

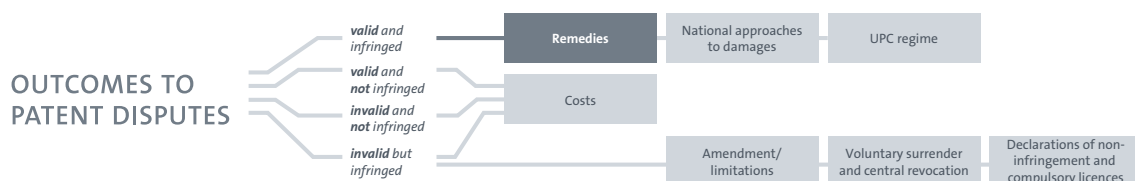
Block 3

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Remedies and alternative measures

Essentials



The availability of appropriate relief for patent infringement is fundamental to the existence of the patent system. Hence, remedies, which are what the owner of an infringed patent is entitled to claim if successful in court, are at the core of patent litigation.

As a patent is an exclusive right, the primary remedy available to proprietors is an injunction to stop the infringer from committing further infringing acts. Under Part III of Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and national law, patent owners may also be entitled to other measures, including declaratory relief, product recall, destruction, publication of the judgment and pecuniary compensation.

Regarding remedies, the departure point in the EU is Directive 2004/48/EC on the enforcement of intellectual property rights, also known as the Enforcement Directive.

Under the Enforcement Directive, there are different types of remedy available in Europe for patent proprietors to enforce their exclusive rights:

- Measures resulting from a decision on the merits, including corrective measures, injunctions and alternative measures (pecuniary compensation in addition to or possibly instead of injunctions).
- Provisional measures, especially preliminary injunctions.
- Precautionary measures such as the blocking of bank accounts.
- Damages and legal costs (these measures are dealt with in other modules).
- Publicity measures.

The Directive also provides for a right of information.

Enforcement Directive 2004/48/EC, TRIPS, other multinational agreements and national law

In his opinion in *Huawei v ZTE*, 20-11-2014, C-170/13, paragraph 61, the Advocate-General of the CJEU stated that in the event of infringement the patent owner has the right to bring an action for a prohibitory injunction.

Articles 63, 64

Unified Patent Court Agreement (UPCA) state that the Unified Patent Court (UPC) will make available the types of remedy provided by the Enforcement Directive.

Standard measures: decisions on the merits

Permanent injunctions

The aim of a permanent injunction is to prohibit the continuation of the infringement in the future. By an injunction, the defendant is ordered to refrain from doing acts established by the court as infringing the patent.

Availability of injunctive relief after expiry of the patent

Injunctive relief is only available for as long as the patent is in force. However, the courts may exceptionally grant an injunction for a limited and specified period beyond the term of patent protection if the patent is at the end of its life or has expired by the time the case reaches trial. The basis for such an injunction would be that the infringer has gained an illegal start (“springboard”) ahead of other competitors by entering the market with its infringing product whilst the patent was in force. The duration of the injunction would be calculated so as to prevent the defendant from benefiting from his past infringing activities.

Form of injunction

The grant of an injunction may be broad or narrow in effect. In some countries, the usual form of injunction against a defendant found to have infringed a valid patent would be an order restraining the defendant from infringing claim X of patent number X. However, in other countries, the grant of an injunction needs to refer to the specific embodiment found to be infringing. Between these two extremes, the German courts, for example, identify the infringing embodiments by reciting the claim language in the provisions, with selected problematic features being tailored to the embodiment found to be infringing.

In the UK courts there is discretion as to the form of permanent injunction, which will, therefore, depend on the particular circumstances of the case. The ordinary form of injunction will be that “the defendants, by themselves, their servants or agents be restrained from infringing Patent No. []”

The injunction may be formulated to have a narrow or wide scope.

In the Netherlands, injunctions are in general worded broadly. According to the *Hoge Raad* (Dutch Supreme Court), this is permitted, but the scope of such an injunction is limited to acts that can reasonably be assumed to constitute infringements in the view of the court granting the injunction, in light of the grounds for that decision.

The same approach applies in France.

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.”

See for example UK case *Dyson Appliances Ltd v Hoover Ltd (No. 2)*, [2001] RPC (27) 544 and ECJ 9-7-1997, C-316/95, *Generics v Smith Kline & French*

BGH, X ZR 126/01 – “Blasfolienherstellung”

See also *Coflexip v Stolt* [2001] RPC 182

Daw v Eley (1867)
L.R. 3 Eq. 496

Hoge Raad 15.04.2005,
ECLI:NL:HR:2005:AS5238,
Euromedica v Merck

In Germany, under the “core theory”, injunctions apply to the embodiments actually in issue as well as to all other embodiments infringing the patent for the same reasons. The test is whether infringement by such other embodiments can be determined while solely relying on the considerations of the existing judgment (then covered) or whether considerations outside the judgment would be necessary (then not covered).

There is a universal requirement that the wording of the injunction should be clear.

Injunctions against means having infringing and non-infringing uses (contributory/indirect infringement)

Any means that use an “essential element of the invention”, which are suitable for putting the invention into effect, and that are offered or supplied by the defendant to a third party not entitled to use the patent, while the defendant knows or it is obvious that the means are suitable and intended to put the invention into effect, fall under the provisions of an indirectly infringing use (e.g. in the UK under Section 60(2) UK Patents Act; in Germany under Section 10 *Patentgesetz* (German Patent Act) (PatG); in the Netherlands, under Article 73 *Rijksoctrooiwet* (Dutch Patents Act) 1995; all based on Article 26 Community Patent Convention (CPC) 1989).

In the UK, the Court of Appeal has suggested that, rather than the standard form of injunction, a more specific wording may be appropriate where there is found to be contributory infringement (***Grimme Maschinenfabrik GmbH & Co KG v Scott***).

In Germany, a finding of indirect patent infringement does not always result in an unrestricted injunction. As a general rule, an injunction is granted when the means offered or supplied may only be used reasonably – from a technical and economic point of view – in an infringing manner.

On the other hand, if an off-patent use of the means is possible, restricted prohibitions are usually justified in order to allow economic activity with the means outside the scope of the patent, while preventing directly infringing use of the means by customers. In Germany, for example, the following appropriate measures are commonly applied:

- Warning notices to customers, including a notice that use of the patented invention without the patentee’s agreement is prohibited.
- Obligation of the infringer to conclude a contractual cease-and-desist agreement with its customers, by which the customers may use the means for off-patent uses only and, in case of non-compliance, must pay a contractual penalty to the patentee.

Section 60(2) UK Patents Act 1977

“...a person (other than the proprietor of the patent) also infringes a patent for an invention 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.”

BGH 09.01.2007, X ZR 173/02 –
“*Haubentstretchautomat*”.
Leading case regarding indirect patent infringement

In *Grimme Maschinenfabrik GmbH & Co KG v Scott* [2010] EWCA Civ 1110, the defendant was found to be indirectly infringing under **Section 60(2) UK Patents Act**. In holding so, the Court found that the article was an “essential element of the invention” and it did not matter that it also had a non-infringing use. However, the Court of Appeal suggested that in such a case, the court might modify the standard injunction so as to try to spell out what exactly the defendant could do. It would however be up to the defendant to work out how to ensure that there would be no future infringement.

The appropriate measures will depend on the circumstances, in particular on the likelihood and advantages of use according to the patent and on an assessment of the patentee's options of proof, i.e. whether the patent infringement can actually be proven. Thus, total prohibition may, for example, be justified in exceptional cases where warning notices and cease-and-desist declarations are useless, the patent infringement is effectively not verifiable, and the means may be readily and reasonably modified – from a technical and financial point of view – so that they are no longer suitable for a patented use.

In the Netherlands, supplying “essential means” constitutes an indirect patent infringement under Article 73 *Rijksoctrooiwet* (Netherlands Patent Act) if the supplier is aware or must have been aware under the circumstances that these means are suitable and intended for applying the invention.

Gerechtshof (Court of Appeal),
The Hague 27-1-2015, IEF 14599,
Novartis v Sun Pharmaceutical

The Court of Appeal in the Hague has ruled that the supplier of a medicinal product that was suitable for a rare, non-infringing use, but also for a common infringing use, must have understood that it was likely to be used in an infringing way because of the volumes sold. He therefore committed an indirect infringement.

Injunction as a matter of discretion?

An important question is whether an injunction automatically follows a finding of infringement or whether it is at the court's discretion to grant one.

According to Article 12 Enforcement Directive, member states may stipulate that, at the request of the defendant, pecuniary compensation be ordered instead of an injunction alone, if such defendant acted unintentionally and without negligence. This may also be ordered in the case of disproportionate harm and if pecuniary compensation appears sufficient. However, not all member states have implemented this provision.

In the UK, under Section 61(1)(a) UK Patents Act 1977, a patentee is normally entitled to an injunction against an infringer. However, this is always subject to the court's discretion.

The leading case is the non-IP case of *Shelfer v City of London*.

In *Shelfer* the court established the “good working rule” that damages may be awarded in substitution of an injunction if four conditions are met:

- The injury to the claimant's legal rights must be small;
- It must be capable of being estimated in money;

UK: *Shelfer v City of London Electric Lighting Co.* [1895] 1 Ch. 287 in fact concerned a nuisance dispute between Shelfer, the leaseholder of a public house, and a lighting company which had erected buildings and machinery on land adjacent to the public house to form a central station for supplying electric light. Shelfer sought an injunction against the lighting company carrying out their works as this caused vibrations and significantly interfered with the enjoyment of his premises.

On the facts, the injury to the claimant was certainly not small, estimable in money and he could not be adequately compensated by a small money payment due to the significant “*annoyance, inconvenience and personal discomfort*” borne. Injunction was accordingly granted.

- It must be adequately compensated by a small money payment; and
- The case is one in which it would be oppressive to the defendant to grant an injunction.

It is widely accepted that the guidelines identified in the *Shelfer* case should be applied to decide whether the court should make an exception to the general rule of granting an injunction against a defendant who has been proven at trial to have infringed a valid patent. Indeed, the *Shelfer* guidelines have been subsequently applied in a number of intellectual property cases, including the copyright case of ***Navitaire Inc. v EasyJet Airline Co.*** In this case, the *Shelfer* guidelines were considered and it was added that “if the effect of an injunction is not oppressive, the defendant cannot buy his way out of it, even if the price, objectively ascertained, would be modest”. It was held that the word “oppressive” in this context means that the effect of the grant of the injunction would be grossly disproportionate to the right protected. If this is the case, damages, for example assessed on a reasonable royalty basis, may be ordered.

Navitaire Inc. v EasyJet Airline Co.
[2006] RPC 111

The *Shelfer* criteria are, however, merely guidelines and are not definitive.

According to German law, an injunction will automatically be granted if the court finds that there is infringement. The cease-and-desist order is not subject to the court’s discretion. Even though the injunction is not a discretionary remedy under German law, the defendant may still be granted protection against an injunction (which was issued in first instance and is not yet final) under very exceptional circumstances. The defendant is entitled to request the stay of enforcement of a preliminary enforceable injunction if he can show that the first instance decision was obviously a gross mistake or that enforcement will bring about a disadvantage that cannot be remedied in accordance with **Section 712 Zivilprozessordnung** (German Code of Civil Procedure) (ZPO). However, this kind of request is only available in exceptional circumstances, e.g. in cases of imminent insolvency.

Section 712 ZPO

Petition for protection filed by the debtor

(1) Insofar as the enforcement would entail a disadvantage for the debtor that is impossible to compensate or remedy, the court is to allow him, upon a corresponding petition being filed, to avert enforcement by providing security or by deposit, without taking account of any security that the creditor may have provided; (...).

(2) The petition filed by the debtor shall not be complied with if an overriding interest of the creditor contravenes this. (...)

Conventional economic disadvantages, such as job losses or financial damages, are not considered to be disadvantages that cannot be remedied.

The *Oberlandesgericht* (Higher Regional Court) (OLG) of Karlsruhe also stayed the enforcement of an injunction in a case where the patentee was a patent exploitation company which had only a financial interest in damages and no actual market position to be protected with an injunction, while the defendant risked imminent and significant damages were the injunction to be enforced.

OLG Karlsruhe, 11.05.2009, 6 U 38/09 –
“Patentverwertungsgesellschaft”

In the Netherlands, claimants are normally entitled to an injunction if the patent is found valid and infringed (Article 3:296 *Burgerlijk Wetboek* (Netherlands Civil Code) (BW). An injunction will normally only be refused in cases of an abuse of right, for instance because of a violation of competition law. Another example is the duty of care towards another member of a technical standards organisation.

Hoge Raad,
24-11-1989, NJ 1992/404,
Lincoln v Interlas

Rechtsbank's Gravenhage,
10.03. 2011, IEF 9463,
Sony v LG

The Netherlands has not implemented Article 12 Enforcement Directive to award damages instead of granting an injunction. However, if a patent is valid and infringed, but an injunction is nevertheless refused, the claimant can still claim damages (provided, of course, that the conditions for awarding damages are met).

In France, injunctions to cease infringement are generally granted by the courts when the patent is found valid and infringed, although this remains at the discretion of the court. The court might refuse the injunction in exceptional circumstances, such as where the injunction would result in disproportionate consequences compared with the actual damage caused to the patentee.

Infringer does not intend to infringe in the future

In some member states, injunctions have been refused where the defendant has satisfied the court that further infringements were not likely.

Under German law, the finding of a risk of repetition of an infringing act as a requirement for an injunction can be overlooked if the defendant gives an irrevocable declaration to cease and desist, which must be secured by an obligation to pay a contractual penalty in case of non-compliance. However, in exceptional cases, such a declaration does not represent sufficient grounds to refuse an injunction, especially if the defendant is obviously insolvent and could not realistically pay the contractual penalty.

BGH, 09.11.1995, I ZR 212/93 – “*Wegfall der Wiederholungsgefahr*”, GRUR 1996, 290

An English court considered the position in *HTC Corp v Nokia Corp*. It held that if the infringer can satisfy the court that no further infringements are likely to occur, the final injunction may be refused.

HTC Corp v Nokia Corp
[2013] EWHC 3778 (Pat)

Coflexip SA v Stolt Comex Seaway MS Ltd
[2001] 1 All E.R. 952

Dutch case law is in line with German case law.

Enforcement of injunctions

Non-compliance with an injunction incurs a fine to be paid to the plaintiff (e.g. the Netherlands) or the court (e.g. Germany, UK). In some cases criminal sanctions are imposed, depending on the national law concerned.

If the infringer fails to obey an injunction, the patentee may institute committal proceedings for contempt of court. Under German law, the fine to be paid by the infringer can be up to EUR 250 000 for each act of infringement. The amount of the fine depends on the severity of the non-compliance. Typically, the first fine will be rather low, but it may come close to the maximum in the case of repeated violations of the order.

Alternatively, the court may in theory order a custodial sentence of up to six months. This is a severe sanction that is only justified in very exceptional circumstances; it is hardly ever, if at all, applied. The maximum penalty for repeated non-compliance is a two-year custodial sentence.

Under Dutch law the penalty is set at a level that is a sufficient deterrent to violating the injunction, which means that it is usually higher than the value of the infringing goods or activities. Penalties are generally set at an amount per infringement and per day of continuing infringement, giving the claimant the choice to use either option, depending, for instance, on which one is more effective for the specific violation concerned.

In the UK, non-compliance with an injunction may be treated as contempt of court. In such circumstances the judge may impose a fine or, if the non-compliance continues after appropriate notice has been given, imprisonment of, for example, a director of the company.

Stay of injunction pending appeal

In the UK, it is usual for a stay of a final injunction to be ordered pending appeal of the first instance decision. The injunction is generally expressed as being stayed until the later of the determination of the question or of any appeal, as it would be unfair for the alleged infringer to be subject to that final injunction until both of those issues have been resolved.

*Adaptive Spectrum and Signal Alignment
Inc v British Telecommunications plc [2014]
EWCA Civ 1462*

In the Netherlands, the *Gerechtshof* (Court of Appeal) of the Hague and the President of the Dutch District Court which handled the case in first instance may suspend an injunction pending appeal, but only in exceptional circumstances.

In Germany, the defendant is entitled to request the stay of enforcement of a preliminary injunction in very exceptional circumstances (as explained in more detail above).

Injunctions in the Unified Patent Court system

Article 25 of the Unified Patent Court Agreement (UPCA) states that a patent confers on its proprietor the right to prevent any third party not having the proprietor's consent from practising the patent. Article 63 UPCA states that the UPC may grant an injunction against the infringer aimed at prohibiting the continuation of the infringement. The word

“may” indicates that the Court has discretion in this respect. Of course, such discretion must be exercised within the spirit of the Enforcement Directive.

Corrective measures

See below

Alternative measures

As described above, the conventional response in cases of infringement will be an injunction. In exceptional cases, such as infringement of a standard-essential patent by a member of the standards organisation, damages can be awarded instead (see the paragraph on injunctions above).

Damages

For more details with respect to the assessment of damages, see the module about damages.

Right of information

According to **Article 8 Enforcement Directive**, the patentee is entitled to request disclosure of the names of suppliers and customers of the infringing goods. This allows him to identify further infringers and to follow through the enforcement of his patent rights.

Article 8 Enforcement Directive
Right of information
→ see below

Upon the justified and proportionate request of the patentee, the court may order that the infringer must provide information as to the origin and distribution networks of the goods or services which have infringed the patent. Such information may include:

The names and addresses of the

- producers
- manufacturers
- distributors
- suppliers
- other previous holders of the goods or services
- intended wholesalers and/or retailers

Information on

- the quantities produced, manufactured, delivered, received or ordered, and
- the price obtained for these goods or services

The patentee’s rights of information are limited by statutory provisions which govern the confidentiality of information or the processing of personal data (Article 8(3) Enforcement Directive).

Article 8 Enforcement Directive Right of information

1. Member States shall ensure that, in the context of proceedings concerning an infringement of an intellectual property right and in response to a justified and proportionate request of the claimant, the competent judicial authorities may order that information on the origin and distribution networks of the goods or services which infringe an intellectual property right be provided by the infringer and/or any other person who:
 - (a) was found in possession of the infringing goods on a commercial scale;
 - (b) was found to be using the infringing services on a commercial scale;
 - (c) was found to be providing on a commercial scale services used in infringing activities; or
 - (d) was indicated by the person referred to in point (a), (b) or (c) as being involved in the production, manufacture or distribution of the goods or the provision of the services.
2. The information referred to in paragraph 1 shall, as appropriate, comprise:
 - (a) the names and addresses of the producers, manufacturers, distributors, suppliers and other previous holders of the goods or services, as well as the intended wholesalers and retailers;
 - (b) information on the quantities produced, manufactured, delivered, received or ordered, as well as the price obtained for the goods or services in question.
3. Paragraphs 1 and 2 shall apply without prejudice to other statutory provisions which:
 - (a) grant the rightholder rights to receive fuller information;
 - (b) govern the use in civil or criminal proceedings of the information communicated pursuant to this Article;
 - (c) govern responsibility for misuse of the right of information; or
 - (d) afford an opportunity for refusing to provide information which would force the person referred to in paragraph 1 to admit to his/her own participation or that of his/her close relatives in an infringement of an intellectual property right; or
 - (e) govern the protection of confidentiality of information sources or the processing of personal data

In Germany, for example, if the identity of private customers of the defendant is involved, the patentee must appoint, upon request of the defendant, an independent and certified accountant, who will review the information and accounts under an obligation of confidence.

Where there is reason to assume as a result of separate court proceedings that the information has not been provided correctly, the infringer must, upon request of the patentee, declare on record (in lieu of an oath) that he has given the earnings as fully and completely as he is able (**Section 259(2) *Bürgerliches Gesetzbuch*** (German Civil Code) (BGB)).

Non-compliance with the obligation to provide complete information will (e.g. in Germany) entitle the patentee to proceed to enforcement of his rights of information by requesting an order for payment of an administrative fine.

Under UK law, the patentee must satisfy the court that there is a strong case for the defendant to answer, that the defendant's actions may cause serious actual or potential damage to the rights-holder, and that there is clear evidence that the defendant is in possession of incriminating evidence which it may destroy before an application can be made on notice.

Section 259 BGB

Extent of duty to render account

(1) A person who is obliged to render account for management related to earnings or expenses must provide the person entitled with an account containing an orderly compilation of earnings or expenses and, where receipts are customarily given, must submit receipts.

(2) Where there is reason to assume that the information on earnings contained in the account has not been provided with the requisite care the defendant must, upon demand, declare for the record in lieu of an oath that he has indicated the earnings as completely as he is able to.

In the UK, this remedy has been dealt with by reference to *Norwich Pharmacal v Customs and Excise Commissioners*. The *Norwich Pharmacal* order is a court order for the disclosure of documents or information that can identify infringers. A third party who, even innocently, becomes involved in an infringement may, on application by the patentee, be ordered to give relevant information which he is in possession of. In this case, the defendant – the UK customs authorities – held information on unlicensed chemicals being imported into the UK from the Netherlands.

Norwich Pharmacal v Customs and Excise Commissioners [1974] A.C. 133

In *Rugby Football Union v Viagogo Ltd*, the Court of Appeal of England and Wales considered whether such orders were in breach of Article 7 of the Charter of Fundamental Rights of the European Union, which mirrors Article 8 of the European Convention on Human Rights regarding the right to respect for privacy and family life.

Rugby Football Union v Viagogo Ltd [2011] EWCA Civ 1585

In the Netherlands, the court may order that information that is needed to establish the amount of damages must be provided to an independent registered accountant, who then produces a report for the court on the assessment of damages. Information that is necessary to check whether a recall has been performed correctly must be provided to the claimant's lawyers, so they can check this without disclosing the identity of the infringer's customers to the claimant. If suppliers or customers themselves infringe, their identity must of course be disclosed without such limitations.

Provisional measures

Preliminary injunctions

These remedies may be granted on an interim basis pending full trial at a later date. The remedy will remain in force until the court discharges it, either on application or on expiry of a fixed term.

