

Enforcement of Patent Rights

# Enforcement of Patent Rights

18 June 2019 – Hakim Haouideg



# Overview

- Background
- The Belgian legislation
- Violation of Enforcement Directive?
- The decision of the European Court of Justice
- What now?

## Trends in Patent Litigation

- Growing harmonisation
- Growing impact Non-Practicing Entities
- Previously unaccessible prior art becomes accessible through Google (Books)
- Better protection confidential information alleged infringers

Enforcement of Patent Rights

# The growing harmonisation of European patent law

## Introduction

- Three important decisions
  - Enlarged Board of Appeal EPO, 12 May 2010 (G-0003/08)
  - ECJ, 6 July 2010 (C-428/08)
  - ECJ, 8 March 2011 (1/09)
- One thing in common
  - Harmonisation of European patent law

## The beginning

- Venice 1471
- First patent legislation
- Similar to current patent law:
  - Novelty
  - Inventive step
  - Industrial applicability

## The next steps

- Statute of Monopolies (1624)
- French Patent Act (1791)
- French Patent Act (1844)
- Belgian Patent Act (1854)
- German Patent Act (1877)
- Dutch Patent Act (1910)

## Difficulties

- Obtain patents on a country-by-country basis
  - Different rules conditions of patentability
- Enforce patents on a country-by-country basis
  - Different rules on (acts of) infringement and scope of patents



## Several harmonisation initiatives/mechanisms

- EU v non-EU
- Formal v Informal
- Patentability v Infringement/Scope of Protection
- Supranational judicial review or not

## EPC (1973)

- Convention on the Grant of European Patents
- Non-EU (38 contracting states)
- Patentability (+ scope of protection)
- Centralised grant of « European » patents by EPO
- « European » patent:
  - not a single, uniform title the validity and scope of protection whereof extend uniformly over the territories designated in application
  - bundle of national patents which are separately and independently subject to respective national law in those countries as far as validity and scope of protection are concerned
- Boards of Appeal
- Enlarged Board of Appeal

## Enlarged Board of Appeal - 12 May 2010 (1)

- Case G-0003/08 on patents for « programs for computers»

- Article 52 EPC – Patentable Inventions

(1) European patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application.

2) The following in particular shall not be regarded as inventions within the meaning of paragraph 1:

(a) discoveries, scientific theories and mathematical methods;

(b) aesthetic creations;

(c) schemes, rules and methods for performing mental acts, playing games or doing business, and **programs for computers**;

(d) presentations of information.

(3) Paragraph 2 shall exclude the patentability of the subject-matter or activities referred to therein only to the extent to which a European patent application or European patent relates to such subject-matter or activities **as such**.

## Enlarged Board of Appeal - 12 May 2010 (2)

- Intervenes when « different decisions » Boards of Appeal
- At request President EPO or a Board of Appeal
- Intervention suggested by Court of Appeal England and Wales in *Aerotel v Telco* (27 October 2006) (« *the decisions of the EPO Boards of Appeal are mutually contradictory* » / « *surely the time has come for matters to be clarified by an Enlarged Board of Appeal* »)
- **T 1173/97** (1 July 1998) **v T 424/03** (23 February 2006)

## Enlarged Board of Appeal - 12 May 2010 (3)

- T 1173/97
  - Claim to a computer program is not excluded from patentability (under article 52 EPC) if the program, when run, shows a « further technical effect », *i.e.* a technical effect going beyond those effects which occur inevitably when any program is run
  - It does not make any difference whether a computer program is claimed by itself or as a record on a carrier
  - Broad reading of « as such » language
- T 424/03
  - If claim relates program on a computer-readable storage medium, necessarily not excluded from patentability
  - Narrow reading of « as such » language

## Enlarged Board of Appeal - 12 May 2010 (4)

- Questions inadmissible because no « different decisions »
- Is just legal development
- T 424/03 is the law
- Summary:
  - Claim in the area of computer programs can avoid exclusion under article 52 EPC merely by explicitly mentioning the use of a computer or a computer-readable storage medium
  - But if the computer program at stake does not have a « further technical effect » no inventive step

