

# Cross-border: Europe

## Key considerations in choosing where to litigate a European patent

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In recent years the granting, interpretation and enforcement of patents have all been subject to European harmonisation provisions. This harmonisation leads to the question of whether it really matters in which country a European patent is litigated.

Inevitably, in most circumstances where there is a choice, the answer is definitely yes. A European patent still provides protection only in the country for which it is designated and it must be enforced nationally. In situations where a patent owner holds patents across many European jurisdictions, forum shopping (ie, choosing and coordinating the jurisdiction(s) in which to litigate) is still a vital facet of the patent litigation process due to:

- quirks in the national court systems;
- differences in the implementation of the EU IP Enforcement Directive; and
- varying local approaches.

It is tactically important to consider carefully where to bring proceedings and in what order.

This chapter focuses on the basic principles of European patent litigation and key considerations when forum shopping (including highlighting areas of significant contrast between European jurisdictions), and explores briefly the proposals designed to achieve a simpler, more cost-effective and better-harmonised future for European patent litigation.

### Basic principles for European patent litigation

At present, although patents can be applied for on a pan-European basis through the European Patent Office (EPO), a successful application results in a bundle of national patent rights which must be enforced on a country-by-country basis. This creates the potential for multiple proceedings across Europe, with the associated cost implications and conflicts with the commercial needs for certainty and speed. Recent case law of the European

Court of Justice (ECJ) has confirmed that cases against a group of companies based in different EU member states, where each company in the group was infringing national designations of a European patent, cannot be joined (*GAT v LuK*), and that courts in one jurisdiction may not entertain proceedings in which the validity of patents registered in other jurisdictions is raised (*Roche v Primus*).

Indeed, the only way in which to affect patents directly on a cross-European basis is through the opposition procedure. Once a patent application is granted by the EPO, any third party has nine months in which to start an opposition and attempt to have the patent revoked. Opposition proceedings can last for several years, but once a patent has been revoked or amended following the opposition, the revocation or amendment is effective *ab initio* and across every national designation. It may be possible to litigate a patent concurrently with an opposition (although this depends on the jurisdiction).

Aside from the limited situations where the opposition procedure is relevant, the absence of a pan-European system means that it is necessary to litigate in some or all of the European jurisdictions where a patent is held or being infringed and forum shopping will be important.

### Key factors to consider when choosing a forum

The vast majority of patent litigation in the European Union takes place before the courts of Germany, France, the United Kingdom and the Netherlands; therefore, this chapter focuses on these jurisdictions when considering the key factors, but brings in aspects of other jurisdictions where relevant. The main factors that typically influence the choice of forum are as follows.

#### Speed

In general, one of the most important factors when conducting litigation is the speed with which a definitive decision can be obtained. The total duration of the

proceedings is important for commercial reasons, especially if one of the parties must wait for the final judgment before entering the market, and it is often preferable to have a quick decision, even where the decision goes against the particular party. Germany, the Netherlands and the United Kingdom have specialist patent courts and it is usually possible for a hearing to be heard within a year (although this is more likely to be two years in the Netherlands if the accelerated procedure is not used and two years in Germany if the validity of the patent is questioned).

By contrast, in countries such as Italy and Belgium litigation is much slower – for example, in Italy, it can take many years to reach a first-instance decision. While this will generally be a disadvantage for the commercial certainty reasons mentioned above, this slowness is sometimes used as a defensive tactic by potential infringers, known as the ‘Italian torpedo’. Under this tactic a potential infringer will bring a pre-emptive invalidity or declaration of non-infringement action in a ‘slow’ jurisdiction. Because of the Brussels Convention, this prevents the courts of other jurisdictions from considering matters relating to the same parties and patents until the first court has ruled on its competence to consider the action. For example, in Italy, jurisdiction issues are not normally decided until the trial on the merits; this can prevent actions in any other jurisdiction for up to seven years.

