

Brussels I Review - Intellectual Property

The Commission's fourth question concerns the Regulations treatment of litigation concerning intellectual (industrial) property rights.

In its Green Paper, the Commission comments:

*The possibility to effectively enforce or challenge industrial property rights in the Community is of fundamental importance for the good functioning of the internal market. Substantive law on intellectual property is already largely part of the *acquis communautaire* . Directive 2004/48/EC on the enforcement of intellectual property rights aims at approximating certain procedural questions relating to enforcement. . In order to address the lack of legal certainty and the high costs caused by duplication of proceedings before national courts, the Commission has proposed the creation of an integrated jurisdictional system through the establishment of a unified European patent litigation system which would be entitled to deliver judgments on the validity and the infringement of European and future Community patents for the entire territory of the internal market . In addition, on 20 March 2009, the Commission adopted a Recommendation to the Council concerning the negotiating directives for the conclusion of an international agreement involving the Community, its Member States and other Contracting States of the European Patent Convention . Pending the creation of the unified patent litigation system, certain shortcomings of the current system may be identified and addressed in the context of Regulation (EC) No 44/2001.*

*With respect to the coordination of parallel infringement proceedings, it could be envisaged to strengthen the communication and interaction between the courts seized in parallel proceedings and/or to exclude the application of the rule in the case of negative declaratory relief (cf. *supra*, point 3).*

With respect to the coordination of infringement and invalidity proceedings, several solutions to counter "torpedo" practices have been proposed in the general study. It is hereby referred to the study for those solutions. However, the problems may be dealt with by the creation of the unified patent litigation

system, in which case modifications of the Regulation would not be necessary.

If it is considered opportune to provide for a consolidation of proceedings against several infringers of the European patent where the infringers belong to a group of companies acting in accordance with a coordinated policy, a solution might be to establish a specific rule allowing infringement proceedings concerning certain industrial property rights against several defendants to be brought before the courts of the Member State where the defendant coordinating the activities or otherwise having the closest connection with the infringement is domiciled. A drawback of such a rule might be, as the Court of Justice suggested, that the strong factual basis of the rule may lead to a multiplication of the potential heads of jurisdiction, thereby undermining the predictability of the jurisdiction rules of the Regulation and the principle of legal certainty. In addition, such a rule may lead to forum shopping. Alternatively, a re-formulation of the rule on plurality of defendants might be envisaged in order to enhance the role of the courts of the Member State where the primary responsible defendant is domiciled.

Question 4: What are the shortcomings in the current system of patent litigation you would consider to be the most important to be addressed in the context of Regulation 44/2001 and which of the above solutions do you consider appropriate in order to enhance the enforcement of industrial property rights for rightholders in enforcing and defending rights as well as the position of claimants who seek to challenge those rights in the context of the Regulation?

This is a specialised area of litigation and it seems sensible to leave it to experienced and expert practitioners, commentators and judges to identify, and suggest solutions, to the jurisdictional conflicts that actually arise in the enforcement of IP rights in the Member States. Suffice it to say that the current framework, as applied by the ECJ in its decisions in the *GAT* and *Roche Nederlands* cases, appears unsuitable. As the English Court of Appeal noted in its 2008 judgment in *Research in Motion UK Ltd v. Visto Corporation* (paras. 5-14):

The [Brussels I] Regulation is substantially the same as that which it replaced, the Brussels Convention of 1968. Unfortunately neither document fully considered the problems posed by intellectual property rights. This is because at present such rights are national rather than EU rights. They are not only

limited territorially, but exist in parallel. Neither the Convention nor the Regulation specifically considered how parallel claims are to be dealt with. They were constructed for the simpler and more ordinary case of a single claim (e.g. of a breach of contract or a single tort or delict) and provide a system for allocating where that single claim is to be litigated. Parallel rights cannot give rise to single claims: only a cluster of parallel, although similar, claims.

Intellectual property also adds three further complications. Firstly there is a range of potential defendants extending from the source of the allegedly infringing goods (manufacturer or importer) right down to the ultimate users. Each will generally infringe and the right holder can elect whom to sue. One crude way to achieve forum selection is to sue a consumer or dealer domiciled in the country of the IP holder's choice (jurisdiction conferred by Art. 2.1) and then to join in his supplier – the ultimate EU manufacturer or importer into the EU if the product comes from outside. Jurisdiction for this is conferred by Art. 6. Thus there is considerable scope for forum shopping – the very thing the scheme of the Regulation is basically intended to avoid.