## EPC (1973) - conclusion

- Certain degree of harmonisation of prosecution of patents
- National courts are not bound by decisions EPO
- No external judicial review

## EU law

- Directives or Regulations
- Real harmonisation because judicial review ECJ
- Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products
- Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions (“the Biotech Directive”)



## ECJ, 6 July 2010, C-428/08 (Monsanto) (1)

- Article 9 of the Directive 98/44/EC

*“The protection conferred by a patent on a product containing or consisting of genetic information shall extend to all material (...) in which the product is incorporated and in which the genetic information is contained and performs its function.”*

## ECJ, 6 July 2010, C-428/08 (Monsanto) (2)

- At the beginning of the 1990s Monsanto genetically modified soyplants:
  - Those genetically modified soyplants are resistant to (Monsanto's) Roundup Ready (“**RR**”) herbicide
  - Those genetically modified soyplants produce soybeans (“**RR soybeans**”) which have the same genetic characteristics as the soyplants they are grown from
  - (Part of the) RR soybeans produced are used as seed for the next generation of plants (which have, again, the same genetic characteristics)

## ECJ, 6 July 2010, C-428/08 (Monsanto) (3)

- RR soybeans are grown in several countries such as US, Brazil and Argentina
- In Brazil and Argentina soybeans are sold by farmers to exporters which dry and crush the beans (after removing the soy oil) into soymeal which is then exported to China and Europe (to serve as cattle feed)
- Monsanto does have patent rights on the genetic information (DNA, genes, etc.) which codes the herbicide resistant characteristic in the soyplants in US, Brazil and some European countries but not in Argentina
- Monsanto does not have legal right to collect royalties from the Argentinean farmers

## ECJ, 6 July 2010, C-428/08 (Monsanto) (4)

- Monsanto claims that importing Argentinean soymeal produced from RR soybeans into Europe infringes product claims of its European patent EP 0 546 090
- Monsanto lodged applications with customs authorities in several European countries on the basis of Council Regulation 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights
- Monsanto initiated patent infringement proceedings against importers in Denmark, the Netherlands, the UK and Spain

## The legal issues (1)

- Does the importing into European countries in which Monsanto's EP 0 546 090 is in force (B, NL, UK, IT, FR, DK and ES) of soymeal obtained from RR soybeans grown in Argentina constitute an act of infringement of the product claims of Monsanto's European patent EP 0 546 090?

## The legal issues (2)

- Example of a product claim EP 0 546 090:

*“An isolated DNA sequence encoding an EPSPS enzyme having a  $K_m$  for phosphoenolpyruvate (PEP) between 1-150pM and a  $K(glyphosate)/K_m(PEP)$  ratio between 3-500, which DNA sequence is capable of hybridizing to a DNA probe from a sequence selected from the group consisting of SEQ ID NO:2, SEQ IDNO:4, and SEQ ID NO:6.”*

## The legal issues (3)

- Is soymeal obtained from RR soybeans “a *product which is the subject-matter of the patent*”, *i.e.* the genetic information coding for the herbicide resistance characteristic?
- When is a product which incorporates a patented product “a *product which is the subject-matter of the patent*”?
- Case law: it is an infringing act to sell:
  - cars containing a patented component;
  - pharmaceuticals containing a patented ingredient
  - ...
- What about selling soymeal containing remains of patented genetic information?

## The legal issues (4)

- **Article 9**

*“The protection conferred by a patent on a product containing or consisting of genetic information shall extend to all material (...) in which the product is incorporated and in which the genetic information is contained and performs its function.”*

- What does this mean?

