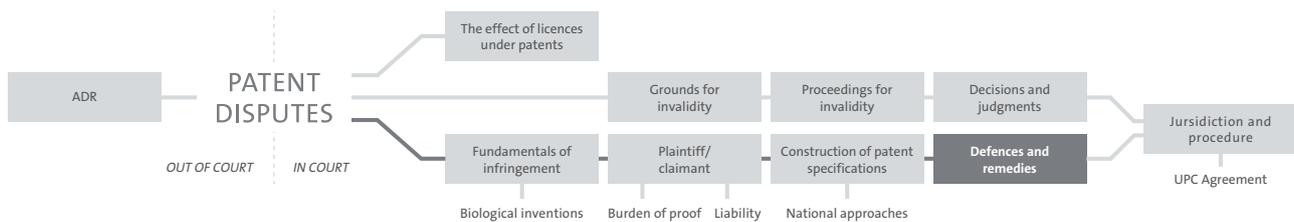


Defences and remedies

Essentials



If infringement is established, there will normally be a remedy for the patentee against the infringer. There are, however, circumstances when that will not be the case, either because the scope of the patent has been limited by law, or because a statutory defence is available to the infringer.

TRIPS Article 30 and the Community Patent Convention (CPC)

Article 30 of the TRIPS Agreement states that member states can introduce limited exceptions to the scope of the granted patent. Such exceptions must, however, protect:

- the “normal exploitation” of the patent
- the legitimate interests of the patentee
- the legitimate interests of third parties

It is in light of the above that Article 27 CPC should be considered. Article 27 CPC provides the basis for most of the statutory defences provided by the member states. Indeed, the cases referred to below (founded on national laws) are discussed as if they had arisen out of Article 27: the language is very similar, and the judgments are analogous.

Article 27 CPC states that patents covered by the CPC will not extend to certain actions by a potential infringer. It should be noted that this is a limit on the scope of the patent, rather than a defence as such (i.e. a legal excuse for an otherwise infringing act). In comparison, where an act falls under one of the statutory exceptions, it is statutorily defined as not infringing in the first place.

TRIPS Article 30

Exceptions to Rights Conferred

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

Community Patent Convention (CPC)

The CPC was signed December 15, 1975 in Luxembourg and was meant to create a unitary patent for all EU member states. Because it has not yet been ratified by all the signatory states it has not yet come into force.

There are three primary heads of defence under the CPC: (i) private use, (ii) medical and experimental use, and (iii) ships, vehicles, and aircraft, each of which is considered in turn below.

Private use

Article 27(a) CPC states that acts done privately and for non-commercial purposes are not within the scope of patent protection.

The meaning of “done privately” has not been considered by the German or UK courts¹⁰ very often, possibly because truly “private” infringements are unlikely to be litigated or of great concern. One of the few English cases to consider the question of “done privately” is *Smith Kline & French v Evans Medical Ltd.* In that case, Aldous J made it clear that the expression “done privately” does not simply mirror “secretly” or “confidentially”. The question is rather whether the act complained of was done “for the person’s own use”.

Perhaps as a consequence of this definition, the private nature of a particular action is often elided with the second item of the clause: commercial use.

Accordingly, it is typically in terms of commerce that many of the cases are made out, and here the language, as Aldous J wrote in *Smith Kline & French*, “does not need explanation and clearly includes any commercial purpose”. Nevertheless, the German courts clarified that in each case all the particular circumstances need to be considered. In particular, “commercial purposes” should be interpreted fairly broadly. So, for example, the use of a patented lamp in a waiting room of a physician’s clinic qualifies as “commercial purposes” within the meaning of this exception.

In *Smith Kline & French*, the judge was required to go further and consider a case where there was a non-commercial purpose, but also a commercial gain. The test promulgated for such a circumstance is a subjective one, in order to determine what the purposes of the private use were. If at least one of the purposes was commercial, then the “private use” defence is not available.

Article 27(a) CPC

The rights conferred by a Community patent shall not extend to:
(a) acts done privately and for non-commercial purposes

Smith Kline & French v Evans Medical Ltd.
[1989] FSR 513, 517

See, for example, *Merrell Dow Pharmaceuticals v HN Norton & Co* [1996] RPC 76 (HL)

Smith Kline & French v Evans Medical Ltd.
[1989] FSR 513, 517

BGH, GRUR 2009, 871 – “Internet-Plattform”

BGH, NJW 1968, 197 – “Glatzenoperation”

Smith Kline & French v Evans Medical Ltd.
[1989] FSR 513, 516

¹⁰ The EPC and the UK Patents Act 1977 (as amended) apply equally to all parts of the United Kingdom. Jurisdictionally, however, the United Kingdom is divided into three parts: England and Wales, Scotland, and Northern Ireland. Proceedings in the Scottish courts differ markedly from those in the other jurisdictions.

Experimental and medical use

Articles 27(b) and (c) CPC relate to experiments and medical uses respectively. In some respects, these articles are the most interesting “non-commercial” uses.

