

International

Key considerations in transnational patent litigation

At first glance, the issue of transnational patent litigation appears to be of interest only to patentees, who are interested in designing a strategy to make optimum use of their intellectual property and to enforce their rights. However, this topic is equally important from the perspective of a potential defendant. As part of a comprehensive strategy, companies must consider weaknesses and strengths which may be used to defend against attacks from patentees. This may include actions outside the jurisdiction where a patent case has been initiated. A controlled escalation of a dispute can help to put an end to the whole dispute much more quickly than proceeding through an extensive litigation process. Therefore, in this context the key considerations for transnational patent litigation also play a significant role.

The issues to be considered may seem obvious, but nevertheless have their own delicate facets. It is important to examine these issues and consider how they are intertwined in order to develop an optimal strategy.

Starting point

The starting point must be a careful analysis of the problem to be solved. Is it 'only' the infringement of a patent by a competitor? Is it a defence against an attack for alleged infringement of a competitor's patent? Is it a general consideration of the market situation? This analysis is more of a business decision than a legal decision, although legal considerations have a strong impact. However, the overall strategic goal must be the driving force for any subsequent legal analysis.

Existing patent portfolio

The existing patent portfolio will be decisive. In principle, litigation is an option only where there is a patent or utility model. This seems so obvious that one may wonder why it is mentioned. There are two reasons. First, it may be tempting to overlook weaknesses in the patents when it comes to their enforcement, and instead simply rely on the existence of the patent. Second, the

fact that there is no patent in a jurisdiction may not necessarily exclude actions.

In specific circumstances it may be possible to extend the portfolio within a relatively short timeframe. For example, German law offers the possibility to branch off a utility model from a pending patent application (national or European). If a patent application encounters problems in prosecution, the observations and objections raised by the examiner may be taken care of not only by amending the patent application, but also by filing a corresponding utility model. This will quickly lead to an enforceable title and will offer the opportunity to enforce rights even before the patent has been granted.

Another consideration is other types of IP right and remedy. Although they may not be the first choice, design rights or rights under the unfair competition regime may be used to flank patent actions, thus broadening the scope of the attack and offering a flexible way to achieve strategic goals.

Evidence

Often patentees seek advice against an infringer based purely on a conviction that infringement has occurred. Sometimes, once they are confronted with specific questions as to the evidence that they can produce, it becomes apparent that the evidence will not be strong enough to support their claims.

In this situation, ways to obtain additional evidence must be considered. This may be done in the jurisdiction chosen by the patentee. Another option is to try to make use of tools which are available in other jurisdictions. Some jurisdictions may require that there be at least patent protection in that country, while others may require the commencement of infringement action there as well. Although this appears to be an additional and unanticipated burden, it may be helpful in order to produce the missing evidence which can then be used simultaneously in the jurisdiction originally sought. Under certain circumstances it may even be

possible to start actions to gather evidence without having to file an infringement action before the court. Discovery may be a strong tool in this context. In the United States, discovery proceedings may be started if there is a sufficiently close relation between the parties to the discovery and the parties to the litigation. US discovery may thus help in proceedings abroad even if there is no infringement action in the United States.

The same ideas apply to the defendant. When litigating in one jurisdiction, the defendant should also carefully assess options which could provide further evidence for its position outside that jurisdiction. In many jurisdictions evidence gathered abroad is admissible and cannot be denied by the other party, provided that the procedural aspects of gathering the evidence have been observed.

Assessing validity

The assessment of validity is crucial in regard to the decision to include a patent in the litigation. In transnational litigation the validity of the patent and its foreign counterparts may vary across different jurisdictions. The assessment must comprise substantive questions and procedural aspects. First, there are significant differences in various jurisdictions with regard to how the validity of a patent or utility model can be brought into the litigation by the defendant. While most jurisdictions deal with the invalidity as part of the infringement case, the German system separates the infringement case from invalidity action. The latter is subject to the exclusive jurisdiction of the Federal Patent Court. The civil courts (ie, the district court at first instance and the court of appeals at second instance) are bound by the administrative act of the grant of the patent and may not rule on invalidity. If they are convinced that a patent is invalid, they may stay only the infringement proceedings. Other jurisdictions may have limited options for invalidation of a patent (eg, re-examination in the United States, although the new America Invents Act will introduce a post-grant opposition into US law for the first time). It is imperative to anticipate possible invalidity arguments when selecting the patents for litigation.

Another consideration is the possibility of amending the granted claims during proceedings. The defences raised against validity may give rise to amendments of the granted claims. However, some jurisdictions are rather limited in their opportunity to amend claims. Post-grant amendments are often not allowed if they incorporate new features into a claim which go beyond a pure combination of the granted main claims and sub-

claims. It is therefore important to look at these options in general before choosing a specific jurisdiction for litigation. Since it can never be excluded that the defendant will find prior art which was not previously known to the patentee, the possibility to amend claims must be taken into consideration as one of the key factors when deciding about transnational litigation.

Transnational litigation

The purpose of transnational litigation is to exercise effectively the rights conveyed by the patent so that the overall strategic goal is achieved. In many cases this goal may be to force the defendant to negotiate a settlement agreement. Nevertheless, this can be pursued seriously only if there is sufficient pressure on the defendant. Consequently, the remedies available in a particular jurisdiction in cases of patent infringement are of great importance.

Industry has become concerned about developments in US case law regarding injunctions in patent infringement cases. Similar discussions have been initiated in Europe. However, the EU IP Rights Enforcement Directive (2004/48/EC) still provides a range of remedies, including injunctions, so that at present the patentee may be denied an injunction only in exceptional cases where the exercise of patent rights could be considered to be abusive.

