State of the Art

Harmonization of IP litigation practice—still a long road ahead

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- The choice of jurisdiction in which to obtain information concerning intellectual property infringements and in which to sue for them requires a good deal of relevant knowledge and understanding of how that knowledge might be deployed.
- Differences in the way European Union Member States process intellectual property litigation remain substantial despite the harmonisation of much domestic law and the introduction of pan-European rights.
- Issues to be considered include divergent rules concerning the availability of cross-border relief, orders for the disclosure of information and the recovery of attorneys' fees.
- The interplay of infringement issues with those of the validity of an intellectual property right should be borne in mind, since some countries settle infringement and validity issues in different courts.

When contemplating a legal action to enforce (or challenge) IP rights in a European Union member state, good knowledge of the judicial system in each national jurisdiction is a key asset in making the right decision. Even when an IP owner has a Community design or trade mark right that should offer the same degree of protection throughout the European Union, it is well known and inevitable that the efficient enforcement of that right can vary considerably from one country to another. Even though many substantive IP laws have now been largely harmonized in the member states, the desired speed, type of relief, costs, and potential drawbacks of a legal action still vary substantially between countries.

European Directive 2004/48 of 30 April 2004 on Enforcement of Intellectual Property Rights is meant to bring some level of harmonization. But the fact remains that substantial differences will persist and will continue to influence the choice of venue for many IP owners and their adversaries.

Important questions must be examined when an IP owner faces a problem that arises in more than one jurisdiction. This article starts from the assumption that a national or Community intellectual property right is infringed and that the potential acts of infringement (or infringers) are located in more than one jurisdiction. Whereas such a situation might give rise to multiple parallel litigations in a number ofcountries, a well-informed IP specialist will not advise on such a decision without considering a number of issues.

This article will address these issues by providing answers to three critical questions that map the contours of the court systems in the European Union. To map these contours comprehensively, we will examine the following issues: (1) the collection of evidence and its transborder use; (2) the duality between validity and infringement issues (particularly for patents); (3) the availability of injunctions reaching beyond national borders; (4) so-called torpedo actions; (5) the recovery of legal fees and (6) protection of confidentiality, proprietary information, and business interests during litigation.

1. How and where to find evidence of infringement?

The first step in infringement litigation consists of gathering evidence of the alleged infringement. Numerous procedures are available in Europe, each with its own peculiarities. An IP owner often has a

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strategic interest in choosing a discovery procedure in one country while retaining the option to start main proceedings in another country, or at least to use the gathered evidence in other jurisdictions when necessary.

In the United Kingdom, the disclosure procedure (formerly known as discovery) can compel the defendant to produce documents that would otherwise be unavailable or even unknown to the claimant. It can also serve as a means of obtaining a description of the defendant's product and process. The procedure is linked to the main proceedings in the United Kingdom because the results of the disclosure are not supposed to be used outside the English proceedings, although the court can give leave to use them abroad. In certain circumstances the procedure is also available before proceedings have been launched.

The civil law countries offer the *saisie description* as a popular, and much cheaper, pre-trial alternative: it is an *ex parte* procedure that allows the IP owner to enter—without prior warning—the premises of an alleged infringer or a neutral third party to find evidence of infringement. The procedure has the particular advantage that it can be used before the IP owner decides whether to commence proceedings. This also explains why there is virtually no burden of proof to show infringement before starting

IP owners have a strategic interest in choosing discovery in one country, keeping the option to start main proceedings in another

such action: the specific purpose of the procedure is to ascertain whether any infringement exists. The procedure is already widely available in France,[1] Belgium, Italy, and Scotland (while in England and Wales there is the now little used *Anton Piller* order). The Enforcement Directive mandates that such a type of procedure should become available everywhere.

In Italy and France, the *saisie description* can even be used before the grant of a patent, which is very useful in the early stage of a suspected infringement. In Belgium, the *saisie* has other attractive features: it can be used for finding evidence of infringement of a patent, copyright, or trade mark.[2] With respect to patents it can be used even without holding a Belgian patent; information gained from that procedure may be freely exported and used in main proceedings elsewhere in the EU. The Belgian Supreme Court has based this reasoning on Article 33 of the Brussels Regulation, stating that preliminary measures should be available in one member state even when the main proceedings are conducted in another member state. In France, however, the prevailing view is that a bailiff's report obtained by means of a *saisie contrefaçon* may be used only before the French courts and nowhere else.

