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IP Enforcement Directive: injunctions against intermediaries

Summary

The European Court of Justice (ECJ) has ruled that injunctions available under the Intellectual Property Enforcement Directive *(2004/48/EC)* (the Directive) against intermediaries can apply to physical marketplaces.

Background

EU member states must provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights (IPR) covered by the Directive *(Article 3, the Directive)* (Article 3). Those measures, procedures and remedies must be fair and equitable and not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. They must also be effective, proportionate and dissuasive and applied so as to avoid the creation of barriers to legitimate trade.

Member states must ensure that IPR-holders can apply for an injunction against intermediaries whose services are used by a third party to infringe an IPR *(Article 11, the Directive)* (Article 11).

The Directive is intended to ensure a high, equivalent and consistent level of protection of IPR in the internal market (recital 10, the Directive) (recital 10).

In *L'Oréal SA v eBay International AG*, the ECJ applied Article 11 in order to bring intermediaries to account for infringing activity taking place in an online marketplace *(see News brief " L'Oréal v eBay: good news for brand owners", www.practicallaw.com/9-507-0026)*.

Facts

D, the tenant of a marketplace in Prague, sublet sales areas in the marketplace to market-traders.

H manufactured and distributed branded products. H established that counterfeits of its goods were sold in the marketplace and issued proceedings against D in the Prague City Court seeking to stop D from agreeing contracts with persons involved in the infringement of H's IPRs. D appealed.

The Czech Supreme Court referred questions to the ECJ on the interpretation of Article 11.

Decision

The ECJ ruled that Article 11 must be interpreted as meaning that:

- The tenant of market halls who sublet the sales points situated in those halls to market-traders, some of whom used their pitches to sell counterfeit branded products, fell within the concept of an intermediary whose services were being used by a third party to infringe an IPR within the meaning of Article 11.

- The conditions for an injunction within the meaning of Article 11 against an intermediary who provided a service relating to the letting of sales points in market halls were identical to those set out in *L'Oréal* in relation to intermediaries in an online marketplace.

Whether the provision of sales points concerned an online marketplace or a physical marketplace such as a market hall was irrelevant. The scope of the Directive was not limited to electronic commerce. The objective stated in recital 10 would be substantially weakened if an operator that provided third parties with access to a physical marketplace, in which those third parties offered the sale of counterfeit branded products, could not be the subject of the injunctions referred to in Article 11.

Although *L'Oréal* involved an online marketplace, the ECJ had interpreted the provisions in the light of the general provisions formulated in Article 3, without specifically considering the nature of the marketplace. The scope of Article 3 was not limited to situations which occurred in online marketplaces. It followed from the wording of Article 3 that it applied to any measure referred to by the Directive, including those in Article 11.

Comment

This decision is in line with the objectives of the Directive and the provision on injunctions is not limited to electronic commerce and online intermediaries. Confirmation of the Directive's application against intermediaries in the context of physical marketplaces is a useful, possibly unexpected, tool for practitioners against counterfeits.

As a result of this decision, the operator of a physical marketplace may be ordered to withdraw services from market traders who are infringing trade marks and, following *L'Oréal*, to take measures to prevent new infringements of the same nature by the same market-traders. Since injunctions must be equitable and proportionate, the intermediary cannot however be required to exercise general and permanent oversight over its customers.

Case: Tommy Hilfiger Licensing LLC and others v Delta Center a.s., C 494/15.

Patents: invalidity for obviousness

Summary

The Court of Appeal has held that two drug formulation patents were invalid for obviousness.

Background

To be a valid European patent, an invention must involve an inventive step *(Article 52(1), European Patent Convention; section 1, Patents Act 1977)* (EPC) (1977 Act). An invention involves an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art *(Article 56, EPC; section 3, 1977 Act)*.

Obviousness must be considered on the facts of each case and the court must consider the weight to be attached to any particular factor in the light of all the relevant circumstances. These may include the motive to find a solution to the problem the patent addresses, the number and extent of the possible avenues of research, the effort involved in pursuing them and the expectation of success. *Generics (UK) Ltd v H Lundbeck A/S ([2007] EWHC 1040 (Pat))*.

Facts

H brought an action for revocation of two of G's patents relating to the pharmaceutical formulations of the breast cancer drug Herceptin (trastuzumab). The disclosure of both patents was about making a lyophilised (freeze-dried) formulation with specific excipients.

