. 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (commonly referred to as the “Brussels 1 bis” Regulation) entered into force on 10 January 2015, replacing Regulation No. 44/20011. The basic principle behind the regulation is that proceedings should be brought in the member state where the defendant is domiciled (Article 4-1).

However, in matters relating to tort (as is the case for patent infringement proceedings), Article 7-2 gives the claimant the option to sue either in the member state where the defendant is domiciled or in the member state where the harmful event occurred or may occur.

Place where the harmful event occurred or may occur

The Court of Justice of the European Union (CJEU) has consistently held that the place of the harmful event can mean both the place of the causal event and the place where the damage occurred, so that the claimant is entitled to sue in either place (where the two are not the same). With regard to patent infringement proceedings, the patent holder is entitled to sue either in the defendant’s country or in the country/countries where the infringement took place. If the court is seized on the latter account, it will have jurisdiction to rule solely in respect of the harm caused in the country of that court.

Basic principle

The defendant should be sued in the member state where he is domiciled.

Special jurisdiction for tort cases

The claimant may sue the defendant:
– in the member state where the defendant is domiciled; or
– in the member state where the harmful event occurred or may occur.

“Place where the harmful event occurred” may mean:

- the place of the causal event; or
- the place where the damage occurred

The patent holder may sue in the place where the defendant is domiciled or in the place where the infringement took place. In the latter case, the court seized will have jurisdiction over the harm caused in the country of that court only.

Counterclaim for revocation

Article 24-4 states that in proceedings concerning the registration or validity of registered intellectual property rights, the courts of the member state of registration have exclusive jurisdiction. In **GAT v Luk**, the Court ruled that this principle applies whether the invalidity issue is raised by way of an action or as a defence. This solution has been enacted in the Brussels 1bis Regulation.

Multiple defendants

In cases involving more than one defendant, the claimant may sue all the defendants before a court which has jurisdiction over at least one of them, provided that the claims 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 (Article 8-1).

It has long been debated whether this provision can apply in situations where, under a common policy elaborated by one of them, a number of companies belonging to the same group each infringe on their respective territory and in a similar manner the corresponding national part of a European patent. The Dutch courts have considered that all those defendants may be sued before the same court, provided the latter has jurisdiction over the main defendant (“spider in the web”). However, in **Roche v Primus**, the CJEU ruled that Article 8-1 cannot apply in cases where the situations of law and fact in each dispute are not the same (the defendants are different, as are the acts of infringement, committed in different member states). On the contrary, Article 8-1 applies with regard to two or more defendants who are each separately accused of committing an infringement of the same national part of a European patent.

Concurrent actions

In cases of *lis pendens*, the court subsequently seized must decline jurisdiction in favour of the court first seized (Article 29). In cases of related actions, the court subsequently seized may stay its proceedings (Article 30). The Unified Patent Court (UPC) is a court of a member state for the purposes of the Regulation and the *lis pendens* rule expressly applies to it.

Exclusive jurisdiction for validity issues

The courts of the member state of registration have exclusive validity to rule on these actions, whether brought as a main claim or as a defence.

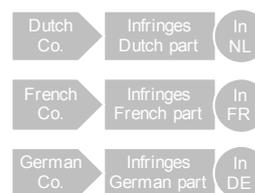
CJEU, 13 July 2003, C-4/03 – *GAT v Luk*

Special jurisdiction for multiple defendants

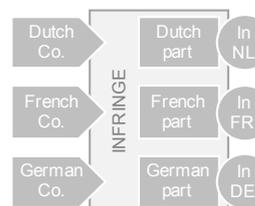
The claimant may sue all defendants before a court that only has jurisdiction over one or a few of the defendants, provided each action is sufficiently related to the others.

“Spider in the web” doctrine

The *Roche v Primus* facts:



The *Solvay* facts:



CJEU, 13 July 2006, C-539/03 – *Roche v Primus*

CJEU, 12 July 2012, C-616/10 – *Solvay*

Procedure in the UK

Patents Courts in the UK

In the United Kingdom, almost all actions for patent infringement and declarations of non-infringement, and most applications for patent revocation, are brought before either the Patents Court or the Intellectual Property Enterprise Court (IPEC), both of which sit principally in London, although they can sit elsewhere too. Both courts are staffed with specialised judges. In Scotland, patent proceedings are brought in the Court of Session (Edinburgh), and in Northern Ireland the High Court of Northern Ireland (Belfast). While broadly following the procedural steps of the Patents Court, IPEC provides a simpler, abbreviated procedure.

Initiating an infringement action

Actions in the Patents Court are initiated by the issuing and serving of a claim form. The claim form is essentially a formality. It lists the claimants and the defendants, and identifies the patent(s) sued on and the relief sought by the claimant (an injunction, damages, costs, etc.).

If the defendant intends to defend the action or dispute jurisdiction, he will file an acknowledgement of service with the court. This must be done within 14 days of being served in the case of an English defendant, or later if the defendant is outside the jurisdiction.

Stages in the action

A patent infringement action in the Patents Court typically takes about 12 months from service of the claim form to trial, with judgment delivered around one to two months later. It may be possible to obtain an order for expedition, in which case trial may be reached in six months or less. The figure on the right shows the procedure broken down into four major stages of about three months each, although in practice each of these stages tends to overlap.

In the first stage, the parties exchange statements of case (or pleadings) defining their allegations against one another and stating which allegations are admitted and which are required to be proved. At the end of this stage, the issues between the parties will have been defined and a case management conference with the judge sets a timetable for the rest of the action and resolves any procedural disputes. The second stage (disclosure) involves collecting and disclosing to the opposite party relevant documents, but may also involve experiments by one or both of the parties. The third stage involves the parties preparing and exchanging their written evidence for trial. This evidence will consist of expert reports, witness statements of fact and selected documentary evidence from either side's disclosure documents or other sources. The fourth and final stage consists of final preparation and the trial itself.

Infringement action overview



Pleadings

Particulars of claim and infringement

With the claim form the claimant serves two documents called the particulars of claim and the particulars of infringement. The particulars of claim document contains an assertion that the patent is subsisting and that the claimant is the registered proprietor or exclusive licensee, an assertion that the defendant is infringing the patent, and a brief statement of the relief sought by the claimant (an injunction, damages, costs, etc.).

The particulars of infringement document states which of the claims of the patent sued on are alleged to be infringed by the defendant and gives details of at least one instance of each type of infringement complained of. The particulars of infringement do not contain any justification of the allegation of infringement. This will be a matter for evidence later on.

Defence, counterclaim and grounds for invalidity

The defence is a relatively short document. It is normally served six weeks after service of the particulars of claim. It is usual for the defendant to admit the specific acts alleged to infringe (such as examples of sales), but to deny that they constitute infringement, without giving details of how he intends to argue his case. The defence will normally include a plea that the patent is invalid. If there are any other special defences, such as a licence, prior use rights or breach of competition law, then these have to be pleaded in the defence with details of the facts on which they are based.

The grounds for invalidity document is a document which is served with the defence and to counterclaim if the patent is alleged to be invalid. In it the defendant must specify the grounds on which validity of the patent is challenged (for example, lack of novelty and lack of inventive step). Any prior art documents relied on must be listed individually, and examples of prior use have to be identified. If it is alleged that the description in the patent is insufficient to perform the invention, then details must be given. It is unusual in UK litigation for there to be more than three prior art citations, so there is pressure on the parties attacking a patent to focus on their best case.

Pleadings



Reply and defence to counterclaim

The reply and defence to counterclaim document is the last of the pleadings. It contains a formal denial of the counterclaim for revocation. If the claimant wants to rely on commercial success to counter a plea of lack of inventive step, it must provide details in the reply.

The case management conference

The case management conference is a formal hearing presided over by a patents judge (not necessarily the judge who will later hear the trial) to sort out directions for the future conduct of the action. It is normally held after service of the reply and defence counterclaim and deals with the following matters:

- timing of disclosure of documents
- time for notices of experiments
- time for notices to admit and admissions
- numbers of experts
- time for service of expert reports and witness statements
- directions for trial (duration, date, etc.)

It is normal practice to fix the date of the trial as soon as directions are given.

Evidence and trial

Witness statements and expert reports

In UK patent actions, the most important evidence is given by the parties' experts, initially in the form of written expert reports. The parties may be limited to one expert witness each, or may be allowed more than one if the issues are too wide-ranging to be covered by one expert only.

The expert reports address in great detail all the issues on which expert evidence is required.

Although experts are selected, instructed and retained by each party separately, their overriding duty is to assist the court with evidence which is accurate, objective and fair. Expert evidence is devalued or discounted altogether if the expert is perceived to be acting as the "hired gun" of the party instructing him. The expert must state in his report that he understands and has complied with his duties.

The trial

A patent action will be heard by one of the nominated patents judges. A typical trial will last about a week.

Each party will provide the judge with what is called a “skeleton argument” of their case. Despite the name, these are detailed written summaries. It is at this stage that the parties address claim construction for the first time.

The trial normally starts with a short opening speech by the claimant’s barrister, followed by the claimant’s witnesses of fact and expert witnesses. Each witness confirms the accuracy of their witness statement or expert report (with any necessary corrections or updating) and is then open to cross-examination by the defendant’s barrister and, if necessary, to re-examination by the claimant. The defendant may then call its witnesses, dealing with both the defence and the counterclaim, and the claimant’s barrister may cross-examine them in the same way.

After the evidence is complete, closing speeches are made. It is common for closing speeches to be supplemented by final written submissions called “closing skeletons”, in which the parties’ first cases are put. The judgment will usually be given one to two months later.

Appeals

Leave to appeal to the Court of Appeal is required. This may be given by the High Court or, if refused, by the Court of Appeal. Appeals must be filed within 14 days of the decision. Fresh evidence will be permitted in exceptional circumstances only.

Procedure in Germany

Bifurcation with regard to patent disputes

In the German bifurcated system, infringement proceedings and invalidity proceedings are separate from each other and are heard by different courts.

The decision by the patent office (the EPO or the *Deutsches Patent- und Markenamt* (German Patent Office)) to grant the patent is binding for the infringement court. As a consequence, the infringement court is entitled neither to revoke the patent in suit nor to dismiss the infringement complaint based on the invalidity of the patent in suit.

A granted patent can only be attacked by initiating opposition proceedings before the respective patent office or, after the expiry of the opposition period, by filing an invalidity action with the *Bundespatentgericht* (German Federal Patent Court) (BPatG).

However, if, upon request of the infringement defendant, the infringement court comes to the conclusion that there is a high likelihood that the patent in suit will be revoked in pending invalidity proceedings, it may stay the infringement proceedings until a final decision on the (in) validity is taken. Such stays are rare, but they do occur in some cases.

Invalidity proceedings

Anyone may initiate invalidity proceedings against a German patent or the German part of a European patent by filing a complaint with the BPatG in Munich, which currently has seven senates dealing with invalidity proceedings. Each case is heard by a panel consisting of three technically trained judges and two legally trained judges.

Invalidity proceedings before the BPatG typically take about 18 months to two years. After the initial complaint has been served on the defendant, i.e. once the registered owner of the patent and defendant has stated that he wishes to defend the patent and has provided reasons for his objection, further briefs are exchanged in which the parties submit facts and legal arguments. Court experts are only commissioned in exceptional cases, because three of the five judges hearing the case are technically trained. About three to six months before the oral hearing, the Court issues a so-called “qualified notice”, which includes a preliminary assessment of the case. Subsequently, the parties may each file another brief focussing on the issues discussed in the notice.

Typically, only one oral hearing is held. Oral hearings generally last between half a day and a full day, and the decision is usually announced

Bifurcation

In Germany, patent infringement proceedings and validity proceedings are separate from each other. The infringement court is bound by the patent office’s decision to grant the patent.

Stay of the proceedings

If the infringement court finds that there is a high likelihood that the patent in suit will be revoked in parallel invalidity proceedings, the infringement proceedings may be stayed until a final decision is taken in the invalidity proceedings.

Bundespatentgericht (German Federal Patent Court – BPatG)

Invalidity cases before the Federal Patent Court are heard and decided by a panel consisting of three technically trained judges and two legally trained judges.

Qualified notice

The BPatG issues a so-called “qualified notice” about three to six months before the hearing, in which it gives a preliminary assessment of the case.

directly afterwards. The written grounds for the decision are issued about two to three months after the hearing.

The losing party may file an appeal against the decision with the *Bundesgerichtshof* (German Federal Supreme Court) (BGH). Appeals are heard by a panel of five legally trained judges. The BGH must base its decision on the facts established by the BPatG, so it mostly deals with legal questions. Invalidation appeal proceedings typically take about two years.

Invalidation appeal proceedings

Invalidation appeal proceedings are heard by the *Bundesgerichtshof* (German Federal Supreme Court, (BGH)). They focus on legal issues and typically take about two years.

Infringement proceedings

Competent courts and duration of the proceedings

Patent infringement proceedings are initiated by filing a complaint with one of the 12 regional courts which are competent to hear patent infringement cases. The complaint must be filed with either the court in the jurisdiction of which the defendant has its residence or its place of business or with the court in the jurisdiction of which the allegedly infringing act was committed. Each of these 12 regional courts has at least one chamber specialising in patent infringement proceedings. Cases are heard by a panel of three legally trained judges.

Competent courts

Patent infringement proceedings are initiated by filing a complaint with one of the twelve regional courts which have at least one chamber specialising in patent litigation.

A patent infringement lawsuit in the first instance typically takes between 6 and 15 months, from the service of the complaint on the defendant until the oral hearing, depending on the court. The judgment is then issued about one to three months after the last oral hearing. The focus of the infringement proceedings is on the exchange of briefs with factual and legal arguments rather than on the oral hearing (“front-loaded proceedings”). Typically, the parties exchange two rounds of briefs. Depending on the venue, an early first oral hearing may be held in addition, in which a timetable is set for the rest of the proceedings or certain substantive questions are discussed.

Front-loaded proceedings

Typically, two rounds of briefs with factual and legal arguments are exchanged between the parties preparing the main oral hearing.

The regional court may commission a technical expert to issue a written opinion on complex technical questions. However, in practice this is done only in exceptional cases. If a technical expert is commissioned, the parties are given the opportunity to comment on his/her written opinion and the expert is heard in an oral hearing. This will delay the proceedings by at least a year.

Course of the main oral hearing

Due to the extensive written preparations, usually only a short oral hearing (1.5 to 4 hours) takes place. It starts with some introductory remarks by the presiding judge, indicating the preliminary opinion of the court and addressing specific questions to the parties. Following this introduction, the parties are invited to plead their case by responding

Short oral hearing

Usually, only a short oral hearing takes place, in which the parties present their main arguments and answer specific questions put to them by the court.

to the court's questions and summarising their main arguments. Any technical experts are questioned by the court and the parties with regard to the statements in their written opinions.

Appeal proceedings

The losing party may file an appeal against the regional court's judgment with the competent higher regional court without requiring leave to appeal. A panel of three legally trained judges will hear and decide the case. The higher regional court must base its decision on the facts established by the regional court (limited factual review). Apart from that, the course of the appeal proceedings is similar to that of the first instance proceedings. Appeal proceedings typically take about 12 months to two years.

Appeal proceedings

Appeal proceedings in infringement lawsuits are heard by the competent higher regional court. Appeal proceedings typically take about 12 months to two years.

