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Developing and Managing a European Patent Litigation Strategy

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I. The Importance of a Strategy

No matter what a business' industry or market sector may be, there will be a competitor busy planning to capture market share from it. Companies take great care in patenting the right products and technologies in the right countries, and subsequently in managing and exploiting them. It is equally important to craft a coherent and thoughtful strategy for patent enforcement or challenge on a global scale.

Effective patent litigation strategies need to reflect the realities of global competition, irrespective of whether the strategy is essentially defensive, offensive, or a blend of both. As patent disputes and businesses go global, European jurisdictions are increasingly important to US and international companies — and in multinational disputes the UK and Germany are often of central importance. There is consequently a growing and more sophisticated appreciation of the differences between the European systems and those elsewhere, but not always a full understanding of how to deploy these to best advantage or conversely to a competitor's disadvantage.

This article is a general guide to the principal questions one should consider when developing a strategy for patent litigation in Europe. It emphasises the key relevant tactical and strategic issues that should be addressed rather than providing bespoke answers.

A carefully thought out strategy should ideally be planned in advance, but it would be unrealistic to suppose that this is always possible — and indeed the unusual nature of an attack may require tearing up a pre-conceived strategy in any case — so these issues are equally applicable to companies having to develop an ad hoc strategy.

Patent litigation can move very quickly in certain European countries, so being unprepared or slow to react can have potentially devastating results.

European Patent Landscape at a Glance

- The European patent system is based on the European Patent Convention which, critically, is not a part of the European Union legal system.
- The EPC currently has 38 contracting states and 2 so-called extension states. European patents can take effect in some or all of these countries, as chosen by the patentee.
- Europe has both European patents and national patents.
- Once a European patent is granted it takes effect as a series of national patents in all designated countries.
- The European Patent Office deals with granting European patents and is the venue for post-grant oppositions, but it does not deal with revocation or infringement.
- Infringement and revocation of both European patents and national patents is dealt in each country under its national law.

- Court procedures differ depending on the rules of the national court, and different national courts can reach different conclusions in identical but parallel cases.
- Certain national courts have reputations as being more pro-patentee or more pro-defendant.
- Unlike the US, courts in Europe do not have jury trials, but use judges only. In some countries these are specialist patent judges.

II. Developing a Winning Patent Litigation Strategy

A. Know Own Commercial Goals

Patent litigation is a means to an end. One of the most common mistakes is a failure to define the desired outcomes to be achieved from the litigation. This is followed closely by a failure to reappraise those objectives in the light of the contours of the litigation as it unfolds — few plans survive first contact with the opponent.

Articulating commercial goals is vital. This will determine where to litigate, what remedies the litigation should seek, timing, who to sue, and the like.

A patentee's primary objectives will differ depending on the scale of its commercial presence and the importance of the product. In markets where the patentee has a commercial presence (themselves or via a licensee), the emphasis will be stopping a competitor from entering or stopping them gaining market share with modified products/processes that incorporate the patented technology. If the threat is to a critical part of the business, the emphasis will be on securing an injunction, and monetary damages will be secondary. In markets where the invention is exploited through licensing, then the strategy needs to consider the licensee's position and who exactly has suffered damage, any applicable indemnities in the licence agreement, and the impact that may have on settlement negotiations. In markets where the patentee has no presence the emphasis may be on encouraging the competitor to take a licence.

Articulating a defendant's primary objectives will depend on factors such as the commercial importance of the accused product/process (and whether it is worth fighting through to trial — often a key factor in life sciences disputes), and how easily a design around can be made to the accused product/process that neutralises the attack. Will a sustained and sophisticated attack on the patents create a favourable climate for settlement? Should a reasonable royalty be paid and a licence taken? Or is it simpler just to exit a market where the costs of litigation outweigh the commercial return being generated?

B. Where to Sue?

Choosing the European countries in which to sue is one of the most important decisions in any strategy. This is especially so where — as in most global disputes — a business will have equivalent patents in most major

countries and will be facing concurrent commercial attacks in multiple countries at once.

The relative advantages and disadvantages of different countries will be heavily influenced by their specific rules and procedures, relative speed (including the ability to slow down or accelerate the process, as required), availability of specialist patent courts and knowledge of the technology, and the benefits and drawbacks of bifurcation.

The following points will be of critical importance.