Article 27(b) permits acts “done for experimental purposes relating to the subject-matter of the patented invention”. In ***Monsanto v Stauffer Chemical Co***, it was held by the English Court of Appeal that this part of the test was not limited in the same way as Article 27(a) to non-commercial purposes. Whilst a party is not allowed to financially benefit from the experiments, during the period of the patent, the Court of Appeal thought that if this provision were to be binding, it was necessary to permit such experiments, even though the potential infringer might have profits in mind which will only be made at the end of the patent’s term. The court held that for defence to apply, the experiment must be for the purpose of finding out something new about the patented invention.

More recently, in ***CoreValve v Edwards***, it was reiterated that whilst the fact that an experiment is conducted in ultimate contemplation of commercial gain does not mean that the experimental exception cannot apply, if the envisaged commercial gain is immediately realisable, the exception will not apply. In this case, the experiment was found to have been done primarily to “generate revenue”. As such, the defence failed.

A similar test is applied for contract manufacturers. In ***Inhale v Quadrant*** it was found that Quadrant, who had conducted the experiments primarily in contemplation of trying to exploit and sell its technology to third parties, could not invoke the defence.

With respect to permitted medical uses, the CPC allows the extemporaneous preparation for individual cases in a pharmacy of medicine in accordance with a medical prescription, and the administration of the medicine produced.

Bolar exemption

What is important to consider here is the Bolar exemption, named after a case of the Court of Appeals for the Federal Circuit in the US, and the legislation subsequently passed to overturn it. It concerns the use of a patented invention for the purpose of complying with regulatory processes.

Prior to Directive 2001/83/EC on the Community Code relating to medicinal products for human use, the ***Bundesgerichtshof*** (German Federal Supreme Court) (BGH) (“***Klinische Versuche II***”) had noted that clinical tests for a regulatory body do not constitute a “typical research activity” because of the introduction of a commercial element, and that

Article 27(b) and (c) CPC

The rights conferred by a Community patent shall not extend to:

...

(b) acts done for experimental purposes relating to the subject-matter of the patented invention;

(c) the extemporaneous preparation for individual cases in a pharmacy of a medicine in accordance with a medical prescription nor acts concerning the medicine so prepared;

...

Monsanto v Stauffer Chemical Co
[1985] RPC 515

CoreValve Inc v Edwards Lifesciences AG
[2009] FSR 8

Inhale Therapeutic Systems Inc v Quadrant Healthcare plc [2002] RPC 21

BGH, X ZR 68/94 [1998] RPC 423 –
“*Klinische Versuche*”

they would only be undertaken after the traditional research had taken place. The rationale for the decision was that “[t]he legal pharmaceutical authorisation inaugurates the commercial exploitation of the active agent.”

This judgment would now be contrary to two directives: 2001/83/EC and (as amended by) 2004/27/EC, most importantly **Article 10(6)**, which explicitly states that patent rights are not infringed if the experiments, or “studies and trials,” are for the purpose of complying with safety and other regulations. Activity to comply with regulations is now a protected activity.

However, the implementation of these directives in the member states has been far from uniform. In some, the defence has been adapted to cover testing only for the approval of generic products (and potentially only for submission in the EU), whilst in others it has been extended to cover all tests relating to regulatory approval. In the Unified Patent Court Agreement (UPCA), the scope is of the narrower kind. This means that there will continue to be disparate protection under the experimental use defence in some member states and the UPC.

Given that these provisions for the benefit of science and healthcare are heavily policy-driven, it is important to keep in mind the overarching TRIPS language referred to above. Such balancing of policy concerns is explicitly allowed, but the interests of the patentee must be considered carefully, with the obligation to justify the exception resting on the state, and the obligation to make out the defence on the alleged infringer.

Ships, vehicles and aircraft

Article 27(d) to (f) CPC protects the use of patented equipment on board vessels by non-parties to the CPC (excluding states that are not part of the Union of Paris), if the invention is used for the needs of the vessel, and the vessel strays into the waters of a member state. For the construction of aircraft (from a state that is party to the Union of Paris), and relatedly, under the Convention on International Civil Aviation, no aircraft of one contracting state to that Convention may be interfered with by another contracting state on the grounds of a patent having been infringed in the construction of the aircraft.

Article 10(6) of Directive 2001/83/EC
6. Conducting the necessary studies and trials with a view to the application of paragraphs 1, 2, 3 and 4 [regarding preclinical testing, and the regulation of medicinal products and generic pharmaceuticals] and the consequential practical requirements shall not be regarded as contrary to patent rights or to supplementary protection certificates for medicinal products.’

Article 27(d) to (f) CPC
→ see below

Article 27(d) to (f) CPC

The rights conferred by a Community patent shall not extend to:

...