Appeal on points of law

Under certain strict conditions, the party losing the appeal may file a further appeal on points of law with the BGH. An appeal on points of law may only be lodged if leave is granted by the higher regional court in its judgment or by the BGH upon a complaint against the denial of leave. In practice, leave is rarely granted by either court. The proceedings before the patent senate of the BGH, where a panel of five legally trained judges hears and decides the case, which typically takes about two to three years.

Appeal on points of law

Under strict conditions, the party losing the appeal may file a further appeal on points of law with the BGH.

Obligation to present facts and burden of proof

In infringement proceedings, the principle of production of evidence applies: the parties must present the facts of the case and, if necessary, provide corresponding evidence. More specifically, if the underlying facts are disputed in sufficient detail by the other party, each party is obliged to provide evidence that the requirements of the rule on which it relies are fulfilled. In contrast to the BPatG, the infringement court is not allowed to conduct any investigations on its own, and must base its decision on the facts and evidence presented by the parties.

Principle of production of evidence

The court must base its decision on the facts and evidence presented by the parties.

There is no general disclosure of documents or pre-trial discovery. The court may order one of the parties or a third party to submit records or documents which are in its possession and to which one of the parties has made reference. As a further possibility, if there is sufficient probability of infringement, the court may order the defendant to submit documents or to allow the inspection of a process or of an object in its possession.

Procedure in France

The French patent courts

In France, the Paris *Tribunal de Grande Instance* (Paris District Court) (TGI Paris) has exclusive jurisdiction over almost all civil actions involving patents, including any related unfair competition issues. Purely contractual cases do not fall under that exclusive jurisdiction principle, even if they involve patents. On appeal, cases are brought before the *Cour d'appel de Paris* (Paris Court of Appeal) (CA Paris).

In both these courts, cases are heard by a chamber specialising in intellectual property litigation. Each panel of judges comprises three legally trained judges who are familiar with patent issues. They may request the assistance of technical experts or consultants, although this is rarely the case, except for evaluating damage suffered.

Patent infringement being both a civil and criminal offence, patents may also be enforced in criminal courts, but this is also rare and only done for very straightforward cases.

Invalidation actions

Invalidation actions may be introduced directly as a main claim. However, they are more frequently introduced by means of a counterclaim as a defence in an infringement action. When that happens, invalidity and infringement are examined in the same proceedings, with the court dealing with the invalidity claim first. The infringement issue is only examined if the invalidity claim is rejected.

Pre-trial means of gathering evidence of infringement:

the saisie-contrefaçon or saisie

Pre-trial discovery does not exist in France. Each party must provide evidence for the facts necessary for the success of their claims. However, *saisie-contrefaçon* is a very efficient pre-trial way to gather evidence of an infringement. A patent holder who has reason to believe that his patent is being infringed is entitled by right to be granted an *ex parte* order appointing a bailiff, assisted by experts chosen by the patent holder (generally the latter's patent agent), with the mission to go anywhere where evidence of the existence and extent of the infringement may be collected, and to describe (in writing and/or with pictures) and/or seize that evidence (infringing products or processes, relevant documentation and/or material used for the manufacturing or the distribution of the infringing products or processes).

The request is brought before the President of the TGI Paris, which has jurisdiction for the place where the *saisie* will take place. As a matter of principle, the judge cannot refuse to grant the *saisie*. He can only order the

French patent courts

In France, the Paris *Tribunal de Grande Instance* (Paris District court (TGI Paris) has exclusive jurisdiction over patent cases with control by the *Cour d'appel de Paris* (Paris Court of Appeal) (CA Paris). Cases are heard by a panel of three legally trained judges specialising in intellectual property.

No bifurcation

Patent infringement proceedings and validity proceedings are not heard separately from each other.

Saisie-contrefaçon

Saisie-contrefaçon is a procedure by which a bailiff appointed by a court order granted on request of the patent holder is authorised to conduct investigations on the alleged infringer's premises in order to gather evidence of the infringement.

Proceedings to obtain a *saisie-contrefaçon* are conducted *ex parte*.

patent holder to post a bond in order to compensate the party affected by the seizure should the infringement action eventually be rejected or the seizure cancelled. This is rarely done in practice.

The adverse party is not informed of the *saisie* beforehand and cannot deny the bailiff entry into his premises. If needed, the bailiff may come accompanied by police officers, locksmiths or any such assistance, in order to overcome the seized party's potential resistance. However, after the *saisie* has taken place, the seized party may ask the judge who has granted it to order some measures to protect confidential data.

Seizure of the whole stock is rarely ordered. Most of the time, the scope of the bailiff's mission is to describe his operations and the products he finds on the premises, attach copies of all relevant documents (sale accounts, lists of suppliers or clients of the allegedly infringing products, and so on) and buy a few products (one of which is handed over to the patent holder, who can examine it at leisure).

The bailiff writes a report that is handed over to the claimant, who can use it in court to prove the infringement. If the report shows that the bailiff was unable to collect certain pieces of information, the President may order some additional measures.

The patent holder must initiate infringement proceedings on the merits within 31 days of the *saisie*, failing which the *saisie* becomes automatically null and void.

Other types of evidence

Parties should supply their evidence without being asked. They are not required to supply evidence which is detrimental to their case. However, if a party withholds a document that is relevant to the outcome of the case, the other party may ask the judge to order the production of that document. Third parties may also be ordered to produce any relevant documents.

The evidence that is produced usually consists of documents and, where necessary, affidavits. Witnesses and private experts are rarely heard, as French courts have little faith in allegations originating from one party with no objective elements to corroborate them. This is also why depositions and affidavits are not used as much as in some other countries.

Starting the infringement action

Access to the court does not involve any court fees. Patent infringement actions are started by the issuing and serving of a claim form, in which the claimant defines his allegations against the defendant. Once the claim

The seized party cannot prevent the *saisie-contrefaçon* but they can later petition the judge to take measures to protect confidential data.

The bailiff is generally assisted by the patent holder's patent agent. He writes a descriptive report in which he describes the results of his investigations, in words and pictures, and annexes all relevant documents found on the premises. He can seize either a few products or, in exceptional circumstances, the whole stock.

His report can be used in court by the claimant to prove infringement.

The patent holder must lodge an infringement action within 31 days. Otherwise, the *saisie* becomes null and void.

Other types of evidence

In France, affidavits, witness examination and private experts are not standard means of proof.

form has been registered with the court, a judge of the chamber that will hear the case is appointed to manage its conduct.

Conduct of the proceedings

The case management judge sets the timetable for the procedure. He sets the date for the defendant to serve his defence submissions and, if need be, any further submissions. He also sets the date of closure of the debates and the date of the oral hearing. He has jurisdiction to hear incidental procedural matters.

Parties annex their lists of evidence to their submissions brief and generally serve their evidence shortly after their submissions.

Between the closure date and the date of the oral hearing, the parties provide the court with pleadings files containing all their allegations and evidence.

The oral hearing lasts from two hours to half a day. Depending on the judges' preferences, the pleadings may involve having the parties plead the whole case, summarise their main arguments and/or answer the court's questions.

Duration of proceedings

From the date of the claim form to the date of the oral hearing, proceedings before the TGI Paris typically last from 15 months to two years, depending on the complexity of the facts, with the judgment being delivered around 4-6 weeks later. If the matter is urgent, it is possible to expedite proceedings by using an accelerated procedure, which will take from four to six months. However, the claimant has to serve all his evidence at the beginning of the procedure and the defendant may delay the serving of his defence submissions up to the oral hearing.

Appeals

Any party may appeal the first instance judgment. Appeals should be lodged within one month after the first instance judgment has been served on the appealing party (three months if the appealing party resides abroad).

The appealing party must submit his appeal submissions within three months of the lodging of the appeal. The respondent must answer within the following two months (two extra months are granted to foreign parties). These deadlines must be respected under penalty of the inadmissibility of the appeal or the submissions. Parties may supply any supplementary evidence they wish. It must be served simultaneously with the written submissions.

Proceedings are supervised by the case management judge, who sets the timetable for the parties' submissions, the closure of the debates and the oral hearing.

Oral hearings are short (from two hours to half a day).

Proceedings typically last from 15 months to two years. Expedited proceedings are available.

Appeals

Parties are free to appeal. They can provide supplementary evidence. Appeal proceedings typically last from 18 to 24 months. Appeal judgments may be reviewed by the *Cour de cassation*, but only on points of law.

As in first instance proceedings, a case management judge is appointed to supervise the proceedings. Appeal proceedings typically last from 18 to 24 months.

Judgments of the *CA Paris* may be reviewed by the *Cour de cassation* (French Supreme Court), but only on points of law. An appeal to the *Cour de cassation* does not suspend the enforcement of the appeal judgment.

Procedure before the Unified Patent Court

General principles

The general principles to be followed in formulating the procedural rules for the Unified Patent Court (UPC) were agreed at the Venice meeting of the European Patent Judges in November 2006. They include the following:

- (i) Procedural steps should be confined to those strictly necessary to reach a fair decision.
- (ii) The rules should be in accordance with the principles of the European Convention on Human Rights.
- (iii) The rules should deal with litigation in ways which are proportionate to its importance and flexibility.
- (iv) The parties should put forward their best case as soon as possible.
- (v) Where possible, a first instance decision on the merits will be reached within one year of the commencement of proceedings.

These principles have been adopted in a procedure which combines aspects of existing common law with civil law litigation practices. The procedure for an infringement action, including a counterclaim for revocation, is divided into three basic stages:

- (i) Issue identification (pleadings)
This stage lasts seven months (subject to extensions) and allows each party to serve two pleadings each, setting out their case in detail.
- (ii) Substantiation (interim conference)
This is under the control of the judge rapporteur. The parties present their requests for expert evidence, experiments, cross-examination, etc., in fact all orders necessary to prepare fully for the oral hearing. All such requests require justification.
- (iii) Oral hearing
This stage includes oral argument, but may also include a separate hearing of oral evidence with cross-examination under the control of the presiding judge.

Patent infringement actions

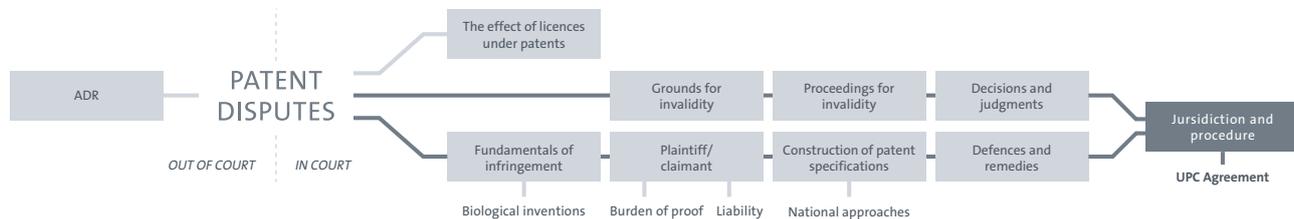
The first step is the serving of a claim form by the claimant to the defendant.

The procedure is common to all local and regional divisions of the UPC.

Appeals

Appeals against final decisions may be brought within two months to the Court of Appeal in Luxembourg. Leave of appeal is not required. Reviews of a procedural order require the leave of the court of first instance or the Court of Appeal. Fresh evidence will be permitted in exceptional circumstances only.

Unified Patent Court Agreement (UPCA) (Supplementary reading)



General and institutional provisions

The Unified Patent Court (UPC), a specialised patent court common to the European Union’s member states, will decide on disputes relating to European patents and unitary patents (European patents with unitary effect). The Court is based on an international agreement – the Agreement on a Unified Patent Court of 19 February 2013 (UPCA) – which was signed by 25 member states of the European Union, and will enter into force once ratified by at least 13 member states, including the three states in which the highest number of European patents had effect in 2012.

With respect to the traditional European patent, the Court will be able to decide in one decision for all those countries where the EP is registered, unless the patent has been “opted out” of the system by the patentee. With respect to the unitary patent, the Court has exclusive jurisdiction for all 25 participating member states.

General provisions

Unified Patent Court

Currently, the national courts and the judicial authorities of the contracting states to the European Patent Convention (EPC) are competent to decide on the infringement and validity of the respective national tiers of a European patent.

Article 1 UPCA
Unified Patent Court

The UPCA creates a specialised patent court (Unified Patent Court, or UPC) with exclusive jurisdiction for litigation relating to (classic) European patents and European patents with unitary effect (unitary patents), and which is bound by EU law.

Definitions

Article 2 defines certain terms used in the Agreement. These definitions are self-explanatory.

Article 2 UPCA
Definitions

It should be borne in mind that the term “patent”, when used in the Agreement, is limited to European patents and unitary patents. It does not cover national patents.

Scope of application

The Agreement applies to unitary patents, supplementary protection certificates (SPCs) issued for a product protected by a European or unitary patent, European patents in force at or granted after the entry into force of the Agreement, and European patent applications pending at or filed after the entry into force of the Agreement.

Article 3 UPCA
Scope of application

Legal status

The Court has legal personality in the member states, in accordance with the national law, and is represented by the President of the Court of Appeal.

Article 4 UPCA
Legal status

Liability

The contractual liability of the Court is governed by the law applicable to contractual obligations under the **Rome I Regulation**, where applicable, and otherwise under the *lex fori*.

Article 5 UPCA
Liability

Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) (OJEU L 177, 4.7.2008, p. 6) including any subsequent amendments

The non-contractual liability of the Court for damages caused by the Court or its staff is determined under the laws of the member state where the damage occurred, and the courts of that member state have jurisdiction to settle related disputes.

Institutional provisions

The Court

The UPC consists of

(1) A Court of First Instance, comprising:

- A central division (based in Paris, with sections in London and Munich, each with specific fields of technology attributed to them – see Annex II to the Statute).
- If a member state so chooses: local divisions (one for each country + one extra per 100 cases, and a maximum of four).
- If any two or more member states so agree: regional divisions.

The central division is composed of two legal judges and one technical judge, while local and regional divisions consist of three legal judges and optionally one technical judge. All divisions have a multinational composition, as determined under **Article 8**.

Article 6 UPCA
The Court

Article 7 UPCA
The Court of First Instance

Article 8 UPCA
Composition of the panels of the Court of First Instance

(2) A Court of Appeal with its seat in Luxembourg (with a multinational composition of three legal and two technical judges), and;

Article 9 UPCA
The Court of Appeal

(3) A Registry, set up at the seat of the Court of Appeal and with sub-registries at the divisions of the Court of First Instance.

Article 10 UPCA
The Registry

The Registry is managed by the Registrar, who assists the Court and the judges in the performance of their functions and is responsible for the organisation and activities of the Registry (Article 23 of the Statute).

Statute of the
Unified Patent Court

It is the responsibility of the Registry to keep the register, including records of all cases before the Court, and keep lists of the pool of (i) judges, (ii) patent attorneys entitled to represent parties before the Court, and (iii) experts. It must also keep and publish notifications and withdrawals of opt-outs under the transitional provisions (see Article 83), as well as ensure that opt-out information is notified to the EPO. It must also publish Court decisions and annual reports.

The various committees

Articles 11–14 UPCA
Committees

To ensure the effective implementation and operation of the Agreement, administrative, budget and advisory committees will be set up, with representatives from each member state. Further details on these committees can be found in **Articles 12, 13 and 14 UPCA** respectively. Specific tasks are described throughout the UPCA and the Statute.

