

Divide and conquer

The ECJ dealt a deadly blow to cross-border patent litigation in two long-awaited decisions handed down in July. But in his review of the state of multinational patent litigation in Europe in the wake of the rulings, **Reinhardt Schuster** concludes that forum shopping may not be so bad for litigants

The famous Latin phrase *divide et impera* could be used to describe the immediate future of multinational patent litigation in Europe after two landmark decisions were handed down by the European Court of Justice (ECJ) on July 13 2006. Despite their relatively short life, the rulings in *GAT v LuK* and *Roche v Primus* have already had an important, clarifying impact on litigation rules in Europe and it is useful to consider how they will affect the way in which patents alleged to have been infringed in more than one country in Europe will be litigated.

Clarification required

In the late 1990s the ECJ was asked to clarify whether, in a case where a European patent has been infringed in more than one country by one or more defendants, the plaintiff can choose a single country for asserting infringement not only in that country, but also in other countries and against defendants domiciled in those countries.

Some IP specialists, particularly a number of English judges, believed that national courts should rule on patents in force in their own country, but that they should not rule on foreign patents. This approach reflects a belief that the question of whether a patent has been infringed is inseparable from the question of whether the patent is valid, and that each country should have the right to grant or invalidate patents for its own territory. In contrast, other specialists, particularly representatives of the Dutch and German courts, were willing to consider the infringement of European or even national patents in force in other countries. This involves taking cross-border jurisdiction.

Some national courts in Europe did not take an explicit position. Others, like the courts in Italy and Belgium, were mainly confronted with so-called torpedo actions – an abusive technique used in cross-border patent litigation. The aim of this is to paralyze lawsuits that seek to impede the assertion of a patent in one country that has an efficient patent litigation system by filing a declaratory action in a court in another country where the patent litigation system is considered to be relatively slow or inefficient. This means that a party that fears that it will be sued for patent infringement will seek a declaration of non-infringement in that country that will have effect not only in its own country, but also in other countries that are believed to have more efficient courts.

The views of the ECJ on these questions were first sought in *Fort Dodge v Akzo* and *Expandable Grafts v Boston Scientific* (the author represented a party in the latter case in Germany). However, before the ECJ could rule, both cases were settled. But by then, those courts that were keener to take

on cross-border patent cases took the referral of the two cases to the ECJ – and the related debate – as a reason to restrict or sometimes even to stop accepting cross-border patent litigation. In Germany, for example, although the District Court in Düsseldorf continued to accept cases where the validity of the asserted patent for the territory of another country was contested (a standard defence in patent litigation), the District Court in Mannheim did not.

Half a decade later, the international patent litigation community was again waiting for the IP equivalent of white or black smoke for cross-border patent litigation from the ECJ on the very same questions in two other cases, which became famous under the names *GAT v LuK* and *Roche v Primus*. Those hoping for a liberal attitude towards allowing cross-border patent litigation were discouraged by the opinions of the two Advocates General on the cases. The great importance of these questions and the fact that the ECJ proceedings for each case had taken around three and a half years made them hopeful for a very careful, well balanced and reasoned ruling. The ECJ handed down both decisions on the same day, like a shot from a double-barrel-rifle at the concept of cross-border patent litigation. Whether the outcry in patent litigation circles about this bull's-eye shot was out of pain or satisfaction depends on the liberal or restrictive view one has towards cross-border patent litigation. Many observers were astonished by the relatively short judgements, parts of which were not always argued on convincing grounds. However, despite these shortcomings, the message of both rulings seems very clear.

Patent jurisdiction stops at the border

In *GAT v LuK* the ECJ decided that a court seized with the question of infringement of a European patent not only in its own country, but also in other countries, cannot rule on these foreign patents where their validity has been challenged by the defendant. This is the case whether the validity has been challenged directly (by way of an action of the defendant, as the ECJ formulates) or indirectly (by way of a plea in objection). The Court based this view on the exclusive jurisdiction established in Article 16(4) of the relevant statutes (Brussels and Lugano Conventions, today Article 22(4) of the Brussels Regulation 44/2001) in favour of the national courts concerning the validity of patents registered in their countries. This assumes that local courts have a higher competence for dealing with patents in their own jurisdiction and that a narrow interpretation of the provisions on exclusive jurisdiction could lead to conflicting and irreconcilable decisions of different national courts on the same patents and their validity. Finally, it is the result of the judges' general, but not fully explained, aversion

