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Enforcing Industrial Property Rights*

The example of patent protection from a comparative viewpoint

I. Enforcement - a key current issue

1. The need for effective protection of rights

The value of intellectual property rights depends in practice on whether the holder can take effective measures to prevent others from infringing them. Apart from taking the infringer to court, the right-holder can issue a warning to refrain from the acts in question. The main object of this may be to arrive at a settlement with the infringing competitor, in which case the right-holder will merely send a letter to the other party, informing it of the position with regard to IP rights and offering to negotiate.

Before embarking on litigation, a warning letter is the most effective preventive instrument available, though it carries an element of risk which calls for the involvement of a qualified legal practitioner. However, any lawyer knows that warnings are useless unless the claim against the other party can be enforced effectively through the courts. Instituting civil proceedings to prevent further infringement is one indispensable weapon in the right-holder's armoury; applying for a preliminary injunction is another, particularly effective, means of stopping an infringer in his tracks.

Enforcement before the courts is therefore a major test of effectiveness for the rights conferred by the intellectual property system. A key requirement is that effective protection against infringement be available at reasonable cost - in terms of money, time and effort - to the right-holder. However, the very existence of effective judicial procedures is already a means of ensuring that IP rights are not violated. The threat of court action has to be a genuine deterrent.

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2. Prohibition: the most important sanction

The legal protection of intellectual property is chiefly based on the right to stop others from doing certain things. A right-holder can apply for an injunction to restrain an infringer, who is usually also a major competitor, from making or distributing the infringing product, or from using it or performing certain other acts. This emphasis on the right to prohibit distinguishes intellectual property protection from the protection offered in other civil law matters involving the infringement of an owner's rights. The usual sanction in the civil courts is the award of compensation to the plaintiff for infringements of his rights which have already occurred, generally in connection with personal injury or property damage - for example, in the many road accidents whose consequences are resolved in this way. Monetary compensation also plays a central role in the commercial sphere, where it is the main remedy for breaches of contract. Prohibitory injunctions, on the other hand, are something of which the public rarely becomes aware, except in disputes over press complaints or infringements of the right to privacy.

In the field of intellectual property, the purpose of prohibitory injunctions is to protect the exclusive market position which the right-holder has established for a product or service. An award of damages is not generally sufficient to compensate the right-holder for the injury incurred, since the cost to the infringer often barely exceeds that of licensing the invention, and the necessary funds can easily be found in his company budget. The deterrent effect of compensation claims seems to be confined to the US.

Prohibition is necessary because allowing an infringing product to remain on the market will hurt the right-holder's sales and lead to a risk of market confusion. Trade mark infringement is a clear case in point: the appearance on the market of a product closely resembling a trademarked item has the effect of confusing potential customers, who are unsure of the product's origin. In time, the market may settle down again, when consumers have learned to distinguish between the confusingly marked goods or services, but the right-holder still loses out, by the weakening of the dominant position conferred by the trade mark. The same applies in patent law: if the market gets used to the idea that several technically equivalent products are available simultaneously, there is a risk that the customer will stop doing business with the proprietor of the patent and go to the competition instead.

Unlike the award of compensation, the prohibition of infringing acts involves a time factor. The length of a court case leading to an award of compensation is not a matter of indifference; indeed, it may be very important, eg to a plaintiff claiming damages for personal injury or assault, to get compensation paid as soon as possible. However, the time aspect is not crucial where there is an obligation to pay interest on any damages and where the injured party is more interested in maximising the amount of the award than in expediting the proceedings.

With prohibition, on the other hand, time is of the essence. A long court case of this kind can have a highly negative impact on the right-holder's market position. Demanding cessation of infringement only makes sense if a court order can be issued quickly. For this reason, preliminary injunctions, preventing further infringement until the court has decided on the merits of the case, play a major part in IP litigation.