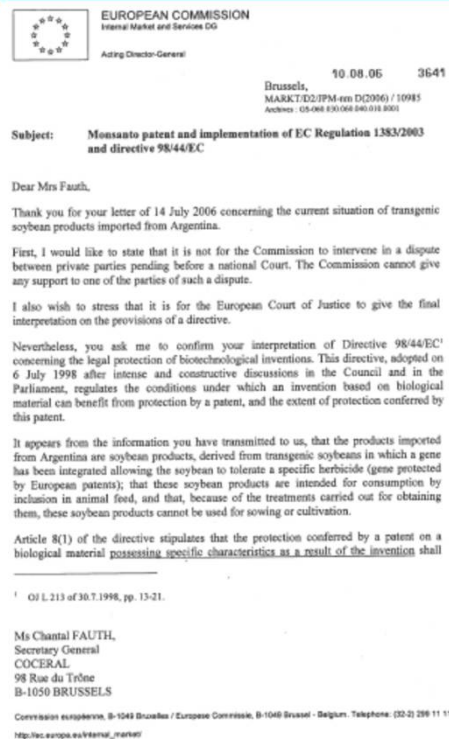


## The opinion of the European Commission (1)

- When confronted with customs seizures of shipments of soymeal coming from Argentina, COCERAL (trade association, [www.coceral.com](http://www.coceral.com)) contacted the European Commission
- In a letter dated 10 August 2006 the European Commission responded that, in its opinion, the importation of soymeal obtained from RR soybeans could not be prohibited on the basis of article 9 of the Biotech Directive

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# The opinion of the European Commission (2)



## Enforcement of Patent Rights

# The opinion of the European Commission (3)

extend to any biological material derived from that biological material through propagation or multiplication in an identical or divergent form and possessing those same characteristics.

In addition, Article 9 stipulates that the protection conferred by a patent on a product containing or consisting of genetic information shall extend to all material, save as provided in Article 5(1), in which the product is incorporated and in which the genetic information is contained and performs its function.

According to Article 9 of the directive, it is therefore not sufficient that genetic information was integrated in the product and that it is still present in it, but this genetic information must also perform its function. Thus, the extent of the effect of the protection does not depend on whether the patented product is used, but on the fact whether because of the use of that product the genetic information incorporated therein is also used. In other words, the patented product has to be used due to the specific function of genetic information described in the patent.

Accordingly, the protection of a patent cannot extend to by-products (such as in this case the soybean products) in which genetic information is residual and no longer performs its genetic function.

Yours sincerely,



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## The patent infringement proceedings (1)

- Monsanto has initiated patent infringement proceedings against importers in Denmark, the Netherlands, the UK and Spain
- No decision in Denmark
- Decisions in Spain, the UK and the Netherlands

## The patent infringement proceedings (2)

- Spain: Commercial Court Madrid, 27 July 2007
- Monsanto cannot invoke article 50.4 of the Spanish Patent Act (which is an implementation into Spanish law of article 9 of the Biotech Directive) because Monsanto has not proven that the genetic information performs its function:

## The patent infringement proceedings (3)

*“If one takes into account that the function of the DNA sequence referred to in claim 1 is to encode an enzyme which promotes glyphosate resistance so that glyphosate can be used against plants containing this sequence without the plants being harmed, it has to be concluded that plaintiff has not demonstrated that the DNA sequence performs its function in the soymeal imported by Sesostris. This conclusion is based on four elements. First, it appears from the expert report submitted by defendant that, due to the process employed to obtain the soymeal, the latter does not contain functional enzymes or genetic material. Second, the function of the DNA sequence is to promote glyphosate-resistance so that plants grown from seeds containing the DNA sequence can be treated with glyphosate. This means that the function of the DNA sequence is of value during the growing phase of the plant. Third, the process employed to obtain the soymeal destroys the seeds so that they cannot be sown; Fourth, the genetic material does not bring any added value to the soymeal in that the GM soymeal is substantially equivalent to the soymeal obtained from commodity soybeans. ”*

## The patent infringement proceedings (4)

- UK: High Court of Justice, 10 October 2007
  - The decision is NOT based on the implementation in UK law of Biotech Directive because the implementing Act states that the implemented provisions only apply to patent applications made (and patents granted thereon) after the entry into force of the implementing Act, *i.e.* 28 July 2000 (Monsanto's application EP 0 546 090 was filed on 28 August 1991)
  - Still, the court came to the decision that the importation of soymeal did not infringe EP 0 546 090

## The patent infringement proceedings (5)

- The Netherlands: The Hague court of First Instance, 24 September 2008
- Referral of preliminary questions to the ECJ



