

# Patents Update

November 2004

A periodical update on developments in European and Asian patent law & practice

## An overview of patent litigation in China

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One fear of doing business in China is that valuable technology may be stolen and patents (and other intellectual property rights) flagrantly ignored. The level of sophistication of Chinese manufacturers is such that valuable technology and intellectual property relating to the technology is being copied. The course and result of intellectual property litigation in China can be unpredictable and the unprepared face significant risks. With proper protection of intellectual property rights and proper guidance on the intricacies of the judicial process, this giant of a market can be entered with confidence that intellectual property rights will be enforced.

### China's IP laws

Chinese intellectual property laws meet international standards. Trade marks, designs, software and patents can all be registered and there is competition law to deal with commercial unfair competition.

### China's IP courts

Most provinces have specialist intellectual property courts and the quality of intellectual property judges is improving rapidly. There are also administrative bodies outside the court system who also enforce intellectual property rights

### Patent litigation in China

The patent law provides protection for inventions, utility models and designs. As in most countries which provide patent protection, an invention or utility model must meet three requirements in order to be registrable, namely novelty, inventiveness and practical applicability.

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# The course and result of intellectual property litigation in China can be unpredictable and the unprepared face significant risks

Patent litigation in China is increasing. Western multi-nationals have been both plaintiffs and defendants in proceedings with Chinese parties as adversaries. Chinese parties are suing each other. Litigation between Western parties has not yet occurred, but it is only a matter of time until this takes place.

## Infringement and validity

Patent infringement proceedings are relatively easy to bring in China. Making, using, offering for sale and selling (amongst others) are all infringing acts. There are procedural idiosyncrasies in terms of how evidence is collected in order that it is admissible. However, aside from that an action can be brought without the need for lengthy particularisation of how the target product or process falls within the claims of the patent in suit. This makes multi-nationals particularly prone to attack from opportunistic patent holders because frivolous claims are easy to bring.

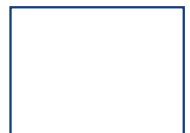
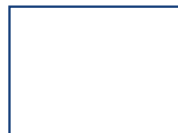
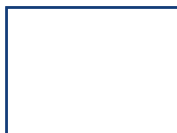
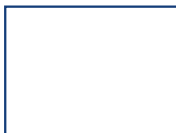
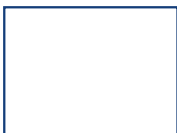
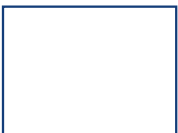
The patent system in China is based on the German patent system and as in Germany issues of infringement are dealt with in the Courts whilst issues of validity, i.e whether the registrability requirements are met, are dealt with in the State Intellectual Property Office ("SIPO"). A defendant, therefore, will typically find himself arguing one side of the litigation in one forum and the other side in another. A practical difficulty is that the Patent Office often takes longer to reach a decision than the Court. As a result, a defendant could find itself in a position where it is found to infringe and is ordered to pay damages and yet there are parallel proceedings to invalidate the patent. A subsequent finding of invalidity will not mean that the unfortunate defendant is reimbursed the damages that it has already paid.

If the patent in question is a utility model or design, the court has power to stay the proceedings until SIPO reaches a decision on the invalidity claim. To prevent abuse of the invalidation procedure, the Supreme People's Court, in its judicial interpretation concerning patent disputes provides that the court will not stay its proceedings if certain conditions are met. It is also required that the invalidation procedure be filed within the defence period, otherwise the court will not stay the proceedings.

## "Discovery"

There is no discovery in China so litigants have to seek the court's assistance in obtaining evidence to support their case, for example evidence showing infringement or documentary evidence to support the calculation of damages. Litigants may apply for assistance either through an evidence collection or evidence preservation order pursuant to the Civil Procedure Law. Whilst these are slightly different types of order with different tests to be satisfied before they are granted, in practice, judges and practitioners refer to them interchangeably.

An evidence preservation/evidence collection order is typically enforced by the judges themselves. They can be very effective as the respondent to an order will not be notified in advance and it is not unusual for the respondent to have to comply with the order by providing the relevant documentation/evidence immediately. The problem with these orders is that the Supreme Court has not published guidelines as to how these orders ought to be executed and different courts adopt different practices. In some cases, evidence collection/preservation orders are enforced by judges who are not involved with the case nor trained in



the relevant subject matter. In such cases it is not surprising that orders can fail to reveal any useful evidence. To avoid this situation from arising, it can be useful to involve experts to assist the judge in the execution of the evidence collection/preservation order so that they can direct the judge as to the evidence which needs to be collected.

### Evidence and trial

A trial of a day is a long one, although it is not uncommon for a "trial" to consist of two or more separate hearings dealing with different aspects of the case. Whilst it may be a relief that there is no discovery, the process of preparing and adducing evidence can be very uncertain. What may in Western courts be presented in the form of lengthy witness statements, in a Chinese court is presented in short form tables and summaries.

Experts opining on the technology involved and the state of the art are used, but not in the same way as in European countries or the US. Generally expert evidence is presented by a court appointed committee of experts. It may be presented as a written report or the experts may sit through the trial not giving evidence as such but acting as a form of

expert jury who give advice to the judge. Unlike a true jury, however, the experts will not come to a conclusion. They will simply offer an opinion to the judge.

### Conclusion

China provides an exciting market for all industries. Cosmetics, fashion, pharmaceuticals, computers, software, mobile telephone and health products are all being snapped up by an increasingly sophisticated and cosmopolitan consumer base. One difficulty faced by many companies is retaining control of their intellectual property rights. Although China has made substantial headway in the last few years with dealing with patent litigation (in particular, the Beijing High Court has developed a reputation in this field), the jurisprudence and practice of patent litigation still falls somewhat short of what is expected in developed countries. This will change and indeed is changing through practice and experience.

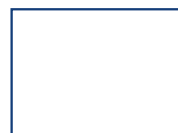
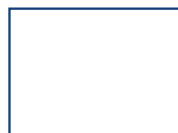
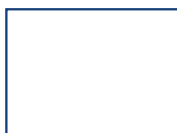
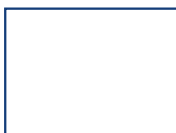
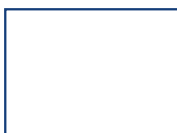
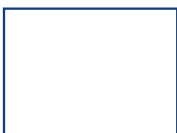
## Bird & Bird patent litigation case reports

### Germany - Turbocharger I and II

Christian Harmsen, Bird & Bird, Düsseldorf

A team from Bird & Bird's German offices represented a US client in the turbocharger business in a patent infringement action involving one of their turbocharger patents against their main competitor. Bird & Bird was able to secure a favourable settlement with the defendant agreeing to take a licence and pay licence fees of more than US\$54 million - one of the highest reported settlement amounts which has ever been obtained as a result of a German and even European patent litigation.

The litigation strategy took into consideration many aspects of European patent litigation and the peculiarities of the procedural and substantive laws of the various jurisdictions involved. We deal with some of these below.



## Warning Letters

German law does not require the patentee to send a warning letter to the alleged infringer before starting an action. However, there can be a cost risk by not doing so. As a general rule, the losing party to a civil action has to remunerate the winning party for his procedural costs. As an exception to this general rule, however, the winning party nevertheless has to bear the procedural costs in the event that no letter is sent and the defendant indicates immediately that he does not intend to defend the action.

Despite this cost risk, patentees often decide not to send a warning letter before starting a patent infringement action in Germany in order to avoid the possibility of the potential infringer filing a so-called "torpedo" action. A "torpedo" action is a cross-border action filed in a country with a slower procedural system such as Belgium or Italy. The plaintiff claims for a declaration of non-infringement not only of the respective national part of the European patent but also of other national parts of the European patent such as, for example, the German part. If such a "torpedo" action is filed in, for example, Italy, any subsequent

infringement action filed in, for example, Germany is blocked due to the provisions of the Brussels Regulation on jurisdiction in civil matters.