Article 9(3) Enforcement Directive states that the court has the authority to require the applicant to provide evidence in order to satisfy the court with a sufficient degree of certainty that the applicant is the right holder and that the applicant's right is being infringed, or that such infringement is likely.

Article 9(4) allows for such remedies to be granted without the potential infringer having notice that such an order will be made (*ex parte*), in particular where any delay would cause irreparable harm to the right holder. When such an order is made, the applicant must without delay inform the potential infringer of the existence and effect of such an order.

Once such an order has been granted, Article 9(5) states that it must be revoked or otherwise cease to have effect, upon request of the potential

Article 9 Enforcement Directive

Article 9(1)(a) Enforcement Directive states that the judicial authorities may, at the request of the applicant:

“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 right holder; 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.”

infringer, if the patentee does not institute, within a period determined by the court which ordered the injunction, or in the absence of such a determination, within a period not exceeding 20 working days or 31 calendar days, whichever is the longer, proceedings whose purpose is a decision on the merits of the case before a competent court.

Article 9(6) and (7) are designed to protect an alleged infringer if it is later found at trial that the interim measure was wrongly imposed in view of the fact that there had been no infringement or threat of infringement. The patentee can be ordered to lodge adequate security or an equivalent assurance intended to ensure compensation for any prejudice suffered thereby.

Consequently, Article 9 Enforcement Directive permits the court to issue against the party found potentially to be infringing an interlocutory injunction aimed at prohibiting the persistence of the alleged infringement as well as against intermediaries whose services are used by a third party to infringe a patent, without prejudice to Article 8(3) of Directive 2001/29/EC.

In UK law, Section 61(1)(a) UK Patents Act 1977 reflects Article 9 Enforcement Directive. In the UK, the threshold for the grant of an interlocutory or interim injunction is relatively high. The factors that the court should take into account are largely set out in the leading House of Lords case of *American Cyanamid v Ethicon*:

- (i) Is there a serious question to be tried?
- (ii) Are damages an adequate remedy for the patentee?
- (iii) Taking all the circumstances into account, does the balance of convenience lie in favour of granting an interim injunction?

Since the purpose of an interlocutory injunction is to preserve the *status quo* pending full trial, an English or Scottish court will not consider the merits of the substantive case at the interlocutory stage. The same applies in Ireland. Nevertheless, an injunction will only be granted where there is shown to be a threat, actual or implied, on the part of the alleged infringer that he is about to do an act which would be in violation of the patentee's right. Therefore, it has to be established that the patentee has an enforceable right and also that the potential infringer has given the patentee cause to suspect that there may be an infringement.

Thereafter, the court will assess whether there is any prejudice to the potential infringer in granting the injunction. It will assess the "balance of convenience". For example, it will determine whether damages would be an adequate remedy and whether the defendant has the means to pay them. The UK courts will almost always require the patentee to give a cross-undertaking in damages if an interim injunction is to be granted.

American Cyanamid v Ethicon
[1975] RPC 513

Interlocutory injunctions in pharmaceutical cases

Following the decision in *SmithKlineBeecham v Apotex* [2002] EWHC 2556 (Pat), there has been very clear judicial guidance from the UK courts that an alleged infringer in the pharmaceutical sector should "clear the way" of any potentially blocking patents prior to entering the market by revoking them and/or obtaining declarations of non-infringement. Since an unauthorised entrant onto the market can cause significant and irreparable damage to the innovator's price an interlocutory injunction will generally be granted if launch of a generic product takes place prior to clearing the way.

This provides the potential infringer with a safeguard in case the patent is later found to be invalid and/or their product is not infringing.

Les Laboratoires Servier v KRKA Polska Sp ZoO
[2006] EWHC 2453 (Pat)

Applications for interlocutory injunctions are generally made on notice to the potential infringer, although it is also possible to obtain an interim injunction on an *ex parte* basis where time is of the essence.

In the Netherlands, interim injunctions are available as a separate order in full proceedings on the merits or by a separate action. Normally, the separate action is used, based on Article 254 *Wetboek van Burgerlijke Rechtsvordering* (Netherlands Code of Civil Procedure). Preliminary injunctions normally require a degree of urgency, but the *Hoge Raad* (Dutch Supreme Court) has ruled that such urgency generally exists in the case of ongoing infringements or ongoing threats of infringement, regardless of when the claimant became aware of the first infringement.

Hoge Raad, 29.06.2001,
ECLI:NL:HR:2001:AB2391,
Impag v Milton Bradley

Cases are handled by a single judge and decided on the basis of a *prima facie* evaluation of the merits. If the judge is of the opinion that there is a serious chance that the patent will be revoked in full proceedings on the merits, the injunction will be refused. In order to grant the injunction, the judge has to find that the patent is infringed. The balance of convenience normally does not play a role in the decision. However, a preliminary injunction may be refused if the claimant has insufficient interest to obtain such relief.

If a preliminary injunction is granted, the term for bringing full proceedings on the merits is normally set at six months.

In Germany, preliminary injunctions are granted if a number of criteria are met (none of which, however, are cast in stone). There should be a clear infringement, i.e. no expert opinion should be needed to establish infringement, and no infringement under the doctrine of equivalence. The patent must be clearly valid. This has to be shown by proceedings in which the patent is tested by a party other than a patent examiner, i.e. in opposition proceedings or a nullity action. If no such proceedings have taken place, evidence is needed that the patent is, for example, respected by competitors, e.g. if they are licensed.

Finally, as in other jurisdictions, an element of urgency has to be shown. Urgency is deemed to be absent if there is more than one month between knowledge of the infringement (including by the infringer) and receipt of the motion for a preliminary injunction by the court (*Landgericht München* – District Court of Munich (LG)).

The motion for a preliminary injunction can also result in a summons to a hearing (usually, the court gives the claimant the possibility to withdraw the motion without the defendant being informed). In this case, a

preliminary injunction will be granted after the exchange of writs and the hearing. The procedure may take several weeks or months, depending on complexity, urgency and the workload of the court. It can be appealed.

In France, preliminary injunction proceedings are handled by a single judge, who is either (i) the judge specifically in charge of summary proceedings, or (ii) the case management judge, where an infringement action on the merits has already been brought in the court.

There is no urgency requirement.

Preliminary relief proceedings are normally initiated *inter partes*, though they are also available *ex parte*, “when the circumstances require that measures be taken without hearing the other party, notably when a delay would cause irreparable harm to the plaintiff”. Such *ex parte* proceedings are rare in France.

As provided for by French law, the judge may issue a preliminary injunction when evidence reasonably available to the patentee makes it “likely” that its rights are being infringed or that such infringement is imminent. Within the meaning of the *Code de la propriété intellectuelle* (French Code of Intellectual Property) (CPI), the infringement cannot be regarded as likely if the patent appears to be *prima facie* invalid. Therefore, validity and infringement are in issue within the same proceedings. The proceedings usually involve a full review of the case and a final oral hearing, so that a ruling may be rendered within three months, or in particularly urgent cases, within a few weeks.

Criteria of proportionality are frequently relied upon by the courts. For example, a preliminary injunction order was dismissed when requested by a patentee who was conducting negotiations with a potential licensee. The judge considered that, given the advanced stage of the discussions, it would distort the conditions for negotiation (*Ericsson v TCT Mobile*, case management judge, *Tribunal de Grande Instance* (TGI), Regional Court of Paris, 29 November 2013).

Interim injunctions are commonly subject to the imposition of a security requirement, to be paid to the patentee. Provisional damages may also be awarded to the patentee.

Similarly, the defendant may also ask permission to continue with the impugned acts, on condition that it provides a bank bond to indemnify the patentee should said acts be held as being infringing acts at full trial.

Once a preliminary order is granted, the patentee must file its action on the merits within 31 days after the date of said preliminary ruling. Otherwise, the measures may be revoked at the request of the defendant,

without prejudice to the compensation for any injury caused by the preliminary measures during the period when they were effective.

The judge may also make it a condition that the patentee must provide a guarantee intended to indemnify the defendant should the infringement action be considered as unfounded.

The basis for preliminary injunctions in the Unified Patent Court Agreement (UPCA) can be found in Articles 25 and 62. Article 62(2) states that the Court has the discretion to weigh up the interests of the parties and in particular to take into account the potential harm for either of the parties resulting from the grant or refusal of the injunction.

Seizure or delivery up of goods suspected of infringing IP rights

Article 9 Enforcement Directive

Article 9(1)(b) Enforcement Directive states that the judicial authorities may, at the request of the applicant:

“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.”

The corresponding implementation in UK law can be found in Section 61(1)(b) UK Patents Act 1977, which states that civil proceedings may be brought in the court by the proprietor of a patent in respect of any act alleged to infringe the patent and (without prejudice to any other jurisdiction of the court) in those proceedings a claim may be made

“for an order for him to deliver up or destroy any patented product in relation to which the patent is infringed or any article in which that product is inextricably comprised”.

Under UK law, a successful patentee can obtain an order for the destruction or delivery up of infringing goods in the possession of the infringer, so as to ensure that such goods are not retained in order to be placed upon the market after e.g. the expiry of the patent.

The UK courts have previously refused to backdate such orders. However, in one instance, the court required the infringer to re-import and deliver up to the patentee infringing goods which had been in the infringer's possession on a prior date but which had subsequently been exported before the final order had been granted.

Mayne Pharma Pty Limited, Mayne Pharma Plc v Pharmacia Italia SPA [2005] EWCA Civ 294

Article 70 *Rijksoctrooiwet* (Netherlands Patent Act) provides for the implementation of Article 9(1)(b) Enforcement Directive through the seizure, delivery up or destruction of infringing goods.

In Germany, the implementation of Article 9(1)(b) of the Directive is provided for in Section 140a PatG.

French law provides for the possibility of requesting the seizure or delivery up of goods suspected of infringing IP rights in the context of preliminary injunction proceedings. Such measures have been ordered by the Paris Court in order to prevent the entry into the marketplace of articles suspected of infringement.

SISVEL v Carrefour,
TGI Paris, 1 February 2011

Article 62(3) UPCA provides for the seizure or delivery up of goods that are *suspected of* infringing a patent.

Freezing orders

A freezing order is a variety of interim injunction that restrains a party from disposing of or dealing with his assets in a way that would make enforcement of an existing or future judgment less effective. As a precaution, the order allows the seizure of movable and immovable property of the potential infringer, including the blocking of their bank accounts and other assets and the communication of bank, financial or commercial documents, or appropriate access to the relevant information.

To obtain such an order, the patentee must satisfy the court that there is a real risk that any judgment will be affected by reason of the alleged infringer's control of the asset. Applications for orders of this type are made without notice.

In the UK and Irish courts, such orders are unusual, since the vast majority of parties are corporate and therefore typically have the means to satisfy any future judgment.

In the Netherlands such seizures are quite usual. Orders are granted based on an *ex parte* application. The party affected by the seizure can request it to be lifted in preliminary injunction proceedings. The seizure has to be lifted if sufficient financial security is provided. This is normally done by way of a bank guarantee/bond.

Such seizures are intended to provide financial security and therefore cannot be used to freeze infringing goods, since it is assumed that the patent holder will not want to see such goods enter the market anyway, and will therefore have no intention of selling them. An action on the merits has to be brought within two weeks of execution of the seizure. The main claims in such an action will normally be for an injunction and

damages. Selling the goods would be contrary to the injunction (even though it is up to the claimant whether or not to enforce the injunction).

In Germany, the situation is similar to that in the UK and Ireland. While German law provides for the possibility, the remedy is rarely applied. It has to be shown that there is a real likelihood of assets leaving the country.

French law provides for freezing orders as a result of the transposition of the Enforcement Directive into national law. In practice, they are rarely – if ever – granted.

Article 61 UPCA provides for freezing orders, which may be requested *ex parte*.

Corrective measures

Article 10(1) Enforcement Directive states:

“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.”*

Corrective measures are aimed at minimising any ongoing infringement and making sure the injunction is enforced.

Under UK and Irish law, the availability of an order for delivery up/ destruction is provided for by Section 61(1)(b) UK Patents Act 1977 in addition to Article 10(1) Enforcement Directive and its Irish equivalent. The court may order delivery up or destruction of any article in which the patented product is inextricably mixed, as well as the patented product itself (see above).

The purpose of orders for delivery up or destruction is to aid the enforcement of an injunction, i.e. to make sure it is obeyed. Orders for delivery up are not given by way of punishment of the infringer or compensation for the patentee; they are simply to guarantee the patentee's rights.

Mayne Pharma Pty Ltd v Pharmacia Italia SpA [2005] EWCA (Civ) 294

Under German law, only a direct infringer is liable for the destruction of any infringing goods which he controls or holds. An indirect infringer or third person owning or holding the goods (without being an infringer, i.e. an end-consumer) cannot be liable for destruction. The infringer may destroy the goods himself or hand them over to the patentee, who may undertake the destruction at the expense of the infringer. In exceptional circumstances, destruction may be disproportionate.

BGH 22.11.2005, X ZR 79/04 – “*Extra-coronales Geschiebe*”, GRUR 2006, 570
The patent owner is not entitled to claim destruction with respect to means of an indirect infringement.

Recall and definitive removal can be applied to infringing goods which have left the business of the infringer and are in the subsequent distribution chain, but have not yet arrived at the end-user. With respect to means of indirect infringement, measures of recall and definitive removal are not justified, because the goods may still be sold abroad, in a patent-free territory.

“Recall from the channels of commerce” can be requested by the infringer. This means that commercial holders of the infringing goods (not end-consumers) must keep the goods available and halt any distribution, or hand the goods back voluntarily. The request should explain the reason for the recall and the legal consequences of any further distribution of the recalled goods. The infringer has to offer reimbursement of the purchase price (possibly reduced, if the device was used) or a non-infringing alternative device together with transport costs (e.g. in Germany).

LG Düsseldorf, 26.11.2009, 4b O 110/09 – “*Bajonett-Anschlussvorrichtung*”, InstGE 11, 257
The patent owner is not entitled to claim recall and definitive removal with respect to means of an indirect infringement.

Definitive removal from the channels of commerce may be the appropriate remedy in cases where the infringer is still the proprietor of the infringing goods, but the goods are actually in the possession of a third party. The infringer must perform a definitive removal by taking the goods back from the possessor (and subsequently destroying them) or arranging for them to be destroyed at the premises of the possessor.

Recall and definitive removal from commercial channels may in due course lead to destruction of the infringing goods.

In general, when considering a request for corrective measures, the following factors must be taken into account:

- Proportionality between the seriousness of the infringement and the remedies ordered (whether or not the infringement may also be stopped by other measures is not relevant here).
- The interests of third parties.

Unless particular facts are put forward, the measures are carried out at the expense of the infringer. Recall is an especially tough remedy, because the infringer is forced to recall all goods which he has put into distribution channels, which may result in significant costs.

In France, multiple rulings have ordered the recall of infringing products from the channels of distribution, their delivery up to the patentee, or their destruction at the expense of the infringer. These measures may be subject to a penalty to be paid to the patentee (in the event of breach of the order).

In the Netherlands, when a recall is ordered, the infringer has to offer to reimburse his customers' costs if they return the goods. Since these customers are not a party to the proceedings, they cannot be forced to comply with the recall. However, if they refuse, an action for infringement, in particular for a preliminary injunction, may be started against them.

Article 64 UPCA provides for recalling infringing products, depriving products of their infringing properties, definitively removing the products from the channels of commerce and destroying the products and/or materials and implements concerned.

Publication of judgments

Publicity orders

The purpose of **Article 15 Enforcement Directive** is to act as a “supplementary deterrent to future infringers and to contribute to the awareness of the public at large”.

Successful patentees are entitled to request that the judgment be published, in full or in part, at the defendant's expense. The article also provides for additional publicity measures which may be appropriate to the particular circumstances, including prominent advertising.

Under German law, the patentee must show that he has a legitimate interest in the publication of decisions. The courts will make an assessment and a balance of interests, i.e. it will consider the need to remove a continued disturbance, the type and extent of the impact of the decision on the claimant, the extent of the infringer's fault, the general public's interest in clarification, and so on.

The UK courts have also discussed the concept of publicity orders in specific circumstances as a possible outcome available to the parties. In *Samsung Electronics (UK) Ltd v Apple Inc*, the Court of Appeal suggested that such an order would be open to a successful non-infringer where there is a real need to dispel commercial uncertainty in the marketplace.

Article 15 Enforcement Directive Publication of judicial decisions

Member States shall ensure that, in legal proceedings instituted for infringement of an intellectual property right, the judicial authorities may order, at the request of the applicant and at the expense of the infringer, appropriate measures for the dissemination of the information concerning the decision, including displaying the decision and publishing it in full or in part. Member States may provide for other additional publicity measures which are appropriate to the particular circumstances, including prominent advertising.

Samsung Electronics (UK) Ltd v Apple Inc
[2012] EWCA Civ 1339

Publicity orders have not yet been granted in the Netherlands, mainly because all judgments in patent cases are published anyway. However, if private individuals are involved, publication is anonymous. One could foresee an order being made in which the names of the parties are published.

Judgments in patent cases can be found on the judiciary's general website www.rechtspraak.nl and on private weblogs www.ie-forum.nl and www.boek9.nl.

In France, publication of the judgment has always been widely ordered in patent infringement matters. The patentee does not need to justify any specific interest, and publication is within the discretion of the court. The ruling may specify whether the judgment should be published in full or in part, in a specified number of newspapers or periodicals, up to a maximum cost set by the court, and/or at the expense of the infringer. The French courts may also order that the judgment should be published on the infringer's website for a given period of time.

Article 80 UPCA provides for an order for publication of UPC decisions, for instance in the public media.

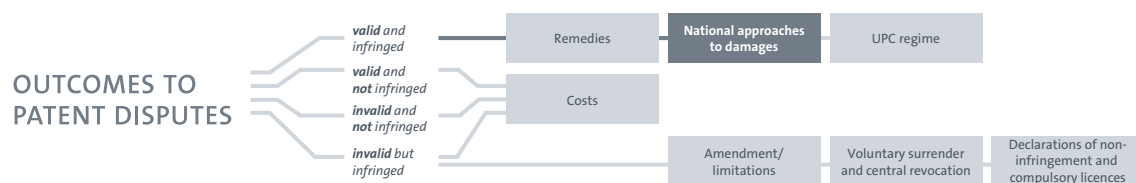
Other sanctions

In addition to the remedies mentioned above, additional forms of relief may be available in patent proceedings under national law, including declaratory relief, rectification of the register, alteration of infringing goods, modification of technology, corrective advertising, and forced apology.

Criminal sanctions and border measures may also be available.

National approaches to damages

Essentials



A court may award damages as monetary compensation for infringement of a patent right.

Article 13(1) Enforcement Directive stipulates that all EU member states must ensure that the competent judicial authorities, on application of the injured party, order an infringer who knowingly, or with reasonable grounds to know, engaged in an infringing activity, to pay the right holder damages appropriate to the actual prejudice suffered by them as a result of the infringement.

Directive 2004/48/EC
of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights ("Enforcement Directive")

Article 2(1) Enforcement Directive states that Article 13 sets a minimum standard for damage remedies, but does not preclude that member states grant any relief which is more favourable for right holders. Furthermore, Article 3(1), second sentence, states that the remedies must be "fair and equitable." Article 3(2) states that the remedies must also be "effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse."

The UK approach

The basic philosophy behind the award of damages under UK¹⁴ law is *restitutio in integrum*.

Procedure

In the UK, damages are assessed in separate proceedings which occur only after a finding of infringement has occurred. Successful claimants have a choice between damages (i.e. monetary compensation for the damage suffered to compensate for loss or injury by, as far as possible, putting the injured party in the same position as they would have been in if there had been no infringement) or an account of profits (i.e. the profits made by the infringer by virtue of their having infringed the patent).

Patentees are entitled to limited disclosure of the infringer's financial information, in order to make their choice between the two (*Island Records Ltd v Tring International Plc*).

Island Records Ltd v Tring International Plc
[1996] 1 W.L.R. 1256

Particular points on damages

Innocent infringers

Section 62(1) UK Patents Act 1977 states that in proceedings for infringement of a patent, damages will not be awarded nor an account of profits ordered against a defendant who is able to show that, at the date of the infringement, he was not aware, and had no reasonable grounds for supposing, that that patent existed.

Exemplary damages

Exemplary damages, that is, damages above and beyond the loss suffered by the patentee, may be awarded (*Kuddas v Chief Constable of Leicestershire*). However, this will only occur if it is possible to show that the defendant infringed in the expectation of making a greater profit than he would be ordered to pay to the patentee in compensation.

Kuddas v Chief Constable of Leicestershire
[2001] UKHL 29

Calculation of damages

Damages if a proprietor licences an invention

If a proprietor has been exploiting the patent by granting licences, then damages are assessed as the capitalised value of the royalties that the

¹⁴ 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.

infringer would have paid had he taken a licence. Where, as is often the case, a proprietor has granted various licences of the patent at different royalty rates, the court assesses the royalty rate which would have been arrived at in a hypothetical negotiation at arm's length between a willing licensor and a willing licensee in the positions of the respective parties (*General Tire & Rubber Co Ltd v Firestone Tyre & Rubber Co Ltd (No.2)*).