The High Court held that both patents were invalid on the ground of lack of inventive step and added matter, and also refused proposed amendments to the patents *(www.practicallaw.com/5-597-2424)*. G appealed against the finding of obviousness and added matter.

Decision

The court dismissed the appeal. It held that both patents were invalid for obviousness. As a result the court did not need to consider added matter.

Whether it was "obvious to try" to find a solution to the problem was not a substitute test for obviousness, but merely one of many considerations to be taken into account. There also had to be a reasonable or fair prospect of success. There was no single standard of what amounted to a fair expectation of success, which depended on all the circumstances and varied from case to case.

The fact that the prior art disclosed that trastuzumab was in a phase II trial was sufficient motivation to cause a skilled team to embark on the project of formulating trastuzumab. The evidence showed a high degree of interest in trastuzumab by the time it was known that phase II clinical trials were underway, so the court's conclusion was justified.

It was not correct to say that the skilled person would only start on a lyophilised formulation if he found that a liquid formulation was not sufficiently stable. The patent explained that trastuzumab underwent degradation in solution, so it was at least plausible that there would be a degradation problem which could not be solved in the liquid form. As G had not displaced this natural inference by evidence to the contrary, the court could infer that trastuzumab could not be adequately stabilised in liquid form.

The court rejected G's argument that the High Court was not entitled to find that there was a fair or reasonable expectation of success. The High Court's judgment as a whole showed its assessment was that the skilled team had a fair expectation of success from the start.

An important issue was whether the correct question was whether the skilled person would, or whether they could, arrive at the claimed invention without inventive effort. A "would" test could be misleading as it was liable to bring in irrelevant considerations, such as whether it would be worthwhile commercialising an otherwise technically obvious product.

It was not always necessary for the court to conclude that the skilled person, acting only on the basis of the prior art and his common general knowledge, would arrive without invention at the precise combination claimed. As the screening methods were part of the common general knowledge, the tests involved were routine, the excipients were common general knowledge and there was no reason in principle why a successful lyophilised formulation could not be made, it was clear that the claimed combination here was one that could be made by the skilled team. The question was whether this was the type of case where it was necessary to go further and ask whether the skilled person would necessarily have made the precise combination claimed.

In an empirical field it would rarely be possible to predict in advance that any individual experiment would work. In many cases, the fact a routine screening exercise could be carried out would be inadequate to establish obviousness. Still, here, the team would have a reasonable degree of confidence that a series of experiments would produce some that would work. To impose a requirement that the skilled team had to be able to predict in advance which would be the successful combinations was unrealistic and would lead to the grant of patents which in fact involved no inventive effort. Here, the skilled person would expect a range of different results, some good and some bad, but there was no invention in embarking on a screening process to pick out the good from the bad. The fact that it could not be said in advance which the good ones would be did not always prevent a finding of obviousness.

Comment

This decision illustrates the difficulties faced by owners of pharmaceutical patents seeking to extend protection for an important product by patenting specific formulations or dosage regimes. A formulation which could be reached by a skilled team using well-known techniques and components may not meet the requirement of inventive step. The patentee must be able to put forward evidence that in the particular circumstances there was no fair or reasonable expectation of success, or showing that the result was unexpected. In this context, the decision provides a useful clarification of the "could" or "would" debate.

The decision also shows the difficulty of challenging a finding of obviousness on appeal. It emphasises the importance of the court's assessment of the specific facts of each case. The High Court's decision on obviousness was not open to independent evaluation by the appeal court unless there was an error of principle.

Case: Hospira UK Ltd v Genentech Inc [2016] EWCA Civ 780.

Patents: threats before patent issued

Summary

The High Court has held that threats made in relation to a patent application were capable of justification, and that the trial of the threats issue should be delayed until after the patent had issued.

Background

An applicant for a patent may bring proceedings in respect of any act only if the act would, if the patent had been granted on the date of the publication of the application, have infringed not only the patent, but also the claims in the form in which they were contained in the application immediately before publication *(section 69(2)(b), Patents Act 1977)* (1977 Act).

Threats of infringement proceedings may be justified if the acts in respect of which the proceedings were threatened constitute, or, if done, would constitute patent infringement *(section 70(2A), 1977 Act)* (section 70(2A).