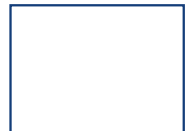
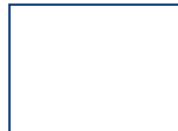
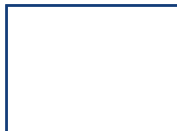
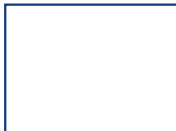
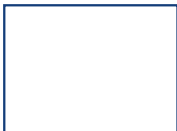
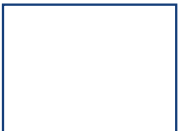
It was against this background that in this case the patentee started patent infringement proceedings before the Düsseldorf Regional Court on the merits against the defendant without sending a warning letter. The action related to "version 1" of the defendant's turbocharger. The defendant had, however, already replaced its "version 1" turbocharger with a slightly modified "version 2" turbocharger.

As a consequence, the defendant immediately acknowledged the claims in the proceedings on the merits, in particular the cease and desist claim and requested the court to order the patentee to bear the procedural costs.

Despite the fact that a warning letter had not been sent, the Düsseldorf Regional Court nevertheless ordered the defendant to pay the procedural costs. The judgment was published under the name "Turbocharger I". The court held that the patentee was justified in not doing so for various reasons. The first reason was the

danger of a "torpedo action". The second reason was the fact that the patentee could not foresee that the defendant would acknowledge the claims because, from the patentee's point of view, the defendant was obliged to supply the turbochargers to their customers because of long-term supply contracts and could not comply with their contractual obligations unless they continued with the "version 1" turbocharger.

The potential impact of the preliminary injunction on its customers . . . led the defendant to agree to a partial settlement of the litigation



The defendant successfully appealed against this decision. The Higher Regional Court overruled the Regional Court and imposed the procedural costs on the patentee. The judgment was published under the name "Turbocharger II". According to the Higher Regional Court, "torpedo" actions do not constitute a real threat to patentees as they can be avoided by setting very short reply deadlines of a few days or even a few hours. The Higher Regional Court also pointed out that even if faced by a "torpedo" action, patentees nevertheless have the possibility of filing a request for a preliminary injunction which can not be blocked by a "torpedo" action according to the Brussels Regulation on jurisdiction in civil matters.

In summary, the "Turbocharger II" judgment provides patentees with guidance when preparing a patent infringement action where there is a prospect of a "torpedo" action being filed in response - the cost risks can be minimised by sending a warning letter and providing a reply deadline of only a few hours.

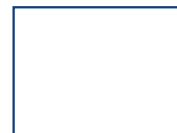
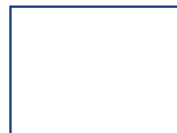
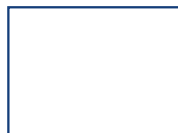
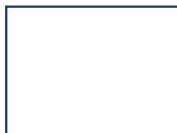
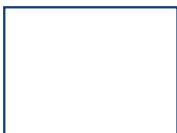
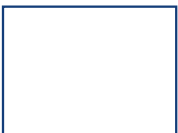
### **Preliminary injunction proceedings**

The danger of the torpedo action in fact materialised as the defendant had indeed filed an action in Italy against the patentee in respect of the "version 2" turbocharger asking for a declaration of non-infringement not only of the Italian part of the European patent but also of its German part. Nevertheless shortly afterwards, the patentee started a patent infringement action in Germany on the merits in respect of the "version 2" turbocharger. At the same time, the patentee filed a corresponding request for a preliminary injunction in Germany. As mentioned above, a "torpedo" action does not have the effect of blocking a preliminary injunction.

In German patent infringement actions, preliminary injunctions are rarely granted mainly because the issues are considered to be too complex for the court to determine at short notice. The courts usually grant a preliminary injunction only in clear-cut cases of infringement. Furthermore, in contrast to the proceedings on the merits, the infringement court considers the validity of the patent in suit and will only grant the

preliminary injunction if there are no substantial doubts in this regard. Finally, the patentee has to institute proceedings within a very short deadline, usually within one to three months, after finding out about infringement.

Despite these strict requirements and the short preparation time, the Dusseldorf Regional Court granted the patentee the preliminary injunction as requested only three months after the patentee had commenced the proceedings. As a result, the defendant had to stop manufacturing and supplying the "version 2" turbocharger immediately. Obviously, this was going to have an enormous impact on its customers, i.e. the European automobile industry which relied heavily for their production of several models on the supply of the "version 2" turbocharger. The potential impact of the preliminary injunction on its customers (which relied heavily for their production of several models on the supply of the "version 2" turbocharger) led the defendant to agree to a partial settlement of the litigation. The defendant agreed to take licence under the patentee's patent for 1 year only in return for substantial license fee payments. The defendant also agreed to



withdraw the Italian "torpedo" action so that the patentee's patent infringement action on the merits in Germany was not blocked anymore and could continue.

### **Proceedings on the merits - the dual system**

In patent infringement proceedings on the merits, the German infringement courts deal with the issue of infringement only and simply take the patent as granted. Thus, the defendant cannot therefore raise a defence based on invalidity or counterclaim for invalidity. Instead, the defendant must commence separate proceedings for the invalidity of the patent, i.e. file an opposition at the EPO or the German PTO respectively or, after expiration of the opposition period, file a nullity action at the Federal Patent Court in Munich. This separation of the infringement and validity proceedings (or "dual system") is a characteristic feature of the German patent system. However, it is open to a defendant to the infringement proceedings to request the infringement court to suspend the infringement proceedings pending a decision in the parallel validity proceedings. A suspension is usually granted only if there is a high likelihood that the patent will be revoked.

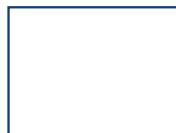
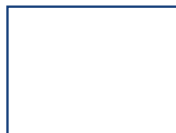
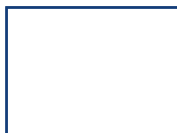
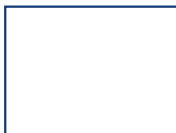
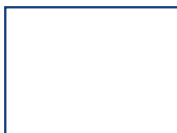
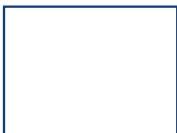
In this case, the patentee started the infringement proceedings on the merits against the defendant in respect of the "version 2" turbocharger in March 2002. The defendant filed a nullity action against the patentee's turbocharger patent two months later. In January 2003, i.e. only ten months after filing the statement of claim, the infringement court rendered a first instance judgment on the merits in favour of the patentee. A decision on the validity of the patent in the nullity action was not expected until at least one year after the judgment in the infringement proceeding. Thus, the defendant's invalidity arguments were not heard in the nullity action before the grant of the enforceable first instance decision in the infringement action.

A favourable first instance judgment in infringement proceedings is enforceable upon providing a bond in the form of, for example, a bank guarantee. The bond serves to cover the damages suffered by the defendant resulting from enforcement in the event that the judgment is overturned on appeal. This is precisely what the patentee did as a result of which the defendant agreed to take a licence until the expiration date of the patent in 2006 in return for further substantial licence fee payments.

### **Summary**

As stated above, the German patent system allows for the fast and effective enforcement of patents which, in turn, can be used to procure favourable out of court settlements - in the case described above, the settlements resulted in licence fees of more than US\$54 million. As outlined above, this is due to the dual system combined with the fact that the judgment on infringement is usually obtained well in advance of the hearing on validity and furthermore, first instance decisions can be enforced before they become final. The patentee's position is further improved by the fact that injunctive relief may even be available in preliminary injunction proceedings.

The case illustrates, among other things, how the German dual system can be used by patentees to achieve favourable results and why therefore Germany is regarded as a highly attractive forum for patent infringement litigation in Europe.



## Benelux - coffee wars

Armand Killan & Bruno Vandermuehlen,  
Bird & Bird, The Hague and Brussels

### Introduction

In February and March 2004, two further judgments were issued in The Netherlands and Belgium, in an important cross-border patent infringement dispute relating to the production and use of coffee pads compatible with the famous "Senseo coffee system". The case, which was tried first in The Hague and then in Belgium, has resulted in some important decisions on the issue of indirect ("contributory") patent infringement.