## The patent infringement proceedings (6)

- By a decision of 24 September 2008, the Dutch court referred preliminary questions to the ECJ:

*Should Article 9 of the [Biotech Directive] be interpreted as meaning that the protection offered by this Article can also be invoked in a situation such as in the case subject of these proceedings whereby the product (the DNA sequence) is present in a material (soy meal), which is imported into the European Union, does not perform its function at the time of the alleged infringement but has performed its function (in the soy plant) or could possibly, after being isolated from that material and inserted in the cell of an organism, again perform its function?*

## Decision ECJ, 6 July 2010, C-428/08

- ECJ:

Article 9 of Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions is to be interpreted as not conferring patent right protection in circumstances such as those of the case in the main proceedings, in which the patented product is contained in the soy meal, where it does not perform the function for which it is patented, but did perform that function previously in the soy plant, of which the meal is a processed product, or would possibly again be able to perform that function after it had been extracted from the soy meal and inserted into the cell of a living organism.

## Directives and Regulations - Conclusion

- Full harmonisation of limited issues because of judicial review
- Does not solve fact that many issues remain not harmonised and that enforcement must be done on a country-by-country basis

## Community patent and unified court system (1)

- Attempts since many years to bring about a Community patent
- The Convention for the European Patent for the common market (Luxembourg, 15 December 1975)
- Agreement relating to Community patents (Luxembourg, 15 December 15, 1989)
- 2000: Community Patent Regulation proposal
- Since then: other unsuccessful proposals

## Community patent and unified court system (2)

- December 2009: « breakthrough »
  - Draft Regulation on EU-patent (general approach)
    - basic concept underlying the system is for the EU to accede to the European Patent Convention (EPC) and for the EPO to grant EU patents. Such patents would be European patents having unitary effect in the territory of the European Union
  - Translation arrangements: separate regulation
  - Agreement on European and EU Patents Court system (EEUPC)
    - Agreement between EU, EU Member States and non-EU Member States which are contracting parties to EPC
    - a patent court system with exclusive jurisdiction in respect of infringement and validity issues relating to European and EU patents, comprising a Court of First Instance, a Court of Appeal and a Registry. The Court of First Instance would have a central division as well as local and regional divisions in the contracting states to the agreement.
    - Decisions on
      - EU patents have effect for the whole territory of the EU
      - European patents have effect for the whole territory of the EPC contracting states in which European patent has effect

## Community patent and unified court system (3)

- In June 2009, the Council submitted a request to the European Court of Justice on the compatibility of the draft agreement with the EU treaties.
- Opinion of the Advocates General (2 July 2010)
- Negative opinion – several issues
  - Most important one: not sufficient guarantees of pre-eminence EU law
- Decision of ECJ of 8 March 2011:

*“The envisaged agreement creating a unified patent litigation system (currently called ‘European and Community Patents Court’) is not compatible with the provisions of the EU Treaty and the FEU Treaty.”*

## Community patent and unified court system (4)

- Belgian Presidency: new compromise proposal (6 October 2010) but Council fails to agree (11 October 2010)
- New proposal by Belgian Presidency (8-9 November 2010) which fails, again, at Council of 10 December 2010
- On 14 December 2010: Commission launches proposal for « enhanced cooperation » (mechanism that enables a group of Member States to adopt new common rules when a unanimous EU-wide agreement cannot be reached) to adopt a Community patent valid in EU Member States that participate
- 25 Member States join the initiative (Spain and Italy do not)
- 15 February 2011: green light European Parliament
- 10 March 2011: green light Council

## Community patent and unified court system (5)

- 13 April 2011: two legislative proposals by Commission:
  - Regulation creating unitary patent protection (with important role ECJ)
  - Regulation on translation arrangements
- 31 May 2011: Italy announces that it has seized ECJ to challenge use of « enhanced cooperation » mechanism
- Amended proposal of Regulation creating unitary patent protection on 7 October 2011
- Almost there?