General Tire & Rubber Co Ltd v Firestone Tyre & Rubber Co Ltd (No. 2) [1975] 1 W.L.R. 819

Damages if a proprietor works an invention

If in contrast, the proprietor does not grant licences but instead works the patent, damages are assessed based on the following principles taken from *Gerber Garment Technology v Lectra Systems*, and Court of Appeal at [1997] RPC 443 as restated in *Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd & Anor*:

Gerber Garment Technology v Lectra Systems [1995] RPC 383, as restated in *Ultraframe (UK) Ltd v Eurocell Building Plastics Ltd & Anor* [2006] EWHC 1344 (Pat)

- Damages are compensatory. The general rule is that the measure of damages is to be, as far as possible, that sum of money that will put the claimant in the same position as he would have been in had he not sustained the wrong.
- The claimant can recover loss which was (i) foreseeable, (ii) caused by the wrong, and (iii) not excluded from recovery by public or social policy. It is not enough that the loss would not have occurred but for the tort. The tort must, as a matter of common sense, be a cause of the loss.
- The burden of proof rests on the claimant. Damages are to be assessed liberally. But the object is to compensate the claimant, not punish the defendant.
- It is irrelevant that the defendant could have competed lawfully.
- Where a claimant has exploited his patent by manufacture and sale he can claim (a) lost profit on sales by the defendant that he would have made otherwise; (b) lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price; and (c) a reasonable royalty on sales by the defendant which he would not have made.
- As to lost sales, the court should form a general view as to what proportion of the defendant's sales the claimant would have made.
- The assessment of damages for lost profits should take into account the fact that the lost sales are of “extra production” and that only certain specific extra costs (marginal costs) have been incurred in making the additional sales. Nevertheless, in practice costs go up, and so it may be appropriate to temper the approach somewhat in making the assessment.
- The reasonable royalty is to be assessed as the royalty that a willing licensor and a willing licensee would have agreed on. Where there are truly comparable licences in the relevant field, these are the most useful guidance for the court as to the reasonable royalty. Another approach is the “profits available” approach. This involves an assessment of

the profits that would be available to the licensee in the absence of a licence, and apportioning them between the licensor and the licensee.

- Where damages are difficult to assess with precision, the court should make the best estimate it can, having regard to all the circumstances of the case and dealing with the matter broadly, with common sense and fairness.

Account of profits

As an alternative to an assessment of damages, successful claimants may instead elect to be compensated by receiving an account of profits (*Celanese International Corp v BP Chemicals Ltd*). Typically, this choice is made where the patentee is not in a position to make the kind of sales that were made by the defendant and therefore has suffered little or no actual damage themselves. In practice, an account of profits is rarely used due to the uncertainties surrounding the profits made.

When determining an account of profits, the issue facing the court is what profits were actually made. This assessment is a factual one rather than a hypothetical assessment of the profits that could have been made if a defendant had run their business efficiently. Furthermore, where the patented invention represents only a part of the defendant's product, then it may be necessary to apportion the profit actually made in order to assess what profit was attributable to the use of the invention (*Colbeam Palmer v Stock Affiliates Pty*). In addition, an account of profits is considered to be an equitable remedy and hence only available if a claimant did not unduly delay in bringing a claim (*Electrolux Ltd v Electrix Ltd*).

Celanese International Corp v BP Chemicals Ltd [1999] RPC 203

Colbeam Palmer v Stock Affiliates Pty [1972] RPC 303

Electrolux Ltd v Electrix Ltd (No.1) [1953] 70 RPC 158

The French approach

Procedural issues

In France, damages can be assessed by the court either in the main decision regarding infringement or by way of an additional decision to be rendered after a finding of infringement.

Exclusive licensees may, unless otherwise stipulated in the licence agreement, initiate infringement proceedings if the patent owner does not initiate such proceedings after being requested to do so in writing (Article L-615-2 of the *Code de la propriété intellectuelle* (French Intellectual Property Code) (IPC).

The limitation period used to be three years, but was increased to five years by virtue of law No. 2014-315 of 11 March 2014.

Subjective status of the infringing party

Under French law, the good faith of the infringer is not taken into account when assessing damages. But good faith may be taken into account when determining whether or not someone should be regarded as an infringer, subject to limitative conditions (e.g. against a good faith distributor which is not regarded as a specialist), but it should not affect the amount of the damages. However, bad faith on the part of the infringer could to a limited extent affect the assessment of moral damages (see below).

Calculation of damages

The assessment of damages for patent infringement is addressed in Article L. 615-7 IPC. According to this article, in claiming compensation for patent infringement, the plaintiff may elect to request the application by the court of one of two calculation methods: consideration of the actual damages suffered (1) or consideration of compensation based on licence analogy (2).

Actual damage suffered

The court will determine the amount of damages in respect of negative economic consequences for the plaintiff, profits made by the infringer and moral damages.

There is an ongoing debate as to whether, on the one hand, the profits lost by the plaintiff, and, on the other hand, the profits made by the

infringer may or may not be cumulatively taken into consideration. This question has not yet been definitively clarified by case law.

For an example of the cumulative application of these two elements for trade mark infringement see *Cour d'appel (CA) de Paris* (Court of Appeal of Paris), 26 June 2013 N. RG 10/0115.

Negative economic consequences for the plaintiff

The court will assess *in concreto* whether infringement has caused loss of sales to the patentee as follows:

- If the infringing product caused a commercial loss to the patentee, the court will determine to what extent the patentee could have sold the patented product instead of the infringing product. In this situation, the court will assess, based on the evidence provided by the parties, the percentage of goods sold by the infringer that would have been sold by the patentee (“report rate”). The court determines such a rate (generally from 90% to 30%) taking account of a number of criteria (features of the product, related market, production capacity of the patentee).
- In the case of a 100% report rate, the patentee is entitled to claim compensation corresponding to its margin rate applied to the full amount of the infringing mass, i.e. 100% of the infringing products sold.
- The basis of calculation will be the value of the *tout commercial* (commercial product), i.e. the value of the final whole product if there is a close commercial link between the patented and the non-patented part of the product.
- As compensation for damages, if the infringing products have caused no commercial loss of sales to the patentee, the court will consider that the negative economic consequences consist in the loss of remuneration that would have been payable to the patentee to authorise the exploitation. This amount will be calculated pursuant to the same method as in the case of compensation through licence analogy described below.

CA Paris
11.01.2012, N. RG 08/08144

TGI Paris
26.03.2010, N. RG 04/15839

Profits made by the infringer

The possibility to take the defendant's profits into account in the calculation of damages should be construed neither as providing for punitive damages, nor as offering a compensation system similar to the account of profits which is seen in common law countries.

This relatively new rule is generally understood, in French practice, as permitting “adjustment” of the damages by taking account of the infringer's profits. The court may thus make an overall assessment (rather than a strict calculation) of the damages, taking into consideration the infringer's profits, amongst other criteria.

In cases where the patentee would not have made 100% of the sales made by the infringer, the court could order the recovery of the corresponding infringer's profits, as compensation for the excess sales which would not have been made by the right holder. This may make

sense in light of the fact that this remedy aims to prevent the defendant from enriching himself at the plaintiff's expense. However, this position has not yet been clearly confirmed by case law.

Compensation by analogy with a licence

The court will apply a royalty rate to gross turnover corresponding to the total *masse contrefaisante*, or infringing sales, which corresponds to the value of the infringing products manufactured, used, sold, put on the market or imported in France by the infringer for the period during which the infringement took place. The courts generally refer to rates at the upper end of the scale of arm's length rates for a similar product and similar use.

Moral prejudice

This remedy is frequently awarded where violation of the patent is considered particularly serious, where the infringement has been undertaken intentionally, and in cases where the goodwill and commercial value of the patent, as well as the patentee's reputation, have been undermined as a result of the infringement.

It is very commonly used by the courts to increase and round up the final amount of the damages following an overall assessment. It is therefore difficult to detect a consistent method of assessment by the courts in this regard.

The Italian approach

Procedural issues

In Italy the quantification of damages is determined as part of the main proceedings following the adjudication of liability. The burden of proof rests on the claimant.

Subjective status of the infringing party

Not all claimants will get all the relief to which they are ostensibly entitled: the courts retain an equitable discretion which is applied, in large part, according to the intent of the infringer. A strong distinction is made between the innocent, the negligent, the grossly negligent and the wilful (i.e. intentional) infringer.

“Innocent infringers” are considered rare, as there is a presumption that all parties know about the existence of the others’ patents. Even then, an innocent infringer is liable for the value of a licence assessed at a reasonable commercial rate.

If infringers have been negligent, they are likely to be liable for a larger royalty (perhaps at double the usual commercial rate), and if grossly negligent, some proportion of the infringer’s profits might also be granted as damages.

Those infringers who are most culpable – the wilful infringers – are liable for all the damages which flowed from the infringement, including the claimant’s loss of profits, and their own infringing profits.

Calculation of damages

Under Italian law, the alternative methods for assessing the compensation for damages from IPR infringement are set out in Article 125 of the *Codice della proprietà industriale* (Italian Industrial Property Code) (CPI), which is substantially in line with the Enforcement Directive:

- Article 125.1 CPI: actual damages in terms of loss of profits/undue profits and moral damages
- Article 125.2 CPI: reasonable royalty (subsidiary method)
- Article 125.3 CPI: account of the infringer’s profits

Generally speaking more than one method of calculation will be applied. In a typical patent case, the patentee will request a combination of compensation for loss of profits and recovery of the infringer’s profits.

Only one of these can be recovered, but this typically allows for recovery of the higher amount. In any event, the minimum award will be no less than the reasonable royalty.

Article 125.1 CPI directs the court to take into account all the pertinent aspects, including the patentee's lost profits and the profits made by the infringer. The burden is on the claimant to demonstrate the actual reality or economic likelihood of these losses, though if loss is demonstrated and it is not possible to give a precise figure, the courts will give an estimated lump sum as is equitable.

To obtain compensation for loss of profits the claimant must demonstrate:

- an existing demand for the infringed product
- the unavailability of effective substitutes for the patented product to meet the demand
- that the IPR owner had the capacity to produce the products sold by the infringer
- that it would therefore be a reasonable inference that the infringing sales replaced sales of the original goods, resulting in a loss of profits to the IPR owner.

Where it can clearly be proved that a decrease in sales is due to the presence on the market of the infringing products, the amount of the damages is the result of multiplying the sales of the infringer's products by the original product's earnings before interest, taxes, depreciation and amortisation (EBITDA).

Given that proof of a decrease (or lack of increase) in sales is not always easy to demonstrate as being unequivocally related to the infringement, the courts will estimate such lump sum as may be equitable.

Article 125.2 CPI states that a claimant can receive a reasonable royalty from the infringer, whereby a fair rate will be applied to the lump sum gained by the infringer on account of the infringement, which in any event will not be lower than the market value (since it is assumed that the infringer has taken up some market space).

A reasonable royalty will be calculated by taking the standard royalty applied in the market in question and increasing it to take account of the infringement. The claimant then has to provide a benchmark and evidence of the standard royalty applied in the given field.

A leading precedent from the Court of Vicenza dated 17 June 2002 established the following principle:

Article 125 CPI

(1) Compensation due to the damaged party shall be set according to the provisions of Articles 1223, 1226 and 1227 of the *Codice civile*, the Italian Civil Code, taking into account all of the pertinent aspects, such as the negative economic consequences, including lost income, of the owner of the infringed right, the benefits achieved by the infringer, and in appropriate cases, non-economic elements, such as the moral damage caused to the owner of the right by the infringement.

(2) The judgment that rules on the compensation of damages may establish payment of an overall sum set based on the proceedings in the case and the presumptions that result from them. In this case the loss of profits shall however be determined as an amount not less than the royalties that the author of the infringement would have had to pay, if he had obtained a licence from the owner of the infringed right.

(3) In any event, the owner of the infringed right may request the recovery of the profits obtained by the infringer, either as an alternative to compensation for the loss of profits or to the extent that they exceed that compensation.

“The parameter of a reasonable royalty cannot completely quantify the damage produced by the infringement of the patent ... as it unreasonably places the patent holder in the condition of a compulsory licensor and ends up rewarding the infringer, who is called to pay late and only following a lawsuit, the amount that it would have had to pay had it correctly entered into a licence agreement with the patent holder.”

The court found that the parameter to be used in the calculation corresponded to the standard 5% royalty, increased by three points to 8%. Subsequent case law has followed this principle.

Account of profits

Article 125.3 CPI states that a claimant can opt for an account of profits.

At the specific request of the IP owner, the court may grant the restitution of the infringer's profits. This may be requested as an alternative to the reimbursement of lost profits, or if the infringer's profits exceed this reimbursement.

Moral damages

If the claimant is able to demonstrate moral prejudice, additional damages will be granted, often calculated as 50% of the claimant's lost profits.

The Dutch approach

Procedural issues

In the Netherlands, the basis for a claim for damages is Article 70 *Rijksoctrooiwet* (Netherlands Patents Act). Damages are normally assessed in separate proceedings which occur only after a finding of infringement. However, if the court which deals with validity and infringement questions has sufficient data to be able to an award of damages, it may do so in the main proceedings. Unlike in the UK, in the Netherlands the claimant does not have to choose between a claim for damages or an account of profits. The claimant can make both claims, and the court will award the highest amount.

In the Dutch courts, claims for damages or surrender (account) of profits may only be brought by exclusive and non-exclusive licensees and mortgagees if they have been (explicitly) authorised by the proprietor of the patent.

Under Dutch law, a right of action to compensate for damages is allowed on the expiry of five years from the beginning of the day following the one on which the prejudiced person becomes aware of both the damage and the identity of the person responsible therefor, and, in any event, on the expiry of twenty years following the events which caused the damage.

Subjective status of the infringing party

The Dutch courts can only award damages if the infringing party has knowingly, or having reasonable grounds to know, been engaged in infringing activities (Article 70(4) *Rijksoctrooiwet*). The rule of Article 68(4) Unified Patent Court Agreement (UPCA) (see below) does not exist in the Netherlands.

Calculation of damages

The Dutch courts make a strict distinction between claims for damages and orders to surrender any profits derived from the infringement and give an accounting of such profits. With respect to damages, they can apply four different methods of calculation:

- Concrete calculation of all damages of the injured party.
- Abstract calculation of damages by looking at the unfair profits made by the infringer.
- Calculation on the basis of a fixed amount or at least a reasonable royalty.
- Estimation *ex aequo et bono*.

In general, the courts will assess damages in a manner most appropriate to their nature. Damages consist of any financial loss and any moral damages. However, in Dutch case law, moral damages do not play any role in patent cases. Financial loss consists of any losses incurred and any profits derived.

The types of damages recognised are: loss of profits due to lost royalty fees, loss of profits due to lost sales, price erosion (lowered prices in order to maintain market share), collateral damages (loss of profits due to loss of non-infringing parallel sales), loss of the value of the patent right (future damage, for example resulting from the inferior quality of the infringer's products), costs incurred to prevent or minimise damages, costs incurred in assessing damages and liability, for example costs of a European patent attorney, costs incurred in trying to obtain damages out of court, moral damages, and interest on damages.

Circumstances which are relevant to calculating the loss of profits due to lost sales are: the extent to which it can be said that each sale of an infringing product resulted in one less original product sold (ideally: only two suppliers, same market, same price and identical products), the demand for the product in issue (to what extent is the patent relevant for the decision to buy), the availability of similar non-infringing products on the market, and the manufacturing and marketing capacities of the plaintiff. In practice, the causal link is often problematic. Damages cannot be awarded if they would also have existed had there been no infringement. Furthermore, damages must be foreseeable as a result of the patent infringement.

The second method is an abstract way of calculating damages by a legal fiction: damages are fixed at the level of the profits made by the infringer. A minimum requirement is that the injured party must have suffered damages and must explicitly request this method of calculation. The court has discretionary power whether or not to use it. This method can be used if the plaintiff does not want to disclose its own figures. This method of calculating damages must be distinguished from the account of profits discussed below.

The third method is mentioned in Article 70(5) *Rijksoctrooiwet*. It may be useful if it is difficult to apply the first method and where it is possible to fix a reasonable royalty rate, for example in the case of standard-essential patents (SEP). It can also be applied in cases where the injured party would never have granted a licence to the infringer or if the injured party did not exploit its patent.

For the fourth method see "Moral prejudice" below.

Article 70 Netherlands Patent Act

[...]

(4) Damages may be claimed only from a person who is knowingly, or with reasonable grounds to know, engaged in an infringing activity.

(5) Besides a claim for damages, the proprietor of a patent may seek to have the defendant ordered to surrender any profits derived from the infringement and to give an accounting of such profits; if the court determines, however, that the circumstances of the case do not justify such an order, it may order the defendant to pay damages. In appropriate cases, the court may determine damages as a lump sum.

(6) The proprietor of a patent may institute claims for damages or for the surrender of profits on behalf of himself and licensees or pledgees, or on behalf of licensees or pledgees only, without prejudice to the right of the latter parties to intervene in the claim brought by the proprietor of the patent, whether or not brought exclusively or also on their behalf, in order to obtain direct compensation for their damages or in order to be awarded a proportional share of the profits to be surrendered by the defendant. Independent claims may only be brought by licensees and pledgees referred to in paragraphs 3 and 4 and may only be caused to be served with a view to such actions if they have been authorised by the proprietor of the patent.

Account of profits (order to surrender profits)

As noted, the Dutch courts make a strict distinction between claims for damages and orders to surrender any profits derived from the infringement and give an accounting of such profits. An order to surrender any profits is useful if the parties are not competitors. It has the advantage that the injured party does not have to disclose its own figures, and it forces the infringing party to give an account of its profits.

The rationale for this protection is that it should not be possible to enrich oneself by infringing another's patent rights. Unlike the above-mentioned second method of calculation, it is possible to file this claim if the successful party has not suffered any damage. However, Article 70(5) *Rijksoctrooiwet* states that the court has a discretionary power not to grant this relief if it decides that the circumstances of the case do not justify such an order, for example because of a problematic causal link between the infringer's high profits and the infringement in which case only a claim for damages can be filed.

Under Dutch law it is not possible to accumulate claims for lost profits and surrender of profits. If the infringer's profits are higher than the injured party's losses, the court can still award the infringer's profits, but it is not possible to further add the injured party's losses. However, an order to surrender profits may still be combined with other types of damages to the extent that they are not related to the lost profits but are related to the infringing products as sold. Examples of costs which could be added to the infringer's profits are costs incurred in assessing liability, and loss of the value of the patent right and/or moral damages.

*Hoge Raad 14.04.2000, NJ 2000/489
(HBS v Danestyle)*

In order to calculate the infringer's profits, the Dutch courts calculate the "net profits" on the basis of the retail price minus the taxes and expenses that are directly related to the sale of the infringing goods, such as manufacturing and transportation costs. However, they do not deduct general overheads, such as rent of the infringer's office, since they are not directly related to the sale of the infringing goods.

Compensation for use of a patent application prior to grant

Article 72 *Rijksoctrooiwet* states that the proprietor of a European patent may demand "reasonable compensation" from any person who, in the period between the publication (pursuant to Article 93 EPC) of the application which has resulted in the grant of the patent and the publication referred to in Article 97(4) EPC of the mention of the grant of the European patent in respect of said application, has performed any of the exclusive acts in so far as the proprietor of the patent has acquired the exclusive rights thereto and such acts are within the scope of the last filed and published claims.

However, this compensation will only be ordered for acts performed after the expiry of thirty days following the date on which the party concerned was informed, by means of a writ, of the right to which the proprietor of the patent is entitled by virtue of Article 73 *Rijksoctrooiwet*. The writ, indicating precisely which part of the patent application relates to such acts, will be accompanied by service of a notice of a translation into Dutch of the claims as contained in the publication of the European patent application in accordance with Article 93 EPC. If such translation was sent to the Netherlands Patent Office prior to the service of the writ and was recorded in the patent register, serving notice of the translation may be omitted, provided that the writ makes mention of the record in the patent register.

Moral prejudice

Article 6:106 *Burgerlijk Wetboek* (Netherlands Civil Code) (BW) enables the courts to award moral damages in respect of non-economic damages. However, this theory has not yet been developed in patent infringement cases. In other cases, such as copyright cases, this type of damage is often awarded. In such cases, the courts will use the fourth method of calculation, which is the *ultimum remedium*: an estimation *ex aequo et bono*. It will only be used if it is not possible to calculate the damage in any other way.

The German approach

Procedure

In Germany, if a finding of infringement has been made, the defendant is generally obliged to pay damages, which are also determined in the course of the infringement proceedings. He also has to render accounts regarding the extent of use of the patent in suit. Once he has done so (i.e. subsequent to the infringement proceedings), the quantum of damages to be paid is assessed in separate court proceedings.

The beneficiary

According to Section 139(2), first sentence, *Patentgesetz* (German Patent Act) (PatG), the infringer must compensate for the loss caused to and suffered by the person whose patent rights have been infringed. Such loss may be suffered only by the patentee or an exclusive licensee. Thus, only patentees or exclusive licensees may claim damages based on their own losses. Non-exclusive licensees may only claim damages for losses suffered by the patentee or exclusive licensee. In such cases, the patentee/exclusive licensee's claim for damages must be assigned to the non-exclusive licensee if the latter is the plaintiff in infringement proceedings.

Subjective status of the infringer

According to Section 139(2), first sentence, PatG, the infringer is liable for compensation for damages caused by intentional or negligent acts. A patent infringement is normally considered to be based on intentional – or at least negligent – acts of the infringer, because it is accepted that any business person manufacturing or distributing products or performing methods of manufacture has a general obligation to check the intellectual property rights of third parties.

Calculation of damages

As a general rule, the party entitled may claim the amount of damages which is necessary to put him in the same position as he would have been in if he had not sustained the patent infringement. In practice, when calculating damages, the party entitled may choose between three different methods of calculation. These are: (1) actual damage suffered, including own lost profits; (2) account of infringer's profits; (3) damages by analogy with a licence.

In the course of the court proceedings, the party entitled may claim damages using these three different methods in parallel. However, when

calculating the amount of damages, the three methods may not be mixed. Finally, the entitled party needs to choose an amount calculated using one method only. The right to choose between these three methods of calculation persists until either a specific damage claim is established using one of the methods or a final and legally binding court decision has been rendered regarding the amount of the damages quantified by use of one of the methods.

Actual damage suffered, including lost profits

Profit is turnover (sales) minus deductible costs. There are two ways to calculate the profits lost by a party due to a patent infringement:

Lost profits may be calculated relatively easily if the party entitled uses the specific method. He must be able to show that as a result of the infringing acts he was prevented from concluding specific business transactions and sales and that he thereby lost a specific profit because he could not conclude these transactions.

This calculation becomes more complex if the entitled party needs to use an abstract method based on the assumption that a business person concludes certain transactions and sales in the course of his usual business and takes a certain share of his profits with these transactions.