This demand for a quick procedure, leading to a very tough sanction, involves various further requirements. Only judges fully versed in intellectual property matters will be prepared to make speedy use of this prohibitory instrument. It is also necessary to ensure the participation of well-trained legal practitioners and patent attorneys with the ability to prepare the brief.

A further aspect in Europe is that, in cases of cross-border infringement, protection for single national markets is not enough. The Europeanisation of intellectual property is proof of the need for Europe-wide regulation in this field, accompanied by corresponding judicial arrangements. I shall explore this topic later.

3. The European movement in intellectual property

With the Community trade mark and the Community design, the European Union has created two important Community instruments backed by a system of enforcement, involving the national courts and the European Court of Justice. A similar arrangement remains to be devised for copyright and patent law.

This is particularly surprising with regard to patents, in view of the central patent grant procedure established on the basis of the European Patent Convention (EPC) and the considerable degree of legal harmonisation accompanying centralisation. At the post-grant

stage, however, the European patent continues to be a bundle of national rights, subject to national jurisdiction. The efforts of the EU to create a Community patent with its own judicial system have yet to bear fruit.

Within the framework of the European Patent Convention, moves have begun to conclude a special agreement setting up a new judicial system, with its own rules of procedure, for European patents. The EU Commission has similar plans for the Community patent.

Before the launching of these initiatives, the existing situation in European patent law led to a form of competition among national courts. The basis for this was the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, which was recently replaced by a similarly worded Council Regulation. This Community law, governing the competence of civil and commercial courts throughout the EU member states, extends the principle that jurisdiction rests with the member state in which the defendant is domiciled, by establishing that judgments of a court in one member state are automatically recognised and enforceable in others. Since infringement disputes in the field of intellectual property are civil matters, they too are covered by the Regulation.

The European domicile system would already have generated a large body of European case law, had it not been for two obstacles. The first of these consists in the fact that decisions on revocation or cancellation of a registered industrial property right may only be taken by the courts of the country for which the right has been granted. Since the defendants in patent infringement proceedings - and to some extent in proceedings concerning other types of industrial property rights - usually file a counterclaim for invalidity, the potential for internationalising the domicile principle is limited. The rise of the cross-border injunction has led to divergences in the case law of the various EU member states. A second obstacle to liberalising the domicile principle arises from the fact that cross-border competence is normally limited to the courts of the country where the defendant is resident or has his principal place of business, and does not extend to the country where the infringing act occurred, which, however, is of particular importance to the plaintiff.

As long as the divergence of approaches persists in Europe, the effectiveness of industrial property protection, especially in the field of patent law, will continue to depend on the quality of the national courts. This is the topic to which I now turn.

II. Infringement proceedings - the commonest form of legal action in industrial property

1. Types of action in intellectual property

In industrial property, and probably in copyright too, the majority of legal disputes concern infringement, followed by issues of rights ownership and licensing matters. The various types of procedure in this field include actions for performance and for obtaining positive and negative declaratory judgments. Compulsory licensing actions are rare.

Licensing agreements often contain arbitration clauses, enabling disputes in this area to be settled by a tribunal. In infringement cases, arranging for arbitration - which can only be done after the event - is very rare. In certain areas, for example in disputes over domain names, arbitration and mediation have come to play a particularly prominent part.

This trend is likely to continue with designations, since symbols tend to be short-lived, and in certain areas of the law relating to fashion. In the "classic" fields of patent and trade mark law, there is little evidence as yet of a shift towards alternative dispute resolution (ADR).

2. Infringement disputes - towards a definition

The defining feature of infringement proceedings in the IP field is that the plaintiff is the owner (or licensee) of a right which the defendant has allegedly breached. This, as we have seen, typically leads to applications for injunctive relief and damages, often accompanied by requests for information and the production of invoices. In some cases the plaintiff also demands the destruction or confiscation of the infringing goods, and the publication of the judgment. A further typical aspect of infringement disputes is the fact that the court begins by determining whether or not an infringement has occurred, before going on to hear an expert assessment of the injury caused and take a further decision fixing damages.