The Court of Appeal has held that a threat made before grant would be understood as a threat to bring proceedings after grant. No difficulty arose in deciding whether the threats could be justified provided that appropriate steps were taken to ensure that the patent was granted before trial. *(Brain v Ingledew Brown Bennison and Garrett [1996] FSR 314).*

Facts

N and G entered into a licence agreement, under which G was exclusively licensed under N's patent application to make and distribute a flood barrier. After the licence was terminated G stopped selling the barrier and started selling an alternative product. N made threats of patent infringement proceedings against G. G then started proceedings against N for groundless threats. N counterclaimed for royalties due from G under the licence.

G applied for summary judgment on the ground that the threats could not be justified because they were threats of proceedings for infringement of a granted patent, and the application had not been granted. The Intellectual Property Enterprise Court (IPEC) refused this application.

Shortly before trial, the European Patent Office (EPO) granted the patent. N asked for the trial of the threats claim to be adjourned. The IPEC ordered an adjournment. G appealed the refusal of summary judgment and the adjournment.

Decision

The court dismissed the summary judgment appeal and upheld the adjournment.

Threats were capable of justification under section 70(2A). By creating a tort of strict liability which did not require proof of actual damage, section 70 acted as a restraint on commercial freedom of speech and an obstacle to the negotiation and settlement of patent disputes without resorting to infringement proceedings. So, the court should be slow, absent clear wording, to conclude that section 70 of the 1977 Act (section 70) made a class of threats incapable of justification.

Section 70 was aimed at the damage that could be caused to a manufacturer or importer of goods by threats of patent infringement proceedings directed at its customers. However, it was clear from section 70(2A) that it was lawful to make these threats where they were justified. In considering whether a threat was justified,

what mattered was whether the person making the threat was ultimately able to obtain relief in respect of the acts in question.

Section 70(2A) required the court to consider whether the acts for which proceedings were threatened constituted an infringement, not whether the terms of the threat were justified.

The availability of the defence of justification ought not to depend on the precise manner in which the threat was expressed and, in particular, whether the author of the threat took sufficient care to distinguish between the rights conferred by a granted patent and the contingent rights conferred by a patent application if and when it proceeded to grant.

Following Brain, the reference in section 70(2A) to acts which constitute an infringement of a patent can extend to infringement of the rights conferred by a patent under section 69 of the 1977 Act.

There was a need for certainty and difficulties could arise if the patent was not granted by the date of trial. However, there were many other sources of uncertainty, such as the likely need for a trial of issues of infringement or validity, or a possible appeal. Also, where a European patent was involved, the patent might be subject to lengthy opposition proceedings in the EPO. The additional uncertainty, if grant of the patent was still awaited at the date of the threat, may be undesirable but it did not greatly alter the position.

It was common in threats cases for the claimant to seek and obtain an interim injunction to restrain the making of further threats pending trial. If G was protected by an interim injunction, then it should not be prejudiced by a delay in the trial of the justification issue until the patent was granted. While G would not want potential liability under any cross-undertaking given in return for the interim injunction for an open-ended period, in most cases N would not have sustained any recoverable loss through being wrongly restrained from making threats because the threats turned out to have been justified.

Although the timing of the grant of the patent was uncertain, by the trial date, the claims were fixed and grant was imminent. The decision to adjourn the trial was within the ambit of the IPEC's case management powers and overall discretion.

Comment

Proceedings for groundless threats often arise from statements made by non-lawyers, who have not taken specialist legal advice and may come from a country whose law on threats of patent infringement proceedings differs from that of the UK. For this reason the availability of the defence of justification should not depend on the precise manner in which the threat was expressed, and whether the author of the threat distinguished between the rights conferred by a granted patent and the contingent rights conferred by a patent application. However, it may be necessary to agree to an undertaking or injunction not to make any further threats. Here, the patent issued shortly after the trial so the delay to the threats trial was expected to be short: it is not clear whether the result would be the same if several years of delay had been likely.

Case: Global Flood Defence Systems Ltd and another v Johan Van Den Noort Beheer BV and others [2016] EWHC 1851 (Pat).

Patents: jurisdiction over infringement where validity challenged

Summary

The High Court has held it had no jurisdiction over a claim for infringement of a German European patent made in an action for infringement of the UK equivalent patent after an action was brought in Germany to invalidate the German patent.

Background

EU member states have exclusive jurisdiction, regardless of the domicile of the parties, in proceedings concerned with the registration or validity of patents, including any European patent granted for that member state *(Article 24, recast Brussels Regulation (1215/2012/EU))* (Article 24)).