(d) the use on board vessels of the countries of the Union of Paris for the Protection of Industrial Property, other than the Contracting States, of the patented invention, in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of Contracting States, provided that the invention is used there exclusively for the needs of the vessel;

(e) the use of the patented invention in the construction or operation of aircraft or land vehicles of countries of the Union of Paris for the Protection of Industrial Property, other than the Contracting States, or of accessories to such aircraft or land vehicles, when these temporarily or accidentally enter the territory of Contracting States;

(f) the acts specified in Article 27 of the Convention on International Civil Aviation of 7 December 1944, where these acts concern the aircraft of a State, other than the Contracting States, benefiting from the provisions of that Article.

Prior use exception

There is an exception in UK law (as well as in other laws such as Section 12 of the *Patentgesetz* (German Patent Act) (PatG)) which amounts to a defence to infringement, where defence is used in the classical sense.

Under **Section 64 UK Patents Act 1977**, if, in good faith, someone has been doing some act which would now infringe a more recently granted patent, or made in good faith effective and serious preparations to do such an act, that person is still entitled to do that act, even though it is otherwise infringing behaviour. The motivating concept is that someone should be able to continue doing what in substance he was doing before, notwithstanding the new patent.

The exception here is narrow. Whilst the act complained of need not be identical to the prior act, it is expected to be close to it. In particular, in Germany modifications are not covered by said prior use only if with such modifications all claim features are fulfilled – even if the addition is straightforward and absolutely obvious.

Furthermore, if the party claiming the prior act exception is a natural person, the right cannot be assigned. If it is a legal person, it can be assigned under English law, but only under strict rules set out in the Act, and under German law (**Section 12(I) PatG**) only if the entire related business is assigned.

Finally, in Germany, if the use of a patented teaching was initiated in good faith at a point in time where a patent ceased to exist, but said patent is reinstated later on, such use may be continued under similar restrictions as discussed above (**Section 123(5) PatG**).

Section 64(1) UK Patents Act 1977

(1) Where a patent is granted for an invention, a person who in the United Kingdom before the priority date of the invention—

- (a) does in good faith an act which would constitute an infringement of the patent if it were in force, or
- (b) makes in good faith effective and serious preparations to do such an act, has the right to continue to do the act or, as the case may be, to do the act, notwithstanding the grant of the patent; but this right does not extend to granting a licence to another person to do the act.

Lubrizol v Esso [1997] RPC 195 at 216

Lubrizol v Esso [1998] RPC 727 at 770

BGH, GRUR 2002, 231 – “Biegevorrichtung”

Section 12 PatG

(1) This right may only be bequeathed or transferred together with the business.

Section 123 PatG

(5) Any person who, in Germany, has in good faith commenced to use the subject matter of a patent which as a result of reinstatement has re-entered into force, in the period between the lapse and the re-entry into force of the patent or has, in this period, made the necessary arrangements for each purpose, shall be entitled to continue to use the subject matter of the patent for the needs of his own business in workshops of his own or others.

Exhaustion of patentee's rights

Introduction

The right of a patentee to prohibit use of his invention is limited in some jurisdictions by the principle of exhaustion. The basic idea underlying this principle is that it is sufficient if a patentee has the possibility to exploit his right once only for each embodiment of his invention. He can decide on the conditions and the price, and he therefore benefits from the specific monopoly rights conferred by the patent. Once he has done this, he is no longer able to control the distribution channels by intervening each time the embodiment is passed on to the next purchaser. Therefore, with respect to each embodiment, the monopoly right conferred on the patentee lapses (is "exhausted") as soon as the respective embodiment has been put on the market by the patentee or by a third party with the patentee's consent. From then on, the patent does not protect the patentee for that particular embodiment of the invention.

In most European jurisdictions (for example, France, Belgium, the Netherlands, Italy and Spain), the principle of exhaustion is regulated by written law. In German patent law there is no regulation concerning the exhaustion of patent rights, but the principle of exhaustion has been established in the case law and is therefore unwritten law (an exception is the exhaustion of biological patents that is the subject-matter of Section 9b PatG). The law of the United Kingdom does not follow the principle of exhaustion. Instead, it applies the theory of implied licence, which will be discussed further below.

Legal nature of the principle of exhaustion

Exhaustion limits the patentee's rights but is not a form of licence. Therefore, it has effect not only between the patentee and his licensee or other contractual partners, but also for any third party making use of that particular embodiment of the invention. Unlike the situation regarding licences, the patentee cannot limit the scope of exhaustion. Contractual limitations, for example with regard to a minimum price for resale, have contractual effect between the contracting parties only. They cannot be enforced with regard to third parties.

Prerequisites for exhaustion

In principle, a prerequisite for exhaustion is that an embodiment of the invention must have been put on the market, by the patentee or with the patentee's consent, in the territory of the state that granted the patent.

Exhaustion only occurs with regard to each individual embodiment of the invention for which the prerequisites for exhaustion have been met. Consequently, the right of *production* cannot be exhausted, as production inevitably leads to a new embodiment for which the rights of the patentee have not yet been exhausted. However, all other types of use are

Rationale of the principle of exhaustion

The patentee must not disproportionately hinder the free movements of goods. Therefore, he can exploit his monopoly right only once with regard to each embodiment of the patented invention.