III. Characteristics of patent infringement proceedings

1. Frequency

Determining the frequency of patent infringement proceedings in Europe is difficult, because not all the courts keep detailed records. A survey (based on the years 1998-2000) carried out by the EU Commission in 2001 points to an annual maximum of 1 200 patent infringement cases being heard at first instance in the EU member states. However, no figures were available for Italy, a country where infringement actions could well be frequent. The statistical picture is also blurred by the fact that other kinds of action are bracketed with infringement proceedings in France and the UK, which are both major IP countries.

My own view is that the quoted figures need to be treated with caution. Infringement proceedings in Germany are a case in point. My research showed that in the early 1970s the annual number of cases coming before the regional courts with jurisdiction for infringement totalled around 125. A study based on the year 1990 showed that the German courts had dealt with 286 disputes relating to patents, utility models and employee inventions. These figures also included an element of guesswork. The annual average number of patent infringement actions in 1998-2000 is said to be 611 - a very steep rise.

This number of patent infringement actions may at first seem high, but the figure is in fact low in relation to the number of patents granted. The earlier results indicated that 0.1% of the annual total of granted patents were involved each year in infringement proceedings. With an average patent life of around ten years, this means that only 1% of all patents ever become the subject of infringement litigation.

Moreover, at a rough estimate, only about one-third of patent infringement cases go as far as a first-instance decision. This figure varies from country to country, depending on national procedure: in Germany and France, for example, the proportions seem to be quite similar, but the picture is probably different in Italy, and certainly so in the UK. There, only about 5% of all legal actions - including those for patent infringement - lead to a first-instance decision. Of course, the statistical frequency of decisions says nothing at all about the quality and effect of proceedings before the courts. Here, too, the principle applies that a good out-of-court settlement is often better than a judgment.

2. Typical issues in infringement proceedings

Patent infringement proceedings have certain recurrent features which provide an element of standardisation. Obviously, each case is individual, and the core issues of infringement can also open up a wide range of further civil law issues. However, most disputes revolve around two topics: validity/revocation and the extent of protection conferred by the patent. In the latter case, the key question is whether the allegedly infringing product or process actually infringes the patent by encroaching on the protected subject-matter.

From the procedural angle, discussion has been continuing for some years on the appropriate means of giving patent proprietors access to evidence held by the alleged infringer, especially with a view to proving that infringement has occurred.

(a) Validity or revocation of the patent

The usual response to an infringement action is to file a counterclaim for revocation or, less commonly, an objection of nullity. The alleged infringer's legal representative has to resort to these counter-measures in order to safeguard his client's rights *lege artis*. With the system of separate first-instance proceedings for infringement and validity, the defendant will generally apply for revocation before the court with jurisdiction for such matters - in Germany, this is the Federal Patents Court. Under the "one-stop", consolidated procedure, defendants are more likely to counterclaim for revocation than under the "split proceedings" system, where filing separately for revocation involves considerable extra work. With the latter system, a revocation action can be avoided if the parties reach a settlement after the initial infringement claim is filed. Experience has shown that claims and counterclaims for revocation are the most powerful weapons in the defendant's armoury.

In infringement proceedings, the issue of invalidity is nearly always decided before infringement *per se*, since the existence of a protective right is a logical precondition for assessing whether it has been infringed. Only in rare cases will the court refrain from examining this issue, where it is clear that no infringing act has taken place. The reason why this seldom happens is that a second-instance court may take a

different view, which is problematic if the crucial initial question of the patent's validity was not examined at first instance.

Assessment for revocation and validity also requires the services of technical experts, who may be appointed by the parties or the court.

(b) Extent of protection

Infringement proceedings regularly involve determining the extent of protection conferred by the patent and assessing whether the infringing subject-matter encroaches on it. Piracy, with infringement by identical goods, is a special case.