Judges of the Court

Eligibility criteria for judges and the appointment procedure are described in Articles 15 and 16 respectively.

Article 15 UPCA
Eligibility criteria for the appointment of judges

Judicial independence and impartiality

Article 16 UPCA
Appointment procedure

The Court, its judges and the Registrar enjoy judicial independence. In the performance of their duties, the judges are not bound by any instructions.

Article 17 UPCA
Judicial independence and impartiality

Besides other judicial functions at national level, full-time judges may not engage in any other occupation, unless an exception is granted by the Administrative Committee. Part-time technically qualified judges may exercise other functions, provided there is no conflict of interest. In the event of a conflict of interest, the judge concerned may not take part in the proceedings.

Further rules on conflicts are set out in the Statute.

Pool of judges

Article 18 UPCA
Pool of Judges

The legally and technically qualified judges from the Court of First Instance form a pool. They are allocated to the relevant divisions based on their legal/technical expertise, linguistic skills and experience.

The technically qualified judges are also available to the Court of Appeal.

Training framework

Article 19 UPCA
Training framework

A judges' training framework with facilities located in Budapest will focus on:

- internships in national patent courts or divisions of the Court of First Instance
- linguistic skills
- technical aspects of patent law
- courses on civil procedure for technically qualified judges
- the preparation of candidate-judges

The Primacy of Union law, liability and responsibility of the Contracting Member States

Primacy of and respect for Union law

Article 20 UPCA
Primacy of and respect for Union law

The UPC must apply Union law and respect its primacy.

Requests for preliminary rulings

Article 21 UPCA
Requests for preliminary rulings

The UPC must co-operate with the Court of Justice of the European Union (CJEU). In particular, it can file requests with the CJEU to give preliminary rulings on the interpretation of EU treaties and the validity and interpretation of acts of Union institutions, bodies, offices or agencies.

Decisions of the CJEU are binding on the UPC.

Sources of law and substantive law

Sources of law

Article 24 UPCA
Sources of law

The UPC must base its decisions on Union law, the UPC Agreement, the EPC, other applicable international agreements binding on all member states, and national law.

Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (OJEU L 361, 31.12.2012, p. 89) including any subsequent amendments

In cases where national law comes into play, including the law of non-contracting states, the applicable law is determined following private law rules. These may be under directly applicable provisions of Union law or,

in the absence thereof, under relevant international instruments or, in the absence thereof, under national law provisions.

Substantive law

The Agreement contains some provisions of substantive patent law. Most of them reflect similar provisions under national law (many of which have a common origin), but some changes are introduced as well. These mainly relate to the territorial effect of European and unitary patents.

Article 25 UPCA deals with direct infringement, giving the patentee the right to prevent unauthorised third parties from:

- (a) making, offering, placing on the market or using a patented product, or importing or storing it for those purposes;
- (b) using a patented process or, where the third party knows or should have known that its use is prohibited without authorisation, offering it for use in any of the designated contracting member states;
- (c) offering, placing on the market, using, or importing or storing for those purposes a product obtained directly by a patented process.

Article 25 UPCA
Right to prevent the direct use of the invention

Under **Article 26 UPCA**, which deals with indirect infringement, the patentee is entitled to prevent unauthorised third parties from supplying or offering to supply, in any of the designated contracting member states, any persons other than those entitled to exploit the invention, with means relating to an essential element of the invention, for putting the invention into effect in the territory of the designated contracting member states, when the third party knows or should have known that those means are suitable and intended for putting that invention into effect.

Article 26 UPCA
Right to prevent the indirect use of the invention

This does not apply to staple commercial products, except where the third party induces the receiver to perform a direct infringement.

Article 27 UPCA lists the limits to the effects of a patent, including among others, private or experimental use, breeding plant varieties and a Bolar-type exemption. It should be noted that the experimental use exemption under the Agreement is somewhat stricter than in certain European countries, and is limited to "*acts done for experimental purposes relating to the subject-matter of the patented invention*" (Article 27(b)). Also, the Bolar-type exemption (Article 27(d)) was not transposed in the same way in every EU member state. Consequently, certain companies may find themselves in a different legal position depending on whether they face a national, European or unitary patent, and depending on whether they are before the UPC or a national court.

Article 27 UPCA
Limitations of the effects of a patent

Somewhat at odds with the basic principle of a “single territory” for European and unitary patents is the regime for prior user rights. These are left to be decided under national law and remain restricted to the local level of the contracting member state only (**Article 28 UPCA**). In other words, a prior user right in one country does not give the right to apply the invention in another contracting member state.

Article 28 UPCA
Right based on prior use of the invention

On the other hand, the Agreement provides for a Union-wide exhaustion rule in respect of the rights conferred by a European patent, stipulating that the patentee’s rights do not extend to acts concerning a product covered by a patent after it has been placed on the market in the EU by him or with his consent, except in cases where there are legitimate grounds for him to do so (**Article 29 UPCA**).

Article 29 UPCA
Exhaustion of the rights conferred by a European patent

International jurisdiction and competence

Overview

Deciding whether any court has competence to deal with a case brought before it involves two questions:

- (1) Does this court have the power to deal with the subject-matter of the claim (subject-matter competence)?
- (2) Does this court have power to deal with the named defendant or defendants (personal jurisdiction)?

Subject-matter competence

The types of action over which the Court has exclusive competence are listed in **Article 32 UPCA**. It should be noted that not all actions relating to patents come within this list. These exceptions include actions relating to licences, inventorship and employee inventions, for which the national courts have competence.

Article 32 UPCA
Competence of the Court

The national courts retain competence for actions relating to national patents granted by the state where the court is located, and under the transitional regime of **Article 83 UPCA**.

Article 83 UPCA
Transitional regime

Personal jurisdiction

The international jurisdiction of the Court is governed by the following legislation:

- (1) **Regulation No. 1215/2012** (Brussels I recast) as amended by **Regulation No. 542/2014** to deal, *inter alia*, with the UPC (Brussels I UPC), which governs issues of jurisdiction and enforcement of judgments within the EU, and;

Article 31 UPCA
International jurisdiction

Regulation No. 1215/2012
(Brussels I recast)

Regulation No. 542/2014
(Brussels I UPC)

(2) the Lugano Convention, which governs issues of jurisdiction and the enforcement of judgments between EU and EFTA countries other than Liechtenstein (namely Iceland, Switzerland and Norway).

Basic rules

- EU nationals can be sued in their EU state of domicile (Article 4(1) Brussels I recast).
- The ability to sue non-EU nationals depends on the national law of the state where the court is located (Article 4(2) Brussels I recast).
- For tort and related actions (including patent infringement), the place where the harm occurred will determine where the court is located (Article 7(2) Brussels I recast).
- For multiple defendants, the courts for the place where any one of the defendants are domiciled may be used, “provided claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments...” (Article 8(1) Brussels I recast).

Special patent rules

- An action relating to patent validity can only be brought in the courts of EU states where the patent is registered (Article 24(4) Brussels I recast).
- The UPC has jurisdiction as provided by the UPCA (Article 71b(1) Brussels I UPC).
- Non-domiciled defendants can be sued in the UPC if there is jurisdiction under Brussels I recast, and the court may award damages for infringements both outside and within the EU (Article 71b(2)(3) Brussels I UPC).
- The UPC can grant provisional measures, including protective measures, even if the courts in another state have jurisdiction over the subject-matter (Article 71b(2) Brussels I UPC).

Competence of the divisions of the Court of First Instance

The central division has the general competence to deal with all Article 32 types of action for any defendant over whom there is personal jurisdiction, and exclusive competence where no local or regional division has competence.

Article 33 UPCA
Competence of the divisions of the Court of First Instance

The parties may agree to bring any action (other than one concerning actions of the EPO) in any division, including the central division.

Article 33(7) UPCA

The competence of the local and regional divisions depends on the subject-matter of the action.

Article 33(1) UPCA

(1) Infringement, provisional relief, damages or compensation for use of an invention incorporated in a published application: action must be brought in the division where the infringement occurred or where the defendant lives or does business.

Multiple defendants must have a commercial relationship and be involved in the commission of the same alleged infringement.

Non-EU defendants must be sued in the division where infringement occurred or in the central division.

Once such an action is pending, no other division can accept an action between the same parties on the same patent.

If such an action is pending in a regional division and there is infringement in three or more regional divisions, the defendant can request transfer to the central division.

(2) Counterclaims for revocation may be brought in infringement actions in local or regional courts. That court may:

Article 33(3) UPCA

- Proceed with both and request to be allocated a suitable technically qualified judge.
- Refer the counterclaim to the central division and suspend or proceed with the infringement action.
- With the agreement of the parties, refer the whole case to the central division.

(3) Declarations of non-infringement and actions for revocation must be brought:

Article 33(4) UPCA

- in the central division, *unless*
- there is an existing infringement action between the same parties for the same patent in another division.

If there is a pending revocation action in the central division, an action for infringement can be brought in the central division or any other competent division. If brought in a local or regional division, that division can proceed as in section 3 above.

Article 33(5) UPCA

An action in the central division for a declaration of non-infringement will be stayed if an infringement action between the same parties relating to the same patent is brought within three months in a local or regional division.

Article 33(6) UPCA

Territorial scope of decisions

Article 34 UPCA
Territorial scope of decisions

Decisions of the UPC cover the territory of those contracting member states where the patent is in force.

Patent mediation and arbitration

Patent mediation and arbitration centres in Ljubljana and Lisbon will provide facilities in respect of patent disputes under the Agreement.

Article 35 UPCA
Patent mediation and arbitration centre

Any settlement reached via the facilities of these centres, including through mediation, is enforceable in the member states, and Article 82 UPCA will apply.

Patents may not, however, be revoked or amended in mediation or arbitration proceedings.

Financial provisions

The budget of the UPC is financed by its own revenues (court fees and other fees) and – at least during the transitional period – by contributions from the member states.

Articles 36–39 UPCA
Budget of the Court
Financing of the Court
Financing of the training framework for judges
Financing of the Centre

Court fees consist of a fixed fee combined with a value-based fee, to be reviewed periodically.

Organisation and procedural provisions

Chapter I – General provisions

Statute and rules of procedure

The organisation and functioning of the Court is governed by the UPC Statute, which is annexed to the UPC Agreement.

Article 40 UPCA
Statute

Details of the Court procedure are contained in the Rules of Procedure (UPC Rules).

Article 41 UPCA
Rules of Procedure

General principles

Litigation must be dealt with fairly, equitably and in a way which is proportionate to the importance and complexity of each case.

Article 42 UPCA
Proportionality and fairness

Cases must be actively managed in accordance with the Rules, but without impairing the parties' freedom to plead and prove their case. This includes the best use of electronic procedures.

Article 43 UPCA
Case management

Article 44 UPCA
Electronic procedures

Proceedings must be open to the public, but the Court can, where necessary, make them confidential in order to protect the interest of any party or other affected person, or in the general public interest.

Article 45 UPCA
Public proceedings

Parties

Any entity entitled to initiate proceedings under its national law has the capacity to be a party.

Article 46 UPCA
Legal capacity

The following persons can bring proceedings:

Article 47 UPCA
Parties

- the patent proprietor;
- an exclusive licensee (unless not permitted to do so by the licence);
- a non-exclusive licensee, but only if permitted by licence and the proprietor is given notice;
- any person concerned with a patent who can bring an action under the Rules;
- any person who is affected by a decision of the EPO in relation to a unitary patent.

For actions brought by a licensee, the proprietor may join in the action.

Article 47(4)(5) UPCA

The validity of the patent can only be challenged if all the proprietors are parties. Where a counterclaim for revocation is brought against a claimant who is not the proprietor or not the sole proprietor, the Registry serves notice on the proprietor(s), who become parties to the revocation proceedings.

Rule 25(2)
UPC Rules

Representatives

Article 48 UPCA
Representation

Parties may be represented by either a lawyer authorised to practice before a court of a member state or a person qualified to act as a professional representative before the EPO (i.e. a European patent attorney) who also has a qualification approved by the UPC Administrative Committee to conduct litigation.

Article 48(1) UPCA

Article 48(2)(3) UPCA

Article 48(4) UPCA

Representatives may be assisted by patent attorneys (not limited to European patent attorneys), usually for the provision of specialist technical expertise, who may be allowed to address the court in oral hearings. Patent attorneys are persons eligible to advise on patent protection in the state in which they practice.

Rule 287 6(b) UPC Rules
Attorney - client privilege

Language of proceedings

Court of First Instance

Central division

Proceedings in the central division will be conducted in the language in which the patent was granted (i.e. English, French or German).

Article 49(6) UPCA
Language of proceedings at the Court of First Instance

Local and regional divisions

Article 49(1) UPCA

The language used in local division proceedings will be the official language (or one of those languages, if there is more than one) of the state hosting that division. In a regional division, the states forming that division designate which EU official languages may be used. In addition, states may permit one or more of the EPO official languages to be used as a language of proceedings in their local or regional divisions.

Article 49(2) UPCA

Choosing the language

Rule 14(2) UPC Rules
Use of languages
under Article 49(1) and (2) of the
Agreement

Where there is more than one designated language for the relevant court, the initial choice is made by the party who commences the proceedings. However, where the action is brought in a local or regional division against a defendant who has his domicile or principal place of business in the state concerned and who could not be sued in any other local or regional division, the proceedings must be conducted in the official language of that state. Where there are several regional languages which have been designated for that court, the language of the region where the defendant is located must be used.

Article 49(3) UPCA

The parties can agree to use the language in which the patent was granted, subject to approval by the panel hearing the case. Similarly, for convenience and fairness the panel may decide to use the language in which the patent was granted, provided the parties agree.

Article 49(4) UPCA

Article 49(5) UPCA

If there is disagreement on the language to be used, any of the parties can ask the President of the Court of First Instance to decide, after hearing representations, whether to use the language of the patent. The choice must be fair and take account of all the circumstances. The President must also assess the need for translation and interpreting.

Court of Appeal

Appeal proceedings will be in the language used in the proceedings before the Court of First Instance.

Article 50(1) UPCA
Language of proceedings at the Court of
Appeal

Parties can instead agree to use the language in which the patent was granted. If the appeal proceedings are in a different language from the first instance proceedings, the parties may be ordered to file translations of written pleadings and court orders.

Article 50(2) UPCA

Rule 232 UPC Rules
Translation of file

In exceptional cases, the Court of Appeal can decide on another official language, provided the parties agree.

Article 50(3) UPCA

Translation and interpreting

For infringement proceedings in the Central Division, where the language of proceedings is not an official language of the state of the defendant's

Article 51(3) UPCA
Other language arrangements

residence or place of business and the defendant does not have sufficient knowledge of the language of proceedings, the defendant has the right to request translation of the relevant documents.

Rule 39 UPC Rules
Language of the proceedings before the central division

Where a revocation action is transferred to the Central Division, the parties may be ordered to supply a translation of the pleadings in the local or regional division.

A party can request simultaneous interpretation of oral hearings by written application made at least a month before the hearing date, giving the information required by the Rules. The judge-rapporteur decides if, and to what extent, simultaneous interpretation is required, and may also independently order interpretation. The costs of interpretation provided by the court are part of the costs of the proceedings. A party may arrange for its own interpreter, in which case the costs are borne solely by that party.