Damages also play a significant role. There is an equally broad range of options across the various jurisdictions. A patentee whose rights have been infringed may seek reasonable royalties from the infringer, but in some jurisdictions may also request double or treble damages (punitive damages). The conditions for claiming damages also vary greatly. While in Germany, a patentee can generally backdate damages to the date of the patent grant, other jurisdictions such as the Netherlands require that the patentee send a notice to the defendant. In that case, damages may go back only to the date of the notice. Clearly, this has a major impact on how seriously the litigation will be taken by the defendant and will thus influence the patentee's decision.

Similar issues arise when it comes to other remedies, such as the recall of infringing products from the market, the destruction of stock, the request of information about customers and other business information related to the infringing acts and actions outside the infringement action. In particular, this relates to criminal actions or actions with Customs (border measures) to prevent the import of infringing goods into the specific country.

Procedural issues

As part of a patent strategy, procedural issues must also be considered. When opting to litigate in several jurisdictions at once, it is crucial to be aware of the peculiarities of the proceedings available in each jurisdiction. The efficient enforcement of patents requires the effective use of the procedural tools available in each jurisdiction.

Some issues that arise in the context of obtaining evidence have been mentioned above. Pre-trial discovery can help to support the claims. On the other hand, it may also be rather time consuming and thus may delay litigation, which will have a significant impact on the entire strategy.

Another consideration concerns the plaintiff. In some jurisdictions it may be wise not only to start the litigation on behalf of the patentee, but also to include a licensee (in general, the local affiliate of the patentee). Although this may require certain additional preparations, it may turn out to be more effective or even less complicated. In particular, claims for damages can create problems when the patentee is not active on the market. Therefore, it may be wise to include the affiliate (or other licensee) which actively works the patent in the country of the litigation as a plaintiff.

The question of separating infringement and invalidation actions has already been mentioned above. This is a matter of both procedural and substantive law.

Timing and costs

Timing and costs are issues which all patentees must consider. Careful budgeting and the close monitoring of costs are crucial. The budget for a certain case may be used for only one jurisdiction or may have to be split among several jurisdictions. The financial requirements of a transjurisdictional action depend on what actions are planned in the different countries. The decision as to which actions should be taken is based on weighing up the various aspects, including the timing of proceedings and their costs. In any given case it may be advisable to limit the actions to one jurisdiction if the timing would not be right. On the other hand, good timing and an effective overall strategy may justify transjurisdictional litigation, even if it may result in higher financial costs and risks.

Another key issue with regard to timing is how to start transjurisdictional litigation. In general, a patentee will aim to file the actions against the targeted defendant simultaneously. In exceptional cases there may be good reason for staggered actions. In particular, this is necessary when a quick start is desired, which may not be achievable in all the targeted jurisdictions. A

quick start in one jurisdiction will send a signal to the defendant, which cannot be sure that no further actions will be started in either the same or other jurisdictions. This decision will also be affected by the varying timeframes required for litigation in the different jurisdictions. If the patentee knows that more time will be needed in one country than in another, it may start the litigation there and commence litigation in other jurisdictions in stages.

Close communication between all legal advisers in the various jurisdictions is vital. Precise coordination is needed, and should be left to one of the plaintiff's external advisers. Experience shows that arguments made in one jurisdiction can be detrimental to the same case in another jurisdiction if they are not carefully checked by advisers in all jurisdictions involved.

At the same time, the patentee should not lose sight of the defendant's options for countermeasures once it faces litigation. The patentee must try to avoid counteractions which may block the start of further litigation in other jurisdictions.

Defendant's strategy

Once confronted with patent litigation, the defendant's first task is to counter the plaintiff's arguments and find ways to support its own position, either by denying infringement or by challenging the validity of the patent in dispute. Other defences, such as prior user rights or compulsory licences, may also be an option.

However, this should not be the end of the defendant's strategy. On the contrary, possible counteractions and counterclaims should be considered. Such actions are not limited to the jurisdiction in which an action against the defendant is already pending. The defendant must evaluate all available options, including those in other jurisdictions. Depending on the specific circumstances, there may be good reasons why the dispute could be transferred to another level – this allows the defendant to open up new areas of the dispute. To some extent, initiating counteractions in another jurisdiction will take the plaintiff by surprise and may give the defendant some momentum in its defence.

Counteractions need not be connected to the patents which are already in dispute. There may even be other technical fields in which the defendant has a strong position which it can then leverage against the plaintiff. However, parties should be careful not to get caught up in numerous attacks which may tie up too many resources. Any counterstrike must be effective in itself and should not lead to an overly complex dispute. The relevance of the counterattack for the business is key.

Comment

The considerations discussed in this chapter must be seen as part of a strategy to gain maximum flexibility for a party without being exposed to unforeseen and unnecessary risks. It is the role of the legal adviser to make clients aware of those risks. Any decision to be taken by the patentee must be an informed one, taking into account the considerations listed herein so that the overall strategic goal can be achieved with as much flexibility as possible.

**Jochen Bühling**

Partner

info@krieger-mes.de

Krieger Mes & Graf v der Groeben

Germany

Jochen Bühling focuses on patent and trademark law. Mr Bühling's practice involves national and cross-border litigation and counselling. His clients range from multinational companies to small and medium-sized enterprises, and he has been involved in a number of cases involving patent rights and standards, including one of the first cases to be heard before German courts invoking standard-essential patents. Until October 2010 Mr Bühling was reporter general of the International Association for the Protection of Intellectual Property.