BGH, GRUR 1980, 38, 39 –
"Fullplastverfahren"

The legal basis of exhaustion in European jurisdictions

Section 9b PatG

Should the patentee or a third party with the consent of the patentee put biological material possessing certain characteristics owing to the invention on the market within the territory of a Member State of the European Union or in a contracting state of the European Economic Area Agreement and should further biological material be produced from this biological material by multiplication or propagation, the effects of § 9 shall not come into force if the propagation of the biological material was the reason why it was put on the market. This shall not apply if the material produced by this means is used thereafter for a further multiplication or propagation.

Scope of exhaustion

Exhaustion occurs with regard to each individual embodiment separately; no exhaustion of manufacture.

free, as long as they concern only the respective embodiment for which exhaustion has already occurred.

“Putting on the market” means that the embodiment becomes part of the free market. This is not the case, for example, if it is only transferred within the patentee’s business. The embodiment has to be transferred to a third party’s power of disposition. Therefore, the third party necessarily has to obtain possession of the embodiment.

If the embodiment is not put on the market by the patentee himself but by a third party, this generally only leads to exhaustion if the patentee has given his consent. This consent has to be the result of a free decision. In Germany, the consent can follow an express declaration, but can also be found valid from conclusive behaviour, as long as it is unambiguous. Normally, the consent of the patentee is given in the form of an (exclusive or non-exclusive) licence.

The putting of the embodiment on the market by a licensee may not lead to exhaustion if the licensee violates the licence. If, for example, the licence only permits production, the licensee cannot put the produced embodiments on the market without infringing the patent, and as such cannot cause exhaustion. The same applies with territorial restrictions. However, there are other limitations to licences that do not prevent exhaustion if they are violated, for example no-competition clauses or price-fixing clauses.

However, as well as the consent of the patentee, the putting of the embodiment on the market by a third party may also lead to exhaustion if this third party is justified by a legal right, for example based on a declaration of the patentee that he is willing to grant a licence (Section 23(3) PatG), a right of prior use (Section 9 and 123(5) PatG), a compulsory licence (Section 24 PatG) or an order that the invention is to be used in the interest of public welfare (Section 13 PatG).

Generally speaking, the principle of national exhaustion applies. Therefore, exhaustion of patent rights only occurs if the embodiment is put on the market within the domestic territory. Putting it on the market in foreign territories, even with the patentee’s consent, does not affect the patentee’s right in the domestic market. It may only lead to exhaustion of a parallel foreign patent. If an embodiment is imported, it is put on the market within the domestic territory.

Putting on the market

Putting on the market by the patentee or with his consent

Violation of limited licences

If limitations of licences concern the right to use as such, a violation will prevent exhaustion. In contrast, mere contractual arrangements are irrelevant with regard to exhaustion.

BGH, GRUR 1959, 200, 203 – I ZR 98/57 – “Heiligenhof” (concerning copyright law)

Putting on the market in exercise of legal rights

Principle of national exhaustion

BGH (1999) 32 IIC 685 – X ZR 61/98 – “Karate”

Exhaustion of method claims

As mentioned above, exhaustion only occurs with regard to the specific embodiment that has been put on the market. This also applies with regard to products directly produced by a patented process.

The question often arises as to whether exhaustion follows from a device for performing a method patent being put on the market. Generally, this is not the case. However, because it seems to be unjustified for the patentee to be able to prohibit the execution of the patented method, it is assumed that he has granted an implied licence if he has not made it clear to the contrary. However, the patentee could theoretically exclude such a licence.

BGH, GRUR 1980, 38, 39–
“Fullplastverfahren”

European exhaustion

By derogation from the principle of national exhaustion, when an embodiment is put on the market by the patentee or with his consent within the European Union or the European Economic Area this also leads to exhaustion. Therefore, if a product is put on the market in Spain, the owner of a German patent can no longer restrict the use of the respective embodiment in Germany. The reason is the principle of free movement of goods pursuant to Article 34 TFEU (ex- Article 28 TEC), which, between member states, prohibits quantitative restrictions on imports and all measures having equivalent effect. Article 36 TFEU (ex- Article 30 TEC) by way of derogation allows restrictions to the free movement of goods insofar as they serve the protection of industrial property. However, the exemption pursuant to Article 36 TFEU only applies with regard to the specific subject-matter of intellectual property rights.

ECJ (1974) 6 IIC 102 – *Negram II*

According to the jurisdiction of the European Court of Justice (ECJ), the specific subject-matter of industrial property is the guarantee that the patentee, in order to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties. However, if there was a national law according to which a patentee’s right was not exhausted when the embodiment protected by the patent was marketed in another member state, this would be an obstacle to the free movement of goods. Therefore, putting an embodiment on the market within the European Union or, according to the EEA Agreement, within the European Economic Area, leads to exhaustion of the patent.