Rule 109 UPC Rules
Simultaneous interpretation during oral hearings

Proceedings before the Court

Written, interim and oral procedures

Article 52 UPCA
Written, interim and oral procedures

The proceedings before the Court of First Instance and the Court of Appeal consist of a written procedure, an interim procedure and an oral procedure. Details are set out in the Rules of Procedure.

In the first stage, the parties will exchange written briefs. The exchange of written pleadings and briefs is the basis for the decision of the Court to be taken at the end of the proceedings. In infringement actions there will typically be two rounds of exchange of briefs, starting with a statement of claim and a statement of defence by the defendant. A second round will comprise the reply to the statement and a rejoinder to that reply. As a counterclaim the defendant may also file a petition for revocation of the patent. In this case, the claimant and any proprietor becoming a party to the lawsuit must also lodge a defence to that counterclaim. Optionally, also with regard to the counterclaim, a reply and a rejoinder may be possible.

In the written briefs, the parties must present their arguments, the underlying facts and the evidence in support of the facts as completely as possible. Certain formalities must be observed. One of the main issues is the clarity of the allegations and the counterclaim (if any). The purpose of the written procedure is to prepare for the next steps in the proceedings. The rules for different kinds of action (infringement, revocation, declaration of non-infringement or licencing disputes are very similar and follow the same path.

The aim of the interim procedure which follows the written procedure is to explore the possibility of a settlement, which might also be achieved by way of mediation and/or arbitration. The responsibility for this lies with the Judge Rapporteur. During the interim procedure, an interim conference is held in which the Judge Rapporteur discusses the details of the proceedings with the parties. The aim of the conference is to identify the critical aspects of the case, both with regard to legal and factual aspects and to prepare the oral hearing if no settlement can be reached. In that case, the Court will issue a summons to the oral hearing.

The proceedings end with an oral hearing (oral procedure), which is held before the full panel of judges. The Presiding Judge presides over the hearing. A preliminary introduction may be given by the Court, followed by the parties presenting their arguments. The Court may also hear witnesses or experts where necessary. Also, the parties may put questions to the witnesses or experts. Hearings should normally be completed in a day.

Following the hearing, the Court renders its decision on the merits.

The determination of damages and compensation as well as a decision on costs may be dealt with at a separate hearing.

Provision of evidence

Article 53 UPCA
Means of evidence

Evidence may be provided in a variety of ways. The UPC contains a non-exhaustive list, including the hearing of parties and witnesses, requests for information, the production of documents, expert opinions and sworn statements in writing (affidavits).

Again, details are set out in the Rules of Procedure. As a matter of principle, evidence should be provided by the parties as early as possible in the proceedings.

Burden of proof

Article 54 UPCA
Burden of proof

The general rule is that the burden of the proof of facts lies with the party relying on those facts. This is an established principle in many jurisdictions. In other words, the risk of not being able to produce sufficient evidence for a fact which has been legitimately contested by the other party lies with the party which has presented the fact in order to support its position.

As a result, a decision cannot be based on a fact which has been contested and for which there is not sufficient evidence to meet the required standard.

In certain cases, there may be exceptions to this general principle, and the burden of proof may be reversed and shift to the other party. This includes cases where the subject-matter of a patent is a process for obtaining a new product. Here an identical product will be deemed to have been obtained by the patented process, and the defendant will have to prove the contrary.

Article 55 UPCA
Reversal of burden of proof

The same principle applies where there is a substantial likelihood that the product was made by the patented process and the patent proprietor has made all reasonable efforts to establish the process which was actually used for making such identical product. In this context, the provision of evidence mentioned above must be observed. This includes any inspection orders made by the Court.

In any event, where the burden of proof is reversed, the legitimate interests of the defendant in protecting his own manufacturing and trade secrets must be taken into account. Consequently, the reversal of the burden of proof may not require the defendant to reveal legitimate secrets to the other party. In which case, the lack of proof or evidence may not be held against the defendant to his disadvantage.

Powers of the Court

Introduction

The powers of the Court comprise the measures, procedures and remedies as laid down in the UPCA. They concern the conduct of effective proceedings in compliance with the Rules of Procedure, orders, and interim and final decisions on the merits of a case. In this context, the Enforcement Directive¹¹ is the minimum standard for the interpretation of the provisions in the UPC Agreement (see Article 20 above and the Preamble to the UPCA).

Article 56 UPCA
The general powers of the Court

The chapter of the UPCA dealing with the powers of the Court also concerns the remedies available to the parties involved. It should be noted that only a few measures and remedies are compulsory, whereas on the other hand there is a wide discretion for the Court to exercise its powers.

Procedural powers

The Court will guide the proceedings. It has been given sufficient powers to manage them efficiently. In order to obtain the necessary expertise, it may at any time appoint Court experts with regard to specific aspects of the case. These experts serve as independent experts and provide the Court with additional evidence.

Article 57 UPCA
Court experts

¹¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights; OJ of 2 June 2004 L195/16.

One important aspect is the protection of trade secrets and other confidential information belonging to the parties. As a general rule, the Court may order that the collection and use of evidence in proceedings before it be restricted or prohibited or that access to such evidence be restricted to specific persons. Such an order will ensure that, even if certain evidence is admitted, additional trade secrets of the party producing the evidence may be protected and will be exempt it from file inspection or other access by third parties. In practice, this may come close to the protective orders known from US and UK proceedings.

Article 58 UPCA
Protection of confidential information

This is particularly important in view of the fact that the Court will also have the power to order the opposing party or a third party to present evidence where a party to the proceedings has presented reasonably available evidence which is sufficient to support the claims and has specified evidence which lies in the control of the opposing party or a third party. This includes banking, financial and commercial documents.

Article 59 UPCA
Order to produce evidence

The Court will also be able to issue orders to preserve evidence. It will be in a position to take prompt and effective provisional measures, including a detailed description, taking samples and the physical seizure of the infringing products or materials and items used in the production of such products. Such measures may be taken before proceedings on the merits have started. Such an order may also be issued *ex parte*, i.e. without the other party having been heard. As a prerequisite, the applicant must present some evidence to support the claim that the patent has been infringed or is about to be infringed. The level of that evidence is not stated in either the UPCA or the Rules of Procedure and will have to be determined by the case law of the Court in due course.

Article 60 UPCA
Order to preserve evidence and to inspect premises

The Court may also issue so-called “freezing orders”. These orders prohibit parties from removing any assets from the jurisdiction of the Court or from dealing in such assets. They secure financial assets but are not linked to preserving items or producing evidence.

Article 61 UPCA
Freezing orders

Where measures to preserve evidence or freezing orders are revoked or set aside or where no infringement or threat of infringement has been proved, the Court may order the applicant to provide the defendant with appropriate compensation for any damage suffered as a result of imposing those measures.

Article 60(9) UPCA
Order to preserve evidence and to inspect premises

Provisional and protective measures

In patent practice, provisional measures are of great importance. The Court may, by order, grant injunctions against alleged infringing parties to prohibit the continuation of the alleged infringement. Alternatively, it may make the continuation of the alleged infringing acts subject to the lodging of guarantees which would serve to secure the compensation of

Article 62 UPCA
Provisional and protective measures

the successful patentee at a later stage. These orders are subject to the discretion of the Court and may be made depending on the circumstances of the case concerned.

What is particularly important in this context is that the UPCA contains guidelines on the exercise of discretion by the Court. Accordingly, the Court may weigh up the interests of the parties involved and may in particular take into account the potential harm for either of the parties resulting from the granting or refusal of a provisional injunction (“balance of convenience”).

Also, as a provisional measure, the Court may order the seizure or delivery up of products suspected of infringing and the precautionary seizure of property belonging to the alleged infringer to secure the recovery of potential damages.

With regard to provisional measures, there is also guidance as regards the standard of proof. A provisional injunction will most likely be granted only if there is satisfactory evidence for the Court to find a degree of certainty as regards the alleged infringement.

Also, with regard to provisional injunctions, the Court may order the claimant to provide the defendant with appropriate compensation for damages suffered as a result of those measures if the injunction is subsequently revoked (“cross-undertaking as to damages”).

Permanent injunctions

Article 63 UPCA Permanent injunctions

Where the Court holds a patent to be infringed, it may grant an injunction against the infringer prohibiting the continuation of the infringement. The wording of the UPCA leaves it to the Court to decide whether or not to grant an injunction. This is a somewhat new concept in comparison with the traditional view in Europe, where it would be almost automatic for infringement to be prohibited by injunction.

Nevertheless, it should be noted that it is thought that the Court’s discretion should be exercised in such a way that an injunction will as a general rule be granted. The wording of **Article 63 UPCA**, however, opens up the possibility for the Court to take into consideration all the circumstances of the case, so that – as an exception to the general rule – an injunction might be denied even though infringement has been established.

Where appropriate, non-compliance with an injunction will be subject to a recurring penalty, payable to the Court. Under the UPCA, penalties (or fines) cannot be paid to the claimant or patentee.

Corrective measures

The Court will also have the discretion to order corrective measures, such as a declaration of infringement, the recall of products, the removal of products from the channels of commerce, or the destruction of infringing products.

Such measures will be ordered without prejudice to any damages which the injured party may claim. They will reflect the need for proportionality between the seriousness of the infringement and the remedies to be ordered, and the willingness of the infringer to modify the infringing material so that it no longer infringes.

Decisions on the validity of patents

The Court also has the power to decide on the validity of a patent. It will have to take such decisions when an alleged infringer files a counterclaim for revocation or in independent revocation actions.

The Court may revoke a patent only on the grounds laid down in Articles 138(1) and 139(2) EPC. Limitation by way of amendment of the claims in accordance with the provisions of the EPC is possible. This may lead to a revocation of the patent in part only. As a result, and to the extent that the patent has been revoked, it will be deemed to have had no effect from the date of grant.

A copy of the decision will be sent to the EPO and the relevant national patent offices.

Award of damages and communication of information

The Court will order an award of damages where the infringer has knowingly, or with reasonable grounds for knowing, engaged in an infringing activity, in which case damages are compulsory. The injured party should be placed in the position it would have been in if no infringement had taken place. Damages will not be punitive.

The actual amount of the damages is to be calculated taking into account all relevant circumstances, in particular any negative economic consequences, including lost profits suffered by the injured party and unfair profits made by the infringer. As an alternative, damages may also be set as a lump sum on the basis of the amount of royalties or fees which would have been due if the infringer had requested a licence to use the patent.

Even where the infringer did not knowingly, or with reasonable grounds to know, engage in the infringing activity, the Court may order the recovery of profits or the payment of compensation.

Article 64 UPCA
Corrective measures in infringement proceedings

Article 65 UPCA
Decision on the validity of a patent

Article 68 UPCA
Award of damages

Article 67 UPCA
Power to order the communication of information

The infringer may also be ordered to provide in detail information such as the origin and the distribution channels and quantities of the infringing goods as well as the prices obtained for the products and/or the identity of third persons involved in the infringement. This information will serve as a tool for the right holder to calculate damages or to pursue his rights against further infringing parties other than the defendant.

Legal costs

As a general rule, the unsuccessful party must bear the reasonable and proportionate legal costs and other expenses incurred by the successful party.

Article 69 UPCA
Legal costs

Period of limitation

Any claims for financial compensation must be brought before the Court no later than five years after the applicant becomes aware, or has reasonable grounds to become aware, of the last fact justifying the action.

Article 72 UPCA
Period of limitation

Appeals

Decisions of the Court of First Instance are subject to appeal. An appeal may be brought before the Court of Appeal by a losing party.

Article 73 UPCA
Appeal

As with the Court of First Instance, the procedures before the Court of Appeal comprise a written procedure, an interim procedure and an oral procedure, followed by the decision of the Court.

The statement of appeal must be filed within two months after service of the Court of First Instance decision. Within four months of the same date, a statement of grounds of appeal must be filed which must contain an indication of which parts of the decision are contested, the reasons therefor and an indication of the facts and evidence on which the appeal is based. These may be points of law and matters of fact. New facts and new evidence may only be introduced into the appeal proceedings where such material could not reasonably have been made available during proceedings before the Court of First Instance.

The Court of Appeal will examine the facts and any points of law and will review the case *de novo*. The proceedings follow the same rules as the proceedings before the Court of First Instance.

In its decision, if the appeal is well-founded, the Court of Appeal must revoke the decision of the Court of First Instance and give a final decision. In exceptional cases, the case may be referred back to the Court of First

Article 75 UPCA
Decision on appeal and referral back

Instance, which will then be bound by the decision of the Court of Appeal on points of law.

Under certain circumstances the Court of Appeal may also by way of exception grant a request for rehearing after a final decision has been taken by the court. In that case, the proceedings will be reopened for a new hearing and decision.

Article 81 UPCA
Rehearing

Generally speaking, an appeal will not have suspensive effect, unless the Court decides otherwise at the request of one of the parties. An appeal against a decision regarding invalidity of a patent will always have suspensive effect.

Article 74 UPCA
Effects of an appeal

A party who has not lodged an appeal in due time may nevertheless file a statement of cross-appeal as part of its statement of response to the appeal of the other party. The rules for appeal apply *mutatis mutandis* to cross-appeals.

Rule 237 UPC Rules
Statement of cross-appeal

Decisions

Decisions must be taken in accordance with the requests of the parties. The Court may not award more than is requested. Decisions may be based only on grounds, facts and evidence which were the subject of the proceedings and to which the parties had an opportunity to respond.

Article 76 UPCA
Basis for decisions and right to be heard

Further details of the formal requirements can be found in the Rules of Procedure. While decisions must be taken by a majority of the panel, any judge of the panel may, in exceptional circumstances, express a dissenting opinion separately from the decision of the Court.

Article 77 UPCA
Formal requirements

A decision on the merits of an infringement claim may be rendered on condition that the patent is not held invalid (wholly or partially) by the final decision in the revocation procedure or by a final decision of the EPO or under any other term or condition if a revocation action is pending in parallel between the same parties before the central division or if an opposition is pending before the EPO.

Article 78 UPCA
Decisions of the Court and dissenting opinions

In addition to the proceedings being public, the Court may order that information about the decision be published at the expense of the infringer, including its publication in full or in part in public media.

Article 80 UPCA
Publication of decisions

The parties may notify the Court that they will not be represented at the oral hearing. In that case, their written submissions will be taken into consideration. However, the Court may also give a decision by default if a duly summoned party fails to appear at an oral hearing without

notification. Such a decision by default against the defendant may only be given where the facts put forward by the claimant justify the remedy sought.

Decisions of the Court are enforceable in any contracting member state. The enforcement may be subject to the provision of security for potential damages suffered, in particular in the case of injunctions. Non-compliance with the terms of an order of the Court may be sanctioned with penalties payable to the Court.

Article 82 UPCA
Enforcement of decisions and orders

Transitional provisions

Article 83 UPCA provides for a transitional period of seven years, which can be extended by up to seven more years (Article 83(5)).

Article 83 UPCA
Transitional regime

There are basically two transitional schemes.

(1) Concurrent jurisdiction

During the transitional period, there will be a concurrent jurisdiction of the UPC and the national courts in respect of the classic European bundle of patents. In other words, during that time, patent proceedings in respect of (national tiers of) European patents may be brought before the national courts or the UPC, at the choice of the claimant. This does not apply to unitary patents.