A team from Bird & Bird's offices in The Hague and Brussels represented a number of Dutch and Belgian manufacturers who were involved in patent litigation with Sara Lee in respect of the European patent covering the Senseo coffee machine.

### Background to the case

The Dutch/American multi-national Sara Lee/DE and Philips Electronics jointly developed the Senseo coffee machine,

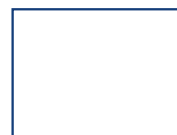
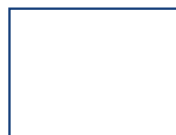
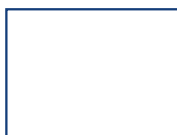
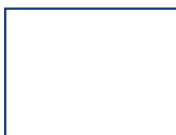
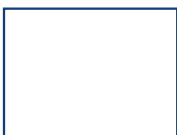
which they both promote. The machine makes individual cups of coffee using ready-prepared coffee supplied in circular pads that are inserted into the machine by the user. They co-own a European Patent entitled "Assembly for use in a coffee machine for preparing coffee, container and pouch (= pad) of said assembly". The patent tries to solve the so-called by-pass problem that occurs when coffee pads are used. In order to prevent water from passing around or by-passing the coffee pads, technical measures were taken by Sara Lee in the design of the container. The last claim within this patent protects a coffee pouch with specific dimensions but all the other claims of the patent are directed towards the combination of a coffee pad (of unspecified dimensions) and a container for holding coffee pads. It goes without saying that such coffee pads are the most profitable element of the combination.

Coöperatieve Inkoopvereniging Intergro BA, Vomar and Drie Mollen in The Netherlands as well as Fort Koffiebranderij, Cafes Liégois and Beyers Koffie in Belgium are retail chains and coffee producers who market private label coffee pads that can also be used in the Senseo coffee machine.

In an effort to prevent these competitors from manufacturing, marketing and selling their products, towards the end of 2001 Sara Lee instituted numerous patent proceedings against each of them, in their respective jurisdictions, starting first in The Netherlands. Sara Lee argued that these producers infringe the patent not only directly but also indirectly because the size of the coffee pad matched the container and therefore the private label coffee producers manufactured "a means relating to an essential part of the invention".

### The Netherlands

In mid-2002, the Court of Appeal in The Hague made a ruling in the preliminary injunction proceedings that the sale of the coffee pads did not constitute an indirect or contributory infringement of the patent. In reaching its conclusion, the Court of Appeal held that the technical solution to the problem of preventing by-passing lay solely in the container and not in the combination of the container and the pads.



# In Belgium, the criteria used by the court to decide whether to grant a preliminary injunction tend to favour the patentee

Sara Lee appealed against this decision to the Dutch Supreme Court. The Supreme Court upheld the decision of the Court of Appeal and dismissed the appeal.

The Supreme Court agreed with the Court of Appeal that before any decision can be rendered on the question whether a product is a "means relating to an essential element of the invention", it is necessary to define the invention by identifying how the invention differs from the state of the art. Even if something is necessary to put the invention into effect that does not automatically imply that it is a means relating to an essential element of the invention. In this way, the court is able to decide whether the invention is indeed the combination of two features or in reality one of the 2 combined features. This is probably the most important aspect of the Supreme Court ruling.

It is particularly noteworthy that the Supreme Court issued its decision on this aspect of the case within approximately 20 months of the litigation being started.

Following the determination of these preliminary proceedings, Sara Lee initiated new proceedings on the merits. Those

proceedings have been stayed until the European Patent Office has rendered a decision in the opposition to the patent. Although Sara Lee requested The Hague District Court to order provisional relief in the meantime, this request was rejected.

## Belgium

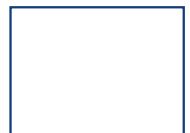
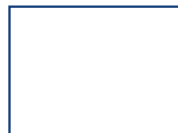
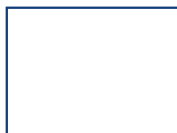
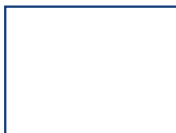
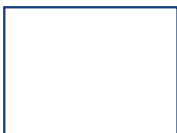
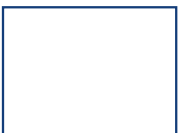
In Belgium, the criteria used by the court to decide whether to grant a preliminary injunction tend to favour the patentee - a European patent is always presumed to be valid and infringement is assessed on a prima facie basis, i.e. without having regard to the outcome of the proceedings on the merits. Thus, despite the outcome of the case in Holland, Sara Lee was therefore able to obtain preliminary injunctions against each of its competitors via ex parte proceedings ('descriptive seizure').

In an effort to overturn these injunctions and to avoid further preliminary injunctions, Bird & Bird launched an action against the patentee on the merits for a declaration of non-infringement before the Antwerp Court. The action was successful with the Court deciding that the sale of coffee pads did not directly or

indirectly infringe the patent or constitute acts of unfair competition. The decision contains further useful guidance on the meaning of the phrase "means relating to an essential element of the invention". The court held that the term "means relating to an essential element of the invention" should not be construed so broadly as to cover any means that are necessary to be used with the patented invention but only those means in which the concept of the invention is realised.

The decision was declared immediately enforceable and therefore caused the three preliminary injunctions to be lifted with immediate effect. The decision also prevented all future action by the patentee pending the outcome of the appeal that was filed by Sara Lee shortly afterwards. This is scheduled for a hearing in January 2005.

The decision was also the first Belgian decision to establish that the court had jurisdiction under Article 5.3 of the Brussels Regulation to grant a declaration of non-infringement of a patent owned by a foreign patent holder in respect of alleged infringing acts taking place in Belgium.



Again, it is worth noting that the action for a declaration of non-infringement went from summons to judgment in only 13 months. Although in the past, Belgium was regarded as a slow jurisdiction (indeed this was one of the reasons why it was the country of choice in which to file a "torpedo" action), the speed with which this action was dealt with by the courts indicates that this is no longer the case.

### **UK - *Kirin-Amgen v Transkaryotic Therapies***

Patrick Kelleher, Bird & Bird, London

The year 2004 saw the end game of what was probably the largest and most significant patent infringement case in the English courts for the last 10 years. Kirin-Amgen and TKT crossed swords for the final time in the House of Lords during an 8 day appeal hearing in June 2004. The case is significant for the number of patent law issues at stake: novelty of product-by-process claims, 3 types of pleaded insufficiency and most importantly the issues of purposive construction and infringement under

Article 69 of the European Patent Convention. This article focuses mainly on the first and last of these issues. Indeed, the TKT case is actually the first case dealing with "Protocol Infringement" to reach the House of Lords under the 1977 Patents Act. The appellate committee comprised Lords Hoffmann, Hope, Rodger, Walker and Brown.

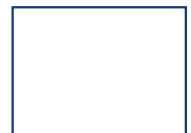
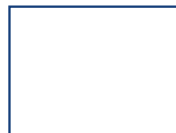
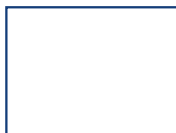
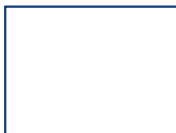
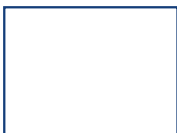
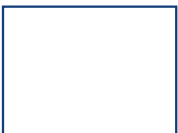
The case concerned the 1983 Kirin-Amgen patent for recombinant erythropoietin, or Epo for short. Epo in its natural state is a hormone produced in tiny quantities in kidney cells of healthy individuals. The hormone stimulates the bone marrow to produce red blood cells, for example in low oxygen conditions such as where the individual is at altitude. The natural product can be isolated from urine. Recombinant Epo is useful for treating various kinds of anaemia.

The Kirin-Amgen patent described their work in collecting vast quantities of human urine, isolating and purifying the natural Epo protein, obtaining its amino acid sequence, fishing out the Epo gene from a human genomic library and finally

cloning the gene into cells for commercial production of Epo. The key battleground of the case centred on Table VI of the patent which set out the full DNA sequence of the Epo gene.