Following assessment as to validity, determining the extent of protection by interpreting the claims, with the help of the description and any drawings, is a central issue at the European level, too, where Article 69 EPC and the Protocol on Interpretation have had a harmonising effect.

Expert witnesses are regularly called to give opinions on the facts. Without experts, it would scarcely be possible to explain the state of the art, determine what the ordinary skilled person would have known at the date of priority of the disputed patent (!), and assess equivalent infringement. Here too, the experts can be appointed by parties or by the court, depending on national rules of procedure. In "one-stop" proceedings, taking infringement and revocation together, the same experts are likely to be consulted on both issues.

(c) Infringing act actually committed

As a rule, the question whether the defendant has actually committed infringing acts and thereby breached the patent-holder's right to prohibit others from doing certain things, is seldom asked. Culpability, as a condition of liability for damages, is raised as an issue in some cases.

(d) Access to and preservation of evidence

In recent years, a good deal of attention has also been devoted to the question of how and to what extent the patent proprietor should be granted access to evidence held by the defendant, making it difficult or impossible for the right-holder to prove infringement. The key concept in this discussion is *saisie,* as applied in France. Practice in Europe as a whole seems to be moving towards the French model, albeit in a less rigorous form.

The English courts have come up with the "Anton Piller" or search order, a measure typical of English practice, which reconciles the patent proprietor's need to obtain evidence with the alleged infringer's right to protection from the consequences of what may be wrongful accusations. The overall situation has also improved in Germany, where the courts used to take a very restrictive line on applications for access to evidence. A recent judgment of the Federal Supreme Court, accompanied by improvements in the Code of Civil Procedure, has aligned German practice with general European standards.

The toughest measure in the law of any European country is undoubtedly *saisie contrefaçon,* which enables the right-holder to enter the alleged infringer's premises and seek evidence of infringement before instituting proceedings. The evidence is gathered by experts - generally patent attorneys - under the supervision of a bailiff. Orders for *saisie contrefaçon* are issued by the president of the first-instance court, without hearing the other party, and generally require no more than compliance with certain rules of procedure. The measure is too harsh and one-sided to be adopted as a general European model; however, as well as facilitating the taking and preservation of evidence, it also serves a further purpose, mentioned below, in the interests of the right-holder.

(e) Further issues in the proceedings

Inevitably, a number of further legal issues also crop up in patent infringement proceedings. These include, in order of frequency: place of jurisdiction; ownership of the patent; legal responsibility (eg of managers) on the defendant's side; the question whether the allegedly infringing act was condoned by the grant of licences and other permissions, or allowed on the basis of exceptions such as experimental use in chemistry; and the exhaustion of rights.

These issues involve legal problems which require less specialised or strictly technical knowledge than the points outlined earlier, and can usually be decided by an ordinary court applying general principles of civil law.

3. "Europeanised" questions

The issues relating to validity and revocation and the extent of protection, as determined by interpretation, have been unified, both in the EPC and at national level in the contracting states. The two main areas of dispute in patent infringement proceedings are therefore covered by European or at least harmonised law. One consequence of such Europeanisation is that the task of the courts has become easier, as the law they have to apply is unified, no matter whether it is European or the national law of either the country where the court has its seat or of another country, so that judges only need to familiarise themselves with one law for the whole of Europe.

The issues of jurisdiction and of what constitutes permissible non-infringing use have also been largely Europeanised.

In the national laws of the contracting states the definition of the exclusive rights conferred by the patent is also unified, together with a number of associated questions. In the area of sanctions, the prohibitory injunction also poses few problems, as it is granted without any need to show culpability; only the sanction of *astreinte* is different. Considerable variations are also found in levels of damages and the national procedures for fixing them.

Therefore, the biggest differences now lie in procedural law and the associated issues, such as those arising from *saisie*.