The Agreement states that only infringement or revocation claims can still be brought before the national courts. It is, however, the majority view that this must in fact cover all types of dispute in respect of European patents falling under the exclusive jurisdiction of the UPC after the transitional period (listed in Article 32(a) UPCA).

Also, this concurrent jurisdiction may give rise to issues of *lis pendens* under **Brussels I Recast**, under which the subsequently seized court may – or in some cases must – stay the proceedings until the first seized court has rendered a decision.

Regulation (EU) No 1215/2012,
as amended; see in particular Articles
71a–71d and 29–32

(2) Opt-out

Proprietors of or applicants for a classic European patent can opt out of the UPC's exclusive jurisdiction. An opt-out can later be withdrawn.

However, once litigation has been initiated in one system or the other, this fixes the European patent/application in said system. In other words, if an action is started before the UPC, an opt-out is no longer available. Likewise, an action before a national court precludes the proprietor/applicant from withdrawing the opt-out at a later stage.

Opt-outs must be notified to the Registry, with the opt-out taking effect upon the date the entry is recorded in the Register. In order to ensure that there is sufficient time to enter the initial opt-outs in the Registry, the Rules of Procedure provide for a sunrise period prior to the entry into force of the UPC.

The majority view is that the opt-out option will apply throughout the entire life of the patent (and not just during the transitional period), and to all designations under the European patent (not country by country).

It is not possible to opt out of a unitary patent.

Final provisions

The UPCA is open to accession by all EU member states, following the procedure set out in **Articles 84–85**.

It is of unlimited duration (**Article 86**), and can be revised to bring it into line with relevant international treaties or if deemed necessary after the broad consultation with the users of the patent system scheduled to take place after seven years or 2 000 infringement cases, whichever is later (**Article 87**).

The original languages of the UPCA are English, French and German. Approved versions in other official languages of the contracting member states are also official texts. However, in the event of divergences, the three original languages will prevail.

Entry into force

The UPCA will enter into force on the first day of the fourth month following its ratification by 13 member states, including France, Germany and the UK (the three countries where most European patents have effect).

Article 84 UPCA
Signature, ratification and accession

Article 85 UPCA
Functions of the depositary

Article 86 UPCA
Duration of the Agreement

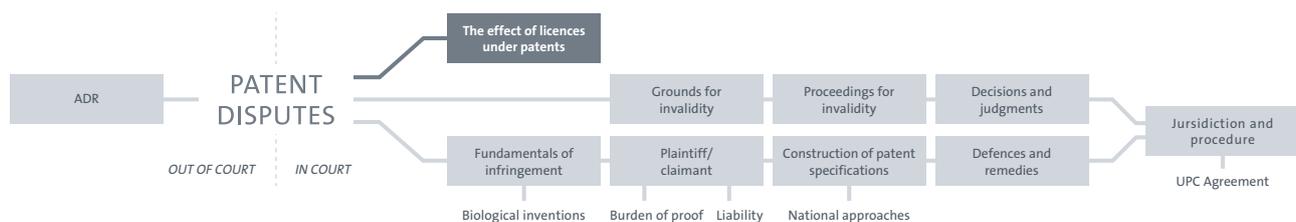
Article 87 UPCA
Revision

Article 88
Languages of the Agreement

Article 89 UPCA
Entry into force

The effects of licences under patents

Essentials



Introduction

A granted patent confers upon the patentee the exclusive right to use and exploit the patent during its term, which means that the patentee can prevent others from using the patented technology. If another person or legal entity wishes to use the technology protected by a patent, that person has to either acquire the patent by virtue of a purchase agreement, or obtain a licence to use the patent by virtue of a licence agreement.

There are various reasons why a patentee may either sell its patent or grant a licence and, therefore, there are various types of agreement in which a patentee can grant another person the right to use its patent. A common reason for granting a licence is that this provides an opportunity for the patentee to exploit the patent without the need to manufacture or sell patented products itself, e.g. because it does not have the manufacturing capacity or the necessary distribution system. Another reason for granting a licence is that the patentee cannot afford the investment required for further development and exploitation in the market. In certain fields, for example the field of telecommunications, the development of new technologies and standards requires the collaboration of multiple (and often competing) companies, which in turn requires that these companies grant each other cross-licences in their patented technologies in order to give each partner access to the jointly developed technology.

Another reason for granting licences is to settle disputes about validity or infringement. Granting licences may be part of the settlement.

Commission Regulation (EU) No. 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements.

According to the EU Commission, licence agreements “will usually improve economic efficiency and be pro-competitive as they can reduce duplication of research and development, strengthen the incentive for the initial research and development, spur incremental innovation, facilitate diffusion and generate product market competition.” (Recital (4) of Commission Regulation No. 316/2014)

Articles 71 and 73 of the European Patent Convention (EPC) (which apply to European patent applications) and the corresponding applicable national laws (which apply to granted patents and national applications) permit patentees to transfer ownership of their patents and to grant licences. Licences for patents have become a significant economic asset for patentees and licensees alike. For the patentee, licences granted for its patents may provide a significant source of income. For the licensee, the right to use a patent may form an essential asset that permits it to exploit the patented technology and make investments in this technology.

Thus, disputes concerning licence agreements and patent purchase agreements may arise in the following situations in particular:

- (a) If a licence agreement has an impact on the claims raised in patent infringement and nullity proceedings (→ see below).
- (b) If a licence agreement, its validity, the contractual obligations of the parties or the interpretation of the provisions of the agreement are the subject of the litigation (→ see below).

Article 71 EPC

Transfer and constitution of rights

A European patent application may be transferred or give rise to rights for one or more of the designated Contracting States.

Article 73 EPC

Contractual licensing

A European patent application may be licensed in whole or in part for the whole or part of the territories of the designated Contracting States.

Impact of licence agreements in patent infringement and nullity proceedings

Legal disputes concerning licence agreements may not only arise in cases where they are the subject-matter of the litigation as such, but also in cases where the existence of a (valid) licence agreement is an incidental question in a patent and/or invalidity dispute.

Licence agreements may be the subject-matter of infringement litigation. This applies in particular if the defendant raises the argument that it may be entitled to use the patent by virtue of a licence agreement.

In such situations, the court will decide whether the licence agreement has been validly concluded and has not been terminated and if the act of (alleged) infringement in issue falls within the licence. In this respect, it may be particularly controversial if the impugned act is justified by the scope of the licence or whether the licensor/patentee was entitled to terminate the licence agreement, e.g. because of a breach of contract and/or unacceptable performance of a contractual obligation, as for example a delay in the payment of royalties, a delay in the rendering of accounts or use outside the scope of intellectual property (IP) rights licensed under the agreement.

Exclusive licensee as plaintiff

In many European jurisdictions, any exclusive licensee is entitled to bring infringement actions before the national courts in the same way as the patent proprietor, unless the licence agreement provides otherwise.

Whereas in Germany this rule applies without exception and without the requirement that the patentee must approve the licensee's initiative, in the UK the situation is slightly different. An exclusive licensee has the same right to sue as the proprietor for any infringement occurring after the date of the licence. If the exclusive licensee sues, the court may award damages for losses suffered by the exclusive licensee or an account of profits. However, if an exclusive licensee initiates infringement proceedings, the patent proprietor must be joined in the proceedings (see **Section 67 UK Patents Act 1977**).¹² This is not the case when a proprietor initiates proceedings in its own name against an infringer, as the proprietor is not required to join an exclusive licensee as a party to the proceedings. Under the UK Patents Act, non-exclusive licensees have

Section 67 UK Patents Act 1977

(1) Subject to the provisions of this section, the holder of an exclusive licence under a patent shall have the same right as the proprietor of the patent to bring proceedings in respect of any infringement of the patent committed after the date of the licence; and references to the proprietor of the patent in the provisions of this Act relating to infringement shall be construed accordingly.

(2) ...

(3) In any proceedings taken by an exclusive licensee by virtue of this section the proprietor of the patent shall be made a party to the proceedings, but if made a defendant or defender shall not be liable for any costs or expenses unless he enters an appearance and takes part in the proceedings.

¹² The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Litigation: licence agreements

Litigation in the field of licence agreements often concerns the validity of the agreement and its compliance with competition law. However, various provisions in the agreement may also give rise to disputes, such as the scope of the licence, the royalty provisions or the alleged breach of contract.

Legal nature of licences

An IP licence agreement is typically entered into by the licensor and a licensee. The licensee gains access to either intellectual property rights (patents, trade marks, copyright, design rights, etc.) and/or know-how which the licensor possesses, in return for some form of remuneration. Remuneration will typically take the form of a royalty payment, a lump sum and/or milestone payments, or a combination of one or more of these. Thus, a licence is essentially an *inter partes* statement of the licensee's permission to exploit the licensor's exclusive rights.

Other contractual limits (e.g. covenant not to sue)

As opposed to the licensee's permission to exploit the licensor's exclusive right, a rights holder may assume a "negative" obligation (or covenant) not to sue a certain party under circumstances where they would otherwise be entitled to do so. Under English and German law, a covenant not to sue is personal and so may not be applicable to subsequent purchasers or users of the "infringing" product. This is not the case with the grant of a licence, where the licensor's rights will be exhausted provided the goods in question have been put on the market with its consent.

Conclusion of licence agreement

Applicable law

Whether or not a licence agreement has been entered into depends upon on the law of the agreement. Without an explicit choice of law (which is normal in licence agreements involving parties from different jurisdictions), the applicable law is determined pursuant to the rules of private international law.

In Europe, the applicable law on the construction of licence agreements is primarily determined by the choice of law of the parties (**Article 3 Rome I Regulation**). In the absence of such a provision, **Article 4(2) Rome I Regulation** applies. According to this provision, a licence agreement is governed by the laws of the country in which “the party required to effect the characteristic performance of the contract has its habitual residence”. If a non-exclusive licence is granted and the performance of the licensee is limited to the payment of a licence fee, the “characteristic performance” lies with the licensor, and its habitual residence determines the applicable law. If the performance of the licensee includes the duty to exercise the licence, the licensee may be regarded as the party which has to perform the “characteristic performance”, so that the laws of the country where the licensee has its residence would apply.

Formal requirements (written form, registration, etc.)

In general, there are no particular formal requirements pertaining to the validity and binding legal effect of licence agreements, although in practice, all licence agreements of any commercial value will for evidential purposes be in writing.

The registration of a licence concerning a European patent application, which is governed by **Rule 23 EPC**, is not relevant for the effectiveness of the licence, but only records the fact that the licence has been granted.

In some European countries (e.g. France, Belgium and the UK), the fact that a licence agreement has not been recorded in the relevant patent register may have legal consequences, for example in relation to assignment. In other countries, e.g. Brazil and Russia, if the licence agreement is not registered, the agreement might not even be enforceable. Under English law, if a licence agreement is not registered and a third party purchases the patent without notice of its existence, the licence will not be binding upon the purchaser. The licensee could therefore potentially lose its rights under the licence. The registration therefore acts as public notice of the licensee’s interest. Even if the purchaser is not aware of the registration of the licence agreement, the fact that it is registered means that he would be deemed to have purchased the patent subject to the licensee’s rights.

Parties

Normally, there will only be two contracting parties (licensor and licensee) to a licence agreement, and they may be natural persons, legal entities or organisations. The parties should be identified as unequivocally and precisely as possible, for example by indicating their full legal name, registration number (where applicable) and registered address.

Article 3 Rome I Regulation Freedom of choice

1. A contract shall be governed by the law chosen by the parties. The choice shall be made expressly or clearly demonstrated by the terms of the contract or the circumstances of the case. By their choice the parties can select the law applicable to the whole or to part only of the contract.

Article 4 Rome I Regulation Applicable law in the absence of choice

2. Where the contract is not covered by paragraph 1 or where the elements of the contract would be covered by more than one of points (a) to (h) of paragraph 1, the contract shall be governed by the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence.

Rule 23 EPC

Registration of licences and other rights
(1) Rule 22, paragraphs 1 and 2, shall apply mutatis mutandis to the registration of the grant or transfer of a licence, the establishment or transfer of a right in rem in respect of a European patent application and any legal means of execution affecting such an application.

– Sub-licensing

The licensor may want to permit the licensee to pass on the licence to third parties, for example to obtain sufficient coverage of markets in countries where neither party is (sufficiently) active. By permitting sub-licences, however, the licensor will to some extent give up control of the licensee's actions, and the licensee's right to enter into sub-licence agreements is therefore often closely regulated.

– Group licences

A licence may also be granted in the form of a group licence, e.g. a "single group licence", which may be a software licence key that can be deployed across a customer's organisation by installing a single licence key on the same number of machines as the number of licences purchased.

Obligations under licence agreements

– Obligations and liability of the licensor

The general obligations and liability of the licensor are to make available and maintain the registration of the licensed patent, to defend it against attack and to enforce it in accordance with the terms of the licence agreement. Particularly in the case of an exclusive licence, the parties may additionally agree that the licensee should take on some of the obligations and liabilities that would otherwise be the responsibility of the licensor.

– Obligations and liability of the licensee

The licensee's primary obligation and liability concern the payment of royalties for the use of the licensed rights, and perhaps – as an accessory obligation – the monitoring of infringing activities in the geographical area where the licensee operates. The licensee also undertakes to use its "best endeavours" to exploit the subject of the licence during its subsistence (→ see below).

Effect of the transfer of licensed property right

Once a licence is granted, it attaches to the licensed patent or patent application. The patentee remains entitled to sell and transfer the patent to a third party. However, even if the patentee sells the patent, pursuant to most European laws, any licences granted in the patent remain unaffected by the transfer of the patent, so that the patent is encumbered with the licences granted in the patent before the transfer. For example, **Section 15(3)** of the *Patentgesetz*, (German Patent Act) (PatG), states that any licences granted before the transfer of the patent will remain unaffected by the transfer. Article 44 Austrian Patent Act and Article 21(3) Slovakian Patent Law are similar to the German provision. In the UK, the licence remains unaffected by the transfer of the patent (see also **Section 38 UK Patents Act 1977**). According to Articles 43 und 46 French Patent

Section 15(3) PatG

The assignment of rights or the grant of a licence shall not affect licences previously granted to other parties.

Section 38 UK Patents Act 1977

Where an order is made under section 37 above that a patent shall be transferred from any person or persons (the old proprietor or proprietors) to one or more persons (whether or not including an old proprietor), then, except in a case falling within subsection (2) below, any licences or other rights granted or created by the old proprietor or proprietors shall, subject to section 33 above and to the provisions of the order, continue in force and be treated as granted by the person or persons to whom the patent is ordered to be transferred (the new proprietor or proprietors).

Law, a registered licence remains unaffected by the transfer of the patent for which it is granted.

Limitation period for claims

In order to protect itself from being held liable for its licensee's exploitation of the licensed patents, licensors may exclude liability altogether. Sometimes, however, the licensee may insist that the licensor be partially liable, particularly where the licensee is building upon know-how and/or a prototype provided by the licensor. In such circumstances, it would be advisable for the licensor to insert a limitation period for any claims made by the licensee against the licensor under the agreement in respect of the licensed rights or products based thereon.

Types of licences

Exclusive licences

An exclusive licence gives the licensee the exclusive right to use the patent within the scope of the licence. The grant of an exclusive licence has the effect that only the licensee is permitted to use the patent; the patentee is no longer permitted to exploit it or to grant further licences. If the patentee uses the patent within the exclusive field of the licence, he may be liable for breach of contract (and in doing so may in some jurisdictions – e.g. Germany – be liable for patent infringement). Under UK law, a patentee would not itself be liable for patent infringement, but the licensee would have a contractual claim against a patentee.