## Informal harmonisation (1)

- EPO and national courts
  - « (...) the interpretation of the EPC (...) by the courts of the Contracting States has no direct consequences for Office departments; but that does not mean that in interpreting the Convention the Boards of Appeal should not take account of relevant national decisions on harmonised European patent law, in keeping with normal practice. This is implied by the harmonisation philosophy behind the EPC » (Enlarged Board, 12 May 2010)
  - UK Court of Appeal *Aerotel v Telco*

## Informal harmonisation (2)

- National courts amongst them
  - House of Lords in *Conor v Angiotech* (9 July 2008)

*« 19. In my opinion, however, the invention is the product specified in a claim and the patentee is entitled to have the question of obviousness determined by reference to his claim and not to some vague paraphrase based upon the extent of his disclosure in the description. There is no requirement in the EPC or the statute that the specification must demonstrate by experiment that the invention will work or explain why it will work. As the Dutch court said (at paragraph 4.17):*

*« ...it is not required in the view of the court that experimental data concerning use of taxol stents in humans and the actual prevention of restenosis be included in the patent to further substantiate [the claim]. » »*

## Conclusion

- Substantial progress has been made on harmonisation of quite a number of legal issues
- Informal harmonisation is very important
- Pan-European enforcement remains difficult because on a country-by-country basis

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## The growing impact of Non Practicing Entities

## Patent Trolls (1)

- Troll: a Scandinavian folkloric creature, hostile to men, lives under bridges and seizes those who try to cross without paying



## Patent Trolls (2)



- Patent Troll:
  - Does not practice or commercialise patented inventions
  - Acquires and/or holds patents solely for enforcing and licensing
- Origin of the name
  - In 2001 Intel was sued
  - Intel's Assistant General Counsel outraged and called the patentee a « patent extortionist »
  - After being sued for defamation, he called the adverse party a « troll » to lessen risk of defamation suits

## Patent Trolls (3)

- Other names:
  - Non-practicing entity
  - Patent holding company
  - Patent assertion entities (FTC report, The Evolving IP Marketplace – Aligning Patent Notice and Remedies with Competition, March 2011)
- Different types
  - “True Blue Troll”: non-manufacturing companies which acquire patents from inventors
  - “The Thinking Person’s Troll”: they develop inventions for the purpose of licensing, not to manufacture and sell
  - “Incidental trolls”: failed manufacturing companies left with patent assets ready to be exploited

## Patent Trolls (4)

- Not concerned with exposure to liability:
  - Often no assets other than patents and no business other than litigation, whereas other companies believe litigation is a distraction/burden
  - Don't fear counterclaims for patent infringement like other patent holders do
  - Not afraid that patent will be invalidated and cause the loss of jobs for its employees, like other patent holders do
- Typically hire attorneys on a contingent fee basis
- No pressure from customers to settle litigation
- No board members and shareholders to whom they need to answer and who may not want to enter into litigation
- Can be more aggressive and take more risks



## 2000–2005: Perfect (US) Landscape for Patent Trolls (1)

- Patents
  - Burst of tech bubble: lots of cheap patents were available from bankrupt start-ups
  - Patent applications soared during high-tech revolution starting late 1980s, early 1990s:
    - Venture capitalists demanded that their portfolio companies protect themselves with patent applications
    - New generation of visionaries that did not need large scale R&D departments to develop potentially significant inventions relating to new technologies such as the Internet and computer software
    - USPTO overwhelmed and old searching techniques not apt to uncover prior art that might prevent this deluge of (often enormously broad) patents from issuing

## 2000–2005: Perfect (US) Landscape for Patent Trolls (2)

- Procedure
  - Infringement = Injunction
  - Huge litigation cost: average cost of patent infringement lawsuit in 2009 was \$5.5 million (2009 AIPLA Economic Survey)
  - Huge damage awards (treble damages)
- Result:
  - Due to costs involved and risk of injunction, defendant companies often find it more cost effective to settle, even if they do not believe that infringement has occurred, rather than proceed through expensive and uncertain litigation.
  - At too high a price (“hold-up”)

## Turning point: *eBay v. MercExchange* (1)

- Section 283 US Patent Act

*“The several courts having jurisdiction of cases under this title [35 USCS Sects. 1 et seq.] **may** grant injunctions in accordance with the **principles of equity** to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”*