Firstly, the entitled party needs to show that it would itself have concluded all the transactions or a certain share of the transactions which the infringer has concluded by infringing the patent. Thus, the entitled party needs to establish its capabilities for concluding the sales or a certain share of it which the infringer has concluded. This is easier if only the entitled party and the infringer are operating in the respective market. It is more difficult if further innocent competitors are operating on the same market, because it is possible that the innocent competitors would have concluded the transactions if the infringer had not been on the market with the infringing product. In particular, it has to be assessed whether the consumer's decision to buy the product was actually caused by the use of the patent in suit or whether other factors were involved, such as superior customer service or creative advertising.

Secondly, if it is established (1) what share of the sales is based on the use of the patent in suit (and not on other factors) and (2) that these sales would have been concluded by the party entitled itself (and not by other innocent competitors), an assessment must be made of the profit that would have been earned by the entitled party from these lost sales. In this regard, the entitled party must disclose and provide evidence for its usual calculation of profits. In other words, the amount of costs (cost component) needs to be deducted from the turnover with sales in order

Section 139(2) PatG

Any person who intentionally or negligently undertakes such an act shall be liable to the injured party for compensation of the damages incurred thereby. When assessing the damages, the profit which the infringer has made by infringing the right may also be taken into account. The claim for compensation of damages may also be calculated on the basis of the amount the infringer would have had to pay as an adequate remuneration had he obtained the authorisation to use the invention.

to calculate the profit. This resulting profit is the profit lost by the entitled party and must be reimbursed by the infringer.

Account of infringer's profits

According to Section 139(2), second sentence, PatG, the profit which the infringer has made by infringing the patent may also be taken into account when calculating the amount of damages. This means that the profit made by using the patent-in-suit must be surrendered. Profit is turnover minus deductible costs.

The “relevant turnover” is the turnover related to the patented product. If the product is not sold as such, e.g. because it is merely a small part of a larger system which is sold, the entire system is the starting point of the calculation. Furthermore, the turnover achieved with side-by-side sales – in other words, the turnover achieved by products that are not patented themselves, but which are usually sold together with or subsequent to the patented product – is also relevant.

The infringer may only deduct certain manufacturing overheads from the turnover it achieved. Overheads may only be deducted if and to the extent that they can be attributed directly to the manufacture and distribution of the product infringing the patent. Costs incurred by the general running of the infringer's business which are independent of the extent of the production and distribution of the infringing product are not deductible.

BGH, 02.11.2000, BGHZ 145, 366 –
“Gemeinkostenanteil”

Furthermore, it is important that only the portion of the profits which is caused by and results from the infringement is to be surrendered. This causal link is assessed by evaluating certain factors. The causal share is especially important if the turnover is achieved by selling an entire system of which only a small part is patented. When assessing the extent of the causal share, extraordinary distribution efforts of the infringer and lower prices are usually considered by the court. What is decisive is whether it is the technical advantage of the subject of the patent in suit or other factors which has caused consumers to buy the infringing product.

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

Damage assessment via analogy with a licence

According to Section 139(2), third sentence, PatG, claims for damages may also be calculated on the basis of the amount the infringer would have had to pay as remuneration had he first obtained authorisation to use the invention. This is the “licence analogy” approach. Under this approach, a hypothetical licence fee needs to be established. Whether or not the entitled party would have actually granted a licence is irrelevant. In the course of the proceedings, it must be established what reasonable

contractual partners would have agreed on if they had foreseen future developments when concluding a hypothetical licence agreement, in particular in view of the duration and extent of use of the patent in suit.

If the patentee has already concluded licence agreements, their terms and conditions may afford a reliable basis for an analogy. Furthermore, licensing conditions usually applied in the relevant industry may also be relevant.

Usually, the turnover achieved by the patented product itself is considered as a reasonable licence base. If the patent in suit relates to a small part of a system, the usual customs and accepted standards are decisive factors for deciding whether to use the net sales price of the small patented part or a certain share of the net sales price of the entire system as sold as the basis for the licence.

Also, the applicable rate is based on what reasonable contractual partners in the relevant industry would have been likely to agree on. On this basis, various factors are accepted which may increase or decrease the applicable licence fee. For example, high profits achieved with the patented product act as an enhancing factor. A short period of infringing use or the parallel use of the infringer's own patent rights in an entire system are factors which will decrease the rate.

Exemplary or punitive damages or moral prejudice

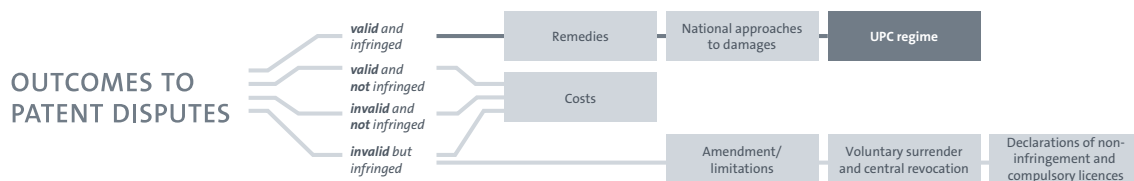
The German courts do not award exemplary or punitive damages – that is, damages above and beyond the loss suffered – in respect of patent infringement. Nonetheless, the damages awarded according to the basis of the infringer's profit (i.e. an account of profits) may exceed the losses suffered (in the narrow sense) by the person whose rights have been infringed.

Moral prejudice and immaterial damages

The German courts may award compensation for moral prejudice or immaterial damages. However, this is not common in patent infringement cases. The courts may, however, award damages to compensate for losses suffered as a result of damage to the image or reputation of the patentee. Such damage may occur if the infringing product is of a lesser quality than the genuine product and consumers attribute such quality problems to the patentee. A further case may be that the patentee is forced as a result of the infringement to reduce the retail price of his own product.

UPC regime

Essentials



Article 32(f) of the Agreement on a Unified Patent Court (UPC Agreement¹⁵) states that – subject to the transitional regime of Article 83 UPCA – the Unified Patent Court (UPC) has exclusive competence in respect of actions for damages or compensation derived from the provisional protection conferred by a published European patent application. The basis for this competence is found in Article 68 UPCA, which states that the UPC has the power to order an infringer who has infringed a European patent with unitary effect, a European patent or a supplementary protection certificate (SPC) to pay the injured party damages.

Article 32 UPCA
Competence of the court

Applicable law

With respect to unitary patents, **Regulation (EU) No. 1257/2012** (UP Regulation) does not contain any autonomous provisions on damages. Recital 13 UP Regulation states that the regime applicable to damages should be governed by the laws of the participating member states, in particular the provisions implementing Article 13 of Directive 2004/48/EC (Enforcement Directive). With respect to European patents and SPCs, the national laws of the country where the European patent or SPC has been infringed will be applicable to calculate damages. However, national laws relating to damages are harmonised in all EU countries under Article 13 Enforcement Directive. **Article 68 UPCA**, which the UPC must apply with respect to unitary patents, European patents and SPCs, is based on Article 13 Enforcement Directive. Therefore, while recognising the primacy of EU law, the determination of rules for damages will in principle be based upon the UPC's interpretation of Article 68 UPCA in light of

Regulation (EU) No. 1257/2012
of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection

Article 68 UPCA
Award of damages

¹⁵ The UPCA can be found at: www.unified-patent-court.org/sites/default/files/upc-agreement.pdf

Article 13 Enforcement Directive, which should be uniform throughout all UPC member states. In determining the correct approach to the application of the Enforcement Directive, the UPC must follow the Court of Justice of the European Union (CJEU). Article 24(1)(e) UPCA permits the UPC to apply national law to fill any gaps in EU, UPC, EPC and other treaty law. The UPC may refer to general principles common to the laws of the participating member states (**Article 340(2) Treaty on the Functioning of the European Union (TFEU)**), which refers to “principles common to the laws of the Member States”).

Article 340(2) TFEU

In the case of non-contractual liability, the Union shall, in accordance with the general principles common to the laws of the Member States, make good any damage caused by its institutions or by its servants in the performance of their duties.

Outline and principles of Article 68 UPCA

Article 68 UPCA differentiates between two types of infringer. Those who have knowingly infringed or who have had reasonable grounds to know of the infringement will be ordered to pay damages in accordance with Article 68(1)–(3). Other infringers, who may be ordered the recovery of profits or payment of compensation, will be dealt with in accordance with Article 68(4).

Article 68 UPCA Award of damages

Article 68(2) UPCA explicitly refers to three principles with regard to damages:

- The injured party shall, to the extent possible, be placed in the position it would have been in if no infringement had taken place.
- The infringer shall not benefit from the infringement.
- Damages shall not be punitive.

Fault (Article 68(1)–(3) UPCA)

Article 68(1) states that the UPC will order an infringer “who knowingly, or with reasonable grounds to know, engaged in a patent infringing activity” to pay damages. What is relevant is the state of mind of the infringer at the date of the infringing activity. The reference to “reasonable grounds to know” suggests that the test is not a subjective test of the infringer’s state of mind, but an objective one: the infringer must have knowledge of facts from which a reasonable person would arrive at the relevant knowledge. The UPC will have to develop its own interpretation of these terms.

Article 4(1) of Council Regulation No 1260/2012 (Translation Regulation) (TR) states that in the event of a dispute relating to an alleged infringement of a unitary patent, the proprietor must provide, at the request and the choice of the alleged infringer, a full translation of the unitary patent into an official language of either the participating member state in which the alleged infringement took place or the member state in which the alleged infringer is domiciled. Article 4(4) TR states that in the

Article 4 Translation Regulation Translation in the event of a dispute → see below

event of a dispute concerning a claim for damages, the UPC will assess and take into consideration, particularly where the alleged infringer is an SME, natural person, non-profit making organisation, university or public research organisation, whether the alleged infringer acted without knowing or without reasonable grounds for knowing that he was infringing a unitary patent before having been provided with the translation referred to in Article 4(1) TR.

Article 4 Translation Regulation Translation in the event of a dispute

(1) In the event of a dispute relating to an alleged infringement of a European patent with unitary effect, the patent proprietor shall provide at the request and the choice of an alleged infringer, a full translation of the European patent with unitary effect into an official language of either the participating Member State in which the alleged infringement took place or the Member State in which the alleged infringer is domiciled.

[...]

(4) In the event of a dispute concerning a claim for damages, the court hearing the dispute shall assess and take into consideration, in particular where the alleged infringer is a SME, a natural person or a non-profit organisation, a university or a public research organisation, whether the alleged infringer acted without knowing or without reasonable grounds for knowing, that he was infringing the European patent with unitary effect before having been provided with the translation referred to in paragraph 1.

Who has standing to sue?

According to Article 68(1) UPCA, the injured party may file a request for payment of damages. Article 47 UPC defines the parties that are entitled to bring actions before the UPC. They are the patent proprietor, the exclusive licensee (unless the licensing agreement provides otherwise and after giving prior notice to the patent proprietor), and the non-exclusive licensee in so far as expressly permitted by the licence agreement and after prior notice to the patent proprietor.

Calculation of damages

Article 68(3) UPCA distinguishes between two different ways of calculating the damages incurred by the infringing party. In the first, the UPC takes into account all appropriate aspects. In the second, it may set the damages as a lump sum (royalty).

Under the first method, the aspects which the UPC must take into account include:

- (i) the negative economic consequences, including lost profits, which the injured party has suffered,
- (ii) any unfair profits made by the infringer, and
- (iii) in appropriate cases, non-economic factors, such as the moral prejudice caused to the injured party by the infringement.

This method is useful for situations in which the injured party is in a position to prove its damages, for example because it could have made the infringer's sales.

In some UPC member states, a distinction is made between the remedies of damages on the one hand and an account of profits on the other. However, under Article 68(3) UPCA, the UPC may award unfair profits made by the infringer as damages to the injured party.

The UPC can only apply the second method “in appropriate cases”. Under this method, it may set the damages as a lump sum on the basis of elements such as “at least” the amount of the (reasonable) royalties or fees which would have been due if the infringer had requested authorisation to use the patent in question.

Recital 26 of the Enforcement Directive refers to the application of this alternative calculation method “for example where it would be difficult to determine the amount of the actual prejudice suffered” and that the aim is “to allow for compensation based on an objective criterion while taking account of the expenses incurred by the right holder, such as the costs of identification and research.”

Appropriate cases are cases where it may be relatively easy to set the royalty rate, where the patentee exploits the patent by licensing, or where the proprietor of a unitary patent has filed a statement with the European Patent Office (EPO) to the effect that it is prepared to allow any person to use the invention as a licensee in return for appropriate consideration under Article 8(1) UP Regulation.

Regulation (EU) No. 1257/2012
of 17 December 2012 implementing
enhanced cooperation in the area of the
creation of unitary patent protection

Causal link

According to Article 68(1) UPCA, the UPC will order the infringer to pay damages suffered as a result of the infringement. With respect to the infringer's unfair profits, there must also exist a causal link between the patent infringement and the unfair profit made by the infringer. In practice, it may be difficult to establish the causal link. Thus, the infringer might be able to point to other factors that have increased profits, such as other IP rights (e.g. use of famous marks) that have not been infringed, or to the fact that the infringed patent only covers a small part of an infringing product, or that the infringing product also infringes other IP rights of third parties.

Innocent infringer

Article 68(4) UPCA explicitly states that if the infringer did not knowingly, or with reasonable grounds to know, engage in the infringing activity, the UPC may (still) order the recovery of profits or the payment of compensation. The basis for this provision is Article 13(2) Enforcement Directive, an optional provision which has not been implemented in all the EU member states.

Period of limitation

Article 72 UPCA states that, to the extent that the UPC does not apply national law, actions relating to all forms of financial compensation may not be brought more than five years after the date on which the applicant became aware, or had reasonable grounds to become aware, of the last fact justifying the action.

The plaintiff may also be ordered to pay the defendant compensation for injury caused by court measures wrongly imposed.

Articles 7(4) and 9(7) Enforcement Directive state that, where orders to preserve evidence or provisional measures, such as an interlocutory injunction or seizure or delivery up of the goods suspected of infringing a patent, are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the court may order the applicant, upon request of the defendant, to provide the defendant with appropriate compensation for any injury caused by those measures.

Article 7(4) Enforcement Directive

Where the measures to preserve evidence are revoked, or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

Article 9(7) Enforcement Directive

[...]

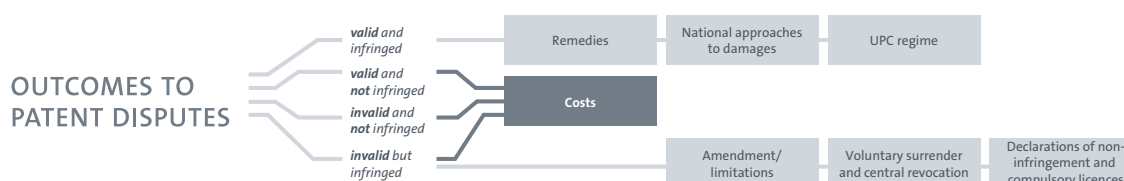
Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures.

Procedural issues

The UPC may only order the payment of damages or compensation if this has been requested. The amount of the damages may be stated in an order in the infringement proceedings or determined in separate proceedings after the infringement proceedings. In the latter case, the successful party must lodge an application for the determination of damages no later than one year from service of the final decision on the merits (including any final decision on appeal) on both infringement and validity. Applications may include a request for an order to lay open the defendant's books.

Costs

Essentials



This module is concerned with the costs of patent litigation proceedings in Germany, Italy, England¹⁶ and Wales, and France. It looks at who has to pay these costs, whether security can be applied for by the defendant to cover them, and at what stage decisions as to costs are made.

Germany

In German civil law the principal rule is that the losing party bears the costs of the proceedings (Section 91 *Zivilprozessordnung* (German Code of Civil Procedure) (ZPO)). This principle applies in both patent infringement and nullity proceedings.

There are two types of costs: court fees and out-of-court expenses. While court fees are paid to the court, out-of-court expenses cover all other costs incurred by the parties in relation to the proceedings, i.e. attorney fees and other costs such as travel, translations and fees for party-appointed experts.

The amount of the court fees and the reimbursable attorney fees are dependent on the value in dispute. Therefore, the higher the value in dispute, the higher the court fees and the (reimbursable) attorney fees.

Because of the bifurcated system in Germany, the costs of proceedings for infringement and nullity proceedings are dealt with separately.

¹⁶ 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.

Court fees

The amount of the court fees to be paid is laid down in the *Gerichtskostengesetz* (German Law on Court Costs) (GKG). It is determined on the basis of the value in dispute (**Section 3 GKG**), and must be advanced by the plaintiff when he files his statement of claim, otherwise the action will not be served.

The determination of the value in dispute is at the discretion of the court. In infringement proceedings, the key factor is the interest of the plaintiff in the injunction, not the amount of damages to be expected. The value depends, *inter alia*, on the significance of the patent in suit, its remaining period of validity and the extent of the alleged infringing acts.

In practice, the value in dispute is estimated by the plaintiff when filing his statement of claim, and the court follows this estimate unless the other party raises objections. However, the court also has the power to change the value in dispute at its own discretion, particularly if it considers the value in dispute as not being adequate for the economic value of the case.

The court fees rise with the value in dispute. In other words, in a typical patent infringement action, a value of between EUR 500 000 and EUR 5 000 000 can be considered normal for cases of low-to-medium importance, leading to court fees of EUR 10 000–60 000. The scale is based on the consideration that the workload of the court usually does not increase in proportion with the increase in the value in dispute. As a consequence, court fees are comparatively small for small claims and increase for bigger cases to sufficiently financially subsidise the pursuit of small claims. For major cases, the value in dispute may rise to EUR 30 000 000, with court fees of EUR 270 000. According to **Section 39(2) GKG**, this is the maximum for the value in dispute.

Discounts on court fees exist in certain cases where the workload of the court is reduced, e.g. where the action is settled or withdrawn.

The calculation of court fees for nullity proceedings at the *Bundespatentgericht* (German Federal Patent Court) (BPatG) is based on the same principles. In the case of parallel infringement proceedings, however, the BPatG raises the value in dispute by 25% in order to account for the *inter omnes* effect of a decision to (partly) nullify the patent.

Section 3 GKG

(1) The amount of costs depends on the value of the disputed matter (the value in dispute), [...].

(2) The amount of costs shall be determined by the schedule of remuneration in annex 1 to this Law.

Section 39 GKG Amount of costs (1) [...]

(2) If no lower value is determined, the value in dispute shall not exceed EUR 30 million.

Out-of-court expenses

Attorney fees

The reimbursement of attorney fees in infringement proceedings is stipulated in **Section 91(2) ZPO**. The specific amounts are subject to the *Rechtsanwaltsvergütungsgesetz* (Law on the Remuneration of Attorneys) (RVG).

The RVG provides for minimum fees for court-related work to be paid by the client. These fees, like the court fees, are dependent on the value in dispute (**Section 2(1) RVG**).

The RVG only establishes a minimum level of fees. It does not prevent a party from signing a fee agreement leading to higher fees. However, it restricts the amount of fees to be reimbursed by the losing party. Only the statutory fees are reimbursable.

By way of example, given two values in dispute of EUR 500 000 and EUR 5 000 000, in a first instance judgment the reimbursable attorney fees would amount to EUR 10 000 and EUR 50 000 respectively (including VAT).

According to **Section 143(3) Patentgesetz** (German Patent Act) (PatG), the costs of a patent attorney in infringement proceedings are also reimbursable. However, for a long time, the situation relating to the reimbursement of costs for the participation of an attorney in addition to a patent attorney in nullity proceedings was, due to the lack of a legal provision, not as clear. However, the current case law of the *Bundesgerichtshof* (German Federal Supreme Court) (BGH) holds that the costs of an attorney in nullity proceedings are equally reimbursable, provided that there are parallel infringement proceedings pending.

Other expenses

Other out-of-court expenses are reimbursable to the extent that they were necessary either in order to bring an appropriate action or to provide an appropriate defence against such action (Section 91(1), first sentence, ZPO). By way of example and depending on the circumstances of the case, out-of-court expenses may comprise:

- Travel costs incurred by the attorney/patent attorney/party.
- Costs for translation and interpreting.
- Photocopies.
- Party-expert opinions (court-appointed experts are reimbursed as part of the court fees).
- Cost of filing protective letters

There is, in principle, no cap on these expenses.

However, it must be shown that they are both reasonable and necessary.

Section 91 ZPO

Principle of the obligation to bear costs; scope of this obligation
[...]

(2) In all proceedings, the statutory fees and expenditures of the attorney of the prevailing party are to be remunerated.

Section 2 RVG

Amount of remuneration

(1) Fees shall be calculated according to the value of the subject of the attorney's professional activity (value of the claim) unless this Law specifies otherwise.

(2) The amount of the remuneration shall be determined by the schedule of remuneration in annex 1 of this Law. Fees shall be rounded up or down to the nearest cent. Amounts of 0.5 cents shall be rounded up.

Section 143 PatG

[...]

(3) Of the costs arising from the involvement of a patent attorney in the case, fees up to the amount of a full fee according to Section 13 RVG shall be refunded, as shall the patent attorney's necessary expenses.

BGH, GRUR 2013, 427 –

“Doppelvertretung im Nichtigkeitsverfahren”

Burden of carrying the costs of the proceedings

The German system of civil litigation costs is based on the principle that the losing party must pay all costs and fees incurred by the winning party. In case of a partial success, the costs are split between the parties according to the success rate (**Section 91 ZPO**). The same rules apply in nullity proceedings before the BPatG.

Section 91 ZPO
→ see below

A deviation from this principle exists, for example, in the case of “immediate acknowledgment” of the claims by a defendant who gave no warning about filing the lawsuit (**Section 93 ZPO**), for example, by not sending a warning letter prior to filing suit. In this case the claimant must bear the costs of the proceedings.

Section 93 ZPO
→ see below

Cost rules sanctioning procedural misconduct are limited in German law. For example, if a party fails to meet a time limit and the hearing is postponed, the negligent party must bear the additional costs – independently of the result of the proceedings.