4. Main factors in practice

Two aspects of patent infringement proceedings are of key practical importance. The first concerns the time factor, in view of the seriousness of the sanctions involved, which require that decisions be taken as quickly as possible. This brings us to the question of the preliminary injunction, as the toughest form of preventive action. Here, there is a conflict between urgency and technical complexity. Highly intricate content – especially in chemistry and similar fields – makes injunctive relief impossible and precludes quick proceedings.

In this area, it is often said that dealing with complex technical content requires judges with appropriate training and experience. Since the infringement courts are mainly staffed by lawyers, assisted in only some countries by technical judges, the call for experienced judges has a rather different meaning. Obviously, a judge in patent infringement proceedings must be prepared to address difficult technical matters, but he must also take a balanced, critical attitude to written or oral evidence given by experts, so as not to be dependent on their opinion or allow himself to be manipulated by them. The key virtue of the patent judge consists in applying his judicial abilities to the assessment of reports and experts, in order to take the right decision.

Finally, costs are an issue of major practical importance. With the complexity of the subject-matter, retaining the services of experts, and of specialised legal practitioners in addition to patent attorneys, imposes a heavy financial burden on the parties. Measures such as taking evidence and carrying out tests and investigations on the infringing goods also involve further costs. Patent infringement proceedings therefore have to be evaluated from this angle, too, so as not to disadvantage the financially weaker party. The costs of the proceedings need to be rationalised.

IV. Requirements for an efficient procedure

An efficient procedure requires a specialised court which can hear technically complex cases without losing sight of the time factor. The quality of the court rests on its experience in the field, ie on the professional knowledge of the judge. He in turn can only acquire such knowledge by dealing with sufficiently large numbers of patent cases over a considerable period. This means that patent cases, like other IP disputes, should be concentrated in a few courts; in smaller countries, only one or two courts should be given jurisdiction. Concentration makes it possible to establish a fund of expert knowledge at particular courts. It is also necessary for judges to stay at the same court for an extended period, instead of moving elsewhere after a short time. It would be make sense for the judiciary to create some form of specialised career structure, so that judges could stay within their chosen area and not have to move away for career reasons.

It is difficult to say how many cases a court would have to hear in an average year to meet the requirements for establishing a fund of specialist knowledge. This depends, inter alia, on the legal system of the country concerned. The smaller number of IP court cases in the UK, for example, might lead to the conclusion that a few cases is enough, but this would be mistaken: there, the judges are former barristers who are eminent practitioners in the field and already have the requisite degree of specialisation.

The soundest basis for an efficient court system consists in the familiarity of the judge with the subject-matter and the particular requirements of infringement proceedings.

The efficiency of patent infringement proceedings is further enhanced by conducting them in a manner adapted to their particular requirements. Two European examples may serve to indicate the lines along which some experts are thinking. The above-mentioned practice of *saisie* under French law - which also exists in a similar form in Belgium, Italy and Spain - is not only a means of uncovering and preserving evidence; it also has a deterrent effect on potential infringers. The speed and simplicity of the measure, and the directness of access to evidence, make it clear to the infringer that he is on dangerous ground. The measure also makes it difficult to play for time; initially, the right-holder has the upper hand. The second example comes from the Netherlands, where the summary proceedings known as *kort geding* have been developed as a quick and efficient solution which has proved popular - as

evidenced by its use in obtaining cross-border injunctions - and is also cheap. The court concentrates on the main issues – validity and extent of protection – and takes a quick decision.

IP infringement cases require a procedural approach which rules out the usual practice in civil litigation of playing for time and protects the interests of the right-holder by focusing attention on the main issues. Here, it would be useful to follow the lesson of English law, by ordering successful applicants for preliminary injunctions to post a substantial bond. This, as with *saisie,* makes it clear that resorting to such measures involves an element of risk.

This would also raise the question of the extent to which the parties are prepared, in view of the facts and the legal position, to accept an arbitration procedure leading to a reasonable compromise. But without the threat posed by an efficient court system, such reflections are of little value.