## Turning point: *eBay v. MercExchange* (2)

- 1989: Federal Circuit establishes a “general rule” in favor of granting injunctions based on a presumption of irreparable harm:

*“Infringement having been established, it is contrary to the laws of property, of which the patent law partakes, to deny the patentee’s right to exclude others from use of his property. The right to exclude recognized in a patent is but the essence of the concept of property. It is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it (...) In matters involving patent rights, irreparable harm has been presumed when a clear showing has been made of patent validity and infringement”*  
(Richardson v. Suzuki )

## Turning point: *eBay v. MercExchange* (3)

- MercExchange sued eBay for infringing two patents relating to on-line sales
- First Instance
  - Jury returned a verdict of willful infringement and awarded damages of \$35 million
  - District court, though recognizing that injunctive relief was “*considered the norm*”, denied patentee’s motion for a permanent injunction because patentee did not practice its inventions, had licensed its patents in the past, and had made statements in the media that it was willing to license eBay

## Turning point: *eBay v. MercExchange* (4)

- Appeal
  - Federal Circuit reversed denial of permanent injunction on the ground that district court had not provided a persuasive showing that the case is “*sufficiently exceptional*”
  - Rejected the district court’s concern that MercExchange did not practice the patents: “*Injunctions are not reserved for patentees that intend to practice their patent, as opposed to those who choose to license. The statutory right to exclude is equally available to both groups, and the right to an adequate remedy to enforce that right should be equally available to both as well.*”
  - “*If the injunction gives the patentee additional leverage in licensing, that is the natural consequence of the right to exclude and not an inappropriate reward to a party that does not intend to compete in the marketplace (...)*”

## Turning point: *eBay v. MercExchange* (5)

- Supreme Court (15 May 2006)
  - Rejected both the Federal Circuit's "general rule" supporting the grant of an injunction and the district court's opinion that a patentee who did not practice its invention and was willing to license could not obtain an injunction
  - Relying on the express language of the Patent Act which provides that that district courts "*may*" issue injunctions "*in accordance with the principles of equity*", the Supreme Court listed four factors that a patentee must satisfy to obtain an injunction

## Turning point: *eBay v. MercExchange* (6)

- Plaintiff must demonstrate:
  - (1) that it has suffered an irreparable harm
  - (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury
  - (3) that, considering the balance of hardships between the plaintiff and the defendant, a remedy in equity is warranted;
  - (4) that the public interest would not be disserved by a permanent injunction



## Turning point: *eBay v. MercExchange* (7)

- Chief Justice Roberts wrote a concurring opinion, joined by Justices Scalia and Ginsburg, pointing out that from "at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases," by applying the four-factor test.
- On the other hand, Justice Kennedy, joined by Justices Stevens, Souter, and Brewer, wrote in a separate concurring opinion:

*"In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. (...) For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent. (...) When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest. In addition injunctive relief may have different consequences for the burgeoning number of patents over business methods, which were not of much economic and legal significance in earlier times. The potential vagueness and suspect validity of some of these patents may affect the calculus under the four-factor test."*

## Turning point: *eBay v. MercExchange* (8)

- In Supreme Court decision, little guidance on application four factors
- Divergent emphasis of two concurring opinions
- Uncertainty
- Article examining 27 cases decided in the year following *eBay*, found that in the 4 cases involving NPEs no injunction
- A longer term review post-*eBay* reveals that as of March 1, 2010 of 13 requests by NPEs for a permanent injunction (including a university, a research institute and an independent inventor) 7 have been granted.