Section 95 ZPO
→ see below

Section 91 ZPO

Principle of the obligation to bear costs; scope of this obligation

(1) The party that has not prevailed in the dispute is to bear the costs of the legal dispute, in particular any costs incurred by the opponent, to the extent that these costs were required in order to bring an appropriate action or to provide an appropriate defence against an action brought by others. The compensation of costs also comprises compensation of the opponent for any necessary travel or for time the opponent has lost by having been required to make an appearance at hearings; the rules governing the compensation of witnesses shall apply mutatis mutandis.

[...]

Section 93 ZPO

Costs in the event that an immediate acknowledgment is made

Where the defendant has not given cause for an action to be brought, the plaintiff shall bear the costs of the proceedings should the defendant immediately acknowledge the claim.

Section 95 ZPO

Costs in the event of failure to comply with procedural rules or of fault

The party that fails to attend a hearing or to meet a deadline shall bear the costs arising therefrom; this shall also apply if the party, through its fault, has caused a hearing to be deferred or a hearing for oral argument to be postponed, or if it has caused a hearing to be arranged at which the hearing for oral argument is to be continued, or a period to be extended.

Security

Security for the costs of proceedings can be applied for by the defendant only if the plaintiff does not have its main place of business or residence in a country of the European Union or the European Economic Community (**Section 110 ZPO**). Such security must be provided in the form of a cash deposit or a bank guarantee and must cover at least the procedural costs of the first instance, and at some courts the costs of a possible appeal as well.

Section 110 ZPO

Security deposit for the costs of the proceedings

(1) Plaintiffs who do not have their habitual place of abode in a Member State of the European Union or in a signatory state of the Agreement on the European Economic Area shall provide security for the costs of the proceedings should the defendant so demand. [...]

Decision on the costs

The decision on the principal obligation to bear the costs is part of the decision on the merits. The decision on the actual costs to be reimbursed, however, is subject to separate proceedings (**Sections 103–107 ZPO**).

It is initiated by a motion of the winning party setting forth the fees and expenses which arose in the proceedings. A *Rechtspfleger* (senior judicial officer of the court) then calculates and determines the actual amount of the costs.

Sections 103–107 ZPO
→ see below

The decision about costs is an enforceable title and can be applied for even if the decision on the merits is not yet final yet (e.g. an appeal is pending). In practice, the court often asks the parties to agree to a stay of the cost decision pending the outcome of the appeal.

The cost decision is subject to appeal (Section 104(3) ZPO) for the infringement proceedings (subject to a minimum value of the appeal of EUR 200) and **Section 23 *Rechtspflegergesetz*** (Act relating to Senior Judicial Officers) (RpflG) for the nullity proceedings, irrespective of the value of the complaint.

Sections 23 RpflG
→ see below

Section 103 ZPO

Basis for the assessment of costs; petition for the assessment of costs

(1) A claim to reimbursement of the costs of the proceedings may only be asserted based on a legal document (title) suited for compulsory enforcement.

(2) The petition for assessment of the amount to be reimbursed is to be filed with the court of first instance. The computation of the costs, the copy intended for forwarding to the opponent, and the proof serving to justify the individual cost items are to be attached to the petition.

Section 104 ZPO

Procedure for the assessment of costs

[...]

(3) A complaint subject to a time limit may be lodged against the decision. [...]

Section 23 RpflG

Proceedings before the patent court

The following tasks shall be assigned to the senior judicial officer in proceedings before the patent court:

(1)

[...]

12. The determination of the costs in accordance with Sections 103 et seq. of the ZPO in conjunction with Sections 80(5), 84(2), second sentence, 99(1) and 109(3) of the Patentgesetz (PatG) (German Patent Act) [...].

(2) Appeals are admissible against the decisions of the senior judicial officer in accordance with paragraph (1).

[...]

Legal aid

Sections 114-127 ZPO provide for general and publicly funded legal aid. Such legal aid can be claimed by individuals who are unable to pay for the procedural costs at all or who are able to pay in part or in instalments only (**Section 114 ZPO**). In the case of corporations, the decisive factor would be if neither the corporation nor its shareholders/members had the financial means and that not enforcing its legal rights would be against the public interest. In both cases, a reasonable chance of success must exist, i.e. it must be at least possible that the applicant will succeed. This is assessed by the court on a summary basis and has no binding effect on the outcome of the proceedings.

If the above requirements are fulfilled, legal aid can be granted as a loan (Section 120 ZPO) which has to be repaid in monthly rates (exception: very low-income litigants, Section 115(2) ZPO). Decisions on legal aid are rendered without a previous oral hearing and can be appealed (Section 127(2) and (3) ZPO).

Section 114 ZPO

Prerequisites

(1) Any party who, due to their personal and economic circumstances, is unable to pay the costs of litigation, or is able to pay them only in part or in instalments, will be granted assistance with the court costs upon filing a corresponding application, provided that the action they intend to bring or their defence against an action that has been brought against them has sufficient prospects of success and does not seem frivolous. [...]

Italy

In Italy, litigation in court entails three types of costs: court fees (paid to the court administration), representation costs (paid to lawyers) and court taxes (paid to the Italian tax authorities after the judgment is issued).

Briefly, court fees are determined according to the value of the case and the fixed amounts provided for by law. They are paid to the court at the beginning of the case by the party that files a claim or counterclaim. Representation costs are determined pursuant to agreement between each party and its attorneys and there are no rules concerning their level. These costs are generally awarded to the successful party, but they might be proportionally reduced or no costs may be awarded, depending on the outcome of the case. There are no separate proceedings to assess the representation costs. They are decided in the same judgment. The decision can be appealed.

After the case is decided with a final judgment (even if appealed in the meanwhile), one of the parties (generally the unsuccessful one) has to pay the Italian tax authorities a tax (*imposta di registro*) calculated as a percentage (generally 3%) on damages and costs awarded in the judgment. The Italian system also makes provision for legal aid for plaintiffs and defendants with low incomes, as well as for non-profit-making entities.

Court fees

In Italy, the *contributo unificato* (court fee) is due pursuant to the *Decreto del Presidente della Repubblica* (DPR) (Decree of the President of the Republic No. 115/2002). It is payable when a party files its requests before the court.

The same decree indicates the amounts of the court fee depending on the threshold of the declared value of the case. There is a special court fee for cases whose value cannot be immediately assessed. Cases concerning intellectual property matters are generally of the latter type. The value of the case (or the impossibility of assessing it) is declared by the plaintiff on the writ and by the defendant in the statement of defence. The issues of tort (IPR infringement) are cases “relating to money issues” (Article 14 *Codice di procedura civile* (CPC) (Italian Code of Civil Procedure)). In such cases, the court does not investigate the correctness of the declarations made by the parties. Only when the other party argues that the declaration is not correct will the judge look into the issue, but only in the light of parties’ statements and without discovery.

At the time of writing, the fees for IP matters are EUR 1 036 for cases on the merits and EUR 518 for summary proceedings for a preliminary injunction. Prior to 2012, only the plaintiff had to pay the court fee, but under the revised laws that entered into force in 2012, each party that submits its own claims to the court (including counterclaims, revision of the original claims and requests to add new parties to the case) must do so.

Representation costs

The CPC contains provisions governing the award of representation costs to the parties by the judge (Articles 91–98 CPC), but it does not refer to how those costs should be calculated. The Italian Ministry of Justice, however, issues regulations providing for parameters for the calculation of such costs in civil and criminal cases. The most recent regulation (Decree No. 55/2014) entered into force on 3 April 2014.

According to Article 4 of this decree, the amount of the representation costs to be awarded should take due account of:

- The characteristics, the speed, and the quality of the legal activity involved.
- The importance, nature, difficulty and value of the case.
- The client (this is not a very clear, but it can reasonably be interpreted as referring to whether the client is an independent entity or part of a group of clients, whether it is a natural person or a company, and so on).

Article 9 DPR 115/2002

Court fees

1. Court fees are payable when filing a case before the court for each instance of the case in the civil proceedings, including bankruptcy proceedings, voluntary jurisdiction proceedings in administrative law and tax law cases fees are listed in Article 13.

2. [...]

Article 13 DPR 115/2002

Amounts

1. Court fees are due in the following amounts:

[...]

(d) EUR 518 for cases with a value greater than EUR 26 000 and less than EUR 52 000 and for cases whose value cannot be determined; [...]

1-ter. For cases that are to be decided by specialised divisions of the courts pursuant to Legislative Decree No. 168 of 27 June 2003 and following amendments, the court fees mentioned in point 1 above are doubled. [...]

Article 1 Decree No. 55/2014

1. This regulation concerns parameters for professional assistance by attorneys at law in cases where upon appointment the fees were not established in writing or where there is no mutual agreement on fees.

Article 2 Decree No. 55/2014

Fees and expenses

1. The fees of the attorney at law are proportionate to the importance of the activity carried out.

- The outcome of the case (even though in Italy it is not usual to determine the attorney's costs with reference to the results of the case).
- The number and complexity of the questions of law and of fact discussed in the case.

The decree explains that the judge should take into consideration the average amounts of the listed attorney fees, which can be increased by up to 80% or reduced down to 50% in the light of the above parameters. For the discovery phase, the fees can be increased by up to 100% or reduced by 70%. It is possible to increase the fees by up to 20% in cases where the same attorney is acting on behalf of more than one client. One interesting point is that if a party acts so as to delay proceedings (and thereby increases the adversary's representation costs), the judge can take this into account. If the arguments of the unsuccessful party were manifestly not grounded, the costs awarded might be increased by a third.

In order to establish the amount of the representation costs, the value of the case must first be determined. Decree No. 55/2014 contains different parameters for this assessment to those provided for by the Italian Civil Code and used to establish the jurisdiction and the court fee. The court fee is declared at the beginning of the case and may only be presumed, while the representation costs are assessed with reference to the effective value of the case, after the eventual compensation is decided.

The decree states that the value of the case should be assessed with reference to the amount awarded to the successful party rather than to that originally requested and to interests at stake.

These calculation rules would appear to be useful.

They are, however, rarely applied by the Italian judges, who prefer to decide according to equity. Decisions on costs are seldom the subject of detailed discussion in IP cases.

When asking for representation costs, the party should also list all its expenses, including those for the assistance of a patent attorney. Such costs are generally awarded applying the principles of equity.

Burden of bearing the representation costs of the proceedings

According to **Article 91 CPC**, representation costs must be borne by the unsuccessful party. The successful party has the right not only to receive attorney's costs but also court fees and other expenses. If certain costs incurred by the successful party are excessive or redundant, the judge may exclude them from his decision.

Article 91 CPC Awarding of legal costs

1. The judge closes the case with a final judgment in which the unsuccessful party is ordered to pay legal costs to the other party and the judge establishes the amount of those costs together with the attorney's fees.

According to **Article 92 CPC**, if each party is partially successful or in the case of “other important and exceptional reasons specifically illustrated in the judgment”, the judge may order that the costs be apportioned equitably or that no cost award be made. Such decisions on costs are frequently made in cases where a patent is declared valid but not infringed. In cases where a patent is declared partially invalid, the judges tend to consider such a decision as the success of one of the parties (depending on the consequences the decision had on the issue of infringement) or reduce the costs awarded.

There is also an important rule where the defendant proposes to settle the case for a specific amount and the other party refuses that proposal without good reason. If the judgment assesses damages in the same or lower amount, the representation costs incurred after the settlement proposal are awarded to the unsuccessful party.

Article 92 CPC

Awarding of costs for single activities Costs compensation

1. When issuing the decision mentioned in the previous article, the judge may refuse to award costs of the successful party if he considers them to be excessive or redundant and he may, regardless of the outcome of the case, order a party to pay costs [...] which that party caused to the other in violation of Article 88.

Decisions on costs

In Italy there is no separate procedure dealing with costs. The parties file their calculations of costs in the final phase of the case and the judge decides, based on those calculations and declarations. The decision is contained in the judgment, which decides the case on the merits and generally only if the decision is final. If the judge decides on preliminary issues only, or on part of the claims only, and the case continues on the remaining claims, a decision on legal costs will not be made in such non-final judgment. The decision on costs can be appealed.

Security

The CPC previously contained a provision on costs security, but this was declared illegal by the Constitutional Court in 1960, as it was considered to limit access to justice, which, according to the Italian Constitution, must be granted to all citizens, regardless of their economic means (Articles 3 and 24 of the Constitution).

Legal aid

The legal aid rule applicable in Italy states that it is not possible to obtain legal aid for a part of the costs of the proceedings only. If a party who is a natural person or non-profit-making entity applies for legal aid and satisfies the criteria, legal aid will be granted for all costs incurred. As far as the eligibility criteria are concerned, it is sufficient for the person to prove that their annual income is below the threshold established by the law. The costs of the case are irrelevant here. The authority that grants legal aid is not the court, but the locally competent Bar, and if the Bar does not accept the application, the party may apply to the judge in the case.

England and Wales

The approach to costs in litigation is guided by the Civil Procedure Rules (CPRs) and their supplementary Practice Directions (PDs). The CPRs and PDs apply to proceedings in both the Patents Court and the Intellectual Property Enterprise Court (IPEC).

Where the court orders a party to pay costs to another party it may either (i) itself make a summary assessment of costs immediately on completion of the relevant hearing, or (ii) order detailed assessment of costs by a costs officer, in a separate procedure that follows judgment.

The assessment is made on either the standard basis or the indemnity basis. These differ with respect to the costs that are recoverable, with the indemnity basis favouring the receiving party.

Although the general rule is that the unsuccessful party should pay the costs of the successful party, the courts are increasingly adopting an issues-based approach, where the costs are apportioned between the parties dependent on the issues on which each party has been successful.

Specific rules govern the recoverability of costs in IPEC and these are highlighted below, as appropriate.

Court fees

The party commencing proceedings will be required to pay the court fee on issuing its claim form.

The Civil Proceedings and Family Proceedings Fees (Amendment) Order 2015 came into force on 1 March 2015 and will increase the court fees payable. For claims valued at more than GBP 10 000 and up to GBP 200 000, court fees will be levied at 5% of the claim's value. If a claim's value exceeds GBP 200 000 (or is unlimited), court fees will be set at GBP 10 000. Fees for claims less than GBP 10 000 will be calculated on a sliding scale up to GBP 455.

Fees are also paid during the course of proceedings for applications made to the court. These depend on the type of application but are in the range of GBP 50–GBP 155.

Legal representation

Under **CPR 44.1**, recoverable costs include solicitors' and counsel's fees, third-party fees (for example, experts or the cost of experiments conducted by a third party) and general disbursements such as transcript writer's costs, translation costs, travel costs, photocopying, and so on.

Recovery of these costs is restricted by the general indemnity principle that a party cannot recover more than the actual cost of the legal work undertaken.

CPR 44.1

'Costs' includes fees, charges, disbursements, expenses [and] remuneration.

Burden of carrying the costs of the proceedings

The court has a wide discretion on the issue of costs, including whether costs are payable by one party to another and the amount of those costs (**CPR 44.2(1)**).

In determining a costs order, the court must have regard to all the circumstances, including the conduct (both before and during proceedings) of the parties (including whether it was reasonable to raise, pursue or contest a particular issue) (CPR 44.2(4)).

CPR 44.2(1)

The court has discretion as to –

- (a) whether costs are payable by one party to another;
- (b) the amount of those costs; and
- (c) when they are to be paid.

The general rule for costs orders (set out in **CPR 44.2(2)**) reflects the stance adopted by Article 69(1) Unified Patent Court Agreement (UPCA): the unsuccessful party will be ordered to pay the costs of the party which succeeds in the proceedings. However, the court has discretion to make a different order, and in patent cases it typically adopts an issues-based approach where costs are apportioned, with a party being awarded costs based on the quantity and importance of the issues on which it has succeeded, but with deductions relating to costs incurred in pursuit of ultimately unsuccessful points.

CPR 44.2(2)

If the court decides to make an order about costs –

- (a) the general rule is that the unsuccessful party will be ordered to pay the costs of the successful party; but
- (b) the court may make a different order.

CPR 44.2(6)(f), which states that costs orders may be granted in relation to distinct parts of proceedings, resembles the "equitable apportionment" allowed under Article 69(2) UPCA.

CPR 44.2(6)(f)

The orders which the court may make under this rule include an order that a party must pay –

- (a) costs relating to only distinct part of the proceedings.

Where there is apportionment, therefore, the overall costs order can result in the successful party receiving a much-reduced percentage recovery. There have been cases where the *unsuccessful* party at trial has been the recipient of a net positive costs order.

CPR 45.31(1)

The [IPEC] will not order a party to pay total costs of more than –

- (a) £50,000 on the final determination of a claim in relation to liability; and
- (b) £25,000 on an inquiry as to damages or account of profits.

In IPEC, the costs following the substantive action are capped at GBP 50 000. Costs of an inquiry as to damages or an account of profits are capped at GBP 25 000. There is a scale of costs with a cap on the maximum amount that can be awarded for each stage of the claim.

Security for costs

Under **CPR 25.12**, security for costs may be sought by a defendant to any claim (including a claimant facing a counterclaim). There is precedent for security being ordered to be paid to a *claimant* commencing proceedings for infringement of a patent where it had grounds to question the defendant's inability to pay its costs.

Security for costs is ordered where a party is (i) resident out of the jurisdiction and the EU, or (ii) a company (whether incorporated inside or outside Great Britain) and there is reason to believe that it will be unable to pay the defendant's costs if ordered to do so (**CPR 25.13**).

Security is usually provided as a bank bond, a guarantee or a payment into court.

Quantum will be decided in accordance with the court's opinion of what would be just and proportionate under the circumstances. The court will also exercise its discretion to manage the risk that ordering security for costs may stifle a party's ability to bring its case.

Decision on costs

Where the court orders a party to pay costs to another party it may either (i) make a summary assessment of costs itself, or (ii) order detailed assessment of costs by a costs officer.

In the IPEC, all costs are assessed summarily (**CPR 45.30(3)**).

The Patents Court will generally make a summary assessment of costs where the hearing has lasted for less than a day (for example in the case of interim applications made during the course of the substantive action). The receiving party will present a schedule of costs to the judge in advance, who will make a decision at the end of the hearing on the amount payable. Payment is typically required in 14 days (**CPR 44.7(1)**).

The detailed assessment procedure, on the other hand, is separate to, and follows, the court's judgment on the substantive legal issues. Once judgment has been handed down, and in a post-trial hearing, the trial judge will make an order as to which party will receive its costs and the percentage costs recoverable (typically following an apportionment to take into account deductions for unsuccessful issues). The court will typically award interest on costs and can order that such interest runs from or until a certain date. On the application of the successful (receiving) party, the court will also typically order the paying party to make an interim payment on account of costs pending the outcome of the detailed assessment procedure (**CPR 44.2(8)**).

CPR 25.12(1)

A defendant to any claim may apply under this Section of this Part for security for his costs of the proceedings.

CPR 25.13

- (2) The conditions [for an order for security] are –
- (a) the claimant is –
 - (i) resident out of the jurisdiction; but
 - (ii) not resident in a Brussels Contracting State, a State bound by the Lugano Convention or a Regulation State, as defined in section 1(3) of the Civil Jurisdiction and Judgments Act 1982; [or]
 - (b) the claimant is a company or other body (whether incorporated inside or outside Great Britain) and there is reason to believe that it will be unable to pay the defendant's costs if ordered to do so.

CPR 44.6(1)

Where the court orders a party to pay costs to another party (other than fixed costs) it may either –

- (a) make a summary assessment of the costs; or
- (b) order detailed assessment of the costs by a costs officer, unless any rule, practice direction or other enactment provides otherwise.

CPR 45.30(3)

The [IPEC] will make a summary assessment of the costs of the party in whose favour any order for costs is made.

CPR 44.7(1)

A party must comply with an order for the payment of costs within 14 days of –

- (a) the date of the judgment or order if it states the amount of those costs;
- (b) if the amount of those costs ... is decided later ..., the date of the certificate which states the amount; or
- (c) in either case, such other date as the court may specify.

CPR 44.2(8)

Where the court orders a party to pay costs subject to detailed assessment, it will order that party to pay a reasonable sum on account of costs, unless there is a good reason not to do so.

The parties will usually settle the remainder of the costs in order to avoid the need for the detailed assessment procedure, so detailed assessments in patent cases are rare.

Detailed assessment is commenced by the receiving party providing to the paying party its “bill of costs”, which provides a detailed breakdown of time spent on the case, along with a detailed narrative. Each party’s points of dispute over the other’s costs calculations are put before a costs officer, who makes a decision on the quantum of costs payable.

The receiving party is entitled to the costs of the detailed assessment procedure (CPR 47.20).

Costs are ordered to be paid either on the standard basis or the indemnity basis (**CPR 44.3**). On the standard basis (the majority of cases), only costs that are proportionately and reasonably incurred can be recovered.

The court will resolve any doubt in favour of the paying party. On the indemnity basis (not just awarded in cases of improper or reprehensible conduct but where there has been conduct or circumstances which merit deviation from the normal standard basis), only costs which are unreasonably incurred will be disallowed and any doubt is resolved in favour of the receiving party.

CPR 44.3(1)

Where the court is to assess the amount of costs (whether by summary or detailed assessment) it will assess those costs –

- (a) on the standard basis; or
- (b) on the indemnity basis,

but the court will not in either case allow costs which have been unreasonably incurred or are unreasonable in amount.

Legal aid

The concept of “cost protection” (established by the Civil Legal Aid (Costs) Regulations 2013 (CLAR)) places a limit on the costs that may be awarded against a legally-aided party in relevant civil proceedings. **Section 26** of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) states that this limit must not exceed the amount that would be reasonable for the legally aided party to pay, having regard to their financial resources and conduct in connection with the dispute.

Section 26(1) LASPO

Costs ordered against an individual in relevant civil proceedings must not exceed the amount (if any) which it is reasonable for the individual to pay having regard to all the circumstances, including –

- (a) the financial resources of all of the parties to the proceedings, and
- (b) their conduct in connection with the dispute to which the proceedings relate.