The TKT technology, known as "gene-activation" and which was developed in the mid to late 1990s was not foreshadowed in the Kirin-Amgen patent - simply because it was a more advanced technology in a rapidly developing field. TKT recognised that practically every cell in the human body contains the full complement of genes even though not all

The year 2004 saw the end game of what was probably the largest and most significant patent infringement case in the English courts for the last 10 years



of those genes may be active in any particular cell. For example, the Epo gene exists in all human cells but it is switched off in all of those cells except for some cells in the kidney where Epo is produced. TKT identified the precise location of the native Epo gene in a human cell which did not make Epo and by means of a process known as homologous recombination, inserted far upstream of the gene a promoter, essentially a genetic on-switch. When the cells were cultivated, they were found to produce Epo.

The key claims of the patent were claim 26 which can be paraphrased thus: *(A product of the expression in a host cell of a DNA sequence according to claim 1)* and Claim 1 : *(A DNA sequence for use in securing expression in a eukaryotic host cell of Epo...where the DNA sequence was that of Table VI or related thereto)*

### **Infringement**

Kirin-Amgen's case was that the Epo gene in the TKT cells was a DNA sequence of claim 1 and accordingly the TKT Epo product. (so called Gene activated Epo or GA-EPO) was therefore a product within claim 26. TKT's case was that the wording of the claims, particularly the words "host

cell" required that the Epo gene actually be introduced into that cell, i.e. that it be exogenous to that cell. The Kirin-Amgen cloned Epo gene was indeed exogenous to the production host cells. Conversely, the TKT Epo gene was endogenous - the gene had always been in that cell albeit in an inactive form. By merely introducing the promoter 'on-switch', TKT had not made that cell into a host to the Epo gene and therefore the gene could not fall within the claim.

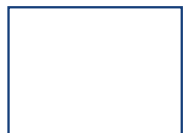
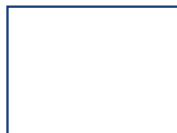
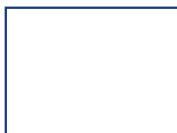
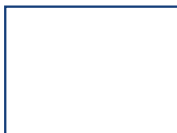
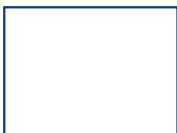
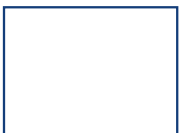
Kirin-Amgen placed great stock in the argument that as TKT had begun their research programme to locate the native Epo gene by relying on the sequence information first published in the Kirin-Amgen patent, they had hijacked the patent's "contribution", its inventive concept. Consequently, even though TKT might not have fallen within the precise wording of the claims, it would be unfair to the patentee for TKT to be held not to infringe.

This argument found favour at trial before Neuberger J (as he then was). Despite his finding that the relevant claims ought to be construed so that "host cell" implied use of the exogenous gene (as was TKT's case), the judge nevertheless held that

TKT had appropriated Kirin-Amgen's contribution. But for its utilisation of the Table VI information, the judge said, TKT could not have developed its own process. The judge also applied the 3 "Protocol questions" and found TKT to have used an obviously immaterial variant of the patented technique. This was on the basis that the patent "was getting at the production of Epo" and both processes resulted in production of Epo.

In the Court of Appeal, the judges reversed this finding of infringement. They agreed with the trial judge's construction of the claims (re the exogenous DNA point). In considering the Protocol questions, they then decided that at the level of generality of the claims, TKT's process was in fact a material variant. Endogenous DNA simply could not be an immaterial variant to exogenous DNA. By generalising the claims to the mere production of Epo, the trial judge had over generalised.

Interestingly the House of Lords agreed with the construction placed by both the trial judge and the Court of Appeal on the claim. Indeed, Lord Hoffmann observed that although the trial judge had described his exercise as one of "literal



construction". he had, by construing the claim in context, actually conducted a purposive construction of the claim. The *Catnic* principle, according to Lord Hoffmann, required a consideration of what the person skilled in the art would have understood the patentee to be claiming. The trial judge had in fact done precisely this.

Furthermore this *Catnic* principle was precisely in accordance with the Protocol to Article 69. The principle was "a bedrock of patent construction, universally applicable". This was to be distinguished from the Protocol questions which Lord Hoffmann said were "only guidelines, more useful in some cases than in others". The key passage of Lord Hoffmann's speech states:

*"The determination of the extent of protection conferred by a European Patent is an examination in which there is only one compulsory question, namely that set by Article 69 and its Protocol : what would a person skilled in the art have understood the patentee to have used the language in his claim to mean? Everything else, including the Protocol questions, is only guidance to a judge trying to answer that question. But there*

*is no point in going through the motions of answering the Protocol questions when you cannot sensibly do so until you have construed the claim. In such a case - and the present is in my opinion such a case - they simply provide a formal justification for a conclusion which has already been reached on other grounds."*

Lord Hoffmann noted that there were likely to be patent lawyers who would feel cast away on a sea of interpretative uncertainty, dismayed at the notion that the Protocol questions did not provide an answer in every case. However, this was, he said, "the fate of all who have to understand what people mean by using language".

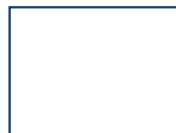
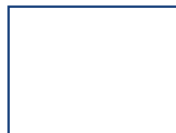
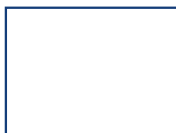
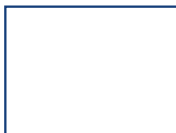
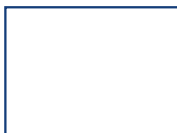
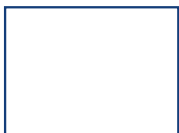
### **Novelty of product by process claims**

The product by process issue will be one familiar to practitioners before the European Patent Office, where the principle from the *IFF/Claim Categories* case is well established. The rule however, may appear counter-intuitive to those who litigate solely in the English courts. For a product by process claim, i.e. product X made by process Y, such as claim 26 of the Kirin-Amgen patent to be valid, the product per se must be novel

and inventive. Product by process claims are only allowed as a matter of practice by the European Patent Office where there is no way precisely to describe the characteristics of the product save by the process by which it is made. Once the patentee has been permitted to claim in this fashion, the European Patent Office rule of law from *IFF/Claim Categories* is that the claim is purely a product claim, the process element is not a claim limitation and cannot be relied upon to give novelty to the product.

Consequently, despite the claim stating "product X obtained from process Y", under European Patent Office law (and this is the counter intuitive part), this claim is to product X however it is made. If then, product X is indistinguishable from a prior art product, then the product by process claim will be bad for novelty.

In Kirin-Amgen's case, it was demonstrated by experiment that the product of claim 26 was indistinguishable from prior art Epo isolated from urine samples.



This European Patent Office principle is one which is also applied by the major European jurisdictions. TKT pressed the courts to apply the same principle thereby ensuring harmonisation with Europe (all European Patent Convention members are, after all, supposed to be applying the same law). However, neither the trial judge nor the Court of Appeal saw fit to follow the European Patent Office principle, merely noting that they were not bound by decisions of the Office.

The House of Lords overturned the Court of Appeal noting that it was important that the UK should apply the same law as the EPO and other Member States when deciding what counts as new for the purposes of the EPC. Lord Hoffmann observed that it *"would be most unfortunate if [the UK courts] were to uphold the validity of a patent which would on identical facts have been revoked in opposition proceedings before the EPO"*.

### Insufficiency

Of the insufficiency arguments, the most significant concerned the test described in claim 19. The claim referred to products having *"higher molecular weight by SDS-*

*PAGE from erythropoietin isolated from urinary sources"*. This was essentially the test for infringement of claim 19. If a worker's recombinant Epo had a higher molecular weight by this test, it would infringe the claim; if it did not have a higher molecular weight, it would not infringe. The difficulty stemmed from the "urinary sources" comparator. The trial judge heard days of evidence on experiments to determine the molecular weight of various kinds of uEPO. He concluded from this evidence that there were considerable variations in molecular weight between different batches of uEPO. It was also clear that many recombinant Epos did not themselves satisfy the test. Accordingly, the trial judge found that the skilled person trying to find out whether his product fell within claim 19, would be put in an impossible position. The judge therefore held that this lack of clarity not only made the claim impossible to infringe but also rendered it insufficient.