## Turning point: *eBay v. MercExchange* (9)

- Decisions refusing the injunction held that no irreparable harm and/or monetary damages were adequate because there was no competition between plaintiff and defendant
- Conclusion: tougher for patent trolls also because:
  - Easier for targets of trolls to file declaratory judgment actions requesting that patents be declared invalid or not infringed (Supreme Court, 2007, *MedImmune v. Genentech*)
  - Easier to successfully challenge the validity of patents based upon obviousness (Supreme Court, 30 April 2007, *KSR Int'l Co. V. Teleflex Inc.*)
  - More difficult for a successful plaintiff to obtain enhanced damages for wilful infringement (Federal Circuit, 20 August 2007, *In re Seagate Technology, LLC*)

## Trolls come to Europe (1)

- Famous trolls such as Alliacense (processor technology) come to Europe
- Different environment than in US:
  - Cost of litigation is much lower (less leverage)
  - Damage awards (no jury) are lower (less leverage)
  - BUT infringement = injunction (more leverage)

## Trolls come to Europe (2)

- Infringement = Injunction in Belgium:
  - Article 53 §1 of the Patent Act of 28 March 1984

*“Wanneer de rechter een inbreuk op een recht bepaald in artikel 27 vaststelt, beveelt hij tegenover elke inbreukmaker de staking van deze inbreuk.”*
  - Article 3, § 1 of the Act of 6 April 2010 concerning the regulation of some proceedings in the framework of the Act of 6 April 2010 on market practices and consumer protection (“stakingsvordering” / “action en cessation”)

*“De voorzitter van de rechtbank van koophandel stelt bovendien het bestaan vast en beveelt de staking van elke inbreuk op een intellectueel eigendomsrecht, met uitzondering van het auteursrecht, de naburige rechten en het recht van de producenten van databanken.”*
- One exception to infringement = injunction rule: abuse of right
- Not excluded that some behaviour of trolls amounts to such abuse

## What to do when confronted with troll? (1)

### (1) Check vendor agreements

- Indemnification provision?
- Procedure to be followed for indemnification
- Indemnification is capped?

### (2) Have IP counsel review the patents and the allegedly infringing product/process

- Very often trolls patents are ‘bad’ patents
- Design around possible?
- Obtain an opinion of IP counsel (to avoid ‘bad faith’ scenario) on invalidity and/or non-infringement

## What to do when confronted with troll? (2)

### (3) Extent of potential damages/royalties

- If cost of licensing offer exceeds cost of litigation and patents are bad patents indeed, it might be worth fighting
- Fighting will also help in keeping other trolls at a distance

### (4) Explore whether other companies are prepared to cooperate /joint defense arrangements

- Cooperate in areas such as prior art searching, development of invalidity and non-infringement defenses
- Divide work and share expenses
- Usually leads to stronger invalidity defenses because of greater resources

## What to do when confronted with troll? (3)

- If decision to fight, might be worthwhile to take the initiative (declaratory action requesting that patent(s) be declared invalid and/or not infringed)
  - Allows you to choose timing and location
  - Blocks fast cease-and-desist proceedings
  - Status as plaintiff provides increase in the likelihood of winning
- Fighting does not preclude you from having (confidential) settlement discussions
- As troll wants to keep patents/reputation, they become nervous when hearing and decision comes nearer



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## Previously inaccessible prior art becomes accessible through Google (Books)

## Defense against patent infringement claims (1)

- Do not panic
- Take nothing on faith
- Be critical
- Always check validity of the patent invoked
- Prior art is much more accessible than before

## Defense against patent infringement claims (2)

### Claims

1. A method of manufacturing a doughnut, comprising two spraying steps in which a proven yeast dough mixture product is coated with cooking fat, and an intervening baking step.

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## Defense against patent infringement claims (3)

# EASY BREAD MAKING FOR SPECIAL DIETS

Wheat-free, Milk- and Lactose-free,  
Egg-free, Gluten-free, Yeast-free, Sugar-free,  
Low Fat, High or Low Fiber, Low Sodium,  
Diabetic, and Low Calorie

Use your bread machine,  
food processor, or mixer to make the bread  
YOU need quickly and easily

By  
Nicolette M. Dumke

## *Heart Healthy Doughnuts*

### Ingredients:

1 batch of any sweet roll dough, pages 217 to 221  
Cooking oil spray  
1 batch of any doughnut topping or frosting,  
pages 228 to 230 (optional)