This even applies if the patentee or a third party (with the consent of the patentee) puts the embodiment on the market in a member state in which it is not protected by a patent. However, exhaustion does not occur if the embodiment is put on the market in a foreign member state without patent protection by a third party without the patentee’s

ECJ, decision of 14 July 1981. 187/80 –
Moduretik

ECJ (1974) 6 IIC 102 – *Negram II*

ECJ (1985) 17 IIC 357 – *Pharmon*

consent. Nor is the patent right exhausted if the embodiment is put on the market in a foreign member state on the basis of a compulsory licence. Therefore, in the latter cases, the patentee can prevent the import of the embodiment into the member state where patent protection exists.

International exhaustion

There is no international exhaustion. This means that putting the embodiment on a market outside the European Union (EU) or the European Economic Area (EEA) does not lead to exhaustion.

There can only be exhaustion if the patentee or a third party puts the embodiment on the market outside the EU or the EEA and the patentee gives his consent to reimport this embodiment into the EU or the EEA. However, this is not a case of international exhaustion, but rather one of European exhaustion. The exhaustion does not follow from putting the embodiment on the market outside the EU or the EEA but from reimporting it with the consent of the patentee.

ECJ (2001) 33 IIC 505 – *Davidoff*

Burden of proof

With regard to the burden of proof, the normal rules apply, so that the party relying on exhaustion, usually the alleged infringer, has to prove the underlying facts.

However, the European Court of Justice has come to the conclusion that in certain cases the general rules have to be modified, for example if the patentee distributes his products in the EU or the EEA by a selective distribution system. If the alleged infringer has to disclose the identity of his supplier of the impugned embodiments, the patentee could easily strike this supplier from his selective distribution system, so that the supplier would no longer be able to sell products to the alleged infringer. This would have the effect of partitioning national markets. Therefore, the patentee himself has to prove that he has put the attacked embodiments on the market outside the European Union or the European Economic Area. Only if he can successfully prove this is the burden of proof shifts to the defendant.

ECJ (2003) 34 IIC 654 – *Stüssy*

The UK and implied licences

Jurisprudence on this issue originated in 1871, *Betts v Willmott* (LR 6 Ch. App. 239). The judgment upheld the proposition that “[w]hen a man has purchased an article he expects to have control of it, and there must be some clear and explicit agreement to the contrary to justify the vendor in saying that he has not given the purchaser his licence to sell the article”.

Lord Hoffmann described the difference between the UK’s implied licence system and the European exhaustion theory as being primarily that “an

implied licence may be excluded by express contrary agreement or made subject to conditions, while the exhaustion doctrine leaves no patent rights to be enforced”.

If there is no agreement between the parties, the purchaser of a product under a patent has an implied licence to dispose of it as he wishes.

It should be noted that if someone purchases a patented article, the UK courts do not speak of an implied licence to repair, but rather recognise that the act of repairing, in and of itself, does not infringe the patent, as defined by the Patents Act.

United Wire Ltd v Screen Repair Services
[2001] RPC 24 at 458, [69]

Formstein/Gillette defence

Introduction

Under the German bifurcated system, a defendant cannot directly attack the validity of a patent in infringement proceedings but must initiate separate nullity proceedings. All he can do is apply for a stay of the infringement proceedings until a decision in the initiated invalidity proceedings is rendered.

Nevertheless, when the patentee asserts “infringement by equivalent means” (and not literal infringement) there is a defence available that stands close to an invalidity argument. This defence is known as the *Formstein* (formed-brick) defence. Its name was derived from the landmark *Formstein* decision of the BGH rendered in 1986.

In contrast, the *Gillette* defence was developed in the non-bifurcated system of the United Kingdom. It was derived from the *Gillette Safety Razor v Anglo-American Trading (1913)* case and is based on the argument that the contested embodiment might be infringing if the broad interpretation of the claimant is applied, but within the broad interpretation, the contested embodiment is not novel and/or obvious.

Formstein defence to equivalent infringement

The *Formstein* defence has a narrow scope and thus is available in a few cases only. The background to this defence is the consideration that the patent in suit must not be extended by means of equivalency to a subject-matter which is within the prior art and for which the proprietor of the patent in suit could thus not have obtained a patent in examination proceedings. Following that, it is based on the thought that, if the contested embodiment is covered by the patent in suit by an equivalent claim construction, it must be anticipated or obvious from the prior art, and so cannot be said to not fall under the patent.

BGH, GRUR 1986, 803 – X ZR 28/85 –
“*Formstein*”

Key statements:

1. According to § 14 of the PatG, the scope of protection of the patent extends regularly to equivalents of the patented invention described by the patent claims.
2. In this case, the objection that the equivalently contested embodiment is, with respect to the prior art, not a patentable invention is allowed.

The legal basis for “infringement by equivalent means” is purely a matter of construction of the patent’s claims to the extent of what the patent claims cover beyond their strict literal meaning. An “infringement by equivalent means” usually means that the contested embodiment is partly literally and partly equivalently realising the claimed features. The basic idea applied in Germany when determining a patent’s scope of protection in cases of non-literal infringement can be defined as construction of the claims to cover what a skilled person at the priority date would have understood the claims to mean.