Recent German court decisions have authorized some types of discovery following a major shift in the leading case law in 2002, when the Federal Supreme Court issued its *Faxcarte* decision.[3] This development could mean that there is no need to implement the European Directive by introducing *saisie description* into the German Code of Civil Procedure. In the Netherlands, discovery was not available until 2002. Now a Dutch court can order the disclosure of certain documents and appoint an expert who can perform inquiries at the premises of the suspected infringer.[4]

2. Are validity and infringement questions inseparable?

At first sight, if a patent or trade mark owner wishes to prevail in an infringement case, he needs to show that his right is valid and infringed. An alleged infringer, however, may escape an injunction by showing that either of these conditions is not met. A closer look at Europe's different IP litigation systems teaches us that validity and infringement issues are not the Siamese twins that they appear to be.

1 See K Toft 'The IP Enforcement Directive: Does It Hit the Mark?' [2004] WIPR 22.

2 For an overview (published in French) of case law regarding descriptive seizure in Belgium, see O Mignolet and D Kaesmacher 'La Saisie en matière de contrefaçon: le code judiciaire a la rencontre des droits intellecuels' 2004 J des Tribunaux 57.

3 BGH (2 May 2002) [2002] Gewerblicher Rechtsschutz und Urheberrecht 1046.

4 See W Pors 'Overview of Resolving Disputes in The Netherlands' 8 December 2003; available at www.twobirds.com.

The strategic advantages of a 'dual system'

In all European countries except Germany, patent courts must resolve claims of (lack of) infringement and (in)validity simultaneously. This has important implications both in terms of practice and in terms of strategy and cost. When infringement and validity are simultaneously adjudicated, an IP owner will almost inevitably face a counterclaim for invalidity, which complicates and/or delays the proceedings.

Germany is the only country with a 'dual system' where, since proceedings for validity and infringement are entirely disconnected, invalidity issues rarely delay the outcome of infringement litigation. This offers the advantage of speedy and less complex infringement proceedings, explaining why Germany is a preferred venue for patent enforcement litigation.[5]

The effect of European Patent Office opposition proceedings

When a granted European patent is converted into a 'bundle' of national patents that are enforceable, it remains open to a centralized challenge by way of opposition proceedings before the European Patent Office (EPO). Sadly the completion of these proceedings takes many years, thereby delaying parallel litigation in some national courts. In Belgium and France, EPO opposition proceedings cause the courts very often (if not systematically) during the pendency of the invalidity action. In Holland, Italy, Germany, and particularly the United Kingdom, such a stay is not automatic and the courts will sometimes proceed notwithstanding the opposition.

German courts will stay infringement proceedings only when there is a high likelihood that the patent will be revoked. A peculiarity of the German litigation system is that national nullity proceedings may not be started before the Federal Patent Court until the EPO opposition proceedings have been concluded or the deadline for bringing an opposition has expired.

Preliminary injunctions

The different approach in judging the interplay between validity and infringement becomes more apparent when we see how national courts deal with preliminary measures to protect IP rights. All national legislations provide, at least in theory, for quick relief through preliminary injunctions. However, not all national courts use this facility to the same degree.

The Dutch *kort geding* is by far the most advanced and efficient preliminary injunction procedure because of (i) the ease with which the Dutch courts accept urgency (always presumed in IP enforcement actions), (ii) the speed of proceedings (a trial date is obtained within weeks of commencement of the proceedings), and (iii) the in-depth study of both validity and infringement issues.

Other jurisdictions, such as the United Kingdom, grant preliminary injunctions only in exceptional circumstances, typically when the claimant is likely to suffer irreparable harm and the defendant would not suffer irreparable damage from a temporary injunction. If both parties are likely to suffer irreparable harm, English courts decide on the balance of convenience. The validity of the patent will be an important factor but not as important as the IP owner's risk of price erosion.[6] In France, a preliminary injunction is possible only when the patent is no longer open to opposition.

In Germany, a preliminary injunction is granted, sometimes even on an *ex parte* basis, but only in cases of urgency and when the infringement is clear. To protect himself against an *ex parte* action, the alleged infringer can file in advance a *Schutzschrift*[7] with the German courts to make sure that his defence arguments are heard before the application is granted.

In Italy, preliminary injunction proceedings are by far the most efficient enforcement action, benefiting from a very generous assessment of the urgency requirement.

In Belgium, a European patent is always presumed to be valid when conducting preliminary injunction proceedings. Accordingly, a preliminary injunction

5 For a comparison between the German and the UK patent litigation systems, see J Klink 'Cherry Picking in Cross-Border Patent Infringement Actions: A Comparative Overview of German and UK Procedure and Practice' [2004] EIPR 493.