to forum shopping. By holding that exclusive jurisdiction excludes indirect challenges of validity by means of an objection, the ECJ apparently meant to censure the practice of the German and Dutch courts. In some cross-border cases, these courts held that they were not barred by the exclusive jurisdiction provisions under Article 16, since they did not decide with effect in relation to everyone on validity, but just considered it in terms of whether they should rule on infringement or wait until separate proceedings on validity are decided.

Given that in most cases concerned with patent infringement, the party accused of infringing will directly or indirectly argue that the patent is invalid, this ruling effectively means the end of cross-border patent litigation in Europe. However, some legal commentators point to questions that remain open due to the relatively short explanations given by the ECJ. One such issue is whether the ruling applies to cross-border preliminary injunction proceedings under Article 31 of the Brussels Regulation (formerly Article 24 Brussels Convention). From the resolute language used by ECJ, it can hardly be assumed that it intended to allow cross-border patent litigation in cases other than the one expressly mentioned by the ECJ, namely patent infringement cases limited to infringement questions.

Glimmer of hope?

It is, however, interesting that the ruling still seems to allow some cross-border forum shopping by companies accused or suspected of infringement without merit. These companies may still be able to seek a single, swift, clarifying ruling declaring that they do not infringe certain (European or national) patents in more than one country, as long as the patentee is sued in the country of its European domicile (Article 2). Since the patentee would immediately lose the action if he questioned the validity of its own patent, and if the plaintiff feels he has a strong enough case on infringement and no need to argue that the patent is invalid, then the decision of the ECJ on exclusive jurisdiction concerning validity would not present an obstacle.

There would also be no reason for frowning upon such cases by comparing them with torpedo actions, since the patentee would be sued in the country of his domicile. It is only likely that he would be sued there if that country offers an efficient, reliable and swift patent litigation system. The author does not expect that the courts in the UK would be likely to accept such special cross-border cases in view of their consequent treatment of patents as strictly national and territorial rights with inseparable infringement and validity aspects. Nor is it to be expected that countries like France, Belgium and Italy that have already issued decisions rejecting cross-border jurisdiction for patents in force in other countries would change their attitude. However, it is believed that some courts, for example German courts, would not foreclose themselves towards a consequent application of the relevant European Conventions and Regulations, and now also of the rulings of the ECJ, in cases where the situation is in no way abusive, and where an early and efficient decision on pure infringement questions is sought. Nor would the remedies developed by courts for restricting abusive, dilatory torpedo actions, as reported by the author earlier (Why torpedos have backfired, *MIP* 2003, 703) pose an obstacle for the same reasons.

Spider in the web

Roche v Primus related to whether a group of defendants domiciled in different European countries can be sued jointly in the same country (chosen by the plaintiff) which is the domicile of only one of the defendants, in relation to an

alleged infringement of a European patent in that country, and also in one or more other European countries by one or more of the co-defendants. On the basis of Article 6(1) of the Brussels Convention (respectively the Brussels Regulation), this has been previously confirmed by Dutch courts in cases where the defendants were part of the same group of companies, acted on the basis of a common plan and/or committed (almost) the same infringing acts and were sued in the country where the company behind this joint plan was domiciled.

This scenario became famous as multi-party cross-border patent litigation in the country of the so-called spider in the web, lending its name to the spider in the web doctrine. In *Roche v Primus*, the ECJ decided (again in an astonishingly short and not always convincingly reasoned ruling) that in none of these scenarios (including the classic spider in the web scenario described above), is it justified to allow cross-border litigation against co-defendants domiciled in different member states and infringing a European patent in more than one country. The ruling, which in its reasoning makes cross reference to the reasoning in *GAT v LuK*, is based on the understanding of European patents as strictly national and territorial rights (their centralized grant by the EPO being reduced to a mere historical anecdote). As such, says the ECJ, their single national parts are unrelated and they should best be dealt with by the courts of the countries in which the respective national patents at issue are in force. The ECJ said that this lack of legal connection, the fact that there are different alleged acts by various infringers in different countries and the need to decide on the infringement of patents under national law (Article 64(3) of the European Patent Convention), means that divergent decisions by the national courts do not need to be deemed irreconcilable or contradictory decisions, which are to be avoided according to former ECJ case law.