The *Formstein* defence is limited to infringement proceedings where the alleged infringement is based on the doctrine of equivalents. This is because, were it to extend to literal infringement, the court would be asked – as is impermissible in infringement proceedings – to hear on whether the German Patent and Trade Mark Office (DPMA) was correct in granting the patent in the first place. If the court is asked to consider a claim under equivalence, however, then it is determining the case on a matter of law, and not on what the DPMA has done.

Gillette defence

The counterpart to the German *Formstein* defence is the so-called *Gillette defence* applied in the UK. It was first developed and applied in the *Gillette Safety Razor v Anglo-American Trading* case.

– Summary of *Gillette Safety Razor v Anglo-American Trading (1913)*

The patent in suit in *Gillette Safety Razor* was for improvements to the safety razor. The main feature was that a thin flexible razor blade was fastened in a curved holder by the handle, the effect of the clamp being to make the blade inflexible.

The alleged infringement by the defendant consisted of a similar razor, but with a flat blade. The defendant referred to a prior American patent which covered the use of the handle acting as a clamp to hold the razor blade.

The defendant’s argument was that he had not infringed (because what he had produced, a flat razor blade, was not covered by the claims as it referred only to curved blades) and that what he had done was not novel because the only difference between his razor and the earlier patent was that his razor had a thinner blade, which could still be fitted to the handle of the American razor.

Lord Justice Moulton decided in favour of the defendant. If one were to follow a wide interpretation of the claim, so that it covers what the defendant had done, the patent would have to be declared invalid because it was anticipated by the prior art. In contrast, if the claimant were to argue for a narrow construction

BGH, GRUR 2007, 58, X ZR 1/05 – “Pumpeneinrichtung”; BGH, GRUR 2011, 313, X ZR 193/03 – “Crimpwerkzeug IV”

Key requirements for infringement by equivalent means:

1. The problem underlying the invention is solved by exchange means which are different to the patent but which still solve the problem with the same technical effect. (same effect)
2. A person skilled in the art with the knowledge of the priority date must have been enabled to find that these exchange means had the same technical effect at the priority date of the patent without any particular inventive considerations. (obviousness)
3. The considerations of the person skilled in the art have to be based on the meaning of the teaching protected in the claim, such that the skilled person considers the differing embodiment with its adapted means as a solution that is equivalent to the teaching in question. (parity)

BGH, GRUR 1964, 606, Ia ZR 173/63 – “Förderband”

“[...] the adjudicating court is insofar bound to the findings of the DPMA and the *Bundespatentgericht (BPatG)* German Federal Patent Court [...]”.

Gillette Safety Razor v Anglo-American Trading [1913] 30 RPC 465

Page v Brent Toy Products (1950) 67 RPC 4 at p. 11

Lord Evershed stated that the *Gillette* argumentation is not a separate defence. Rather it is a convenient brief form of argumentation that covers the whole of the defendant’s case. This way of argumentation is of course only available where the defendant is able to raise the pleas of non-infringement and invalidity as alternatives.

Hickman v Andrews [1983] RPC 14 (CA)

“If a defendant to an infringement action can show that he has merely developed an existing article other than the patentable article itself with no more than non patentable changes of size or substitution of mechanical equivalents, then he shows that the alleged infringement is not novel, from which it must follow, without even reading that the specification claimant is impaled on one or other of the horns of a dilemma. Either his invention is also not novel and the patent is invalid, or there is no infringement.”

of the claims of the patent in suit, to avoid the prior art, the contested embodiment would fall outside the claims of the patent in suit.

– Practical effects and derivable principles

The lengthy method for dealing with a claim of infringement, and the defence that the invention was not patentable in the first place, involves comparing the patented invention with the defendant's product, determining whether it fell within the claims, and then comparing the patented invention with the prior art to determine whether or not the patent was valid.

The *Gillette defence* is a way of avoiding this double comparison, which can make some cases with this particular form less expensive and less time-consuming. The test becomes a simpler comparison of the defendant's version of the invention with the prior art. If the defendant's version is covered by the prior art, it is obvious or anticipated.

In such a case, if the defendant's invention is the same as the patentee's, the patent cannot be valid. But if the patent is valid for the reason that the defendant's version is not the same as the patentee's, then the defendant's invention cannot fall within the claims.

As HHJ Birss (as he then was) put it, "the patent is either not infringed or invalid (i.e. there is a *Gillette* defence) or at worst there is a defence under Section 64 of the UK Patents Act 1977 – the prior use defence." In modern English jurisprudence, the *Gillette defence* is good law, but it has been recognised that the statutory language and provisions of the UK Patents Act 1977 can supplement the defence in various ways. Its connection to the prior use defence, for example, is not to be overlooked.