6 See C Wilson 'High Court Considers Validity in Interim Relief Application' [2005] WIPR 17.

7 A *Schutzschrift* is a document that an alleged infringer can file with a German court in anticipation of an *ex parte* request by the IP holder for preliminary measures such as seizure and injunctions. The court will then take this *Schutzschrift* into account before the *ex parte* application is ruled upon.

may be granted even during opposition proceedings and regardless of the outcome of the first instance decision of the EPO. Indeed, even when the EPO Opposition Division revokes the patent but its decision is under appeal, the suspensive effect of the appeal continues the patent's *prima facie* validity status. Whereas urgency is required in *inter partes* preliminary injunction proceedings (*kort geding*), that is not the case for the *ex parte saisie description*, where seizure may be ordered if it is reasonable in the circumstances.

Thus, in certain jurisdictions, patent validity is ignored or scarcely considered when considering a request for preliminary injunction. This gives patent owners a major strategic advantage, not only because they should not be concerned with a validity challenge but also because this simplifies the litigation. All the emphasis is placed on infringement issues and—depending on the type of procedure used and the country selected—on the degree of urgency and the balance of convenience.

3. Cross-border jurisdiction

Efficient patent protection depends on the availability of measures that encompass the largest possible volume of potential infringement. Ideally these measures should therefore extend beyond the national borders and have a Europe-wide reach. In trade mark and design matters, Community trade mark and design law grants national courts explicit jurisdiction to issue a cross-border injunction when sitting as the home court of the defendant. These courts are entitled to entertain a counterclaim for invalidity, but that counterclaim will then relate to the Community trade mark or design right as granted for the entire EU.[8]

In patent matters, the courts in Europe have struggled for many years with a dilemma. Since a European patent is a bundle of national patents, subject to multiple national rules for assessing infringement, fierce debate rages as to the grounds on which a national court may rule whether a patent covering another country is infringed.

The Dutch courts have, initially in the *kort geding* procedure and subsequently in main proceedings, introduced the concept of a 'cross-border injunction' and still issue such injunctions notwithstanding some restrictions imposed since 1998.[9] Other national courts, for example in Germany, have also issued cross-border injunctions, taking advantage of the fact that, in their proceedings, invalidity arguments may not be raised. The Belgian courts have also demonstrated their readiness to do so, starting from the presumption that a European patent is *prima facie* valid.[10]

However, other courts, such as those in the United Kingdom and France, have been reluctant to grant cross-border relief. They consider that they cannot deal with the question of infringement of a foreign patent when issues of infringement and validity are so intertwined that it is not possible to assess one without the other. And since it is undisputed that a national court has no jurisdiction to invalidate a foreign patent, it is asked whether consideration of infringement of a foreign patent is even possible.

In patent infringement proceedings, it is vital to be in the driver's seat and retain the initiative

Another question is whether claims that relate to various national counterparts stemming from the same European patent can be brought before a single court on the basis of 'sufficient connection', as stipulated in article b of the European Regulation 44/2001 for jurisdiction of national courts. The Dutch courts have long held that this connection was present because an identical outcome in respect of each national patent was desirable and because all patents stemming from the same European patent should be construed identically. Other courts, such as those in the United Kingdom and in Belgium, have held that this connection does not exist since national patents are subject to their own national tests for infringement, making it perfectly possible that different

8 See also J Pothmann 'Forum Shopping—Competence of Courts regarding Community and National Designs' 11 May 2005; available at www.twobirds.com.

9 See W Pors 'The Netherlands—Trade Mark Litigation and Enforcement' 5 June 2005 and also 'Supreme Court of the Netherlands 19 March 2004, RvdW 2004/51 gives judgment on cross-border injunctions in *Philips Electronics v Postech and Princo*' 21 May 2004; available at www.twobirds.com.

10 See P de Jong, 'The Belgian Torpedo: From Self-Propelled Armament to Jaded Sandwich', more specifically the chapter 'Cross Border Injunctions' [2005] EIPR 75, for a recent application of article 5.3 of the regulation.

answers will be given to the question of infringement. There would thus be no connection to warrant a single court applying all those national rules in a single judgment.

This issue, perennially controversial, has reached a new climax since the Community patent will not become available for many years whereas the demand for cross-border relief is greater than ever. It is hoped that two decisions now eagerly awaited from the European Court of Justice, in *GAT v Luk* and *Phillips v Primus*, will furnish final answers on the questions set out here.

4. What has become of the 'torpedo' actions?

In patent infringement proceedings, it is vital to be in the driver's seat and retain the initiative. For an alleged infringer, the best way to seize the initiative is by launching an action for declaration of non-infringement. When such a claim is formulated in one country it has the effect of blocking national infringement proceedings in other countries by virtue of the rules of *lis pendens* that govern jurisdiction in the European Union. An action for a cross-border declaration of non-infringement is better known as a torpedo action.