The exclusivity may be granted for the full scope of the patent, i.e. for all territories and all products and methods within the claims of the patent. Alternatively, the parties may agree to limit the exclusivity to certain fields of use, specific types of product, specific methods or defined territories. In some cases, the licence may be granted non-exclusively for other fields and territories. Whether the exclusivity is limited to certain fields or territories is a question of interpretation of the licence agreement under applicable law. Under German law, it is presumed that exclusivity is granted for the full scope of the licence, unless the agreement provides otherwise. Under English law, in the absence of any field or product limitations or language to the contrary in the agreement, an exclusive licensee is deemed to have acquired all of the rights in the patent, including, as stated above, the right to sue for infringement.

Non-exclusive licences

If the licensee is granted a non-exclusive licence, the patentee remains entitled to use the patent itself or to grant further licences to third parties.

Whether the parties intended to grant an exclusive or a non-exclusive licence is a question of contract interpretation pursuant to the applicable national laws. However, under German law it is presumed that, in case of doubt, the patentee will only grant a non-exclusive licence, unless it is explicitly stated in the agreement that the licence is granted exclusively. Likewise, under English law, it is difficult to imply the existence of an exclusive licence unless it is expressly set out in the licence. To do so, the licensee has to provide firm evidence that (a) the licensor conferred on it the right in respect of the invention to which the patent relates and (b) the licence is to the exclusion of all others.

Sole licences

If the parties agree on a sole licence, the patentee retains the right to use the patent but is not permitted to grant further licences.

Through a sole licence, the patentee is prohibited pursuant to the licence agreement from granting further licences. If the patentee grants further licences despite this prohibition, it may be liable for breach of contract. Whether any further licences granted by the patentee are nevertheless valid or not is a question of the applicable national laws of the states in which the patent is valid. Under German law, the predominant opinion is that such further licences would be invalid, as the sole licence is akin to an exclusive licence. English law recognises a sole licence to be a licence where the licensor agrees to grant one licence (to the licensee) and reserves for itself and its agents (and usually its assignees) a right to make, use or sell the licensed product or use the licensed process in the licensed territory.

Sub-licences

When a licensee grants a further licence to third parties this is known as a sub-licence. Sub-licences are only valid if the main licence agreement authorises the licensee to grant them. Whether the main licence agreement grants such authority is a matter of interpretation and depends on the law applicable to the licence agreement.

Under German law, an exclusive licensee is considered as authorised to grant sub-licences unless the licence agreement provides otherwise or if the licence agreement is of such personal nature that it would be contrary to the object of the agreement if the licensee were to grant sub-licences. This is not the case under English law, where an exclusive licensee is not permitted to grant sub-licences unless the licence explicitly so states. Non-exclusive licensees are not authorised to grant sub-licences unless the licence agreement explicitly grants them the authority to do so.

The licensee cannot grant more rights to the sub-licensee than it owns. Therefore, the rights granted to the sub-licensee cannot go beyond the rights granted to the licensee under the main licence agreement.

Group licences

A group licence is a licence that is granted to a group of affiliated companies. Its purpose is to permit the flexible use of a patent within a group of companies without the need to make individual licence agreements with each company of the group. Group licence agreements are usually made by the parent company of the group. The affiliated group companies are third-party beneficiaries under the agreement. The group licence usually provides that the licence granted to a group company terminates when that company loses its status as an affiliated company, for example if it is sold.

Company licences

A company licence is a licence that is limited to a specific business or a specific factory of the licensee. It attaches to the licensed business and can only be transferred together with this business. If the parties wish to agree on a company licence, this has to be explicitly stated in the licence agreement, otherwise the licence is not considered as limited to a specific business or factory.

Cross-licences

In a cross-licence agreement, the parties grant each other mutual licences in some of their patents. In other words, both parties are licensor and licensee at the same time. The object of the cross-licence is often to directly connect the mutually granted licences, so that one licence is only valid if the other licence is valid as well. Cross-licensing is common in the IT and telecommunications industries, where a single product may embody many separate inventions.

Compulsory licences

National patent law may oblige a patentee to grant licences in his patent against his will. These are known as compulsory licences and may be made according to specific statutory provisions. The preconditions for such compulsory licences depend on the national law applicable to the patent concerned.

Regulation (EC) No. 816/2006 stipulates that compulsory licences must be granted under certain conditions for the purposes of manufacturing and exporting pharmaceuticals which are destined for certain developing countries.

Regulation (EC) No. 816/2006 of the European Parliament and of the Council of 17 May 2006 on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems.

Essential provisions and obligations to a licence agreement

Licensed patents and patent improvements

Licences may be granted for both patents and patent applications. If a licence is granted with respect to a patent application, it will typically also cover any patents which are subsequently granted for the same application. The same applies if a supplementary protection certificate is later granted or if a divisional application is filed for a licensed patent application, unless this is explicitly excluded in the licence agreement.

The licensed patents and patent applications must be defined in the licence agreement. This can be done either by listing them or by providing a generic definition (e.g. *“all of the licensor’s patents for products with the following features ...”*).

There may be disputes between the parties as to whether the licence agreement also includes patents which are not encompassed by the list or definition. Whether or not such “implied licensing” is possible depends on the laws applicable to the agreement. With respect to German law, the *Bundesgerichtshof* (German Federal Supreme Court) (BGH) decided that a licence agreement also encompasses non-listed patents of the licensor if these patents are indispensable for the use of the licensed technology. Whether or not an English court would consider patents falling outside the definition of licensed patents to be part of the licensed rights depends entirely on the facts of the case and the result of an objective assessment of the court based on what it believes the intention of the parties was at the time of signing the agreement, having regard to the actual wording of the licence agreement.

BGH, X ZR 20/02 –
“Leichtflüssigkeitsabscheider”

Where the use of an invention that is licensed under a licence agreement requires that another invention of the licensor is used together with the licensed invention, in case of doubt the other invention has to be considered as included in the licence.

Another issue may be whether the licence agreement is also applicable to improvements to the licensed patents. In this respect it is usually presumed that it does not extend to such improvements unless the agreement clearly states that a licence will also be granted concerning improvements by one or both parties.

Licensed acts of use

A licence may be granted for the entire scope of the patent, i.e. for all acts that would constitute an infringement of the patent if no licence had been granted. However, the parties may agree to limit the licence to certain fields of use, for example by:

- limiting the type of products for which the licence is granted, e.g. by further defining the licensed products;
- limiting the applications for which a patented process may be used;
- limiting the acts which are permitted for the licensee;
- limiting the volume of the licensed products.

If the parties wish to agree on such limitations, this should be clearly stated in the agreement. It is usually presumed that a licence is granted for the full scope of a patent unless the agreement clearly states otherwise.

However, if the licensee exceeds the scope of the licence, for example by manufacturing products which are not covered by it, this may constitute an infringement of the licensed patent. The licensee will be liable for patent infringement, and the patent rights in the affected products are not exhausted, so that the licensee's customers may also become liable.

Territory

An essential feature of every licence agreement is the territory for which the licence is to be effective. National laws (e.g. **Section 15(2) PatG**) may permit the parties to limit the territory of operation of the licence.

Basically, it will be assumed that a licence covers the entire territory in which the licensed patents and patent applications are protected. Therefore, if the parties wish to limit the territory of the licence, this has to be clearly stated in the agreement.

On the other hand, it cannot be assumed that a licence agreement covers more countries than those covered by the patents that are explicitly listed in it. Therefore, it cannot be assumed that the agreement covers the entire global family of a patent, unless this is stated explicitly. Under German law, this follows the principle that the licensor will transfer no more rights than necessary to the licensee.

Licence fees

One key obligation of the licensee is the payment of licence fees for the use of the licensed patents and patent applications. If the licence fees are based on the licensee's revenues from the licensed products or methods, the licensee is normally obliged to render account of its revenues and sales figures.

The amount of fees payable by the licensee is subject to negotiations between the parties. If the parties fail to determine this amount, the licensee owes payment of an appropriate licence fee (Sections 315 and 316 of the *Bürgerliches Gesetzbuch* (German Civil Code) (BGB), which entitle the licensor to determine an appropriate amount if the parties fail to agree on the licence fees in the licence agreement). No such equivalent rule applies as a matter of English law. If the parties wish to grant a royalty-free licence to the licensee, this has to be set out in the agreement.

Section 15(2) PatG

(2) The rights under subsection (1) may be licensed in whole or in part, exclusively or non-exclusively, for the whole or part of the territory to which this Act applies. Should a licensee breach a restriction of his licence covered by the first sentence, the right conferred by the patent may be asserted against him.

BGH, X ZR 185/97 –

“Gleichstromsteuerschaltung”

The basic rule that an inventor will usually intend to give up as few of his rights as possible does not, however, prevent the judge from reaching the conclusion that the parties in the present case agreed on a broader obligation which required the patentee to transfer his rights in full.

A licence agreement also must specify for which acts licence fees are payable. Under the case law of the German courts there is a presumption that licence fees are payable only for those acts which would constitute a patent infringement, unless the agreement clearly provides for something different. Therefore, if the parties wish to grant a royalty-free licence to the licensee, this has to be clearly stated in the agreement. If the parties disagree as to whether a product of the licensee falls within the scope of the licensed patent or patent application, this question has to be determined by the courts. The parties can avoid such disputes by defining the features of the products and processes which trigger the obligation to pay licence fees. Again, under English law, this will be a question of contractual interpretation.

BGH X ZR 14/03 –
“Abgasreinigungsvorrichtung”

An obligation imposed on a patent licensee to pay royalties for the use of a patented procedure, even if the procedure is only used outside the territory of the patent, is a restriction imposed on the licensee which goes beyond the scope of the patent.

Disputes of this nature are often the subject of arbitration (by agreement) rather than court action.

Maintenance and defence of patents

An essential obligation of the licensor is to maintain the licensed patents and patent applications by paying the annual renewal fees and by duly prosecuting the licensed patents and patent applications, provided that this obligation has not been transferred to the licensee under the licence agreement.

Under German and English law, non-payment of the annual renewal fees by the licensor would constitute a breach of the licence agreement and could make the licensor liable for damages. If the parties wish to exclude the licensor’s obligations and liability regarding the maintenance of the licensed patents, this needs to be clearly stated in the agreement.

Another issue is whether the licensor is obliged to defend the licensed patents against attacks from third parties, e.g. oppositions. In this respect, it must do so to the extent that this is reasonable. In the UK this will depend on the construction (meaning) of the licence agreement. Under UK law, as the exclusive licensee is entitled to enforce a patent, it follows that, unless expressed otherwise in the agreement, the licensee should also be able to defend the patent where there is a counterclaim for validity.

Liability

The licensor’s liability depends on the national law that applies to the licence agreement.

Under German law, the licensor is basically liable for the formal validity of the patent. It is also liable for ensuring that it is entitled to grant the agreed licence, that there are no rights of third parties that prevent the exercise of the licence, and that the licensed patent can be technically

implemented. It is, however, permissible to limit or exclude the liabilities of the licensor, but this has to be clearly expressed by the agreement. Under English law, it may be implied that the licensor has the right to grant the licence, but individual warranties and associated liability for breach are typically negotiated between the parties. An English court would imply a minimal protection only and would expect the licensee to undertake due diligence.

Enforcement of licensed patents and right to sue

Another issue related to licence agreements is whether the licensor and licensee are permitted to enforce the licensed patent if it is infringed upon by a third party. This depends on the national laws of the country in which the patent is granted.

The general rule in a number of countries is that the patentee/licensor is always permitted to enforce the patent in case of infringement. Also, exclusive licensees are permitted to enforce the patent against third-party infringers if their exclusive use right is affected by the infringement, while non-exclusive licensees are basically not permitted to sue third parties for infringement of the licensed patent. (In the UK it appears that an exclusive licensee may enforce the patent even if his interests are not affected, but this would be expected to affect the relief granted by the court (see Section 67(2) UK Patents Act 1977))

According to established German case law, a patentee can sue for infringement of the licensed patent if it has an economic interest in preventing third parties from infringing the patent. The exclusive licensee is also permitted to sue for infringement if the scope of its exclusivity is affected by the infringement. The patentee and the exclusive licensee may, at their discretion, proceed by separate actions or in a joint action. However, the overall damages payable by the infringer remain the same and must be divided between the patentee and the exclusive licensee depending on the economic damage incurred. If the parties deviate from these rules or if they want to permit the non-exclusive licensee to sue for patent infringement, this must be clearly stated in the licence agreement.

Under UK law, the proprietor of a patent has the right to sue for infringement (Section 60 UK Patents Act 1977). An exclusive licensee has the same right to sue for infringement as the proprietor for any infringement occurring after the date of the licence (Section 67(1) UK Patents Act 1977). If the exclusive licensee sues, the court may award either damages for losses suffered by the exclusive licensee or an account of profits (Section 67(2)). If an exclusive licensee brings infringement proceedings, the patent proprietor must be joined to the proceedings (Section 67(3)). The exclusive licensee may register the exclusive licence. If the exclusive licensee has not registered the licence within a six-month

BGH X ZR 180/05 –
“Tintenpatrone” (from IIC 2009, 475)

(a) As a matter of principle, the proprietor of a patent or utility model is entitled to a claim for injunctive relief against an infringer, even if such proprietor has granted an exclusive licence for the industrial property right.

(b) The proprietor of an industrial property right who has granted an exclusive licence for such right may sue the infringer for damages independently of the exclusive licensee; the proprietor of the industrial property right and the licensee are not co-creditors.

(c) The proprietor of an industrial property right has an independent claim for information and presentation of accounts through which he may claim any and all information required in order to decide in favour of one of the methods of compensating damage and in order to specify his claim according to the method selected.

BGH X ZR 94/10 – “Tintenpatrone II”

The patentee and the exclusive licensee may, in their discretion, proceed by separate actions or in a joint action. However, the overall damages payable by the infringer remain the same and need to be distributed between the patentee and the exclusive licensee depending on the economic damage incurred.

Supreme Court, *Schütz (UK) Ltd v Werit (UK) Ltd* [2013] UKSC 16

period and sues for infringement, then the court or comptroller will not award costs for the proceedings.

No-challenge clauses

With a no-challenge clause, the licensee is prohibited from challenging the validity of the licensed patent or supporting such attacks by third parties. If the licensee attacks the licensed patent contrary to an agreed no-challenge obligation, he is liable for breach of contract, and the licensor may be entitled to terminate the agreement.

If a no-challenge clause is agreed between the parties, this may also make any nullity action filed by the licensee inadmissible (e.g. in Germany). In European opposition proceedings, however, the no-challenge clause does not affect the admissibility of the opposition.

One key issue is the validity of no-challenge clauses. This depends on the context in which the clause is agreed between the parties. A no-challenge clause is basically regarded as a restraint on competition under **Article 101** of the Treaty on the Functioning of the European Union (TFEU) (see section VIII). In licence agreements falling within the scope of the EU block exemption regulation on technology transfer agreements (**Commission Regulation No. 316/2014**), a no-challenge clause is only exempted if it is agreed by an exclusive licensee and only if a breach of the no-challenge clause gives the licensor the right to terminate the licence agreement.