Schenk Rotec GmbH v Universal Balancing Limited [2012] EWHC 1920 (Pat)

Abuse of a dominant position (Article 102 TFEU)

Introduction

Article 102 TFEU reads as follows:

Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States.

Such abuse may, in particular, consist in:

- *directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;*
- *limiting production, markets or technical development to the prejudice of consumers;*

Defences to infringement; abuse of a dominant position (Article 102 TFEU)

Communication from the Commission — Guidance on the Commission's enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings; 2009/C 45/02; par. 1.

BGH, GRUR 2009, 694, 695 et seq., recitals 21 – 28 – "*Orange-Book-Standard*"

- applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
- making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

The rationale behind Article 102 TFEU is to enable markets to work better for the benefit of businesses and consumers, in particular in the context of achieving an integrated internal market.

Although the European Patent Convention (EPC) has provided for harmonisation of a number of aspects of patent laws throughout Europe, and the long-expected unitary patent is imminent, patents are still nationally determined rights limited to specific member states. Patents will thus form barriers throughout the EU, and are at odds with the common internal market. Moreover, patents can contribute to a monopoly on a certain technology, which can interfere with competition. These are two of the sources of tension that exist between patent rights and the functioning of the EU internal market.

It is important to realise that a dominant position is not prohibited, only misuse thereof. As patents can contribute to a dominant position, it naturally follows that there are situations in which their use (enforcement) may be regarded as misuse. Such misuse of a dominant position has been recognised as a valid defence against patent infringement claims by *inter alia* the BGH in its *Orange Book* decision. A dominant position thus entails certain limitations on the enforcement of patent rights.

Dominant position

Whether or not a dominant position exists is normally determined by the Commission by taking into account all the relevant facts, including the competitive structure of the market. In particular, the Commission takes account of the existence of actual competitors on the market, the credible threat of future expansion of competitors and entry of new competitors, and the bargaining strength of the customers of the supposedly dominant company. Concrete indicators include a long period of controlling a large market share and the existence of one or more barriers to entry. The latter can come in various forms, such as tariffs, economies of scale and privileged access to natural resources and important technologies.

Case law in recent decades has shown that patent rights (and other intellectual property rights) can add to a dominant position. By having access to the enforcement of patents that are essential to a certain

Communication from the Commission – Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings; 2009/C 45/02; par. 9 – 18.

Examples of older cases CJEU 12 December 1991 and 2 March 1994, cases T-30/89 (first instance) and C-53/92 P (appeal) – *Hilti v Commission*; CJEU 5 October 1988, case 238/87 – *Volvo v Veng*.

Communication from the Commission – Guidelines on the application of Article 101 of the Treaty on the Functioning of the European Union to technology transfer agreements; 2014/C 89/03; par. 4

technology, a company can effectively block others from using that technology and form a barrier to entry into the relevant market. However, merely being able to enforce patent rights against competitors does not automatically lead to a dominant position. This, firstly, is inherent to the “negative effect” a patent has: all it does is give a proprietor the right to prevent others using the technology. However, the proprietor himself is not allowed to use the patented technology if there are older patents owned by third parties that would be infringed. Moreover, substitute products based on other technologies may exist within the relevant market. In the end, it is the competitive structure in the market that is determinative.

There is a special category of patents which, virtually on their own, can establish a dominant position, and these are known as standard essential patents. They will often be part of a patent pool that covers a particular field of technology which constitutes the “standard” in an industry. Many examples exist, such as the JPEG standard and the UMTS standard. Use of the standard normally entails infringement of these standard essential patents.

Misuse

The European Commission has set conditions for the allowance of technology pools under Article 101 TFEU. Where the pool has a dominant position on the market, one of the conditions is that royalties and other licensing terms should be non-excessive and non-discriminatory, and that licences should be non-exclusive. Such requirements are, for example, met by the FRAND (fair, reasonable and non-discriminatory) commitments made by participants in standards set by organisations such as ETSI.

Misuse of a dominant position by means of the enforcement of patents can occur both within and outside a technology pool. The common occurrence of such pools in combination with the special requirements set out in licensing requirements has, however, led to much case law relating to and attention directed towards the latter situation. Obviously, tension exists between on the one hand the (licensing) obligations on the patent proprietor stemming from competition law and, on the other hand, the patent proprietor’s right to enforce his patent. In the case of technology pools where FRAND commitments are made, the position of a dominant patent proprietor may appear somewhat weaker in comparison with situations where there are no such commitments. From the perspective of Article 102 TFEU, however, both are prescribed the same standard by the Commission.

In practice, it often occurs that a patent proprietor and an infringer (who has already started using the patented technology) enter into

See the communication from the Commission – Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings; 2009/C 45/02; in particular par. 75 et seq. on refusal to supply

negotiations about a licence, but fail to reach an agreement. The patent proprietor starts infringement proceedings, and may be accused by the infringer of misuse of his dominant position and of unlawfully pressurising the negotiations. In turn, the patent proprietor usually asserts that the infringer is not willing to obtain a licence and was merely delaying the negotiations.