Forum shopping is still the name of the game, as every experienced litigator knows

A typical torpedo action is characterized by the fact that it is launched in a country where patent proceedings (at least, the main proceedings) are not particularly speedy, before a court that is not the home court of the patent owner. Although the legal basis for cross-border declaratory relief has been rejected by the highest courts in Sweden, Belgium,[11] and Italy, German patent courts continue to recognize the blocking effect of foreign proceedings relating to the same patent and the same subject matter, as long as they are pending, by staying their infringement proceedings in favour of the declaratory action abroad. The torpedo strategy thus still works in Germany.[12]

An action for a declaration of non-infringement should not necessarily be filed to block foreign proceedings. In jurisdictions where preliminary injunctions are easily granted, even on an *ex parte* basis, this is the only course of action for an alleged infringer who wants to set aside the preliminary injunction or seizure measures that have already been granted. In Belgium, attempts were made to obtain such a declaration via preliminary proceedings, but this was rejected as an unlawful 'anti-suit injunction'.

5. Where can an IP owner recover his costs and/or attorneys' fees?

Court systems in the European Union make various provisions for the award of costs and fees arising from litigation. In Italy, for instance, although the law states that the losing party should pay the costs of the litigation, the courts are reluctant to award payment of the entire sum. Moreover, when the subject matter of the litigation is particularly complex or when the claimant is only partially successful, the Italian court can divide the costs between the parties. In contrast, the English courts are more inclined to award litigation costs at the expense of the losing party, or they may award costs against a party who has unnecessarily incurred expense by raising futile arguments or causing unnecessary procedures, even if that party wins. In Germany, costs must be borne by the losing party, but they are strictly calculated according to formal rules, resulting in the *Streitwert* of the proceedings. In Belgium, the Supreme Court has recently allowed the recovery of attorneys' fees, but it remains to be seen how this will now be implemented further. These diverse rules should soon be harmonized following the implementation of Directive 2004/48, which requires that

> all the member States shall ensure that reasonable and proportionate legal costs and other expenses incurred by the successful party shall, as a general

11 For a historic overview (published in Dutch) of case law of cross-border litigation in Belgium, see K Roox 'Grensoverschrijdende maatregelen in octrooizaken: overzicht van Belgische rechtspraak (1997–2002)' Intellectuele rechten Droit intellectuel 257.

12 See C de Andria 'Advocate-General Opinion Interprets Art. 16(4) of Brussels Convention' [2004] World Intellectual Property Rep 6 on the currently pending case ECJ C-4/03, *Gat v. Luk.*

rule, be borne by the unsuccessful party, unless equity does not allow this.

This rule may prove particularly helpful for patent owners in smaller jurisdictions such as Belgium, Luxembourg, and the Netherlands, where damage awards can never be large because of the small market, but where the costs for successful enforcement of a patent may not necessarily be lower than elsewhere.[13]

6. Where can parties best preserve the confidentiality of their proprietary information during a litigation?

Because of the broad scope of discovery in the English courts, parties and their legal counsel can be ordered to respect confidentiality of certain information that is obtained through discovery. Also, during the trial, certain witness testimony or confidential documents may be kept off the public record. In the Netherlands, it has recently become possible to obtain a type of 'protective order' before the start of a patent action. In all other civil law countries, no rule prevents the further dissemination of documents that have been made available in patent proceedings.

In the framework of a *saisie description* against an alleged infringer, the French courts impose certain measures of confidentiality, including an order 'for attorneys' eyes only'. In Belgium and Italy, the court-appointed expert should respect the confidentiality of certain information that, in his opinion, has no relationship to the alleged infringement. But everything that is relevant to the infringement can be produced and disseminated without restriction.

7. Conclusion

The sometimes vast differences in procedural rules among the EU member states explain why, notwithstanding the advanced level of IP harmonization, these laws are still not applied in a harmonized way and the level of enforcement will vary considerably, depending on the jurisdiction and the type of relief sought by the IP owner. The advantageous aspect of this situation is that an IP owner, confronted with a multi-jurisdictional IP dispute, can select the best available procedural tools and remedies that are available in each jurisdiction. So forum shopping is still the name of the game, as every experienced litigator knows.

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13 The recovery of damages based on the profits made by the *infringer* is one of the changes introduced by Italy's new IP Code. See F de Benedetti 'Italy Adopts New IP Code; Speedier Court Proceedings Expected' [2005] WIPR 12.