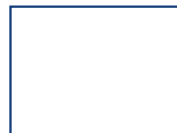
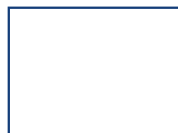
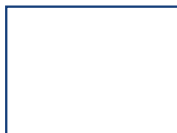
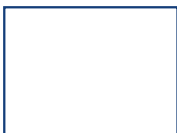
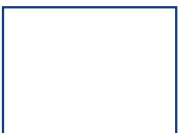
The Court of Appeal disagreed. They said that it was merely lack of clarity which was "dressed up to look like insufficiency". Lack of clarity was not a ground for revoking patent under section 72. It was sufficient that some uEpo could be tested against rEpo by SDS-PAGE. SDS-PAGE was

a standard well-known procedure. It could readily be performed on a given uEpo without undue effort. They continued saying *"we can see no reason to stretch 72(1)(c) to seek to cover issues of lack of clarity of claiming as patentees will not be able to establish infringement of unclear claims"*.

The House of Lords overturned the Court of Appeal on this point. Lord Hoffmann disagreed that such an unworkable test merely produced lack of clarity; it was, he said, clearly an issue of insufficiency. He continued *"the lack of clarity does not merely create a fuzzy boundary between that which will work and that which will not. It makes it impossible to work the invention at all until one has found out what ingredient is needed . . . All the skilled man can do is try to guess which uEpo the patentee had in mind and if the specification does not tell him, then it is insufficient."*

### Conclusion

Lord Hoffmann may be correct in his assessment that many patent lawyers will be dismayed at the perceived uncertainty in applying his "Catnic principle". The Protocol questions are generally



considered to be a useful guide to construction in patent law; just as the fields of contractual and statutory interpretation have their own guidelines which assist the courts and the reader. The difficulty identified by Lord Hoffmann was that litigants tended to treat the Protocol questions as legal rules rather than guides and also that the questions had limitations and tended to break down when applied to higher technology.

The “*Catnic* principle” does have the attraction of simplicity. It boils down to a single question - what would the person skilled in the art have understood the patentee to be using the language of the claim to mean? It also has the attraction of making it entirely clear that the question of infringement is to be decided from an analysis of the claims, albeit in the context of the rest of the patent document rather than involving an extension of protection outside the claims as seen in the US doctrine of equivalents.

It remains to be seen whether industry and legal advisors are placed in a position of greater or lesser certainty as to whether or not they are infringing a patent by the step back to a single-question *Catnic* principle from the three

Protocol questions. Lord Hoffmann did state that he envisaged the continued application of the Protocol questions as a guide to applying the *Catnic* principle.

It is far from clear, however, whether the two “tests” can co-exist except in cases involving the most straightforward mechanical inventions, e.g. like the original *Catnic* case. It is also arguable that the *Catnic* principle is merely a reworking of Protocol Question 3. What is certain, however, is that an infringement analysis must proceed by way of a construction of the claims rather than assessing nebulous concepts such as an appropriation of the patentee’s contribution to the art or the use of information contained in a patent.

## Cross-border actions in Europe

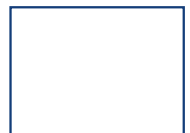
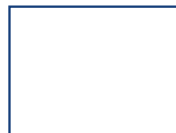
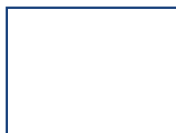
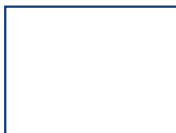
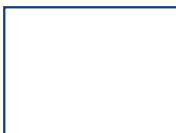
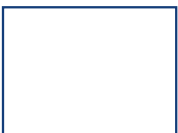
### **GAT v LuK: conflict of jurisdiction in cross-border patent litigation?**

Wouter Pors, Bird & Bird, The Hague

On 16 September 2004 Advocate General Geelhoed issued an Opinion for the European Court of Justice in the matter of *Gesellschaft für Antriebstechnik v. Lamellen und Kupplungsbau Beteiligungs KG* regarding the scope of Article 16(4) of the Brussels Convention.

The impact of the Opinion seems to have been misinterpreted by some commentators and misreported in some places in the international legal press. The purpose of this article is to explain the Opinion and its impact on cross-border actions correctly and thereby hopefully set the record straight.

The Opinion deals with jurisdiction issues under the Brussels Convention although these also arise under the new Brussels Regulation.



# Normally, infringement and validity are two sides of the same coin in patent litigation

The Convention and Regulation concern the allocation of jurisdiction between the courts of the EU Member States. They contain a number of general provisions as well as some specific provisions. The most important general provision is Article 2 which provides that the home court of a defendant has jurisdiction over that defendant. Article 6 section 1 broadens this by providing that this court also has jurisdiction over foreign co-defendants, provided that the claims against all defendants are sufficiently closely connected. The combination of these two provisions has been used by the Dutch courts to assume jurisdiction to grant cross-border injunctions against groups of companies in IP matters, specifically in patent litigation (which approach is also subject of a pending reference from the Dutch courts to the ECJ, *Roche v Primus & Goldenberg*).

Article 16 section 4 of the Convention (Article 22 section 4 of the Regulation) on the other hand provides that the courts of the state where a patent, trade mark, design or other similar right is registered have exclusive jurisdiction to decide on its validity. European patents, once granted, are registered nationally in every state for which they have been designated. This means that the court of any of those states only has jurisdiction to decide on the validity of the patent for that state.

Normally, infringement and validity are two sides of the same coin in patent litigation. Almost every alleged infringer will argue that the patent at stake is somehow invalid. The court is then faced with the question how it should decide whether it has jurisdiction over the case. Is infringement governed by articles 2 and 6, and only validity by article 16, or does article 16 take control? The question was put to the European Court of Justice by the London Court of Appeal, which was in favour of the court having exclusive jurisdiction over validity ruling on the whole case, i.e. the infringement part as well, in 1997 in *Akzo Nobel v American Home Products*, but that case was settled before the ECJ could answer. The Dutch courts, which have always held that both issues should be dealt with separately, see for instance the The Hague Court of Appeal ruling in *Expandable Grafts v Boston Scientific* in 1998, has never put the question to the ECJ. When the issue came before Düsseldorf District Court in *GAT v LuK*, they decided to make a reference to the ECJ.

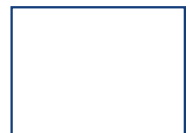
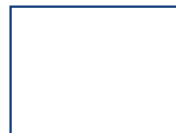
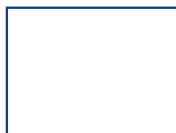
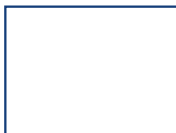
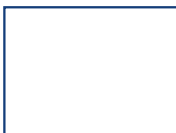
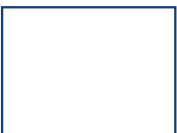
It is worth noting that in the *GAT v LuK* case the plaintiff had commenced proceedings in Germany asking for a declaration of non-infringement of a French patent on the basis that the French patent was invalid. Having lost at first instance, the plaintiff argued on appeal

that the German courts did not have jurisdiction over the issue at all.

The Advocate General does not limit himself to the situation at hand, but gives a more general view on the issue. He points out that the Convention (and thus the Regulation) should provide certainty. He mentions that the ECJ has repeatedly ruled that exclusive jurisdiction provisions should be given a narrow scope. He points out that the ECJ already decided in 1983 in *Duijnste v Godebauer* that infringement issues and employee's rights issues are not subject to article 16 of the Convention (article 22 Regulation), but validity was not an issue in that case, so the conflict of the different jurisdiction rules did not arise.

The Advocate General then goes on to suggest three possible options:

- (1) article 16 (now 22) only applies if the main claim is to invalidate a patent; or
- (2) issues regarding infringement and validity are inseparable, so article 16 prevails; or
- (3) article 16 only deals with jurisdiction to decide validity issues. All other issues are outside the scope of article 16.



He rejects the second option (which was supported by the London Court of Appeal in *Akzo v. AHP*) because it is contrary to the explicit choice of the contracting parties, as confirmed in *Duijnste v Godebauer*. He also rejects the first option, because it would lead to uncertainty, since it would make jurisdiction subject to the type of tactical litigation chosen by the plaintiff in the case in hand.