In recent years case law throughout Europe has endeavoured to find the right balance between the interests of the patentee and (potential) licensees. In the German **Orange Book** decision, the BGH formulated a number of rules for determining the right balance. Enforcement was only regarded as misuse when an infringer made an irrevocable offer meeting the relevant non-discriminatory criteria, and meets the obligations of the licence agreement, including the making of payments.

In **Philips/SK Cassette**, the District Court The Hague took a position favourable to the proprietor of a patent who had made a FRAND commitment, and against an infringer who had not requested a licence. The Court further considered that, if a request for a FRAND licence has been made, the mere forwarding of that request is normally insufficient to prevent enforcement of the patent. If it turns out that the enforcement was unlawful because the patent proprietor refused reasonable licence conditions proposed by the infringer, the latter is entitled to damages. In the later judgment **Samsung/Apple**, the District Court The Hague ruled that Samsung's FRAND declaration did not automatically lead to a licence. An agreement on specific terms by the parties is required. However, because the parties were involved in correspondence and discussions on the scope and terms of a licence, the Court decided that in that case the enforcement of patents was contrary to pre-contractual good faith and misuse of rights, without, however, explicitly referring to competition law. This shows that invoking competition law arguments is only one of the approaches available to the infringer in a situation involving FRAND commitments.

In the Commission's decision in the dispute between Motorola and Apple, an offer meeting the *Orange Book* criteria was found sufficient for misuse to have arisen. In **ZTE/Vringo** recently decided by the District Court The Hague, the patent proprietor made FRAND commitments and seized infringing products based on its patent rights. When trying to lift the seizure, the infringer (unsuccessfully) referred to the *Orange Book* criteria. The offer was considered not to meet those criteria.

A new, more detailed set of "rules of conduct" is likely to emerge from the German referral to the CJEU in **Huawei/ZTE**. The opinion of the Advocate General was recently published. Against the background of various decisions, the Advocate General formulated a set of obligations that have to be met by the infringer and by a patent proprietor having made FRAND

In the **Orange Book** case, BGH, GRUR 2009, 694 – "*Orange-Book-Standard*", the patent proprietor did not make FRAND commitments; see also the opinion of AG M. Wathelet of 20 November 2014 in C-170/13 – *Huawei v ZTE*, par. 48. In that case, the prohibition of discrimination and impediment for dominant undertakings prescribed by German competition law was relevant.

District Court The Hague, 17 March 2010 – *Philips v SK Kassetten*

District Court The Hague, 14 March 2012 – *Samsung v Apple*

See also the opinion of AG M. Wathelet of 20 November 2014 in case C-170/13 par. 9 – *Huawei v ZTE*

European Commission 29 April 2014, case AT.39985.

District Court The Hague 24 October 2014 – *ZTE v Vringo*

LG Düsseldorf, 21 March 2013, case 4b O 104/12 – "*Huawei v ZTE*"

Opinion of AG M. Wathelet of 20 November 2014 in case C-170/13 – *Huawei v ZTE*, par. 7-9 and 83–89.

For the final decision of the CJEU s. case C-170/13 – *Huawei Technology Co. Ltd v ZTE Corp., ZTE Deutschland GmbH* of 16 July 2015

commitments. Less stringent requirements were imposed on the infringer than those in the *Orange Book* criteria. The patent proprietor should in principle notify the infringer about the infringement and make a FRAND offer containing all the normal and usual conditions, including the amount of royalties and the way in which they are to be calculated. The infringer has to answer as soon as possible, in a serious and detailed way and including a counter-proposal. The Advocate General's opinion may be considered more infringer-friendly than the *Orange Book* criteria: a patent proprietor trying to enforce his patent without at the same time making a serious and realistic licensing offer will be considered to be abusing his position. Such a development might be considered contrary to the recent *Ericsson* decision of the Court of Appeal for the Federal Circuit, wherein it was decided that concrete proof was needed for "patent holdup" by the patent proprietor to become a relevant factor.

The position in the UK remains, it is fair to say, somewhat underdeveloped compared with German case law in particular. Recent judgments have pointed out that the German system of bifurcated trials makes this a particularly difficult subject for German litigants. In a non-bifurcated system, unless both parties are willing to bind themselves to the assessment that a (separate) FRAND trial would make – that is, unless both parties are willing to stipulate that the patent is valid, infringed (and further, a SEP) – an English court will want to reach the merits of those actions. Without reaching the merits, the courts have suggested, it will be quite difficult to make a determination of the potential value of a patent (or patent portfolio). To avoid inconsistent judgments being produced, the FRAND determination is usually stayed, pending the outcome of the main proceedings.

Ericsson v D-Link, et al., Case numbers 2013-1625, -1631, -1632, -1633 (Fed. Cir., December 4, 2014)

For example, the parallel case to the Dutch case above of *Vringo Infrastructure v ZTE Corporation* [2013] EWHC 1591 (Pat)