Costs orders may only be made against a legally-aided party if certain criteria are met, including that the proceedings were instituted by the legally-aided party, the non-legally-aided party is an individual, and the court is satisfied that the non-legally-aided party will suffer financial hardship unless the order is made.

Any costs amount to be awarded under a costs order made in favour of a legally-aided party must be determined as if that party was not in receipt of legal aid (**Regulation 21(1), CLAR**) and may not be restricted by the indemnity principle to the sums it incurred with regard to the proceedings.

Regulation 21(1) CLAR

[...] The amount of costs to be paid under a legally aided party’s costs order or costs agreement must be determined as if that party were not legally aided.

A different legal aid regime exists in Ireland.

France

In France, litigation costs are composed of (i) expenses which, in patent litigation, include the fees of the bailiff and any court-appointed experts that are set according to a rate or a scale, and (ii) the representation costs (i.e. the fees of the *avocat* (lawyer), the patent attorney assisting the lawyer and the party's expert (if any)).

Unlike Germany, Italy and England, Wales, Scotland and Ireland for example, no court fee is payable.

Expenses

These costs are listed in **Article 695** of the *Code de procédure civile* (French Code of Civil Procedure) (CPC), but only some of them are incurred in patent litigation:

- Fees and taxes: the clerks of the *Tribunal de Grande Instance de Paris* (Paris Regional Court) (TGI) and the *Cour d'appel de Paris* (Paris Court of Appeal) (CA), which have exclusive jurisdiction to hear patent cases, do not receive any fees for dealing with proceedings, so the costs of this category are not incurred in patent litigation.
- Translations: only the translations necessary to serve summons or pleadings abroad pursuant to international agreements can be considered as expenses.
- Allowance for witnesses: the courts very seldom appoint witnesses in patent matters, but should they do so, the witness's allowance would be considered as expenses.
- Expert fees: the fees of party- or court-appointed experts are considered as representation costs (see below).
- Emolument of public officers and expenses paid for notification abroad: bailiff's fees for service of the summons and judgment, including the costs for service abroad. These costs are nominal, since the official rate according to which they are calculated has been set at a low level. In first instance, it is EUR 200–300. If a *saisie-contrefaçon* (search and seizure) is performed for the purpose of providing evidence of the alleged infringement, the bailiff's fees for performing the *saisie* of EUR 1 500–3 000 may be added.
- Lawyers' fees: the lawyers' fees which are considered as expenses are based on a scale. They are in the region of EUR 3 000–5 000. They are different from (and should be added to) the lawyers' fees falling under the category of representation costs.
- Costs of interpreting and translation: if the court orders an enquiry to obtain evidence in another EU member state pursuant to EC Regulation No. 1206/2001.

Article 695 CPC

Costs pertaining to proceedings and enforcement procedures will include:

1. The fees, taxes, government royalties or emoluments levied by the clerk's offices of courts or by the tax administration with the exception of fees, taxes and penalties which may be due on documents and titles produced in support of the claims of the parties;
 2. Cost of translation of documents where the latter is rendered necessary by the law or international agreements;
 3. Allowance for witnesses;
 4. Expert fees;
 5. Fixed amount disbursements;
 6. Emolument of public officers;
 7. Cost of *avocats* to the extent that it is regulated including the closing speech dues;
 8. Expenses paid due to the notification abroad;
 9. Costs of interpreting and translation rendered necessary by the inquiry orders to be carried out abroad at the request of courts pursuant to Council Regulation (EC) N° 1206/2001 of 28 May 2001 on cooperation between courts of the Member States in the taking of evidence in civil and commercial matters;
- [...].

Representation costs

These costs fall under Article 700 CPC. They mainly consist of lawyers' fees, patent attorney's fees (if one has been appointed to assist the lawyer) and party experts' fees (if any).

Most of the time, lawyer's fees are calculated on an hourly rate. Although uncommon in patent cases, success fees are sometimes also agreed. In such case, the lawyer's client pays him a percentage of the damages granted by the court. However, according to French lawyers' ethical rules, the success fee can only form a minor part of the fees received for a case.

A party may also have to pay patent attorney fees if one has been appointed to assist the lawyer on technical issues (patent attorneys are not authorised to represent a party and to argue a case orally before French courts).

Additional costs may arise from the fees of (i) experts appointed by a party to provide an opinion on technical, legal or financial issues, and (ii) translators who translate the pleadings and exhibits and interpreters at the oral hearing.

The case law is not clear as to whether the costs for a *saisie-contrefaçon* are to be considered representation costs or expenses. However, some legal authors recommend that they are partly considered as expenses (which would include the fees of the bailiff performing the *saisie-contrefaçon*) and partly considered as representation costs (which would include the fees of the patent attorney who, in patent matters, usually assists the bailiff).

Burden of bearing the expenses and representation costs of the proceedings

Expenses

Pursuant to **Article 696 CPC**, expenses are borne by the losing party, unless the court rules otherwise. The losing party is the party which does not succeed in any of its claims.

If both parties lose on some of their claims and win on others, the court may decide to split the expenses.

Representation costs

Pursuant to Article 700 CPC, the party ordered to pay the legal costs or, in the alternative, the losing party will be ordered to pay the other party's representation costs.

Article 696 CPC

The legal costs will be borne by the losing party, unless the judge, by a reasoned decision, imposes all or part of them on another party.

The court has a discretionary power to set the portion of these costs which will be borne by the losing party.

In practice, the sums awarded remain below the actual amount of the representation costs. Between 2000 and 2011, the highest amount granted to a claimant as a contribution to his representation costs was EUR 315 000 (whereby the median amount of the 30 highest amounts was EUR 50 000). The highest amount granted to a defendant as a contribution to his representation costs during the same period was EUR 300 000 (whereby the median amount of the 30 highest amounts was EUR 107 500).

Security

French law does not require any security for the costs of the proceedings, even if the claimant does not have its main place of business or residence in a country of the European Union or European Economic Community.

Decisions on costs

The first-instance decision on the obligation to pay expenses and the amount awarded as a contribution to the winning party's representation costs is part of the decision on the merits. It is subject to appeal.

A judgment on costs can be provisionally enforceable pending an appeal, if the court so decides.

Legal aid

Act No. 91-647 of 10 July 1991 provides for publicly funded legal aid which can be claimed by French individuals and not-for-profit organisations whose income is below a set amount. Legal aid can also be granted to residents of EU member states under the same conditions.

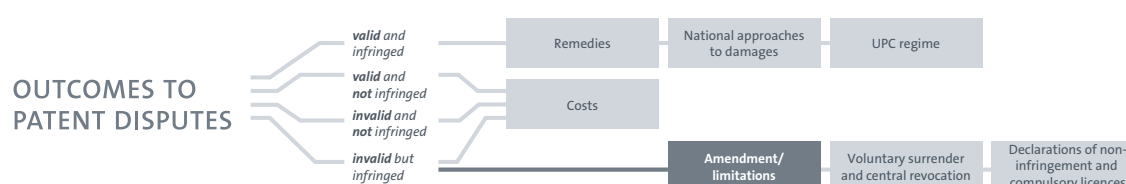
If the beneficiary is the claimant, he is only granted legal aid if the action under consideration is not manifestly inadmissible or unfounded.

Legal aid covers the representation costs (set at a fixed value) and the expenses of the beneficiary.

If the beneficiary's action is dismissed, he may be ordered to pay part or whole of the legal costs of his opponent.

Amendment/limitation of patents

Essentials



Introduction

This module deals with amendments to patents after grant (often known as limitation or reducing the scope of the patent). It does not cover amendments made to patent applications in the course of prosecution before the relevant patent office, nor amendments made in opposition proceedings by auxiliary requests before the European Patent Office (EPO), or before the national offices in countries where opposition is possible, such as Germany.

It focuses on how patents can be amended before the EPO and in the three countries of Germany, the UK¹⁷ and France.

Reasons for making amendments

After grant, if new relevant prior art is discovered (e.g. in the patentee's preparations for litigation) or is raised by an actual or prospective defendant, or if other attacks on validity are identified or raised, it may be useful to amend the patent. Although patentees will concentrate on defending their patents against these attacks, they will also consider whether the claims can be amended to avoid the attack.

Sometimes, when a claim is poorly drafted or is very broad, the patentee may want to amend it so that it focuses more precisely on commercially important aspects of the invention or makes proof of infringement

¹⁷ 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.

more straightforward. Such amendments are permitted in patent office limitation applications, but not in legal proceedings (including EPO oppositions), where they are only permitted in response to actual or expected invalidity arguments.

Main types of procedure

The main types of procedure are as follows:

- The simplest one is the limitation procedure before a patent office. The limitation procedure before the EPO was introduced by the Act of 29 November 2000 revising the European Patent Convention (EPC). This type of procedure also exists in Germany, the UK and (since 2009) France.
- Other limitation procedures involve a court, either on its own or together with a patent office. Such procedures exist in Germany, the UK and France.

Limitation/amendment always takes effect *erga omnes*, whether ordered by the EPO or a national office, or by a court in Germany, the UK or France, even where the amendment is in the context of *inter partes* proceedings.

The two main types of amendment are as follows:

- “Dependent claim” or “validating” amendments: the features of a subsidiary claim are incorporated into the main claim. They usually arise where the main claim is (or is alleged to be) invalid, but the subsidiary claim is (or the patentee argues that it is) valid. The new claim is in substance the same as the old subsidiary claim, and is part of the set of claims considered by the patent office. Such amendments are granted on a routine basis. They are sometimes referred to as “deleting claim 1” or “amending down to subsidiary claim number X”.
- “Rewriting” amendments: a new claim is proposed which does not have an exact counterpart in the existing claim set, but incorporates an additional feature disclosed in the specification as part of the invention (in Germany, such a feature may be disclosed in the drawings only).

Example

Claim 1 might be “Product comprising feature A plus feature B”, and claim 2 “Product of claim 1 plus feature C”. The amended claim is “Feature A plus feature B plus feature C”.

Example

The claim in the example above might be amended to “Feature A plus feature B having specific characteristic D”, where characteristic D is disclosed in the specification, but this combination of elements is not the subject of an existing claim.

Legal provisions

The EPC sets out certain requirements for amendments before and after grant. These are contained in Article 123(2) EPC (no added matter) and Article 123(3) EPC (no claim broadening in any amendment after grant). Any amended claim must also satisfy the requirements of Article 84 EPC (conciseness, clarity and support).

National limitation is governed by national laws, which embody all or parts of the above concepts, sometimes with a slightly different interpretation.

Amendable titles

The limitation procedure before the EPO is, of course, reserved for European patents. It takes effect for all national designations.

Amendments through national procedures, either before the national office or a national court, are possible not only for national patents but also for the national designation of European patents.

Correction of errors

In most jurisdictions, it is possible to correct errors in patent specifications under provisions separate from the provisions relating to the amendment of patents. Errors can only be corrected if it is manifest that there is an error, and what the correction should be.

Example

Limitation of the French designation of a European patent by the French Patent Office was admitted by the Paris *Cour d'appel* (CA) (Court of Appeal), division 5, chamber 2, in a decision of 1 July 2011, *Teva v INPI and Eli Lilly*.

Procedure: limitation before the patent office

Limitation before the EPO is governed by Articles 105a to 105c EPC.

Limitation/amendment before a national office is possible in all three countries which are the subject of this module: Germany, the UK and (following an Act of 4 August 2008) France.

The applicant

Requests for limitation may only be made by the patent proprietor (in practice, the duly authorised representative). If the patent is jointly owned, all the owners must join in the application. In France, registered rights owners, such as licensees, must consent to any amendment.

Types of amendment authorised

For limitation before the EPO, Rule 95(2) EPC states that the amendments brought to a claim must entail a limitation.

The Guidelines for Examination in the EPO expressly authorise the limitation of a dependent claim without limiting any independent claim. This also applies in France and the UK (in the UK, it is in theory possible to amend the specification or drawings only). In Germany, the limitation must be brought to the scope of the patent itself (i.e. at least one main claim must be limited).

Guidelines for Examination Scope of the examination

In all these systems, the limitation may comprise a “dependent claim” or “rewriting” amendment. Consequential amendments to the body of the specification are permitted (and may be required in the interests of clarity). In Germany, the specification must also be amended to identify any prior art that triggered the amendment.

The possibility of rewriting amendments in France was stated by the *Cour de Cassation* (CCass) (Ch. Com.), French Supreme Court, in its decision of 9 March 2013, *Syngenta v INPI*.

Formal requirements regarding the request

Limitation requests must include the limited claims requested and, where appropriate, the amended description and drawings. A fee is payable.

In Germany and the UK, the patentee must explain the reasons for the amendment and indicate why the amended claims are sufficiently disclosed in the description.

At the EPO and in France, the provision of reasons is optional.

Requirements checked by the patent office

In all these procedures, the patent office examines whether the amended claims satisfy the requirements for conciseness, clarity and support in the description, according to the EPC (at the EPO) or the relevant national law. It also examines compliance with the requirements set out above.

The patent office examines compliance with Article 123 (2) EPC (no added matter) (or equivalent provisions in national law), except in France, where added matter is a ground for revocation considered by the court.

The power to invalidate a limited patent for added matter belongs to the court within the framework of a claim or counterclaim for revocation (decision of the CCass, (Ch. Com.) of 30 May 2012, *Teisseire v Routin*).

In all these systems, the patent office examines “claim broadening” (Article 123(3) EPC or equivalent provisions in national law).

In none of the procedures discussed does the relevant patent office consider whether the amended claims satisfy the requirements of novelty, inventive step and sufficiency. These requirements can only be raised before a court in a counterclaim for revocation.

Exchanges between applicant and patent office

All the systems considered here allow the patent office to issue objections, to which the applicant may answer within a specified time limit.

Role of third parties

In all these systems, requests for limitation are, under certain circumstances, made available to third parties.

At the EPO and in France, third parties can submit observations, but in doing so they do not become parties to the procedure.

In Germany, if the amended patent does not mention any new prior art, third parties can file a request for file inspection to enable them to understand the reasons for the limitation.

In the UK, third parties may file a notice of opposition setting out why the amendment should not be allowed (the only possible grounds are lack of conciseness, clarity or support, added matter and claim broadening). Such an opposition can lead to a fully contested procedure, with statements

from witnesses, and a hearing at which the witnesses may be cross-examined.

When can limitation be requested?

Patentees can submit a request for limitation at any time. They can do so as soon as the patent has been granted, or even after it has expired. However, it is not possible to file a limitation request with the EPO while opposition proceedings are pending. In the UK, if proceedings for infringement or validity of the patent are pending, an amendment application must be made as part of these proceedings, so that the amendment is considered at the same time as the validity of the patent.

In Germany and France, requests for limitation may be submitted to the patent office while revocation or infringement proceedings are pending, regardless of the stage they have reached (first instance, appeal or the highest civil courts – the *Bundesgerichtshof* (German Federal Supreme Court) (BGH) and the *Cour de Cassation* (French Supreme Court) (CCass)).

Effect of limitation

In all these systems, the patent is amended *ab initio*, which means that the effect of limitation is retroactive (*ex tunc*).

The date on which the limitation becomes effective is the date when the decision is made public, although the way in which this is done varies from system to system.

Publication of a new patent specification

A new patent specification is published in all of the systems except France, where only the limited claims and the amended parts are recorded in the French patent register. This means that third parties can be aware of the amendment only by ordering an extract from the French national register relating to the patent concerned.

How many times?

There is no limit as to the number of times a limitation can be requested.

However, in France, patentees who make several limitations of their patents in a dilatory or abusive manner may be liable to damages or even a civil fine of up to EUR 3 000.

Appeal proceedings

Recourse against decisions of the patent office is available in all the systems discussed in this module. Appeals may be lodged either before the patent office or directly before a court, depending on the system concerned.

At the EPO, decisions refusing a request for limitation can be appealed before the boards of appeal within two months from notification of the decision.

In Germany, if the requested amendment is refused, the applicant can lodge an appeal before the *Deutsches Patent- und Markenamt* (German Patent and Trade Mark Office) (DPMA), which reviews the decision and has the power to amend it in full or in part. If it stands by its decision, it transfers the case to the *Bundespatentgericht* (German Federal Patent Court) (BPatG).

In the UK, appeals are lodged before a single judge of the Patents Court and, from there, with leave, with the Court of Appeal. Then there is still the possibility, rarely used, of an appeal, with leave, to the UK Supreme Court on a matter of law.

In France, an appeal seeking the invalidation of the decision of the Director of the *Institut national de la propriété industrielle* (French National Industrial Property Institute) (INPI) may be lodged before the *Cour d'appel de Paris* (Paris Court of Appeal) (CA), within one month of the decision's publication date in the *Bulletin officielle de la propriété industrielle* (French Official Bulletin of Industrial Property) (BOPI). There is also the possibility of appeal, rare in practice, before the *Cour de Cassation*, on a matter of law, against the decision of the CA.

Procedure: limitation procedures involving a court

Germany

Due to the bifurcated system in Germany, limitation must be done in either nullity or opposition proceedings. Basically, the same provisions apply as stated above. There is no requirement to file for (separate) limitation proceedings besides the legal proceedings either before the DPMA (opposition) or the BPatG (nullity proceedings).

In nullity or opposition proceedings the patentee usually defends the patent with auxiliary requests. These limited claims take prior art that was discovered during the litigation into account and try to change the scope of the patent with regard to that newly discovered prior art.

In contrast to office actions before the DPMA in opposition or nullity proceedings, the amended claims will not only be reviewed for their admissibility but also to ascertain if they are new and inventive.

UK

If a patent proprietor wishes to apply to amend a patent which is the subject of proceedings, either in the court or in the UK Intellectual Property Office (UK IPO) (revocation proceedings can be brought in the UK IPO as well as in the court), the application is made to the court (or UK IPO, where appropriate). If the application is made to the court, a copy must be served on the UK IPO, which will inform the court if it has any concerns in relation to the requirements for conciseness, clarity and support, or as to added matter or claim broadening.

The subsequent procedure is in essence the same as in a standalone application to the UK IPO, the timetable being aligned to the timetable in the existing proceedings.

An amendment in the course of proceedings is almost always sought as a response to an attack on the validity of the patent. The application to amend can be unconditional, or it can be conditional on the original claims being held invalid. Unlike the position in a standalone amendment proceeding, the application to amend can be refused if the amended claims are invalid.

Timing in the UK – “rewriting” amendments

If a patentee proposes a “rewriting” amendment, the court will need to consider whether it complies with the requirements for conciseness, clarity and support, and for no added matter or claim broadening. It will also need to decide whether the claims as proposed to be amended are valid.

The UK court considers the validity of the proposed amended claims at the same time as it considers the validity of the claims as originally granted, since it will be hearing the same witnesses and arguments about the same prior art and other grounds for invalidity.

The patent proprietor must therefore make the application to amend in sufficient time to permit the other party to prepare its evidence and arguments regarding the proposed new claims. The amount of time will depend on the complexity of the proposed amendments, but an amendment application filed less than one month before trial is likely to be too late.

For these reasons, a patent proprietor may not apply to make a “rewriting” amendment after the first instance judgment.

Timing in the UK – “dependent claim” amendments

In an action in the UK, before the parties start to prepare their evidence, the patent proprietor is required to identify which dependent claims of

the patent have “independent validity”, that is, which claims it contends are valid even if all the claims upon which they depend were invalid. The other party will then prepare evidence and arguments dealing with the alleged invalidity of these claims.

A “dependent claim” amendment in essence “amends down” to one (or more) of the claims which are asserted to be independently valid. Since the opposing party will in any event prepare its evidence and arguments to attack these claims, it does not need to be given as much advance notice of the proposed amendments as is the case with “rewriting” amendments.

Indeed, the court may decide that the patent is “partially valid”, that is, that the main claim is invalid, but that certain of the subsidiary claims, which the patent proprietor asserted to have independent validity, are indeed valid. In such a case, the court can grant relief in respect of the claims held to be valid, but it normally requires that a “dependent claim” amendment be made so that the claims held to have been invalid are removed. The court may also require (in the case of a European patent (UK)) that a corresponding limitation be made at the EPO.

Restrictions on remedies in the UK

If a patent is amended, the proprietor will not be awarded a pecuniary remedy in respect of infringements committed before the decision to allow the amendment unless it establishes (a) that the infringer knew or had reasonable grounds to know that he was infringing the patent (as amended, since the amendments take effect retrospectively from the date of grant); (b) that the patent as originally granted was framed in good faith and with reasonable skill and knowledge; and (c) that the proceedings were brought in good faith.

In a case of partial validity, the same things must be established before the patent proprietor can be awarded not only damages or an account of profits, but also costs.

France

Until the introduction in France, in 2008, of an *ex parte* limitation procedure before the INPI, the only possibility for an amendment of a granted patent was a court decision finding one or several claims partially invalid and ordering a claim amendment.

This possibility still exists, although it is rarely applied.

For French patents, Article L. 613-27 last paragraph of the *Code de la propriété intellectuelle* (French Intellectual Property Code) states that the

patent owner is referred to the INPI in order to submit an amended claim drafted in accordance with the judgment, and that the Director of the INPI has the power to reject the requested amendment for lack of compliance with the judgment.

For European patents, Article L. 614-12 does not mention any referral to the INPI: the limitation involves the court only.

Although French provisions still allow the court to find a claim partially invalid and to order its amendment, this option is almost never used.

Claim limitation within the framework of revocation or infringement proceedings does not call for special comments.

In contrast with limitation proceedings before the patent office:

- Debate in court makes it possible for the party challenging the validity of the patent to raise all grounds of nullity, against both the granted claims and the limited claims requested by the patentee.
- The court has jurisdiction to decide upon all nullity grounds.

Co-pending proceedings

Impact on revocation/infringement proceedings of an amendment procedure pending before a patent office

In Germany and France, if there are pending revocation or infringement proceedings (either at first instance or on appeal) and an amendment procedure is brought before a patent office (the EPO or national office) in respect of the same patent, one of the parties may ask the court to stay the revocation or infringement action until the outcome of the amendment procedure is known.