He supports the third option. Under this option, validity issues are always subject to the court that has jurisdiction under article 16, whereas infringement issues are not governed by article 16, regardless of the type and timing of any invalidity claim. On this view, jurisdiction on infringement issues is subject to articles 2 and 6. So, one court could have jurisdiction to decide on infringement, even cross-border, whereas other courts have jurisdiction to decide on validity of the patent for their country.

That leaves one question. What should a court that assumes jurisdiction to grant a cross-border injunction in an infringement suit do when faced with a defence based on invalidity? The Advocate General, being Dutch, skips one step in his line of thought, which is obvious for a Dutchman, but perhaps not to others. It is standard

Dutch case law that such a defence should not be taken seriously unless actual invalidity suits have been filed [prior to the hearing of the case]. In that view, an article 16 defence is only a real issue if it is also a *lis pendens* issue under article 22 Brussels Convention (article 28 Regulation). Therefore, the Advocate-General apparently only deals with the situation where the defendant has actually brought an invalidity action, although he does not say so. That may have caused the misunderstanding mentioned above.

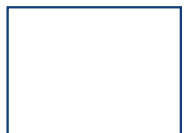
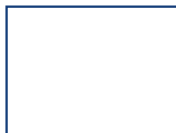
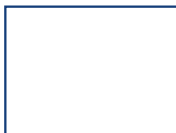
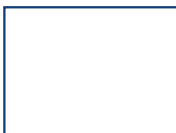
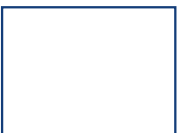
Assuming that the invalidity of the patent is invoked as a defence in a cross-border infringement action for those countries where the defendant has actually filed an invalidity suit, the Advocate General offers three solutions, from which the court handling the infringement action may choose:

- (1) the court may transfer the whole infringement case to the court that is handling the invalidity case; or
- (2) the court may stall its decision on infringement until the issue of validity has been decided by the courts where those suits are pending; or
- (3) the court may even grant an injunction, if it finds that the defendant who has brought the invalidity suit has acted in bad faith.

Where several invalidity actions are pending abroad (as is likely to be the case in most cross-border infringement actions), the first option will not be a practical one.

The second option in fact is the current Dutch practice. The Dutch courts will suspend the decision on granting final injunctions for those countries where invalidity suits are pending, while at the same time making *final* decisions on injunctions for those countries where such actions have not been brought.

The third option seems to be one step too far, in that it is apparently intended to be available for *final* injunctions. It may be a good way to stop invalidity actions that were only filed to slow down cross-border injunctions, but a *final* injunction in such a case would require an evaluation of the proper functioning of the court system of the country where the invalidity action was filed, since only in that way could it be determined to be filed in bad faith. The ECJ has recently banned cross-border anti-suit injunctions for precisely that reason in *Turner v Grovit*, so it is unlikely that such an approach would be endorsed by ECJ. However, courts grant *preliminary* injunction in such circumstances, because those are only subject to Article 24 of the Convention (Art 31 of the Regulation), which overrules Article 16. Again, this is also part of Dutch practice.



So, in fact, the Advocate General seems to support the current approach of the Dutch and Belgian courts. In the majority of cases, the ECJ follows the Opinion of the Advocate General although often on narrower grounds. The ECJ decision is expected to be handed down later next year (2005).

### ***BL Macchine Automatiche v Windmoller*: recent Italian Supreme Court decision on torpedos**

Giovanni Galimberti, Bird & Bird, Milan

On December 2003 the Italian Supreme Court issued an important decision (case *BL Macchine Automatiche v Windmoller*, Supreme Court 19.12.203 n. 19550) regarding the jurisdiction of the Italian courts to grant a declaration of non-infringement in respect of the foreign (non-Italian) part of a European patent.

The background to the action was as follows. In 1994, BL Macchine Automatiche started an action against Windmoller & Holscher before the Court of Bologna in which it requested a declaration that the manufacture and sale of certain BL Macchine Automatiche machines named "Compacta" did not

infringe one of Windmoller's European patents in Italy and also in some other European Countries including Germany.

Windmoller argued that the court lacked jurisdiction under Article 5(3) of the Brussels Convention over the issue of non-infringement of the foreign parts of the European patent. The Court of Bologna held in favour of Windmoller. BL appealed to the Court of Appeal. The Court of Appeal agreed with the first instance court and the appeal was dismissed. BL appealed again to the Italian Supreme Court who also dismissed it for the following reasons.

Firstly, Article 5.3 of the Convention had to be deemed as derogation from Article 2 (court of country in which defendant is domiciled has jurisdiction over defendant), Article 2 being the main provision in the Convention used to determine jurisdiction and territorial competence.

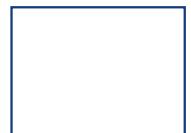
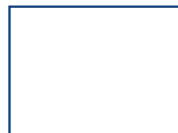
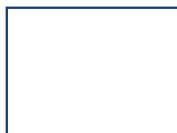
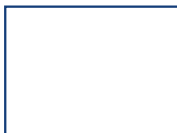
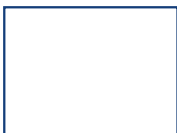
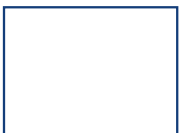
Moreover, Article 5.3 cannot be applied whenever there is a potential liability but only when there is a claim relating to an allegation that damage has occurred. In this respect, it is worth noting that the Supreme Court was concerned with Article 5(3) of the Brussels and Lugano

Conventions which states that: "*a person domiciled in the territory of a Member State may, in another Member State, be sued in matters relating to delict or quasi-delict, in the courts for the place where the harmful event occurred*".

In fact, for the EU Member States, the Convention has been superceded by the Brussels Regulation (EC 44/2001) Article 5(3) of which states that "*a person domiciled in a Member State, may, in another Member State, be sued, in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur*".

Whether this decision marks the decline of the "torpedo" action strategy remains to be seen. The question for Italian courts is whether the same conclusion would be reached under the Regulation as has been reached under the Convention bearing in mind that Article 5.3 of the Regulation includes the additional words "or may occur" at the end.

The "torpedo" action strategy depends, of course, not only on the Italian court system being slow but also on the foreign courts in question accepting that they do not have jurisdiction over the



infringement issue as a result of the action filed in Italy for the cross-border declaration of non-infringement on the same European patent. The interesting question, therefore, is the impact which this decision will have on those foreign and in particular, German infringement courts (who currently stay their proceedings). If the German courts decide not to stay then that would effectively mean that the "torpedo" action strategy was well and truly sunk.

The decision seems to be in line with earlier decisions on jurisdiction for cross-border actions for declarations of non-infringement from the higher courts of other European countries such as The Netherlands (Chiron/Evans, Court of Appeal, 22 January 1998), Belgium (Roche/Glaxo, Court of Appeal, 20 February 2001) and Sweden (Hosta Domshole, Supreme Court, 14 January 2000).

The "torpedo" action strategy depends, of course, not only on the Italian court system being slow but also on the foreign courts in question accepting that they do not have jurisdiction over the infringement issue

## "Flügelradzähler": recent German Supreme Court on contributory infringement and repair

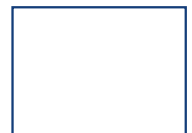
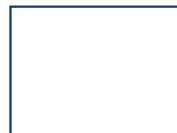
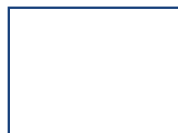
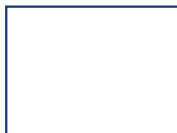
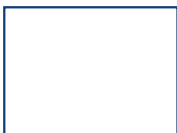
Clemens August-Heutsch, Bird & Bird, Düsseldorf

On 4 May 2004 the German Federal Supreme Court ("Bundesgerichtshof" - "BGH") handed down its decision in "Flügelradzähler" (BGH - case X ZR 48/03) which dealt with the two important issues of repair versus manufacture and contributory or indirect infringement.