This view is something that the fathers of the European Patent Convention (EPC) may have wished to avoid, since they established uniform provisions in the EPC for determining the validity and scope of European patents that are also binding on national judges. It is likely that the fathers of the (admittedly not patent-focused) Brussels and Lugano Conventions did not consider this at all. But this seems to be the firm view of the ECJ in a combination of both rulings. However, the statement by the ECJ that the European Patent Convention intends to limit forum shopping is not supported by its wording.

A forum shopping resurgence

After these two landmark rulings, patentees who want to launch multinational or multi-party patent litigation relating to infringement of one or more European patents and/or parallel national patents in more than one country in Europe and/or by infringers domiciled in different countries, will have no responsible choice other than litigating country by country. However, patent owners will still be required to decide in which jurisdiction to sue first or whether to sue at all. It is more realistic to select a country where there are strong commercial reasons to sue and where there is an advantageous, efficient, professional, sufficiently expedient and relatively cheap patent litigation system and practice. Small and medium sized patentees may particularly regret the lack of an option to challenge infringements or infringers in more than one country jointly. More experienced, larger patentees have already shown before these landmark rulings of the ECJ that they often favour parallel, tailored, efficient patent litigation in advantageous key venues over a cross-border grand slam-style legal action against the spider in web and its co-defendants.

The grand slam approach does not always turn out to be more efficient, either in terms of timing or cost. Instead, it often created the risk of questions being raised about the legality of cross-border litigation and the likely attitude of the ECJ, and often led to all kinds of national validity or anti-suit-related follow-up or collateral proceedings that could not be avoided in countries that were not chosen as forum but were covered by cross-border litigation. Further, not all patentees want to put all their eggs in one basket, by testing all their patents at the same time and in a single court and facing the risk that the court will find that they had not been infringed, and worse still, that they were invalid in a number of countries.

These reservations about the benefits of cross-border patent litigation remind us that it has never been, not even during its hey day in the mid-1990s, the dominant model of choice for patentees confronted with multinational patent infringement. Now, after the ECJ has spoken, whether one likes its message or not, patent owners at least have a clear basis for their decisions. They will seek to divide and conquer by deciding which patents, infringements and infringers in which countries deserve action in view of the problems they pose, the resources the company has and the legal and procedural standards of patent litigation in the countries of interest. We think that this is a reasonable approach. We also think that it should be called what it is: forum shopping. It is a deliberate selection between fora that are all open under the law, but which are more or less appropriate in view of the specific interests and situations of those who need to litigate patents.

These two rulings also show that people should not expect the ECJ to move towards allowing focused patent litigation for all legal aspects involved in a single forum which will have effect in other countries. This is astonishing since the ECJ exists to defend harmonization of legal standards in Europe

and it had the chance to work in this direction on the basis of existing European Conventions and Regulations, which were introduced to overcome the traditional concept that each country is responsible for its own legal standards and for asserting and enforcing rights in its own territory. Even though we admit that this European legislation was not specifically aimed at patents, it does not seem to regard patents as being so dramatically different from other types of individual rights or claims having almost always their basis in national law. It does not seem right that patents should effectively fall out of the relevant scope and application of these European Conventions and Regulations. From the point of view of a patent professional from a country used to highly specialized judges dealing with patent cases, such specialized courts or chambers are recommended for the highest instances of future European patent litigation systems, including the ECJ.

More efficient steps in that direction now depend on the progress of initiatives for creating a European patent litigation system. The European Patent Litigation Agreement (EPLA) is one such system. A group of leading patent litigation judges from a number of different European countries have also been considering the issue and are soon to reconvene in Venice. It is a positive sign that on September 8 the EU internal markets commissioner, Charlie McCreevy, said that the EPLA was “a goal worth pursuing”, a statement endorsed by the president of the European Patent Office, Alain Pompidou.



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