In Germany, the likelihood of a stay depends on the type of amendment. If the amendment is a “dependant claim” amendment, the infringement court will not usually stay the proceedings. If the amendment is a “rewriting” amendment, the courts may be inclined to stay the proceedings, as the wording of the claim has not yet been reviewed by any technical authority. The Düsseldorf *Landsgericht* (District Court) (LG) will be more reluctant to stay proceedings, as there the judges evaluate amended claims in detail. In contrast, the Mannheim LG is more likely to do so.

In France, the court will stay the proceedings in most cases, so that, at the main hearing, it does not have to consider claims subject to amendments which the patent office may not allow, unless the balance of interest is found in favour of the party resisting the stay.

Kühnen, Patent Litigation Proceedings in Germany, 7th edition, No. 1870

LG Mannheim, decision of 23.05.2006, 2 O 150/05; *Oberlandsgericht* (OLG), Higher Regional Court, Karlsruhe, decision of 13.7.2006, 6 W 52/06

The balance of interests is illustrated by the judgment of the Paris *Tribunal de Grande Instance* (TGI) (Regional Court), 3rd chamber, 3rd section, of 16 December 2011, *Routin v Teisseire*.

In the UK, the solution is quite different. The tribunal (court or patent office) which is dealing with the infringement/revocation proceedings must also decide the amendment application. If the amendment procedure is pending before the patent office when the infringement or revocation proceedings are started, it will be transferred accordingly.

If the amendment procedure is before the EPO, the UK court will stay first instance proceedings pending the decision of the EPO, or require the patentee to apply for the same amendment in the UK proceedings, depending on which will cause least delay.

If the EPO limitation is filed when an appeal is pending against a revocation decision, a “dependent claim” amendment can be made in the appeal proceedings. However, there is a problem if the EPO limitation is a “rewriting” amendment, since it is too late for such an amendment to be made in the UK proceedings. The case law indicates that if the evidence from the first instance trial covers the matters which the court would need to consider when assessing the limited claims, the appeal can be stayed until the EPO decision, and then proceed on the basis of the limited claims.

However, if to do this would cause too much delay, or if the evidence is insufficient, the court will proceed with the appeal on the basis of the original claims. In such a case, if the appeal upholds the original claims, then the claims as limited by the EPO will take effect. If the appeal fails, the patent will be revoked.

For European patents, is limitation possible while an opposition is pending before the EPO?

At the EPO, limitation applications may not be made if there is an EPO opposition pending.

In Germany, if a European patent is subject to national limitation proceedings as well as an EPO opposition, the scope of protection is limited to the common scope of the claims granted under each of the proceedings. There is no legal provision covering the situation in which this case happens. However, as both decisions will be rightfully handed down, they both need to be taken into account. Therefore, only that scope of protection which is granted in both decisions is valid. This is done in order to prevent misleading and contradicting decisions in the future.

BGH, 20.03.2001 – X ZR 177/98
“Trigonellin”

There is no reported case law in France relating to this scenario, but the solution adopted in Germany would be logical.

In the UK, a national amendment can be sought while an EPO opposition is pending. The result of the EPO opposition (claims amended pursuant to

auxiliary request, or patent revoked) will take effect in the UK unless the amended UK claims are narrower in scope, in which case the amended UK claims will continue to have effect. There is no reported case where the EPO and the UK IPO have allowed inconsistent amendments. If such a situation arose, the UK IPO would probably require the patentee to amend the claims so that they are not broader than either the EPO or the UK amended claims.

These scenarios may lead to a European patent having different claims for the various contracting states. However, this is a natural consequence of the European patent taking effect following grant as a bundle of independent national patents.

Is national limitation possible while an opposition or revocation claim is pending before the national patent office?

In Germany, both opposition and limitation procedures are handled by the DPMA. Processed independently, neither may be stayed to await the outcome of the other. However, if both proceedings are ready for decision at the same time, the DPMA may choose which to decide first, depending on how the proceedings can be resolved most simply.

In the UK, if there is a revocation claim pending in the UK IPO, an amendment application can only be made in the revocation proceedings; a separate amendment application is not permitted.

In France, the situation does not arise because oppositions or revocation claims at the INPI are not possible.

Amendment under the Unified Patent Court (UPC)

The UPC Agreement (UPCA¹⁸) does not specifically provide for the amendment or limitation of claims, but **Article 65**, which deals with the decision on the validity of the patent, stipulates that if the grounds for revocation only affect the patent in parts, the patent will be limited by a corresponding amendment of the claims.

Article 65 UPCA
Decision on the validity of a patent

The UPC will in any case decide on the amended version of the patent claims. It will decide not only on the admissibility of the request but also on the patentability (including novelty, inventive step and sufficiency) of the amended claims, and (if relevant) whether they are infringed.

¹⁸ You can consult all the texts of the UPC Agreement articles mentioned in this text at: www.unified-patent-court.org/sites/default/files/upc-agreement.pdf

Main applicable provisions

Limitation procedure before the EPO

Article 105a EPC

- (1) At the request of the proprietor, the European patent may be revoked or be limited by an amendment of the claims. The request shall be filed with the European Patent Office in accordance with the Implementing Regulations. It shall not be deemed to have been filed until the limitation or revocation fee has been paid.
- (2) The request may not be filed while opposition proceedings in respect of the European patent are pending.

Article 105b EPC

- (1) The European Patent Office shall examine whether the requirements laid down in the Implementing Regulations for limiting or revoking the European patent have been met.
- (2) If the European Patent Office considers that the request for limitation or revocation of the European patent meets these requirements, it shall decide to limit or revoke the European patent in accordance with the Implementing Regulations. Otherwise, it shall reject the request.
- (3) The decision to limit or revoke the European patent shall apply to the European patent in all the Contracting States in respect of which it has been granted. It shall take effect on the date on which the mention of the decision is published in the European Patent Bulletin.

Article 105c EPC

If the European patent is limited under Article 105b, paragraph 2, the European Patent Office shall publish the amended specification of the European patent as soon as possible after the mention of the limitation has been published in the European Patent Bulletin.

Germany

Section 64 *Patentgesetz* (German Patent Act) (PatG)

- (1) The patent can upon a request of the patentee be revoked or by change of the patent claims be limited with retroactive effect.
- (2) The request has to be made in writing and needs to be substantiated.
- (3) The request is dealt with by the patent division. Section 44(1) and Sections 45-48 are applicable. If the patent is revoked, this will be published in the Patent Office Journal. If the patent is limited, the order granting the request needs to modify the patent document according to the limitation; the modified patent document must be published.

UK

UK Patents Act 1977 (as amended)

General power to amend specification after grant

Section 27

- (1) Subject to the following provisions of this section and to section 76 below, the comptroller may, on an application made by the proprietor of a patent, allow the specification of the patent to be amended subject to such conditions, if any, as he thinks fit.
- (2) No such amendment shall be allowed under this section where there are pending before the court or the comptroller proceedings in which the validity of the patent may be put in issue.
- (3) An amendment of a specification of a patent under this section shall have effect and be deemed always to have had effect from the grant of the patent.
- (4) The comptroller may, without an application being made to him for the purpose, amend the specification of a patent so as to acknowledge a registered trade-mark.
- (5) A person may give notice to the comptroller of his opposition to an application under this section by the proprietor of a patent, and if he does so the comptroller shall notify the proprietor and consider the opposition in deciding whether to grant the application.
- (6) In considering whether or not to allow an application under this section, the comptroller shall have regard to any relevant principles under the European Patent Convention.

Amendment of patent in infringement or revocation proceedings

Section 75

- (1) In any proceedings before the court or the comptroller in which the validity of a patent may be put in issue the court or, as the case may be, the comptroller may, subject to section 76 below, allow the proprietor of the patent to amend the specification of the patent in such manner, and subject to such terms as to advertising the proposed amendment and as to costs, expenses or otherwise, as the court or comptroller thinks fit.
- (2) A person may give notice to the court or the comptroller of his opposition to an amendment proposed by the proprietor of the patent under this section, and if he does so the court or the comptroller shall notify the proprietor and consider the opposition in deciding whether the amendment or any amendment should be allowed.
- (3) An amendment of a specification of a patent under this section shall have effect and be deemed always to have had effect from the grant of the patent.

- (4) Where an application for an order under this section is made to the court, the applicant shall notify the comptroller, who shall be entitled to appear and be heard and shall appear if so directed by the court.
- (5) In considering whether or not to allow an amendment proposed under this section, the court or the comptroller shall have regard to any relevant principles applicable under the European Patent Convention.

Amendment of applications and patents not to include added matter

Section 76(3)

No amendment of the specification of a patent shall be allowed under section 27(1), 73 or 75 if it –

- (a) results in the specification disclosing additional matter, or
(b) extends the protection conferred by the patent.

France

Article L. 613-24 of the *Code de la propriété intellectuelle*

The owner of a patent may at any time surrender either the entire patent or one or more claims, or limit the scope of the patent by amending one or more claims.

The request for surrender or limitation shall be submitted to the National Institute of Industrial Property in accordance with the conditions laid down by regulation.

The Director of the National Institute of Industrial Property shall examine the request for its compliance with the regulations referred to in the foregoing paragraph.

The effect of the surrender or limitation shall be retroactive from the filing date of the patent application. (...)

Article R 613-45 of the *Code de la propriété intellectuelle*

(Decree No. 2008-1471 of 30 Dec. 2008, Art. 3)

The request for surrender or limitation shall be made in writing.

To be admissible, the request shall be:

1. Issued by the holder of the patent entered in the National Patent Register at the date of the request, or by its representative, which shall enclose with the request a special power of surrender or limitation, unless the representative is a patent attorney or an attorney-at-law.

If the patent belongs to several coowners, the surrender or limitation may only be effected if requested by all of them;

2. Accompanied by evidence of payment of the prescribed royalty fees;
3. Directed to only one patent;

4. Accompanied, where property rights, pledges or licences have been entered in the National Patent Register, by the consent of the holders of these rights;
5. Accompanied, when the limitation is requested, by the full text of the amended claims and, as the case may be, by the description and the drawings as amended.

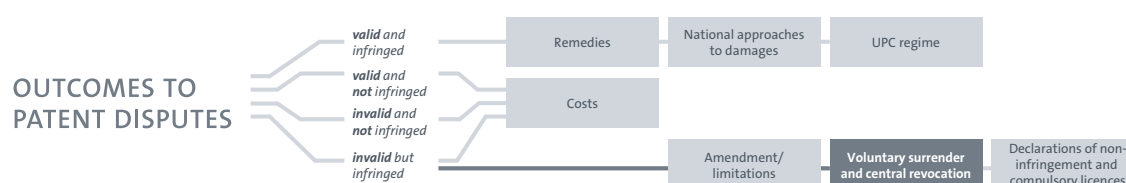
If, when the limitation is requested, the amended claims do not constitute a limitation in relation to the previous claims of the patent or if they do not comply with the provisions laid down in Article L. 612-6, a reasoned notification is made to the requester.

A time limit shall be specified within which it may amend its request or submit observations. If the requester fails to amend its request or to make observations permitting to lift the objection, the request is rejected by decision of the Director General of the National Institute of Industrial Property.

Surrenders and limitations are entered in the National Patent Register. An entry notice is addressed to the requester of the surrender or limitation.

Voluntary surrender of patents and central revocation at the EPO

Essentials



Introduction

Prior to 2007, when the European Patent Convention 2000 (EPC 2000) came into force, the only way in which the proprietor of a European patent could voluntarily cancel his patent was to do so at national level, where possible, under the relevant national rules. The provisions of the EPC 2000 introduced a mechanism by which a patent proprietor may request that his European patent be revoked anywhere in the EPC countries where it exists, by a single action (Article 105a EPC).

The existence of this revocation procedure under Article 105a EPC does not, however, preclude patent proprietors from following national procedures for surrender, nor does it prevent a proprietor from choosing to let his patent lapse through the non-payment of renewal fees, both of which remain viable options, especially if the patentee is seeking cancellation of his patent in certain contracting states only. However, the effect of patent revocation using these methods is very different. If a patent is allowed to lapse due to non-payment of renewal fees, or if it is surrendered in national proceedings (at least in the UK), its revocation does not have a retrospective effect (*ex nunc*). In contrast, if a patent is revoked by the central revocation procedure at the EPO, the revocation takes effect across Europe *ex tunc*. In other words, it is deemed to have never existed (Article 68 EPC). In certain circumstances, for example where fees have been paid to the proprietor under a licence agreement, this may be a commercially important distinction, then depending on the terms of the agreement.

Central revocation at the EPO – an overview

Because some European countries did not provide for the voluntary surrender of a patent, EPC 2000 introduced **Article 105a**, providing centralised limitation and revocation procedures at the level of the EPO, which allows the patent proprietor either to have the claims of his granted patent limited or to have the whole patent revoked for all its designated states. According to the *travaux préparatoires* (preparatory work), the purpose behind the implementation of the new procedures was to facilitate legal certainty and access to the relevant technology by competitors.

Central revocation at the EPO is an *ex parte* administrative procedure before the examining division. The procedure is available for all European patents, whether granted before or after the date on which EPC 2000 came into force (13 December 2007). The proprietor will not have to explain why revocation is sought, as this is not a discretionary remedy. Indeed, Rule 90 of the Implementing Regulations to the Convention on the Grant of European Patents expressly states that the purpose underlying the request is of no relevance to its allowability.

As indicated above, the effect of the central revocation of a European patent under Article 105a EPC is that the patent in question is deemed never to have existed, i.e. it is revoked *ex tunc* (Article 68 EPC). Further, the EPO revocation procedure is an “all or nothing” regime. It does not allow proprietors to request revocation in selected contracting states. It does, however, enable them to partly revoke their European patents by seeking limitation thereof.

In most cases, simply not paying the renewal fees would be a patent proprietor’s preferred approach (“lapse”). However, voluntarily revoking your own patent may be attractive if, for example, you wish to avoid the patent being challenged by third parties, or if there is a perceived antitrust risk associated with maintaining the patent (or corresponding supplementary protection certificates) or some other reason why cancellation of the patent is deemed desirable. In such circumstances a proprietor may request revocation via the central procedure, rather than allowing the patent to lapse, in order to achieve commercial certainty faster. It would take 19 months after the last renewal date of the patent for it to lapse with no chance of restoration.

There are no provisions for the surrender of a patent at the EPO. If a proprietor unambiguously declares to the EPO that he wants to abandon his patent, this is interpreted as being equivalent to a request that the patent be revoked under Article 105(a) EPC (see T 237/86 and EPO Guidelines for Examination D-VIII, 1.2.5).

Article 105(a) EPC

Request for limitation or revocation

(1) At the request of the proprietor, the European patent may be revoked or be limited by an amendment of the claims. The request shall be filed with the European Patent Office in accordance with the Implementing Regulations. It shall not be deemed to have been filed until the limitation or revocation fee has been paid.

(2) The request may not be filed while opposition proceedings in respect of the European patent are pending.

Article 105(b) EPC

Limitation or revocation of the European patent

(1) The European Patent Office shall examine whether the requirements laid down in the Implementing Regulations for limiting or revoking the European patent have been met.

(2) If the European Patent Office considers that the request for limitation or revocation of the European patent meets these requirements, it shall decide to limit or revoke the European patent in accordance with the Implementing Regulations. Otherwise, it shall reject the request.

(3) The decision to limit or revoke the European patent shall apply to the European patent in all the Contracting States in respect of which it has been granted. It shall take effect on the date on which the mention of the decision is published in the European Patent Bulletin.

Requests for limitation or surrender are governed by **Article 105b EPC** and Rules 90-96 of the Implementing Regulations to the Convention on the Grant of European Patents. Further guidance on the procedure is set out in the Guidelines, D-X.

Central revocation at the EPO – timing and procedure

Requests for surrender can be filed at any time after grant, after opposition proceedings, or even after the patent has expired. A request for surrender can be made even when national proceedings are afoot, in which case such national proceedings may or may not be stayed (depending on national practice) pending the outcome of the proprietor's request for surrender.

In contrast, requests for surrender cannot be filed if the patent is already subject to pending EPO opposition proceedings. In such circumstances, the request for surrender is deemed not to have been filed (Article 105(a) (2) EPC) and the fee returned. However, if a surrender request is made and subsequently opposition proceedings are initiated, the surrender proceedings will continue (in contrast to limitation proceedings), and the patent may be revoked and the opposition terminated. In such circumstances the opposition would only continue if the formalities of the request for surrender were not satisfied and the request rejected or withdrawn.

In order for a proprietor to request surrender of a European patent at the EPO, the patentee must file a formal request and pay a fee (currently EUR 520: Article 2(10) Rules Relating to Fees (RFees)). The request is not deemed filed until the fee has been paid. Nationals, residents or persons having their principal place of business in a contracting state who file in an official language of that state other than English, French or German benefit from a 20% reduction in fees (Article 14(1) RFees). If the request is made in a language other than English, French or German, it must be translated into one of those languages within a month of filing of the request, otherwise the request is deemed not to have been made (Rule 6(2) EPC).

The request will be checked by a formalities officer to ensure it complies with the requirements set out in Rule 92 EPC. These include providing the name, address and nationality, and state of residence or principal place of business of the person requesting the surrender. As well as the patent number, the request must indicate in which contracting states the patent has taken effect, even if in the meantime it has lapsed in one or more of those states (Rule 92(2)(b)). It must identify the contracting states for which the requester is the proprietor of the patent, and if the requester is not the proprietor in all the contracting states in which the patent

takes effect, the names and addresses of all proprietors must be provided together with evidence that the requester can act on their behalf. Due to the retroactive effect of surrender (Article 68 EPC), such evidence is also required in cases where the patent has lapsed in one or more of the contracting states. When the requester acts through a representative, the representative's details must also be provided.

Deficiencies in the request can be rectified within a prescribed time period (Rule 94 EPC) and decisions rejecting a request for surrender as inadmissible or not allowable are open to appeal. If, on the other hand, a request for surrender is admissible, the examining division will go ahead and revoke the patent. The decision takes effect on the date on which it is published in the Bulletin, and in all the patent's designated contracting states (Article 105b(3) EPC).

National proceedings: voluntary surrender

By way of contrast and to give an indication of the alternatives available under national law and procedure, the following information concerns the availability of and procedure for surrendering a patent nationally in the UK, Germany and the Netherlands.

UK

The effect of surrendering a patent in the UK is that the patent is deemed to cease to exist as of the date when notice of the Comptroller's acceptance of the surrender is published in the Official Journal. Surrender is therefore appropriate when the proprietor no longer wishes to maintain a patent but equally does not accept that the patent is invalid and ought to be revoked. Surrendering a patent, rather than consenting to surrender in court proceedings, would be attractive to a proprietor when licence payments or royalty payments have previously been made – if the patent was revoked, it would mean that the patent would be deemed to have never existed, and any payments made under that patent could be put at risk. Nevertheless, the procedure is not commonly used and only 14 applications to surrender were made in 2014 in the UK.

In the UK, the surrender of patents is governed by **Section 29** of the Patents Act 1977, and the procedure governed by **Rule 42 of the Patents Rules**.

Although patentees must notify the Comptroller of Patents in writing if they wish to surrender their patent, there is no need for them to state the motivation for the surrender and no fee is required.

Section 29 UK Patents Act 1977 Surrender of patents

- (1) The proprietor of a patent may at any time by notice given to the comptroller offer to surrender his patent.
- (2) A person may give notice to the comptroller of his opposition to the surrender of a patent under this section, and if he does so the comptroller shall notify the proprietor of the patent and determine the question.
- (3) If the comptroller is satisfied that the patent may properly be surrendered, he may accept the offer and, as from the date when notice of his acceptance is published in the journal, the patent shall cease to have effect, but no action for infringement shall lie in respect of any act done before that date and no right to compensation shall accrue for any use of the patented invention before that date for the services of the Crown.

Patents Rule 42 Surrender

The notice of an offer by a proprietor to surrender a patent must be in writing and include:

- (a) a declaration that no action is pending before the court for infringement or revocation of the patent; or
- (b) where such an action is pending, the particulars of the action.

Any offer to surrender a patent must be published in the Patents Journal and can be opposed by any third party for a four-week period after publication (Patents Rules 76(2)(b)). The practice on opposition is governed by Part 7 of the Patents Rules 2007. An opponent would most likely be a licensee of the patent who wanted to protect his business from competitors, or a party who would benefit from the patent being revoked *ab initio* rather than from the date of surrender (for example a past payer of licence fees or royalties – see above).

Although the procedure is not very common, there have been a few recent cases before the UK Comptroller of Patents which illustrate the nuances and differences between a patent being revoked (*ex tunc*) and surrendered (*ex nunc*). If an action to revoke the patent is on-going before the UK courts,¹⁹ the Comptroller must decide whether to stay the surrender request until those proceedings are concluded (or at least until the Court is notified and has considered the implications of a surrender).

In BL O/360/14 (*Genentech Inc's Patent*) and BL O/475/02 (*Dyson*), the hearing officer found that in certain circumstances it may be appropriate to accept an offer to surrender while a surrender action is in progress, although it was acknowledged that staying the offer to surrender pending resolution of the national proceedings was the more usual course of action. The hearing officer gave the following reasons for allowing surrender notwithstanding parallel surrender proceedings in *Genentech Inc's Patent*:

- (i) The claimant and the court were both aware of the offer to surrender made by the patent-holder.
- (ii) No-one, including the claimant, had opposed the surrender.
- (iii) The court was aware of the offer to surrender and had expressed the view that it should/would continue.
- (iv) Accepting the offer to surrender in relation to one of the three patents in the revocation proceedings would not adversely affect the action and would actually simplify matters.
- (v) The claimant and the court, although they did not state it expressly, had proceeded on the assumption that the offer of surrender would be accepted.

Germany

The *Patentgesetz* (German Patent Act) (PatG) provides for two different mechanisms that allow a patentee to unilaterally remove a patent: waiver and revocation. While a waiver has effect *ex nunc*, revocation will be effective *ex tunc*.

¹⁹ 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.