(i) Pre-Litigation Discovery/Document Disclosure and Evidence Gathering

Inspecting a defendant's premises or documents can sometimes be critical in determining whether they are actually infringing or not. Not all European countries have discovery/document disclosure rules. If obtaining discovery is important to the litigation then the broad discovery/disclosure rules of the UK and the US courts (including the ITC) must play a key part. In contrast, in Germany for example, as in most of Europe, discovery/disclosure is not generally available.

Some countries have broad and powerful pre-litigation search and seizure rules, coupled with evidence preservation. This notably includes France with its *saisie contrefaçon* rules whereby court bailiffs and experts can be requested to seize evidence (both articles and documents) before any litigation, although the *saisie* will be invalidated if no litigation subsequently commences. The UK has perhaps the broadest and strongest range of search and seizure powers, and has been at the forefront of developing these in the common law world.

Key considerations: Can the results from such procedures be deployed to other countries or are they local only? Does one subsequently have to sue if these procedures are used? Is posting some kind of bond or guarantee or undertaking to the local court to compensate the defendant for any damage they may suffer a requirement?

(ii) Interim (Pre-Trial) Injunctions

This can often be an important component in achieving your commercial objectives. Most European countries will injunct defendants until trial if appropriate, but there are widely varying differences in national practices.

Thus interim injunctions in France normally take 5–6 weeks to resolve (without notice injunctions are only in exceptional cases), Germany will take a few days to several months depending on the case's complexity, the Netherlands will grant immediate relief without notice, as will the UK (depending on complexity).

Key considerations: Does the country permit without notice emergency applications? How quick is the process? Does the country consider that damages (assessed as a reasonable royalty) are an adequate remedy in patent cases and therefore rarely consider that there can be irreparable harm? How damaging is any delay in asking for an injunction? How high is the evidential

threshold? Can one use material from such injunctions elsewhere? Again, is posting some kind of bond or guarantee or undertaking to the local court required?

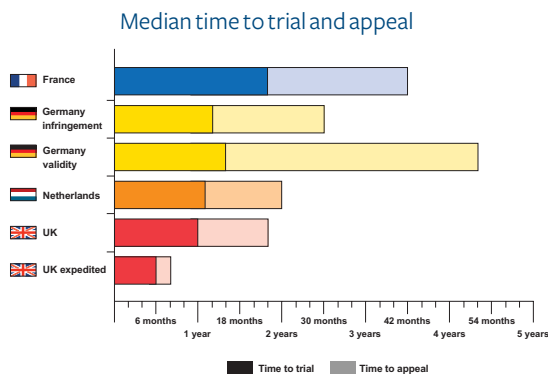
(iii) Speed

The time to trial, whether it is slow or fast, can vary widely across Europe. Likewise, the ability to slow down or accelerate the process, as required, and the length of any appeals, varies widely.

Understanding local timelines is important, as litigants need to be alert to which countries are likely to issue decisions first, what those outcomes will be, and what consequences those outcomes will have on the litigation elsewhere. Additionally, there is a need to be aware that sometimes litigation can be dramatically slowed down. Many countries in Europe will normally freeze national litigation pending resolution of any European Patent Office post-grant opposition. The main exceptions — jurisdictions that treat this as a matter purely for the court's discretion — are the UK, Ireland and the Netherlands.

Typical times to trial and then to appeal in the main European countries are:

- **France.** 18–24 months for each stage;
- **Germany.** Infringement proceedings 10–15 months and up to 18 months respectively; validity proceedings 15–18 months and 2–4 years;
- **Netherlands.** About 1 year for each stage; and
- **United Kingdom.** 9–12 months and 10 months respectively (in cases of urgency the entire litigation through appeal can be as short as 8 months).



(iv) Document Discovery/Disclosure

Forcing a competitor intent on capturing one's market share to disclose all relevant documents evidencing their infringing activities can be critically significant in a global dispute, especially if those documents can then be deployed in other countries — in particular those that do not have discovery/disclosure rules.

However, many European countries have no discovery/disclosure rules, particularly civil law countries. Excluding the pre-litigation search and seizure rules mentioned above, there is generally no discovery/disclosure requirement in France, Germany, and the Netherlands. In these countries parties generally only disclose documents on which they intend to rely. So unless a claim-

ant's infringement case is well-supported before commencing the litigation, they will not have the opportunity to obtain and use their competitor's documents during the case.

In contrast, as with the US, the UK and Ireland have relatively wide-ranging discovery/disclosure rules. It should not be forgotten that the mandatory obligation to produce relevant documents to the opposing side (and potentially making them public), irrespective of their helpfulness or otherwise, can have advantages and disadvantages depending on the particular context. Reviewing and complying with discovery/disclosure rules will add to the overall expense of the litigation, although may in practice be the only way to force such documents from an opponent.