On the other hand, no-challenge clauses agreed in patent purchase agreements and in settlement agreements are basically regarded as compliant with Article 101 TFEU, as they form an essential element of the agreement.

BGH, X ZR 25/86 – “Klagerücknahmemöglichkeit bei Vorliegen einer Patentnichtigkeitssache – Rechtswirksamkeit einer einseitigen Klägerücknahme”

G 3/97 and G 4/97

Article 101 TFEU Treaty
prohibits cartels and other agreements that could disrupt free competition in the European Economic Area’s internal market.

Article 5(1)(b) Commission Regulation (EU) No. 316/2014

(1) The exemption provided for in Article 2 shall not apply to any of the following obligations contained in technology transfer agreements:

...

(b) any direct or indirect obligation on a party not to challenge the validity of intellectual property rights which the other party holds in the Union, without prejudice to the possibility, in the case of an exclusive licence, of providing for termination of the technology transfer agreement in the event that the licensee challenges the validity of any of the licensed technology rights.

Term of the licence agreement

Agreed term

Licences are usually granted for the term of the licensed patent. This means that the licence agreement terminates at the end of the term of the patent or, where more than one patent is involved, at the end of the term of the last patent to expire.

If a patent is revoked or significantly limited in scope, for example as a result of opposition proceedings, this may entitle the licensee to terminate the licence agreement. However, in such case the licensee is basically not entitled to reclaim licence fees paid in the past.

Termination

Whether or not a licence agreement can be terminated depends on the applicable national law.

The parties may terminate a licence agreement either by ordinary termination or by termination for cause.

Whether an ordinary termination is permissible depends on what is set out in the licence agreement and the applicable national laws. If a licence agreement is made for the full term of the patent, under German law the parties are not entitled to give notice of ordinary termination before the end of the agreed term (Sections 584 and 542 BGB). As stated above, under English law, even if there are no express rights of termination set out in the licence agreement, a party can elect to terminate it in certain circumstances, e.g. on giving “reasonable notice”.

In cases of breach of contract or under specific conditions defined in the agreement, a party may be entitled to terminate the licence agreement for cause. Under German law, a party may terminate for cause if the other party breaches its obligations under the agreement, fails to cure the breach within an appropriate period and if the breach makes it unacceptable for the affected party to continue the agreement. Under English law, a party to a contract can elect to terminate the contract where there is a repudiatory breach of the contract by the other party, which means that the breach is so serious that it deprives the terminating party of substantially the whole benefit of the contract. Typical causes which would justify terminating an agreement are, for example, if the licensor fails to pay the renewal fees for the licensed patents, if the licensed patent is revoked or significantly limited in scope, if the licensee attacks the licensed patent (provided there is a validly agreed no-challenge clause), or if the licensee fails to pay the agreed licence fees, in particular if the licensee fraudulently provides false accounts relating to the licensed products sold.

Because it may have a significant impact on the relationship between the parties if the proprietorship of the licensee changes, licence agreements often entitle the licensor to terminate the agreement in the event of a change of control. Depending on the agreement, such termination in the event of a change of control may either apply to any change of control on the part of the licensee or its parent company, or may be limited to such cases where the interests of the licensor may be negatively affected.

Effect of termination

If a licence agreement is terminated, the licensee's right to make use of the patent ends. In some cases, the parties may agree on appropriate periods after the date of termination during which the licensee can continue to sell licensed products already produced before the date of termination.

One question in connection with the termination of licence agreements is whether any sub-licences granted by the licensee also terminate if the main licence is terminated. This depends on the national laws applicable to the licence concerned. With respect to Germany, the BGH decided that a sub-licence validly granted by the licensee continues to be valid even if the main licence agreement is terminated. If the parties wish to depart from this rule, this has to be clearly stated in the sub-licence agreement.

Under English law, provided that there are no express provisions to the contrary in the main licence agreement or sub-licence, a sub-licence will terminate if the main licence agreement terminates, under the doctrine *nemo dat quod non habet* ("no one gives what he does not have"). However, recent English case law has found the sub-licence to be capable of surviving termination of the main licence. The facts of this case were quite specific, as the licensor and the licensee belonged to the same group of companies, and it is thought that this approach is not likely to apply to licences between parties on an arm's-length basis.

BGH, I ZR 70/10 – "M2Trade"

"Das Erlöschen der Hauptlizenz führt in aller Regel auch dann nicht zum Erlöschen der Unterlizenz"

The termination of the main licence agreement does not usually have the effect that sub-licences are automatically terminated as well, if the sub-licensee was granted a non-exclusive licence subject to payment of continuous royalty payments.

Jurisdiction

Where the licence agreement itself is the subject matter of litigation, the applicable law, the competent jurisdiction and the competent court within a jurisdiction need to be identified.

Usually, licensing agreements contain clauses concerning the governing law and the place of jurisdiction/arbitration. With respect to the competent courts within a national jurisdiction, national law may provide specific stipulations with respect to the competence of certain (specialised) courts for patent matters. In Germany, for example, **Section 143 PatG** establishes the competence of specialised district courts for patent matters, including patent licence matters. In England, claims relating to patents must be brought before a specialist court, the Patents Court or Intellectual Property Enterprise Court (IPEC). Claims where a licence agreement itself is the subject-matter of a claim not started in the Patents Court may be transferred to the Patents Court (or IPEC) to be heard by a specialist judge, particularly if the dispute raises substantive issues of patent law.

Section 143 PatG establishes specialised patent courts.

IPEC (formerly the Patents County Court)

It is interesting to note that the Unified Patent Court Agreement (UPCA) does not stipulate a corresponding competence for the UPC. **Article 32(1) (a) and (h)** of the Agreement establishes the competence of the UPC in respect of actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counter-claims concerning licences and actions for compensation for licences on the basis of Article 8 of Regulation (EU) No. 1257/2012. However, it does not provide for a jurisdiction of the UPC for disputes relating only to licence agreements, which means that the national courts will have jurisdiction for such matters even after establishment of the UPC.

Article 32 UPCA

Competence of the Court

(1) The Court shall have exclusive competence in respect of:

(a) actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences;

[...]

(h) actions for compensation for licences on the basis of Article 8 of Regulation (EU) No 1257/2012;

Effect of insolvency on licence agreements

The treatment of IP licence agreements in bankruptcy and insolvency proceedings has not been harmonised in Europe. In this context it is particularly important whether and under what circumstances the administrator of the insolvent party is entitled to adopt, modify or terminate a licence agreement. In fact, in most countries, including European countries, there is a distinct lack of regulation as to the effect that bankruptcy and insolvency procedures are accorded under national law.

The EU Insolvency Regulation (Council Regulation No. 1346/2000) determines the applicable insolvency law in cases of cross-border insolvency.

Council Regulation (EC) No. 1346/2000 on insolvency matters

In many countries (e.g. France, Germany), the administrator in bankruptcy cases has the right to either adopt or terminate an IP licence. The termination may give rise to damages to the other party. In the UK, the liquidator has a right to disclaim onerous property. This could be the case where the insolvent licensor has continuing obligations. In the Netherlands, the trustee in bankruptcy may rescind the contract. In Portugal, the licensor can terminate on the insolvency of the licensee. If the contract is personal, the licensee can also do so. In Denmark, the situation is similar to that in Germany, where the administrator has the right to choose whether to adopt or reject any reciprocal agreements only if the agreement has not been completely fulfilled.

Many licence agreements expressly provide for automatic termination of the licence in the event of the licensee's insolvency. Such provisions are enforceable under English law, but not under the laws of some other jurisdictions (e.g. France, Germany and Spain).

Antitrust considerations and the possible invalidity of licence agreements

Like any other agreements, licence agreements are subject to the limitations of competition law rules.

Article 101 TFEU: Restraints on competition

Article 101 TFEU prohibits two or more enterprises from entering into antitrust agreements for the purpose of limiting competition in a market by way of agreeing on co-ordinated prices, the division of markets, or the like. Licence agreements – both patent licence agreements and know-how licence agreements – which contain any such restraints on competition are as a starting point covered by this prohibition, and agreements entered into in contravention of Article 101 TFEU may result in the invalidity of the agreement in question as well as in substantial fines.

Article 101 III EU Treaty: Exemptions

Even if an agreement contains restraints of competition within the meaning of Article 101 TFEU, such agreement may nevertheless be valid if it is exempted from the application of Article 101 TFEU. These exemptions fall into three categories. First, Article 101(3) TFEU provides an exemption where the practice that would otherwise be invalid under the Article 101 TFEU prohibition is deemed beneficial to consumers, e.g. by making available technological improvements, but without restricting all competition in the relevant field.

Secondly, the Commission has exempted agreements of “minor importance”, which concern small companies which together hold no more than 10% (horizontal agreements) and 15% (vertical agreements) of the relevant markets.

Finally, the Commission has introduced a number of block exemption regulations for different types of contract (see below). Of particular relevance for licence agreements are block exemption regulations No. 316/2014 concerning technology license agreements and 1217/2010 concerning research and development agreements.

Block exemption regulations

Technology Transfer Block Exemption Regulations (TTBER)

The Technology Transfer Block Exemption Regulation (TTBER) – **EU Regulation 316/2014** – concerns licensing agreements relating to intellectual property rights. An agreement falling within the terms of this block exemption will not be scrutinised by the European Commission. The TTBER only applies to licensing agreements between two enterprises

Article 101 TFEU

1. The following shall be prohibited as incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market, and in particular those which:

- directly or indirectly fix purchase or selling prices or any other trading conditions;
- limit or control production, markets, technical development, or investment;
- share markets or sources of supply;
- apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.

3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:

- any agreement or category of agreements between undertakings,
- any decision or category of decisions by associations of undertakings,
- any concerted practice or category of concerted practices, which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

- impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;
- afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

Commission Regulation (EU) No. 316/2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements.

concerning, for example, patents and know-how. In order for the TTBER to apply, the technology transfer involved must have as its purpose the production of goods or services exploiting the patents in question.

Patent licence agreements between two parties are exempted from the application of Article 101 TFEU if the joint market share of the parties does not exceed the threshold of Article 3 TTBER and if the agreement does not contain any of the hard-core restrictions listed in Article 4 TTBER. Even if the licence agreement is exempted, individual clauses of the agreement listed in Article 5 TTBER may not be exempted.

Research and Development (R&D)

Research and development agreements and the licence provisions contained therein are exempted by virtue of the Block Exemption Regulation in research and development agreements (R&D BER) – **EU Regulation No. 1217/2010**. The R&D BER has priority over the TTBER with respect to research and development contracts, unless the licensing of IP rights is the primary object of the agreement (Article 2(2) R&D BER). Research and development agreements are exempted from the application of Article 101 TFEU if they concern the carrying out of joint research, paid-for research or joint exploitation of the research results. The agreement has to stipulate that all parties are granted access to the results of the research as provided in Article 3 R&D BER. Moreover, the market share thresholds of Article 4 R&D BER must not be exceeded, and the agreement must not contain any restrictions as provided in Article 5 R&D BER. Even if the licence agreement is exempted, individual clauses of the agreement listed in Article 6 R&D BER may not be.

Commission Regulation (EU) No. 1217/2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union (“TFEU”) to categories of research and development agreements.

Enforcement of licence agreements under the UPC

Under the UPC, licensees will have the right to file suit against alleged infringers. However, a distinction is made in this regard between exclusive and non-exclusive licensees.

While exclusive licensees may bring an action in any event against alleged infringers, subject to notification having been given to the patentee, non-exclusive licensees may only bring an action if prior express consent has been obtained from the patentee. It should be noted that the patentee is always entitled to be joined in actions by licensees.

If a patentee is not a party in an action filed by a licensee, there will be no possibility for the defendant to file a counterclaim for invalidity, as such claim will only lie against the patentee.

Alternative dispute resolutions (ADR)

Essentials



Definition and scope

The term “alternative dispute resolution” (ADR) is used to cover a range of non-litigation solutions to disputes between parties.

A wide range of ADR options are available to parties. The suitability of each will depend on the circumstances of the particular dispute. The most common forms of ADR encountered in patent disputes are **mediation** and **arbitration**, and these are discussed in this module.

Mediation

Mediation is a non-binding, voluntary negotiation between disputing parties facilitated by a neutral third-party mediator.

Arbitration

Arbitration is a process where parties refer a dispute to one or more arbitrators—instead of a national court—and agree to be bound by the arbitration decision.

Introduction

Twenty years ago, little use was made of ADR. Often, the only option available to disputing parties was to take their grievances to court. However, the prominence of ADR has increased significantly in recent years, following a series of reviews and reforms suggested by the European Council and Commission aimed at facilitating access to justice across the member states.

One of the results of these reviews was Directive 2008/52/EC on certain aspects of mediation in civil and commercial matters (the EU Mediation Directive – see below for more detail), aimed at harmonising the rules applicable to cross-border mediation in the EU.

Attitudes have also changed on a national level, and prominent judges seeking to reform the litigation systems in various countries have promoted the benefits of ADR. For example, following a review of civil litigation costs in the UK, the Jackson Report published in 2010 emphasised that ADR had a vital role to play, but that it was under-used.

Review of civil litigation costs:

Final report, 2010

www.judiciary.gov.uk/wp-content/uploads/JCO/Documents/Reports/jackson-final-report-140110.pdf

As a result, the rules governing civil litigation in the UK (Civil Procedure Rules) now require parties to consider ADR as a means of avoiding litigation. Similarly, court guides place a duty on legal representatives to consider and advise their clients on the possibility of ADR as a means for resolving disputes. ADR is now being promoted across the member states as a cheaper, quicker, more flexible, private, binding and non-binding objective way of resolving disputes.

ADR options

Aside from conventional negotiations between parties, which typically involve no intervention from a third party, all of the remaining ADR options involve varying degrees of intervention from a third party and can be divided into those which are non-binding and those which are binding on the parties.

Non-binding ADR options

The most common non-binding option is mediation, a voluntary negotiation between disputing parties facilitated by a neutral third-party mediator.

Other non-binding ADR options encountered less frequently in patent disputes include executive tribunals, conciliation and early neutral evaluation.

Executive tribunal

A representative from each side makes a formal presentation to a panel consisting of senior executives from the disputing parties. The panel is chaired by an independent third party who subsequently acts as a mediator between the senior executives.

Conciliation

Similar to mediation, but the third party actively assists the parties in resolving the dispute, by suggesting settlement options, for example.

Early neutral evaluation

An independent person with expertise in the field in question is asked by the parties to provide a non-binding opinion regarding the likely outcome of the dispute. The aim is to provide the parties with an objective view of their dispute to help further settlement discussions.

Binding ADR options

The most common binding form of ADR is arbitration, a process where parties refer a dispute to one or more arbitrators, instead of a national court, and agree to be bound by the arbitration decision (“award”). The arbitrators may be chosen by the parties or nominated by an arbitration institution. They are usually legally trained and highly experienced in the handling of arbitration proceedings and the special field of the dispute, such as patent infringement, etc. The decision of the arbitrators is legally

binding on both sides and enforceable almost worldwide, based on an international convention, if necessary, with the support of national enforcement authorities (usually courts).

Other binding ADR options encountered less frequently in patent disputes include expert determination, adjudication, and mediation/arbitration hybrids.