Some doubt has been cast on the continued availability of the torpedo following recent case law which makes it clear that the courts of one country have no jurisdiction over patents registered in another country. However, while the Italian court cannot accept jurisdiction in these circumstances, until the Italian court rules in a particular case all other actions must be suspended. Therefore, it is possible that the torpedo could still be effective, although various strategies are being considered to overcome this (the feasibility of which remains to be determined). Furthermore, the Belgian and Italian courts are making efforts to combat the stigma of being slow jurisdictions and may expedite the process for declaring non-competence in these circumstances. Whether the torpedo continues to be available, perhaps using other slow jurisdictions, remains to be seen.

#### **Costs of litigation and recovery**

Litigation costs vary considerably, depending on:

- the type of proceedings;
- the complexity of the topic; and
- the issues and amounts in dispute.

In general, the extremely thorough approach to patent litigation (including disclosure and experts – see below) in the United Kingdom means that UK actions tend to be more expensive than those in other member states. For example, the cost of a first-instance case in the United Kingdom is likely to range from €150,000 (where the fast-track procedure is used) to €1 million, whereas the costs in Germany are expected to be around €150,000 at first instance. In France costs are between €50,000 and €200,000 and in the Netherlands they are estimated to range from €60,000 to €200,000. The costs in the United Kingdom are thus considerably higher than in the other main jurisdictions, although this is slightly skewed as there is a tendency for large international corporations to take their important (and thus often more expensive) cases to the United Kingdom.

The EU IP Enforcement Directive is designed to ensure that there are no differences in costs recovery across European jurisdictions, as member states are required to allow the successful party to recover its reasonable and proportionate legal expenses. However, there may be different interpretations of the reasonable and proportionate level of legal expenses. For some jurisdictions, notably the Netherlands, this principle is a departure from normal procedure. In others, such as the United Kingdom, the principle of the loser paying the winner’s costs is the status quo and the successful party would typically recover 60 per cent to 70 per cent of its costs.

#### **Procedure**

The procedures for patent litigation vary across different jurisdictions in relation to a range of aspects such as disclosure and evidence, trial length and the procedure for obtaining interim injunctions. The starkest contrast is between the United Kingdom and other European jurisdictions, as the United Kingdom follows a common law system rather than the civil law system applied in other jurisdictions.

Disclosure is available in the United Kingdom, obliging each party to disclose documents on which it relies or which support or adversely affect its case or another party’s case. This can be useful in getting to the bottom of issues, and (subject to court rules and confidentiality provisions) for later foreign actions.

The use of experts also varies across the jurisdictions, as does the method of obtaining experimental evidence. The adversarial nature of the UK system means that both parties appoint their own experts (whose duty is to the court) and have the opportunity to cross-examine the other party’s experts, which results in a thorough examination of the technical issues in the case.

Experimental evidence can be submitted in the United Kingdom only if the experiments are repeated in the presence of representatives of the other party.

By contrast, in Germany and the Netherlands, for example, the court generally appoints an expert to prepare an unexamined report and there is no requirement for any experimental evidence submitted to be witnessed by the other side, which reduces the weight that can be given to these experiments.

Trial lengths also vary, and with them the detail with which the issues are examined and the style of the trial. A UK trial normally lasts several days, whereas in the Netherlands each side is limited to 90-minute submissions, and in Germany a trial is usually heard in one day. However, a German trial places greater reliance on written submissions and argument between the parties prior to the trial, whereas in the United Kingdom the main focus in deciding the issues is the trial itself.

The speed and nature of interim injunction procedures also varies. In the United Kingdom, a judgment in an interim injunction application can be given in a matter of days, whereas in the Netherlands it can take up to six weeks and includes a full preliminary review based on expert evidence and witness statements, and in Germany it can take two to four months.