As major patent disputes are normally between commercial competitors, an often vital aspect in the discovery/disclosure process is whether sensitive documents can be kept confidential. Most European countries have mechanisms to deal with this — for example there are specific court rules and practices in the UK to preserve the confidentiality of such documents and — if needed — to limit their dissemination within the personnel of each competitor (the so-called “confidentiality club”).

(v) Evidence

Different courts across Europe require different types of evidence. Mapping out what will be required by each, and how best to prove a case at a pan-European level, is vital.

Most European countries place a heavy emphasis on expert evidence, making expert selection and evidence a key part of the litigation. However, there is a wide divergence in practice in how expert evidence is deployed and permitted. Some countries allow the parties to call their own experts (Germany, Netherlands, UK); others do not, and the court appoints its own expert (France, Italy). The practice is mixed in some — in Germany parties have their own experts for trial and beyond, but on appeal it is relatively common for there to be a court-appointed expert.

Some countries take expert evidence on paper only (France), others require cross-examination at trial (Ireland, UK). This impacts on expert selection, as some experts can be excellent on paper but incoherent and unpersuasive under hostile questioning.

Equivalent considerations apply to evidence of fact, but in general extensive evidence of fact is generally less significant in Europe than, for instance, in the US.

Evidence from litigation experiments may be vital if, for example, there is a need to demonstrate infringement or to repeat some prior art to demonstrate lack of novelty. Knowing how courts will approach such evidence must be considered. Thus the UK rules mean that such experiments must be repeated in front of the other side, and so must therefore be robust, well-designed and scalable.

(vi) Local Patent and Technical Knowledge, Procedural Idiosyncrasies

Not all countries have the same expertise and familiarity with patent law, nor do they have the same technical capabilities and expertise. This can impact on strategic choices as to venue, where to seek interim injunctions, which country to choose as lead jurisdiction (will its decisions have precedent/persuasive value and technical weight elsewhere in Europe?) and the like.

The main European countries all have specialist intellectual property courts, but may not have specialist patent judges. Specialist patent judges are only found in the UK and the Netherlands, and recently in Italy; Germany only has specialist judges in validity proceedings, but not in infringement proceedings.

It is important to understand national appeal systems. Which countries have automatic rights of appeal and which require permission, and on what grounds? How long will an appeal take — practices differ widely (appeal in a UK expedited case can take 2 months to judgment, whereas an appeal in German validity proceedings can take between 2–4 years)? Is it possible to suspend any sanctions imposed by the trial court during the pendency of an appeal?

Understanding the legal costs exposure is vital in budgeting for the litigation. Although European Enforcement Directive 2004/48/EC established the concept across Europe of recovering reasonable legal costs from the unsuccessful party, in practice different countries have different concepts of what is meant by “reasonable”.

Patent litigation normally involves the two key issues of validity and infringement. Most countries deal with these together, and this results in strategically important and subtle interplays around the inherent tension between the breadth claimed for the patent and the effect that has on validity (so-called “squeeze” arguments).

Austria and Germany are the exception, and bifurcate these issues into separate proceedings. Importantly, this means that a party can adopt different claim constructions in each set of proceedings, so squeeze arguments cannot be run. The bifurcation approach can also mean that findings of the speedier infringement court can subsequently be nullified by the much slower validity court — one party may be enjoined only for the patent to be revoked some years later.

Considerations for Deciding Where to Sue in Europe

- In which countries are infringements happening?
- Do national rules allow the foreign manufacturer to be sued even if not selling/importing there, or can only the manufacturer’s distributors be sued?
- Can the claimant as patentee sue in that country if they have no direct business there, or must their local associated company or licensee bring the litigation as the only entity who has suffered damage?

- What is the likelihood of obtaining a positive result?
- Which countries have the most favourable procedures applicable to one’s particular commercial/legal position?
- What precedent/persuasive authority value will a decision of a particular country’s court have?
- What are the relative speeds of trial, entitlement to appeal, and speeds of appeal?
- Where might one’s opponent counterclaim for revocation of the disputed patent?

III. Managing a Winning Patent Litigation Strategy

Most large and sophisticated global companies have specialist in-house counsel who will take central responsibility for managing patent litigation. They will normally identify the key relevant patents, form an initial view on validity and infringement, assess the commercial landscape for that product, and often identify relevant witnesses and documents.