The basic facts of this case were as follows. The plaintiff was registered owner of the European patent 388, 736 relating to an impeller flow meter. Impeller flow meters are used to measure water consumption. The problem which the invention sought to overcome with the prior art devices was the difficulty in replacing them as a result of corrosion. The patented solution was an impeller flow meter comprising of two parts: a shell and a capsule used to measure the flow of water. It was expected that the capsule would need to be replaced several times during the life time of the shell or unit itself. The defendant made and sold capsules which fitted into the shells manufactured by the plaintiff. The plaintiff sued on the basis that the supply of the capsules for use in their shells constituted contributory or indirect patent infringement.

The BGH held that the defendant had infringed the patent. The reasons given for this finding were as follows:

Indirect Infringement: Section 10(1) of the German Patent Act (PatG) provides that a third party may not, without the approval of the patentee, offer or supply means which relate to an essential element of the invention to persons other than those entitled to use the patented



invention. The BGH gave a very broad interpretation to the phrase "means which relate to an essential element of the invention". They held that it includes any means which work functionally with one or more features of the claim in order to put the invention into practice. The consequence of this finding is that the supply of any element of the patent claim could constitute indirect infringement of the patent.

The BGH only excluded elements such as electricity which might be necessary for putting the patented invention into practice but which would not contribute to the realisation of the technical teaching of the invention. Additionally, pursuant to Section 10(2) of the PatG, the BGH excluded means which are staple commercial products except where the supplier induces the person supplied to infringe the patent.

Exhaustion: The defendant also argued that the rights of the patentee had been exhausted by the original supply of the impeller flow meter to the customer. The BGH held that the answer to this issue depended on whether the replacement of the capsule constituted an act of manufacture (and therefore infringement) or an act of repair (and therefore permissible). The BGH stated

the purchaser of a meter has the right to use it and that this right to use also included the right to repair parts which were worn out or damaged. The BGH also stated that in order to decide whether what the defendant had done was manufacture and repair, one had to consider whether the identity of the patented product was retained or whether, in effect a new product had been manufactured. This assessment required taking account of the characteristics of the invention and also the conflicting interests of the patentee and the purchasers of the patented product. In this case, the key idea of the invention was that when the unit stopped working only a part of it (the capsule) needed to be replaced thereby saving considerable expense. The BGH therefore held that on the facts of this case the replacement of the capsule was to be considered as the manufacture of the patented product and accordingly an infringement of the patent.

It is of interest to note that the approach adopted by the BGH in relation to the issue of repair versus making is consistent with the approach adopted by the House of Lords in *United Wire v Screen Repair Services*. The issue of what constituted "means relating to an essential element of the invention" was also an issue in the Coffee Wars cases in the Benelux

discussed above. The German Supreme Court appears to have construed the term more broadly than the Dutch and Belgian Courts although it is difficult to say in practice whether in fact the different outcome in the two cases is the result of differences in approach or rather differences in the claims and hence the inventions in issue in each case.

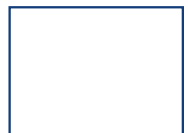
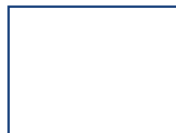
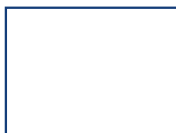
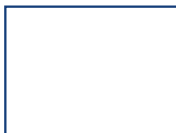
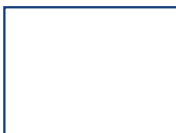
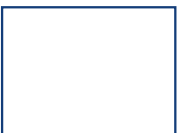
## UK - patent litigation: statistics and commentary on cases decided in judicial year Sept 03 - Oct 04

Neil Jenkins, Bird & Bird, London

### Statistics

In the last judicial year, there have been nine first instance and three appeal decisions in patent infringement and validity actions. Two actions were also heard by the House of Lords last summer - *Kirin-Amgen v TKT* and *Sabaf v Meneghetti*. Both decisions were recently handed down. The decision in *Kirin-Amgen v TKT* is discussed in detail above.

The outcome of the first and second instance decisions is summarised in the tables below.



Patents Court and Patents County Court judgments on validity and infringement for judicial year October 2003 to September 2004

Date	Parties	Subject matter	Judge	Infringement	Validity
[29.10].03	<i>Building Product Design v Sandtoft Roof Tiles</i>	Ventilated Roof Ridge Tiles	Fysh HH (PCC)	Yes	Yes
27.11.03	<i>Merck v Generics</i>	Alendronate	Laddie J	No (prelim issue)	N/A
05.12.03	<i>Apotex v SKB</i>	Paroxetine	Pumfrey J	No	No - 0
19.03.04	<i>Cipla v Glaxo</i>	Salmeterol/Fluticasone propionate	Pumfrey J	N/A	No - 0
17.03.04	<i>Russell Finex v Telsonic</i>	Filtering device	Laddie J	No	N/A
??05.04	<i>Machinery Developments v St Merryn Meat</i>	Packaging device	Fysh HH (PCC)	Yes	Yes
17.06.04	<i>Sec of State for Education v Frontline</i>	Radio link attendance system	D Young QC (Deputy)	N/A	Yes (partial)
22.07.04	<i>Ultraframe v Eurocell</i>	Conservatories	Lewison J	No	Yes
29.07.04	<i>Sandoz v Roche</i>	EPO formulation	Patten J	N/A	Yes

Appeals to Court of Appeal from Patents Court and Patents County Court on validity and infringement decisions for judicial year October 2003 to September 2004

Date	Parties	Judge upheld	Infringement	Validity
06.11.03	<i>Teva v Merck</i>	Yes	N/A	No x 2
01.04.03	<i>Rockwater v Coflexip</i>	No	Yes (reversing)	Yes (reversing)
30.07.04	<i>Unilin v Berry</i>	Yes (albeit on a different construction)	Yes	Yes



## Commentary on Important Procedural Developments

### Appeals

The scope for an unsuccessful litigant in a patent action to appeal against an unfavourable first instance judgment is becoming ever more restricted. It used to be the case that the unsuccessful litigant had a right of appeal to the Court of Appeal against a final judgment. Although, in theory, deference was meant to be accorded to the judge's findings of primary fact, in practice, the appeal was by way of a de novo rehearing on the transcripts of the evidence.

In May 2000, following a review of the civil appeal system, the procedural rules were amended in two important respects. Firstly, appeals against final judgments could no longer be brought as of right but required the permission either of the first instance court itself or failing that the Court of Appeal. Secondly, other than in exceptional circumstances, appeals were limited to a review of the first instance court decision.

The impact of these changes has now started to be felt in practice in patent cases. In two cases last year, permission to appeal against a final judgment was

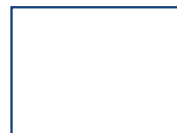
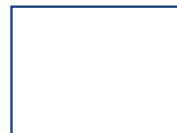
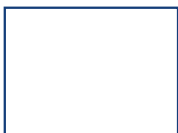
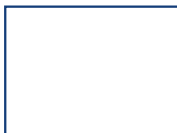
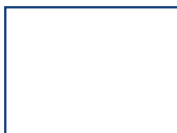
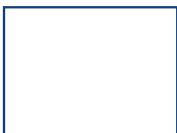
refused. In *Generics v Merck*, permission was refused by both the first instance Judge and the Court of Appeal and in *CIPLA v GSK*, permission was refused by the first instance judge and, it is understood, also the Court of Appeal. The result of this limitation is that for a decision which "involves the application of a not altogether precise legal standard to a combination of features of varying importance, ...an appellate court should not reverse a judge's decision unless he has erred in principle" (per Lord Hoffmann in *Designers Guild v Russell Williams*). Thus, reversing a first instance finding on obviousness (which "involves the application of a not altogether precise legal standard to a combination of features of varying importance") requires the appellant to establish that the first instance Judge has made an error of principle. In most cases, this is a difficult hurdle to overcome, although it was overcome in *Rockwater v Technip* earlier this year. The position was atypical, however, in that the finding of obviousness had been preceded by the finding of anticipation based on the same prior art. The judge had erred in principle by not identifying correctly the differences between the prior art and the alleged invention (as required by the 3rd step of *Windsurfing*).