The second complication is that caused by a claim for a declaration of non-infringement. This remedy is necessary – a practical and sensible way for a potential defendant who wishes to ensure (normally before significant investment) that he is in the clear, is to seek a declaration that his proposed (or actual) activity does not fall within the scope of someone's rights. It is a way of making a potential patentee “put up or shut up”.

The third complication is that the ultimate court for deciding the validity of a registered national right (most importantly a patent), is only the national court of the country of registration. Those responsible for the Convention/Regulation did consider registered intellectual property rights, providing, in what is now Art. 22:

The following courts shall have exclusive jurisdiction, regardless of domicile:

4. in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place.

Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, the courts of each Member State shall have exclusive jurisdiction, regardless of domicile, in proceedings concerned with the registration or validity of any European patent granted for that State

This provision is an incomplete way of dealing with IP: it does not cater for most of the common situations. Liability for patent infringement (we will confine our example to patents) depends on two things: the scope of the protection claimed and the validity of the patent: you can't infringe an invalid patent. The nature of a defence involves a spectrum of possibilities. At one end the defendant may simply say "What I do is outside the scope of the patent". If that is all, then the dispute is simply about the scope of the patent and what the defendant does. At the other he may say: "yes, I accept that what I do is within the scope of the patent. But the patent is invalid." Then the dispute is only about validity. Or the position may be a mixture of both. The defendant may run two defences, denying that what he does is within the scope of the patent and also contending that the patent is invalid. A particular (and often important) version of this intermediate position is where the defendant says "if the scope is wide enough to cover what I do, then the patent is invalid." ...

Where a potential defendant takes this last kind of position he may well go on the offensive in two, combined ways. He will seek both revocation of the patent and a declaration of non-infringement.

Art.22 confers exclusive jurisdiction on a national court where validity is challenged. Difficult questions arose about this and were referred to the ECJ; see the ruling in Roche v Primus case, C-539/03 [2007] FSR 5. They still do, despite that decision, see the ruling of the Hoge Raad (Dutch Supreme Court) on 30th November 2007 in Roche v Primus following the ruling of the ECJ.

There is also a potential fourth complication for IP rights, particularly patents, arising or possibly arising from the Convention, now Regulation. It is known as the "Italian torpedo" - a graphic name invented (we think) by the well-known distinguished scholar Prof. Mario Franzosi ("Worldwide Patent Litigation and the Italian Torpedo" [1997] 7 EIPR 382).

It works in this way: suppose a potential defendant is worried about being sued

for infringement. To prevent any immediate effective action against him he starts an action against the patent holder for a declaration of non-infringement in a country whose legal system runs very slowly. (When Prof. Franzosi wrote his article, Italy was notoriously slow, though it is our understanding that things have improved since then and are continuing to improve.) The putative defendant claims such a declaration not only in relation to the Italian patent, but also in relation to all the corresponding patents in other European countries. If sued in any of these countries he raises Art 27 of the Regulation saying: the issue of infringement and that of non-infringement are the same cause of action expressed differently. The courts of the slow member state are first seised of the action. So the courts of all other member states must, pursuant to Reg. 27, stay its proceedings.

The effectiveness of the Italian torpedo (and Belgian, for the courts of that country were once also slow) has been blunted by a number of decisions, particularly the Roche Primus case at European level, the decision of the Italian Supreme Court in Macchine Automasche v Windmoller & Holscher, 6th November 2003 and some decisions of the Belgian courts, particularly Roche v Wellcome 20 February 2001. But the torpedo is not completely spent. It still has some possibilities (or is thought to have some) in it, as this case shows. ...

The Court added (paras. 15-16)

Much ingenuity is expended on all this elaborate game playing. Despite the temptation to do otherwise, it is not easy to criticise the parties or their lawyers for this. They have to take the current system as it is and are entitled (and can only be expected) to jockey for what they conceive to be the best position from their or their client's point of view. Of course parties could, if they agreed, decide to abide by the result in a single jurisdiction (or perhaps take best out of three). Or they could arbitrate instead of plunging their dispute into the chaotic system which Europe offers them for patent disputes. But why should a party do any of these things if it thinks it has a better prospect commercially from the chaos? In some industries for instance, a patentee with a weak patent would actually prefer to be able to litigate in a number of parallel countries in the hope that he wins in one. Winning in one member state may indeed be enough as a practical matter for the whole of Europe – some companies market products only Europe-wide. A hole, say in Germany, of a Europe-wide business

in a particular product may make the whole of that business impractical.

Again a party who fires an Italian torpedo may stand to gain much commercially from it. It would be wrong to say that he is “abusing” the system just because he fires the torpedo or tries to. Things may be different if he oversteps the line (e.g. abuses the process of a court) but he cannot and should not be condemned unless he has gone that far.