Modern multinational litigation can move at a very fast pace, and companies cannot afford to allow their competitors to keep them off balance. Yet even the best in-house teams rarely have the resources or the time to handle all the work involved in global or pan-European litigation themselves, and so must engage external counsel.

The following points will be of critical importance.

A. Lead External Counsel

Day-to-day management of pan-European patent litigation is a full time occupation, so it is common to engage an external law firm to act as primary external counsel — reporting direct to the in-house counsel — and managing the law firms in various countries involved. It is not essential for there to be litigation in that firm’s country, although that is often the case.

Acting as lead counsel does, however, require a proper understanding of the European landscape, and the chosen firm must have the resource available to staff up the inevitable peaks of work, manage a potentially large electronic document management system, operate a secure intranet, and be able to support the local national litigation teams. Although it is desirable for lead counsel to have offices in multiple countries, it is not strictly necessary, but such large international firms will usually have the resource necessary to manage pan-European patent litigation — particularly if there is US discovery to digest and disseminate.

B. Team Communication

A carefully planned strategy can be easily undone if it is not consistently implemented in a way that allows the litigant to dictate the time, place, and scale of their intended actions — any inconsistent arguments or steps in one country may undermine the whole strategy.

The responsibility for communicating this strategy

should be that of the lead in-house lawyer or lead external counsel. Procedures must be put in place to ensure that:

- The strategy is kept constantly under review;
- The clients and the wider litigation team know what is happening;
- Key issues do not get lost in the detail;
- A proper record is kept (as clients and lawyers can often change during a big case's lifetime).

C. Settlement

It is common for potential settlement of major patent litigation to be broached at some point. Whether settlement of major life sciences litigation is possible will depend on whether this is a fight against a generic or a rival originator, how close expiry of the patent/SPC is, whether cross-licensing is a feasible option, and what a business' commercial objectives for the litigation are.

A litigant should consider having dedicated settlement counsel as an essential component of a litigation team. By not being enveloped in the detail they can focus on achieving the overarching strategic goals. In the life sciences arena such settlement counsel will also need to consider whether there are any antitrust/regulatory consequences flowing from potential settlement terms. National and international regulators are increasingly scrutinising life sciences settlements very closely, so it is imperative that antitrust/regulatory advice is fed into settlement discussions in a way that a workable settlement can be achieved that will not subsequently be declared anti-competitive.

Managing Pan-European Patent Litigation

- Make it easy to have call-ins. Webinars and video conferencing (including individual webcams) help even further, especially if documents under discussion are displayed.
- Ensure that there are regular all-team meetings, and that the key team leaders/members visit the relevant locations.
- Set up a dedicated intranet to house know-how, key documents, online reporting tools, and the like.
- Continually share key developments and lessons learned from the litigation.
- Consider drafting a case manual on the history and background of the litigation, and a technical primer describing the technology and the patent issues.

- Consider putting in place a common set of standards addressing reporting, case management etc.
- Ensure that there is centralised and regular reporting by the team (even if a "nil" report). This is as applicable to countries with slow litigation timetables as to fast ones, and to countries whose professional norm is only to report as and when there is something to say.
- Be prepared to nurture centres of excellence, and permit certain aspects of the case to be dealt with by dedicated parts of the team.
- Consider establishing a discovery/document disclosure team (especially if there is US/UK litigation), so that key documents can be identified, analysed and — to the extent permitted — distributed.
- Consider establishing a dedicated settlement team, depending on the weight of the case.

Strategic and Planning Considerations for Patent Litigation in Europe

Beginning this month, World Intellectual Property Report presents a pivotal six-part series by Jonathan Radcliffe, partner at Mayer Brown (London), on the strategic and planning considerations for patent litigation in Europe. With the multinational nature of many patent disputes, an understanding of the distinctive differences that operate within Europe and how these can be deployed to maximum advantage will be essential for practitioners wishing to run an effective international patent litigation campaign.

The series will continue next month on the key features of litigation in the primary European patent litigation countries.

Jonathan Radcliffe is a partner in the Intellectual Property practice of the London office of Mayer Brown and has practised exclusively in this field for over 25 years.

Jonathan is recommended by the Chambers UK directory as a leading individual for patent litigation and for life sciences IP/patent litigation. His work covers a wide range of technologies, with a particular focus on cases with a high scientific/technological content in the pharmaceutical, life sciences, medical devices, and high-tech sectors.

Jonathan has been involved in a number of leading cases in the IP field on matters such as the patentability of software, added matter, post-revocation patent amendment, obviousness, importation as an act of infringement under the Patents Act, the trade mark classification system, and the registerability of shape trade marks.