Expert determination

A middle-ground between arbitration and other forms of ADR, where the parties select an expert to decide their case. The expert's decision is binding on the parties, and an action can be brought for breach of contract if one party refuses to accept and/or comply with the decision.

Adjudication

An interim binding decision is issued by a third-party adjudicator which is an enforceable pending agreement of the parties to alter the decision's effect or refer the dispute for further legal proceedings (e.g. arbitration or litigation).

Mediation/arbitration hybrids

Processes where the parties agree to mediation, but if mediation fails on a particular issue, they also agree to the mediator becoming an arbitrator, who may issue a final binding decision on that point.

Mediation

Overview

Mediation is a form of negotiation between disputing parties facilitated by a neutral third party (the mediator). Its aim is to provide a flexible, voluntary and confidential settlement by placing the fate of the dispute in the hands of the parties, rather than a court or other tribunal, allowing them to reach a mutually satisfactory conclusion. Unlike judges or arbitrators, mediators do not have the power to decide a case, but work with the parties to agree terms for settlement. Accordingly, the mediation itself is non-binding, but a successful mediation will typically lead to a binding legal agreement.

The EU Mediation Directive

Directive 2008/52/EC was enacted with the aim of harmonising the law governing mediation across the EU, specifically to *“facilitate access to ADR and to promote the amicable settlement of disputes by encouraging the use of mediation and by ensuring a balanced relationship between mediation and judicial proceedings”*.

In addition to general provisions promoting mediation within the member states, the directive also provides for the enforcement of agreements resulting from mediation (Article 6), the obligation of confidentiality during mediation proceedings, particularly with regard to

Directive 2008/52/EC

The EU Mediation Directive came into force on 13 June 2008: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:136:0003:0008:En:PDF>

In the UK the Mediation Directive applies to cross-border disputes only, but many member states (such as Germany and Belgium) have implemented its provisions for domestic mediation processes as well.

the mediator (Article 7), and the relaxation of limitation and prescription periods for disputes which are mediated before judicial proceedings are commenced (Article 8).

A typical mediation involves a number of steps:

- In order to arrive at mediation, the parties will usually enter into a mediation agreement (if there is no existing mediation clause in a contract which provides for mediation in the event of a dispute).
- A mediator must be selected, and the mediation agreement will typically contain provisions for that selection or for the nomination of a mediation service provider (see below) that will govern the subsequent procedure and selection of a mediator.
- Pre-mediation planning is usually required to clear any issues with the mediator and between the parties before the mediation session itself.
- The mediation session will typically last a day or two, with the opening statements followed by private discussions between the mediator and the parties and the necessary negotiations.
- The outcome of a successful mediation is usually a settlement agreement signed by the parties. This may be concluded at the end of the mediation session or via subsequent correspondence after the session. If the mediation does not result in a settlement, then the parties are free to walk away and to take recourse to alternative solutions for resolving their dispute. Even an unsuccessful mediation may help to narrow the issues between the parties and streamline later litigation.

Timing

The flexibility of mediation means that it can in theory take place at any point before legal proceedings are initiated, up until a final decision on the dispute is issued by the courts or an arbitrator. However, in order to maximise the potential time and cost savings, parties should enter into mediation as soon as possible after they have exchanged sufficient information and documents to make the negotiations productive, and ideally before other legal proceedings have commenced.

It is possible to delay mediation until after other proceedings have commenced. This may be necessary, for example, in cases where interim relief is sought. Another reason is to allow the parties to understand the case against them, especially if mediation can be delayed until after disclosure during civil litigation, when they can see the strength of the evidence against them.

Implementation

The Mediation Directive has been implemented in nearly all member states with only very slight variances.

Incentives for mediation

In the UK¹³, courts take into account the conduct of the parties when determining costs, and, for example, have penalised parties who unreasonably refused to mediate (*Phillip Garritt-Critchley & Others v Andrew Ronnan & Solarpower PV Limited* [2014]).

In France, the *Cour de Cassation* (Supreme Court) decided in 1995 that a party who delays mediation or makes mediation impossible may be ordered to pay the costs incurred (*Cass.Com*, 28 November 1995, No. 94-12285). Similarly, the *Cour d'appel de Paris* (Paris Court of Appeal – CA Paris), in a decision of 5 September 2013, refused to award legal costs to either party on the grounds that both parties refused to engage in mediation (*CA Paris, Pôle 5, Chambre 9*, 5 September 2013, No. 11/22362).

¹³ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Although member state courts do not have the power to impose mediation, or to draw inferences if a party refuses it, some courts penalise litigants who unreasonably refuse to engage in mediation. For example, in the UK the parties and their representatives are directed by the Civil Procedure Rules to consider ADR both before and after legal proceedings are initiated. In other countries, there are no rules or incentives that would force a party to consider ADR.

Pros and cons of mediation

Some of the advantages of mediation are:

- **Autonomy** – The private nature of mediation affords the parties greater control over the process and the outcome. They are free to choose the mediator, the applicable rules (e.g. applicable law, location and language of the mediation proceedings) and the terms of any settlement. This flexibility can provide for a more efficient resolution of the dispute in which a wider range of settlement options is available than via the remedies available through the courts. For instance, business relationships can be preserved or enhanced via mediation, whereas these outcomes may not be possible following litigation.
- **Neutrality** – The mediator is a neutral third party and the mediation itself can be tailored to be neutral to the law, language and culture of the parties. This makes it possible to adapt the process to assist the parties in working through their dispute, whilst avoiding barriers otherwise created by cultural or social differences. The mediator acts as an intermediary and is able to bridge different personalities and negotiating styles and break down communication barriers between the parties.
- **Confidentiality** – One of the key benefits of mediation is the confidential nature of the process. The parties will typically consent explicitly via the mediation agreement to keep the proceedings confidential, and this obligation will usually extend to the mediator (see EU Mediation Directive above). Even if no explicit provisions for confidentiality are set out in the mediation agreement, it is possible that there will be an implied duty of confidentiality, given the nature and purpose of mediation. The private nature of the mediation coupled with the obligation of confidentiality provides for an environment where the parties can fully explore their case without fear of exposing any weaknesses or setting negative precedents for future litigation.
- **Voluntary** – The process is entirely voluntary, meaning that the parties can enter into it, and withdraw from it, at any time. The mediator has no power to continue with proceedings against the will of the parties. The non-binding nature of the negotiations, along with the fact that they are private and confidential, means that mediation is low-risk, because the parties are unlikely to be in a worse legal position following an unsuccessful mediation.

Pros and cons

The advantages of mediation are best illustrated by contrasting it with other forms of dispute resolution, especially litigation. It is also worth noting that many of the advantages of a successful mediation may become disadvantages if negotiations are unsuccessful.

Some of the perceived disadvantages of mediation are:

- **Increased cost and time** – Whilst mediation has the potential to make dispute resolution more efficient, it can also lead to increased overall costs if a settlement agreement cannot be reached and no narrowing of the issues is possible.
- **Exposure of strategy** – A party may fear that discussions during mediation will inadvertently reveal strategic points or avenues for further exploration to the other party if the dispute does not settle. However, in practice, the confidentiality obligation placed on the mediator means that any strategic discussions with him/her will remain private and will not be disclosed to the other party.
- **Manipulation by an unco-operative party** – The non-binding, voluntary nature of mediation means that it may be open to manipulation by an unco-operative or aggressive party. The extent to which this happens can be controlled by the mediator, who can encourage co-operation and who ultimately has the power to terminate the proceedings early if he considers that a party is acting in bad faith.

Is mediation appropriate for all cases?

No. Both parties must want to try to settle their dispute, and if one party does not, or is adopting an overly aggressive position, mediation will likely fail. In some cases, mediation will be unsuitable. For example:

- If the issues in dispute are so critical to the parties that no compromise is possible and they must be removed by litigation, then mediation is unlikely to be successful.
- Similarly, if the parties are seeking a legal precedent to clear the way for later similar commercial activities, then mediation will not be an appropriate substitute for a court decision.
- If publicity is desired, then the private nature of mediation makes it inherently unsuitable.
- If the case is clear-cut, with high chances of a summary judgment being awarded, then litigation would be preferable to mediation.

It should also be noted that patents cannot be revoked or amended via mediation or arbitration (see below).

The choice of mediator

The parties may agree on who they wish to mediate their dispute, or they may engage the services of a mediation service provider. There are a number of service providers who can offer assistance with all aspects of the mediation process, from providing a basic framework of rules to be followed during the session to hosting the session and assisting with the drafting of the settlement agreement.

Suitability of mediation

In the UK, the courts have commented that certain types of dispute are unsuitable for mediation, including those where a point of law has to be resolved and cases where interim relief is necessary (*Halsey v Milton Keynes General NHS Trust* [2004] EWCA Civ 576).

For example, the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center is an established provider. Also, under Article 35 of the Agreement on a Unified Patent Court (UPCA), a patent mediation and arbitration centre will be established with seats in Ljubljana and Lisbon. The centre will provide facilities for the mediation of patent disputes falling within the scope of the UPC.

WIPO Arbitration and Mediation Center
The centre was established in 1994 to offer ADR options for the resolution of international commercial disputes between private parties.

Arbitration

Introduction and overview

Arbitration related to patent issues plays an important role in agreements such as patent licensing, technology transfer, joint venture agreements, and the like.

However, “pure” patent infringement cases are mostly litigated in national courts, because alleged third-party infringers are rarely willing to agree – *ex post facto* – to arbitration.

The reference to “pure” patent infringement cases means all cases where the parties are not linked by any agreement or other business relationship, but where the infringer is most often a competitor without any contractual or other business ties to the patent owner.

Moreover, if provisional measures (e.g. preliminary injunctive relief) are sought, a well-established court system may still be more advantageous than an emergency arbitrator, who must first be nominated by an arbitration institution.

Given the above, arbitration proceedings are almost always related to contractual relationships in which the parties had previously agreed to arbitration.

Patent infringement issues may therefore arise either in the form of a breach of contractual duties or as a tort not covered by the specific agreement that includes the arbitration clause.

National courts (and possibly the UPC) as well as arbitration courts may be involved in the same dispute, the first for preliminary injunctive relief, the latter – or sometimes even both – in parallel ordinary infringement proceedings. This may lead to challenging situations, for the courts, arbitral tribunals and parties alike.

Today, most arbitration is “institutionalised” arbitration, i.e. the parties agree to arbitrate any dispute under specific rules provided by an administrative body or arbitration institution, such as the WIPO Arbitration Rules, the International Chamber of Commerce (ICC) Arbitration Rules, the London Court of International Arbitration, the Netherlands Arbitration Institute Rules or the Swiss Arbitration Rules.

Time factor

One of the major advantages of arbitration is that, in some countries, the proceedings up to a final and enforceable arbitral award may not take as long as national court proceedings. Some arbitration rules even provide for a timeline to be observed by the tribunal.

Moreover, the possibilities for appealing to higher court instances may be severely limited, which may be an advantage from a time-related perspective.

Pros and cons of arbitration

The time advantage may become a disadvantage when it comes to appeal options. However, most arbitration institutions have controls in place to ensure that proceedings are dealt with in a professional and timely manner.

Another disadvantage of arbitration is that it may be more onerous to obtain provisional measures expeditiously. In recent years, many institutionalised arbitration institutions have implemented so-called “emergency arbitration” rules, which may allow provisional measures to be obtained swiftly.

Arbitration proceedings are not public. The proceedings are therefore confidential.

Is arbitration suitable for all disputes?

Most national jurisdictions consider patent infringement disputes to be arbitrable.

Do national courts have exclusive jurisdiction in patent validity matters?

Most jurisdictions consider the issue of patent validity to be a matter of exclusive national sovereignty. This is why most national laws and national case law do not allow the enforcement of arbitral awards obtained abroad which declare a patent to be invalid (exceptions include Belgium and Switzerland).

Arbitral tribunals may avoid this pitfall by obliging the patent owner to withdraw his patent from the respective patent register(s) and/or forbidding the *inter partes* enforcement of a patent (considered to be invalid by the arbitral tribunal) against the alleged infringer.

Jurisdiction of arbitral tribunals in infringement matters

Patent infringement questions, especially when related to a contract containing an arbitration clause, are generally suitable for arbitration.

Conflicting jurisdictions?

There are some disputes where both national courts and arbitral tribunals may be called upon by either party to decide an issue. This is not a problem, as long as the issues at stake are clearly different, for example a national court is called upon to issue provisional measures only, and the arbitral tribunal is called upon to decide the case on the merits.

It becomes more challenging if one of the parties calls on both courts to decide on the same issues. They will then have to decide which of them is competent to decide on the case.

Legal basis – applicable substantive and procedural laws

If no choice of law is made, questions of international private law (law on code of conflicts) may have to be resolved in the arbitration dispute.

When it comes to contractual rights and obligations, it is generally at the parties' discretion to decide which substantive law applies. In patent disputes, however, some national laws may have special rules when it comes to formal legal requirements relating to the patent registry, etc., which the parties may not be aware of.

If the parties agree on some form of institutionalised arbitration, the procedural laws are generally clear and can further be clarified by the arbitral tribunal in the course of setting out the process. Parties often agree on the International Bar Association (IBA) Rules on the Taking of Evidence in International Arbitration, or obtain further clarification by reference to the United Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration.

Cost implications

Generally speaking, in civil law countries, arbitration proceedings are more expensive than national court proceedings. On the other hand, arbitration may involve fewer cost-intensive discovery proceedings. Moreover, lack of appeal possibilities may also have a cost-reducing effect when compared with national proceedings involving one or two higher court instances.

Most European arbitration rules provide for reasonable attorney fee compensation for the prevailing party, which generally covers the actual and full attorney fees (often not the case in national litigation). Additionally, the losing party may have to bear the arbitral court costs.

Final remarks

Parties can only be legally obliged to participate in arbitration if they have agreed to an enforceable arbitration clause. They cannot be forced to participate in other forms of ADR, although cost considerations can constitute a significant incentive to do so. When assessing an award of costs, the UK courts will consider whether a party acted unreasonably in refusing to engage in ADR. In *Halsey v Milton Keynes General NHS Trust*, the court set out the following non-exhaustive list of considerations to determine whether a party acted unreasonably in refusing to mediate:

Halsey v Milton Keynes General NHS Trust
[2004] EWCA Civ 576

- the nature of the dispute
- the merits of the case
- the extent to which other settlement methods have been attempted
- whether the costs of ADR would be disproportionately high
- whether any delay in setting up and attending ADR would be prejudicial and
- whether ADR had a reasonable prospect of success.

Enforcement

Most nations worldwide are member states of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958.

In many states, it may therefore be “easier” to enforce an arbitral award with the help of a local national enforcement agency (mostly courts), rather than to enforce a national court judgment which is foreign to the country where enforcement is sought. The contracting parties to the New York Convention have to recognise arbitral awards issued in another (contracting) state as binding and to enforce them in accordance with their rules of procedure. There are only very limited grounds that can be invoked against the enforcement of an award.

Relevance of UPC Agreement and Rules

The UPC Agreement makes provision for the establishment of a patent mediation and arbitration centre in Ljubljana and Lisbon (Article 35 UPCA). The rules of procedure further emphasise that the Court is required to explore with the parties the possibility of a settlement, including through mediation and arbitration, using the facilities of the patent mediation and arbitration centre in Ljubljana and Lisbon (Rule 11 UPC ROP).