Finally, in *Teva v Merck*, the Court of Appeal criticised the appellant for not clearly identifying in their Grounds of Appeal the points of principle on which the Judge erred. Indeed, the advised that this should be done at the permission stage.

### Streamlined Procedure

In April 2003, the Practice Direction governing the conduct of actions in the Patents Court and the Patents County Court was amended so as to introduce a so called "streamlined procedure" for patent actions. The Practice Direction states that:

The scope for an unsuccessful litigant in a patent action to appeal against an unfavourable first instance judgment is becoming ever more restricted



"A streamlined procedure is one in which save and to the extent that it is otherwise ordered:

- all factual and expert evidence is in writing
- there is no requirement to give disclosure of documents
- there are no experiments
- cross-examination is only permitted on any topic or topics where it is necessary and is confined to those topics
- the total duration of the trial fixed and will normally be not more than one day
- the date for trial will be fixed when the Order for a streamlined procedure is made and will normally be about six months thereafter

A streamlined procedure also includes minor variants of the above, e.g., disclosure confined to a limited extent"

A streamlined procedure can be ordered either by agreement between the parties or by the court where the application of the so called overriding objective indicates that it is appropriate. There is also a duty placed on the legal advisors to the parties to a patent action to draw the availability

of a streamlined procedure to their client's attention. This duty was emphasised recently in *Generics v Merck*.

Several orders have now been made for actions to proceed to trial on the basis of a streamlined procedure. The importance of the streamlined procedure, however, is that it provides a reference or starting point for the parties and the judge. The overall result will be less disclosure, fewer experiments and shorter trials in the majority of cases all of which will have the effect of limiting the costs actually spent by the parties in an action.

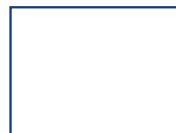
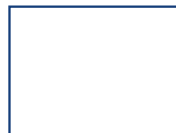
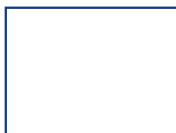
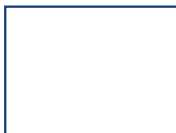
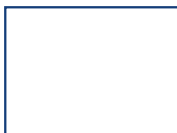
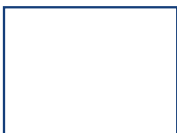
### Experiments

The Practice Direction for patent actions provides that if a party wishes to rely on any fact derived from the result of an experiment then he must seek the court's permission to do so. Insofar as the court is willing to permit the party to rely on such a fact, it will normally do so only on the basis that the other party is given an opportunity to inspect a repetition of the experiment.

In *Generics v Merck*, the outcome turned on the construction of the claim yet the Claimant had conducted numerous sets of

experiments (many of which had been repeated in the presence of the defendants). In his judgment, the judge admonished himself for not controlling the litigation better. He made it clear that in future no experiments relating to the issue of purposive construction, i.e. the first *Catnic* question, should be conducted unless the court has given informed permission for them to be done in advance.

In practice, this further emphasises the need for prospective parties to patent litigation to both instruct an expert and consider what experiments may need to be done in order to prove their case on infringement or validity at a very early stage so as to be able to apply to the judge at the first Case Management Conference for permission to proceed.



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## UK Patents Act 2004: summary of forthcoming changes likely to impact on enforcement

Shortly before the summer recess, the UK Patents Act 2004 received its final reading in the House of Commons and was enacted into law on 22 July 2004. The Act contains four categories of amendments to the UK Patents Act 1977.

The first category of amendments includes those necessary to implement the revisions to the EPC which were agreed at the Diplomatic Conference held in December 1999 ("EPC 2000"). The second category of amendments deals with changes related to the EPC 2000 revisions. The third category includes modernising provisions some of which relate to revisions to the PCT and the PLT. Finally, the fourth category relates to various measures which are intended to improve the enforcement of patents in the UK.

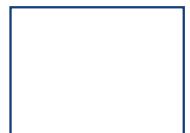
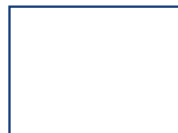
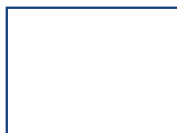
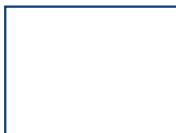
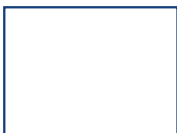
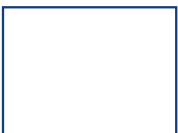
We deal below with two of the changes in this last category which are due to come into force on 1 January 2005 and which are likely to have most impact on patent infringement and validity actions.

### Threats

As it stands, section 70 of the Patents Act 1977 provides that a person who is aggrieved by a threat of patent infringement proceedings made to any person can claim an injunction and damages. To succeed, the claimant has to establish that the patent is either not infringed or invalid. In practice, the defendant (patentee and/or exclusive licensee) will defend the claim by alleging the patent is valid and infringed. The first part of the action is the same as an infringement and validity action save that the alleged infringer has (a) taken the initiative by commencing the action and (b) has a procedural advantage in being the claimant rather than the defendant in the action. Section 70 excludes from its scope threats alleged to consist of making or importing a product or using a process, i.e. acts of primary infringement, or the mere notification of the existence of the patent to someone.

The narrow interpretation of the exclusion (so as to encompass only threats of primary infringement and not any threat made to a primary infringer), coupled with its use tactically against advisors in order to establish a conflict of interest between a party and their legal advisors led commentators in recent years to call for changes. There is also a tension between the threats provision and the thrust of the Woolf reforms and the new Civil Procedure Rules which penalises parties in costs for failing to take measures before proceedings are started to avoid litigation. This tension was fully aired in the recent trade mark case *Reckitt Benkiser v Home Parfum* where Laddie J. refused to strike out the threats action but at the same time also dismissed the application to join the claimant's solicitors.

The 2004 Act seeks to overcome these problems in various ways. Firstly, it permits threats of secondary infringement to be made to a primary infringer. Secondly, it deems the following not to constitute an actionable threat: (a) the provision of factual information about a patent, (b) a request for the sole purpose of discovering whether acts of primary infringement have taken place and if so, by whom and (c) assertions made about



the patent for the purpose of such enquiries. Thirdly, it provides a defence to a threats action if the threatener has used his best endeavours to discover the name of the manufacturer or importer of the product (or the user of the process as the case may be) provided that, at the time of making the threat, the threatener notifies the person he is threatening of the endeavours that he has used. Finally, even if the patent is found invalid, it is a defence if the defendant proves that at the time of making the threat he did not know, and had no reason to suspect, that the patent was invalid.

Whilst the precise scope of these exceptions will have to be determined by the courts in years to come, the amendments certainly make it easier for patentees and exclusive licensee to approach infringers in order to try to seek an amicable resolution of the dispute and thereby avoid litigation.

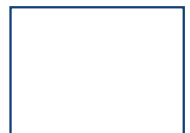
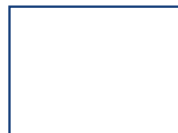
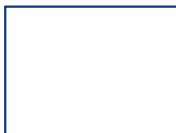
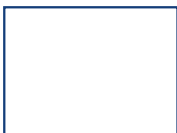
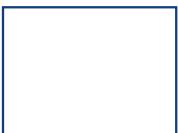
### **Opinions on validity and infringement from the Patent Office**

The Act introduces a procedure whereby a person (the proprietor or any other person) may request the Patent Office to provide an Opinion on (a) whether a

particular act infringes a patent or (b) whether an invention is patentable on the ground that it is not new or obvious. The Patent Office has a discretion as to whether to accede to a request in any particular circumstances.

The Opinion itself is stated not to be binding for any purposes, i.e. there will be no consequent order to revoke the patent. However, clearly there will be circumstances where such an opinion is likely to have considerable value. Firstly, it may influence potential parties to litigation to resolve their dispute without recourse to litigation. Secondly, even if litigation ensues, it is likely that the court will take the Opinion into consideration when awarding costs following judgment at the end of an action.

Nothing in this Update constitutes legal advice. Always consult a suitably qualified lawyer on any specific legal problem or matter. Bird & Bird assumes no responsibility for information contained in this Update and disclaims all liability in respect of such information.



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