### **Legal aspects and interpretation**

Despite attempts to harmonise the interpretation of patents, the differences in procedures mean that there will inevitably be differences in the interpretation and outcome of cases in different jurisdictions. For example, Germany operates a dual system whereby infringement and validity are heard in different courts, which means that it is sometimes easier to obtain an infringement judgment in Germany than in, for example, the United Kingdom, where infringement and validity are tried together (meaning so-called 'squeeze' arguments are possible). In relation to this factor, Germany would thus be advantageous for the patentee, but the United Kingdom would be better for the potential infringer.

### **Precedent value**

The United Kingdom, the Netherlands and Germany all have specialist patent courts and, while not binding, an earlier judgment from one of the more experienced patent countries is likely to be persuasive in later litigation. Therefore, it may be preferable to bring an action in one of these jurisdictions first.

### **Effect of ongoing EPO opposition proceedings**

EPO proceedings affect national proceedings in different ways, which impacts on the feasibility and advisability of

bringing proceedings in a particular country while an EPO opposition is ongoing. For example, in Germany a patent's validity cannot be challenged while there are opposition proceedings, but infringement actions can still go ahead – meaning that a party may be stopped from exploiting the market because it is infringing, even though the patent is invalid and is later revoked. This could benefit the patentee – it is unlikely to have to deal with validity arguments until after the infringement proceedings – but from the point of view of certainty and for the potential infringer, this is clearly a disadvantage. By contrast, in the United Kingdom it would be unusual for the courts to stay an action for infringement or revocation on the basis of ongoing EPO opposition proceedings – which itself carries the risk that a patentee could win in the United Kingdom and then later have the patent revoked. In the Netherlands, a stay will be granted if there are ongoing EPO opposition proceedings, but the court may still consider validity issues if raised as a defence to an infringement action.

### **The future**

It is generally agreed that the current system is not ideal. As well as being costly, diverging decisions on the substance of cases are frequent and inevitable due to the differences in procedural law and the unbalanced qualification and experience of judges. This results in a lack of legal certainty and the process is often slow and stressful for the parties involved. These difficulties weaken the patent system because if patentees feel unable to enforce their patents against infringements, they will have less value. For these reasons the general consensus is that a unified patent enforcement system is required, but agreement between countries on the details of this has proved harder to obtain.

One proposal was the European Patent Litigation Agreement (EPLA), a voluntary agreement between various contracting states to the European Patent Convention to set up a uniform jurisdiction for European patents by establishing a European patent judiciary. There was a fair amount of support for this, but EU approval would have been necessary before any member states could sign up to it. On February 1 2007 an interim legal opinion of the European Parliament Legal Service concluded that the EPLA would breach aspects of the EC Treaty and therefore EU member states would not be entitled to sign up to the EPLA on their own. There has been little progress since this opinion.

One alternative is the proposal for a Community patent, a single patent which would apply across the whole European Union and would be regulated and enforced by the European Commission, using its existing

jurisdictional structures. The difficulty with this is that under EU principles a Community patent would need to be translated into every language of the European Union, which would make it prohibitively expensive.

A compromise between the two systems which would apply for European patents and, once they are implemented, Community patents has been proposed by the European Commission and is being considered by interested parties. Although progress is slow, there is still hope that a pan-European system might become a reality in the future. There is, after all, a Community trademark and this works well across the region.

### Conclusion

The lack of a cross-European patent litigation system means that traditional litigation in cross-border patent disputes involves multiple procedures in multiple

jurisdictions and carries the risk of lengthy procedures, inconsistent outcomes and high litigation costs. A pan-European system, such as that proposed by the European Commission, would lead to a simpler, more cost-effective and better-harmonised future for European patent litigation. However, until the practical difficulties and political wrangling are overcome and such a system is implemented, forum shopping will remain an important consideration when deciding the tactics and strategy for conducting European patent litigation.

Effective choice of forum relies on considering the various key factors discussed above in the context of the actual facts of the case, together with issues specific to the particular matter. With good advice and the usual element of good fortune, decisions made on where to bring proceedings and in what order can help to ensure the success of a European patent litigation strategy.

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