Waiver (Section 20 PatG)

According to Section 20 PatG, a patent may lapse either following a “waiver” by the patentee or because of unpaid renewal fees (“lapse”).

For a waiver, the patentee has to file a written declaration with the *Deutsches Patent- und Markenamt* (DPMA) (German Patent and Trademark Office). In order to be entitled to declare a waiver, he must be registered in the patent register as the owner of the patent.

However, the declaration of waiver does not have to be expressly referred to as a declaration of waiver. It is sufficient if the declaration’s intent is clear.

A waiver may be declared for the patent in total or for independent parts thereof, such as a single claim (BGH, GRUR (1962), 294, 295/296 – “*Hafendrehkran*”). In this respect, it is worth mentioning that the waiver declared for a main claim does not automatically comprise a waiver for dependent sub-claims. Thus, all claims that should be waived have to be specifically mentioned.

The waiver is effective *ex nunc*. As a consequence, claims for injunctive relief and/or destruction cease to be available after the effective date of waiver. However, damage claims for the time before the effective date of waiver remain available. Concurrently, the validity of the patent may still be attacked in nullity proceedings in order to obtain a declaratory judgment on invalidity for the time before the effective date of waiver.

A waiver is possible even if nullity or opposition proceedings are pending against the patent. The continuation of such pending proceedings depends on whether the plaintiff can establish a sufficient legal interest in such proceedings despite the waiver. Such legal interest may be based on exposure to damage or indemnification claims for the time period before the waiver became effective.

The patent may lapse not only following a waiver of the patentee but also due to failure to pay the renewal fees (Section 20(1), second sentence, PatG). The effects of a waiver apply in the same way in such a situation.

Surrender and voluntary limitation of claims (Section 64 PatG)

According to Section 64(1) PatG, patentees may request the revocation of their patents.

According to Section 64 PatG, the patentee may be able to initiate a change of the claims of the granted patent, but not of the description. The difference between this and a waiver under Section 20 PatG is that “revocation” or limitation operates *ex tunc*.

In particular where the patent is being revoked in part, i.e. where its claims are being limited, the patentee must provide the reasons for the limitation, e.g. a notice of relevant new prior art. The DPMA will review the request in order to exclude undue claim broadening.

Section 20 PatG

Lapse of the patent

(1) A patent shall lapse if

1. the patentee waives it by written declaration to the Patent Office;
2. the annual fee or the difference are not paid in due time (Section 7(1), Section 3(3) or Section 14(2) and (5) *Patentkostengesetz* (Patent Cost Act), Section 23(7), sentence 4, of this Act).

(2) The decision whether the payments have been made in due time shall rest solely with the Patent Office; Sections 73 and 100 shall remain unaffected.

Section 64 PatG

(1) A patent may be revoked at the request of the patentee or limited with retroactive effect by amending the patent claims.

The Netherlands

The surrender of a patent under Netherlands law is governed by **Article 63 *Nederlandse Octrooiwet*** (Netherlands Patents Act). In principle, the surrender will have retroactive effect, in line with the provisions in **Articles 75(5) to (7)** on revocation.

The *ex tunc* effect of surrender lies in the fiction that the proprietor will be presumed never to have had a right to enforce the patent or collect reasonable compensation in the interval between the filing of the application and the grant of the patent.

However, the retroactive effect does not extend to court decisions based on the surrendered patent, or to agreements regarding the patent, such as licences. A licence to a surrendered patent does not lose its legal basis. Nevertheless, the circumstances of the case might call for a repayment of a portion of the license fees.

Surrender will only be effected after registration of a deed from the patent proprietor, raising the (partial) surrender of his patent. Article 63(2) further states that the *Octrooi Centrum Nederland* (Netherlands Patent Office) will not register such a deed without the consent of persons or entities that:

- (a) have registered rights or licences with regard to that patent; or
- (b) are a party to court proceedings regarding that patent.

Apart from licences, other registered rights affecting a patent include encumbrances such as pledges and attachments. In the Netherlands licences do not have to be registered in the patent register. Registration is, however, required for the licensee to be able to raise a patent action against third parties.

Whereas the rights under (a) are apparent from the patent register, the *Octrooi Centrum Nederland* (Netherlands Patent Office) does not have records of all pending patent proceedings under (b). The writ of summons initiating revocation proceedings before the Netherlands courts must be registered, but counterclaims raising the invalidity of a patent in suit are not necessarily registered. A party can register its counterclaim for invalidity with the Netherlands Patent Office in order to obtain protection against surrender of the patent in issue.

Article 63 *Nederlandse Octrooiwet* (Netherlands Patents Act)

1. A patent holder may surrender his patent in whole or in part. The surrender of the patent shall be effective retroactively in accordance with **Article 75(5) to (7)**.
2. The surrender shall be effected by registering a deed to that effect in the patent register. The Office shall not register the deed as long as there are persons who, by virtue of documents entered in the patent register, have registered rights in respect of the patent or have received licences or have commenced legal proceedings concerning the patent and such persons have not consented to the surrender.

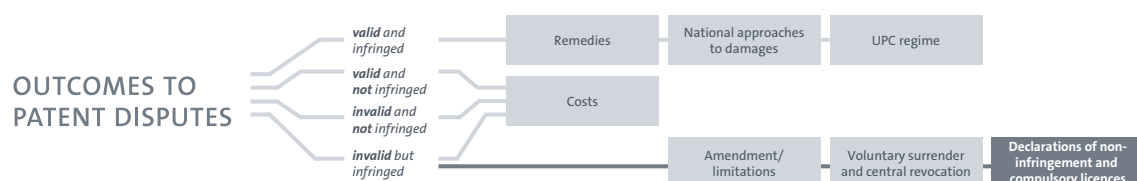
Article 75 *Nederlandse Octrooiwet* (Netherlands Patents Act)

[...]

5. A patent shall be deemed from the outset not to have had any or some of the legal effects specified in Articles 53, 53a, 71, 72 and 73 to the extent that the patent has been wholly or partially invalidated.
6. The retroactive effect of the invalidation shall not extend to:
 - a. a decision, other than one granting injunctive relief, relating to acts that infringe the exclusive right of the patent holder referred to in Article 53 and 53a or relating to the acts referred to in Articles 71, 72 and 73 that have acquired the force of *res judicata* and have been enforced prior to the invalidation; or
 - b. any agreement concluded prior to the invalidation insofar as it has been performed prior to the invalidation; however, in the interest of equity the repayment of sums paid under the agreement may be claimed to the extent justified under the circumstances.
7. For the purposes of paragraph (6)(b), the conclusion of an agreement shall also be deemed to include a licence created in another manner provided for in Article 56(2), 59 or 60.

Declarations of non-infringement and compulsory licences

Essentials



Declarations of non-infringement

Introduction

A patent permits its holder, the patentee, to exclude third parties, for a limited time and upon disclosure of the invention to the public, from doing certain acts without his consent.

This right to exclude may be regarded by third parties acting in good faith as a threat to the continuity of their business. A third party may therefore benefit from a declaration by a court that a given product or process does not amount to an infringement of the patent.

Consequently, some countries have enacted in their patent and/or procedural law provisions which allow a third party to seek declaratory relief from a national court, whereby the court will state whether or not a given embodiment is outside the scope of a given patent.

Such declaratory relief and declaratory procedures are usually referred to as involving a declaration of non-infringement.

Definition

A declaration of non-infringement is a legally binding adjudication by which a third party involved in or anticipating a possible or actual

infringement dispute may ask a court to rule on its freedom to perform acts which might otherwise be at risk of being considered infringements.

A third party will typically provide a written description of a specific embodiment of a product or process and request that the court hold such embodiment as not falling within the claims of a patent of another party.

The effect of such declaratory relief is to allow the third party seeking the relief to gain legal certainty so that it may freely operate without fear of an infringement action.

Legal basis

There is no international treaty or arrangement dealing with declarations of non-infringement and there are no European Union directives or regulations harmonising this specific right of action.

Such provisions exist in national law.

Some countries have relevant **statutory provisions** in their patent law. This is the case in France, where the declaration of non-infringement was introduced by Law No. 84-500 of 27 June 1984, now codified in **Article L. 615-9 of the *Code de la propriété intellectuelle*** (French Intellectual Property Code).

Statutory provisions
→ see below

Some countries have civil procedure rules allowing declaratory actions or negative actions for declaratory judgment, thus enabling declaratory actions of non-infringement to be made. This is the case in Germany (**Section 256 *Zivilprozessordnung*** – German Code of Civil Procedure), Italy (**Article 100 *Codice di Procedura Civile*** – Italian Code of Civil Procedure) and the Netherlands (**Article 3:302 *Nederlands Burgerlijk Wetboek*** – Netherlands Civil Code).

Some common law jurisdictions, such as the UK, have relevant statutory provisions (**Section 71 of the Patents Act 1977**). A court²⁰ may also (separately) grant such a negative declaration under its inherent equitable jurisdiction.

Article L.615-9 *Code de la propriété intellectuelle* (French Intellectual Property Code)

Any person who proves exploiting industrially on the territory of a Member State of the European Economic Community, or real and effective preparations to that effect, may invite the owner of a patent to take position on the opposability of his title against such industrial exploitation, the description of which shall be communicated to him.

²⁰ 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.

If such person disputes the reply that is given to him or if the owner of the patent has not taken position within a period of three months, he may bring the owner of the patent before the Court for a decision on whether the patent constitutes an obstacle to the industrial exploitation in question, without prejudice to any proceedings for the nullity of the patent or subsequent infringement proceedings if the working is not carried out in accordance with the conditions specified in the description referred to in the above paragraph.

Section 256 *Zivilprozessordnung* (Code of Civil Procedure)

- (1) A complaint may be filed to establish the existence or non-existence of a legal relationship, to recognize a deed or to establish that it is false, if the claimant has a legitimate interest in having the legal relationship, or the authenticity or falsity of the deed, established by a judicial ruling at the court's earliest convenience.
- (2) Until the closure of the hearing subsequent to which the judgment will be handed down, the claimant may petition, by extending the claim, and the defendant may petition, by bringing counter-claims, that a legal relationship that has become a matter of dispute in the course of the court proceedings be acknowledged by judicial ruling if the decision on the legal dispute depends, either wholly or in part, on such legal relationship existing or not existing.

Article 100 *Codice di Procedura Civile* (Italian Code of Civil Procedure)

In order to state a claim or to oppose the same, the claimant and the opponent must have a legitimate interest.

Article 3:302 *Nederlands Burgerlijk Wetboek* (Netherlands Civil Code)

Upon the demand of a person directly involved in a juridical relationship the court shall render a declaratory decision in respect of such juridical relationship.

Article 3:303 *Nederlands Burgerlijk Wetboek* (Netherlands Civil Code)

A person has no right of action where he lacks sufficient interest.

Section 71 UK Patent Act 1977

- (1) Without prejudice to the court's jurisdiction to make a declaration or declarator apart from this section, a declaration or declarator that an act does not, or a proposed act would not, constitute an infringement of a patent may be made by the court or the comptroller in proceedings between the person doing or proposing to do the act and the proprietor of the patent, notwithstanding that no assertion to the contrary has been made by the proprietor, if it is shown -
 - (a) that that person has applied in writing to the proprietor for a written acknowledgment to the effect of the declaration or declarator claimed, and has furnished him with full particulars in writing of the act in question; and
 - (b) that the proprietor has refused or failed to give any such acknowledgment.
- (2) Subject to section 72(5) below, a declaration made by the comptroller under this section shall have the same effect as a declaration or declarator by the court.

Procedure

Formal requirements

In France (and under the statutory provisions in the UK), the third party must first write to the patentee, describing its product or process and asking whether the patentee intends to oppose the product/process on the basis of claims in a specific patent or patents.

The product or process described thus becomes the subject-matter of the discussion and of possible future proceedings between the parties.

In the UK, at the time of making the request for acknowledgement of non-infringement, the third party must provide “full particulars” of the product or process concerned. In order to invoke the UK court's inherent jurisdiction, it is usually necessary for infringement proceedings to be ongoing or threatened.

In Germany and Italy, it is understood that the third party should receive a warning or cease and desist letter from the patentee before it can move to apply in court for a declaration of non-infringement.

Timeline

In France and the UK, before initiating court proceedings seeking a declaration of non-infringement, third parties must first go through a preliminary phase by writing to the patentee and furnishing particulars. If the patentee makes it clear that the product or process described is not free of risk of infringement, then the third party has standing to apply for a declaration of non-infringement.

In France, if the patentee does not answer within three months, the third party may apply in court for the declaratory relief it seeks. In the UK, no such minimum time is set, and the third party may apply to the courts if the patentee has failed to give the acknowledgement sought. In practice, the court will expect a reasonable period to have elapsed to allow the patentee to consider the request.

In other countries, such as Germany, Italy and the Netherlands, there does not appear to be any time limit set by courts between the time when a third party receives a warning letter or cease and desist letter from a patentee and the time when it may apply for a declaratory action of non-infringement.

Substantive requirements

In France, it is necessary for the third party to provide evidence of relevant industrial exploitation, or at least effective and serious preparation to that effect, in the European Union. Courts consider that the term “industrial exploitation” must be understood as manufacturing, and that mere commercialisation or importation of a product or process does not meet the requirement of industrial exploitation.

No such requirement seems to exist under Italian law or under the UK statutory provision. The UK court has a broad discretion as to whether to accept jurisdiction to hear a claim under its inherent jurisdiction. Nevertheless, the third party should be able to demonstrate a “real interest” to the court in order to justify the negative declaratory relief sought. In the Netherlands, said party should show a “sufficient interest”.

In Germany, the third party has at least to be at risk of an “*Erstbegehungsgefahr*” (first violation) of German law before it can initiate an action for declaration of non-infringement.

Compulsory licences

Introduction

Patents are generally understood to be an incentive for further innovation. It is agreed that whilst a right to exclude is inherent in the exercise of a patent, such right should not be the source of less industrial or commercial activity on the market for operators acting in good faith.

It was the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) signed in Marrakesh on 15 April 1994, which, at **Article 31**, introduced at the international level a possible authorisation, on a case-by-case basis, of the use by a third party of a patented subject-matter.

Article 31 TRIPS
→ see below

Within the framework of these international provisions, most European countries enacted in their domestic patent law provisions allowing a third party to judicially request a compulsory licence to work a patent which they need or wish to put into practice.

Antitrust laws may be more suitable/effective than compulsory licensing provisions for dealing with patent implementation issues (e.g. if the patentee acts anti-competitively or could be said to be abusing a dominant position in the market).

Grounds

Two main grounds for being granted a compulsory licence, found in Germany, Italy, the United Kingdom, the Netherlands and France, are non-use of the patent and the dependency of one patent on another. Additionally, the Netherlands and France have specific provisions for public interest licences (public health, national defence). In Germany, public interest is one of the requirements for obtaining a compulsory licence.

As regards public health, the Doha Declaration (adopted by the WTO in 2001) led to the adoption of Article 31bis TRIPS, relating to the manufacture and sale of pharmaceutical products intended for export to WTO members with insufficient or no manufacturing capacities in the pharmaceutical sector. At European Union level, this resulted in Regulation (EC) No. 816/2006 of 17 May 2006.

Requirements

As regards the requirements for the grant of a compulsory licence, in most jurisdictions the potential infringer needs to approach the patentee to try to obtain a commercially realistic licence before making an application. Regarding compulsory licences for dependency, such a requirement does not exist in France and the Netherlands.

With the exception of Germany, a moratorium is set by law once the patentee has been approached and before the interested third party is allowed to apply for a compulsory licence.

In the case of an application for a compulsory licence on the grounds of dependency of a junior patent on a senior patent, in France, Germany, the UK and the Netherlands, the invention of the third party should include an important technical advance in comparison with the invention in the senior patent.

Procedure and order

In most jurisdictions, if the potential infringer made an application whilst infringement proceedings were taking place, the application may be either stayed pending the outcome or decided within the same proceedings. If the product was found to infringe, the granted licence would be valid from the date of the outcome of the application/proceedings and the infringer liable to pay damages for any infringing acts up to that point. In Italy, prior infringing acts may preclude the grant of a compulsory licence unless the infringer shows it committed such acts in good faith (i.e. on reasonable belief that it was not infringing the patent).

Upon grant of a compulsory licence by the court, the patentee will be entitled to receive royalties taking the commercial value of the compulsory licence into consideration.

The terms and conditions under which compulsory licences are granted are set by the authority granting the licence, which may be the national patent office. In most of the jurisdictions concerned, such conditions may be reviewed periodically by the authority, upon request by a party.

Compulsory licences are by their nature non-exclusive.

Article 31 TRIPS

Where the law of a Member allows for other use (7) of the subject matter of a patent without the authorisation of the right holder, including use by the government or third parties authorised by the government, the following provisions shall be respected:

- (a) authorisation of such use shall be considered on its individual merits;
- (b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorisation from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;
- (c) the scope and duration of such use shall be limited to the purpose for which it was authorised, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive;
- (d) such use shall be non-exclusive;
- (e) such use shall be non-assignable, except with that part of the enterprise or goodwill which enjoys such use;
- (f) any such use shall be authorised predominantly for the supply of the domestic market of the Member authorizing such use;
- (g) authorisation for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorised, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;
- (h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorisation;
- (i) the legal validity of any decision relating to the authorisation of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;
- (j) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;
- (k) Members are not obliged to apply the conditions set forth in sub-paragraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the authority to refuse termination of authorisation if and when the conditions which led to such authorisation are likely to recur;
- (l) where such use is authorised to permit the exploitation of a patent ("the second patent") which cannot be exploited without infringing another patent ("the first patent"), the following additional conditions shall apply:
 - (i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;
 - (ii) the owner of the first patent shall be entitled to a cross-licence on reasonable terms to use the invention claimed in the second patent; and
 - (iii) the use authorised in respect of the first patent shall be non-assignable except with the assignment of the second patent.

Authors

Block 1

Dr. Matthew Fisher, *University College London*
Dr. Penny Gilbert, *Powell Gilbert LLP*
Ruprecht Hermans
Henrik Holzapfel, *McDermott Will & Emery*
Dr. Kaya Köklü, *Tigges Rechtsanwälte*
Dr. Matthias Lamping, *Max Planck Institute for Innovation and Competition*
Dr. Sylvie Nérissou, *Max Planck Institute for Innovation and Competition*
Isabelle Romet, *Interspheris SAS*

Block 2

Camilla Balleny, *Carpmaels & Ransford*
Bas Berghuis, *Simmons & Simmons*
Yves Bizollon, *Bird & Bird*
Ulrich Blumenröder, *Grünecker Patent und Rechtsanwälte*
Graham Burnett-Hall, *Marks & Clerk*
Giovanni Casucci, *Dentons Europe Studio Legale Tributario*
Marc Döring, *Allen & Overy*
Martin Fähndrich, *Hogan Lovells*
Ina vom Feld, *Simmons & Simmons*
Nicholas Fox, *Simmons & Simmons*
Penny Gilbert, *Powell Gilbert LLP*
Klaus Haft, *Hoyng Rokh Monegier*
Johannes Heselberger, *Bardehle Pagenberg*
Christian Hilti, *Rentsch & Partner*
Ian Kirby, *Carpmaels & Ransford LLP*
Nicolai Lindgreen, *Kromann Reumert*
Catherine Mateu, *Armengaud & Guerlain*
Peter Meyer, *Simmons & Simmons*
Miquel Montana Mora, *Clifford Chance*
Kevin Mooney, *Simmons & Simmons*
Tilman Müller-Stoy, *Bardehle Pagenberg*
Christian Osterrieth, *Hoyng Rokh Monegier*
Bas Pinckaers, *Van Doorne*
David Por, *Allen & Overy*
Wouter Pors, *Bird & Bird*
Richard Price, *JAMS International*
Clemens Rüebel, *Norton Rose Fulbright LLP*

Michael Schramm, *2s-ip Schramm Schneider Bertagnoll Part mbB*
Steffen Steininger, *Hogan Lovells*
Christian Stoll, *Hogan Lovells*
Eszter Szakács, *Sár and Partners*
József Tálas, *Sár and Partners*
Cordula Tellmann-Schumacher, *Arnold Ruess Rechtsanwälte*
Tankred Thiem, *LGV Avvocati*
Gregoire Triet, *Gide, Loyrette, Nouel*
Anders Valentin, *Horten*
Bruno Vandermeulen, *Bird & Bird*
Ignace Vernimme, *Stibbe*
Alex Wilson, *Powell Gilbert LLP*

Block 3

Sabine Age, *Véron & Associés*
Camilla Balleny, *Carpmaels & Ransford*
Yves Bizollon, *Bird & Bird*
Ulrich Blumenröder, *Grünecker Patent und Rechtsanwälte*
Jochen Bühling, *Krieger Gentz Mes & Graf v. der Groeben*
Giovanni Casucci, *Dentons Europe Studio Legale Tributario*
Steven Cattoor, *Hoyng Rokh Monegier*
Nicholas Fox, *Simmons & Simmons*
Rowan Freeland
Alexander Haertel, *Kather Augenstein*
Tobias Hahn, *Hoyng Rokh Monegier*
Martin Köhler, *Hoyng Rokh Monegier*
Marjan Noor, *Allen & Overy*
Laura Orlando, *Herbert Smith Freehills*
Scott Parker, *Simmons & Simmons*
Hilary Pearson, *Former Of Counsel at Bird & Bird*
Bas Pinckaers, *Van Doorne*
Dr. Clemens Plassmann, *Hogan Lovells*
Wouter Pors, *Bird & Bird*
Paul Reeskamp, *DLA Piper*
Isabelle Romet, *Interspheris SAS*
Stanislas Roux-Vaillard, *Hogan Lovells*
Clemens Rüebel, *Norton Rose Fulbright LLP*
Agata Sobol, *Franzosi & Partners*

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Planning and co-ordination
María Oliete Ballester, European Patent Academy
Mauricio Troncoso Reigada (Block 1)

Responsible for editing
Michael Fysh QC SC
María Oliete Ballester, European Patent Academy
Marielle Piana, European Patent Academy

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