Where a court of a member state is seised of a claim which is principally concerned with a matter over which the courts of another member state have exclusive jurisdiction by virtue of Article 24, it must decline jurisdiction *(Article 27, recast Brussel Regulation)* (Article 27).

In GAT v LuK, the ECJ held that only the courts of the member state where the patent is valid have jurisdiction once validity is put in issue, irrespective of whether the issue is raised by way of an action or as a defence or counterclaim *(C-4/03)*.

In *Actavis Group HF v Eli Lilly and Company*, the High Court held that it had jurisdiction to try a pan-European declaration of non-infringement where the party seeking such pan-European declarations did not challenge the validity of any of the patents *(www.practicallaw.com/4-572-1394)*.

The court's power to grant interim relief does not apply in relation to provisions for obtaining evidence *(section 25(7), Civil Jurisdiction and Judgments Act 1982)* (section 25(7)).

Facts

R sued M, a company domiciled in England, for infringement of the UK and German designations of its patent. M informed R that it intended to raise the invalidity of the German patent as a defence in the English action which would mean that the English court would not have jurisdiction over infringement of the German patent. M then challenged the validity of the German patent in the German Federal Patent Court,

R then applied to amend its pleadings to make it clear that any determination by the English court of infringement of the German patent was conditional on the validity decision of the German court. R also applied, as an interim measure, for the provision of samples from M to assist with its case on infringement of the German patent.

M challenged the English court's jurisdiction over infringement of the German patent, and opposed the application for samples.

Decision

The court held that it had no jurisdiction over R's claim in respect of the German patent. It also had no jurisdiction to order M to provide samples.

The German court had exclusive jurisdiction over proceedings concerned with the validity of the German patent. The issue here was whether the claim in respect of the German patent in R's proposed amended pleading was either concerned with the validity of the German patent within Article 24, or principally concerned with the validity of the German patent within Article 27.

The issue between the parties with respect to the German patent was whether M had infringed a valid claim of that patent. The proposed amendment, pleading the case conditional on the patent being found valid in Germany, should not circumvent jurisdictional rules.

Allowing the German infringement issue to be tried in the UK would multiply the risk of conflicting decisions which the recast Brussels Regulation seeks specifically to avoid. In order to determine both infringement and validity of any claim of the patent, the court must first construe that claim, and the same construction had to be applied when determining both infringement and validity. The English courts might have found that a claim of the German patent had been infringed by M on a construction of the claim which would result in the patent being invalid, but the German courts might find that the claim was valid on a different construction. The construction adopted by the English courts would not be binding on the German courts.

The fact that M had not challenged jurisdiction under the Civil Procedure Rules (CPR) was irrelevant. The CPR could not override the mandatory effect of the recast Brussels Regulation. The CPR did not apply to a jurisdictional issue that was triggered by the defence to that claim (the counterclaim for invalidity) rather than by the nature of the claim. Article 27 also required the court to decline jurisdiction regardless of any application by M.

The court did not have jurisdiction under section 25(7) to make an order for the provision by M of samples for testing for the purpose of the German infringement proceedings which R proposed to bring. R's whole purpose in applying for the order was to obtain evidence to support its infringement claim in Germany, not as it argued to preserve the samples. The court's inherent jurisdiction could not circumvent specific statutory restrictions.

If the court had had jurisdiction to make the order sought by M, it would have been expedient to make the order for the provision of samples.

Comment

Once M challenged the validity of the German patent, R's attempt to keep the claim for infringement of the German patent in the UK action was bound to fail under UK and ECJ case law. In Actavis v Eli Lilly the party seeking a pan-European declaration of non-infringement did not challenge the validity of any of the foreign patents and so Article 24(4) did not come into play. Here, the court rejected R's attempt to establish jurisdiction by the artificial separation of the issues of infringement and validity in its pleading. In practice, the right to challenge validity is unlikely to be relinquished by a defendant to an infringement action. Unless and until the Unified Patent Court becomes a reality and extends to a post-Brexit UK, the absence of any challenge to validity is a prerequisite to establish jurisdiction for infringement of a non-UK European patent.

The jurisdiction of the German Courts to order the disclosure of samples and documents is generally regarded as being more limited than in the UK. It is presumably for that reason that R tried but failed to obtain from the English court an order for information and samples which it claimed it needed for its German infringement case.

Case: Anan Kasei Co, Ltd and Rhodia Operations S.A.S. v Molycorp Chemicals & Oxides (Europe) Ltd [2016] EWHC 1722 (Pat).

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