Cycle: Dough cycle. When the cycle is finished, roll the dough out to about  $\frac{1}{2}$ " thickness on a lightly oiled board with an oiled rolling pin. Cut into doughnuts with a floured doughnut cutter. Lightly oil a baking sheet or spray it with cooking oil spray. Transfer the doughnuts to the sheet with a spatula and spray them lightly with cooking oil spray. Let them rise in a warm place until double, about 30 to 40 minutes. Bake at 375°F for 10 to 15 minutes, or until the doughnuts are just beginning to brown. Spray both the top and bottom of each doughnut lightly with cooking oil spray and immediately shake them in one of the toppings below. Or, if you wish to frost them, allow them to cool before frosting them with one of the frostings below.

Nutritional Analysis: Essentially the same as for the dough used. Divide the whole batch values for the dough used by the number of doughnuts made to get the values for each doughnut.

Diabetic exchanges per doughnut: Divide the number of exchanges for a whole batch of the dough used by the number of doughnuts made to get the exchanges per serving.

## Defense against patent infringement claims (5)

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Enforcement of Patent Rights

## Better protection confidential information alleged infringers

## Seizure description (1)

- Exists already for decades in Belgium
- Holders of patent (or other IP) right who know or suspect that their IP right is being infringed upon can file an *ex parte* request in order to obtain measures of seizure description (“beslag inzake namaak” / “saisie-contrefaçon”)
  - Description of infringing products or processes, all documents related thereto, etc. by court-appointed expert
  - Injunctive relief



## Seizure description (2)

- Conditions were jurisprudential creation
- Codified by Act of 10 May 2007 (articles 1369bis/1 through 1369bis/10 Belgian Code of Civil Procedure)
  - Description: (i) invoked IP right is *prima facie* valid and (ii) indications that infringement (not a high threshold)
  - Injunctive relief: (i) invoked IP right is *prima facie* valid; (ii) *prima facie* infringement; (iii) justified on balance of interests

## Seizure description (3)

- Article 1369bis/6 Code of Civil Procedure

*« The court-appointed expert shall safeguard the interests of the alleged infringer – in particular with regard to the protection of confidential information – and this during the entire course of the descriptive activities as well as whilst drafting their report. »*

## Seizure description (4)

- This does not mean that confidential information cannot be described by the court-appointed expert
- However, it does mean that it is possible for the expert to use or the court to impose certain measures to protect the confidential information of the alleged infringer
- Three cases:
  - Ineos / Chevron
  - GSK / Novartis
  - Innogenetics / Genetic Technologies

## Ineos / Chevron (1)

- 10 August 2007: Chevron files *ex parte* request in order to obtain measures of seizure against Ineos
- 14 August 2007: request granted
- 9 November 2007: third party opposition proceedings by Ineos
- 4 December 2007: decision on third party opposition:
  - No indications that infringement (no objective element; fact that Ineos opposes Chevron patents is not sufficient)
  - 14 August 2007 decision is quashed

## Ineos / Chevron (2)

- 18 December 2007: Appeal by Chevron
- 6 February 2008: Decision Antwerp Court of Appeal:
  - Patents on processes. No other way to check whether infringement than by looking into processes employed by alleged infringer
  - There are indications that infringement: opposition proceedings + parties are direct competitors
  - Descriptive activities should be carried out prudently in order to limit disclosure of Ineos' confidential information as much as possible
  - Only Belgian and foreign in house counsel Chevron, Belgian and foreign attorneys Chevron, Belgian and foreign courts and experts appointed by them are authorised to have access to the expert's report
  - Expert's report and all information gathered during descriptive activities must remain confidential and can only be used by Chevron in the framework of patent infringement proceedings concerning the patents involved

## Ineos / Chevron (3)

- Ineos appeals to Supreme Court because, in its opinion, Court of Appeal was wrong in deciding that opposition proceedings and fact that Ineos and Chevron are direct competitors constitute indications of infringement (« aanwijzingen van inbreuk » / « indices d'atteinte »)

## Ineos / Chevron (4)

- Decision of 26 November 2009:

*« 3. (...) Met aanwijzingen in de zin van artikel 1369bis/1, § 3, van het Gerechtelijk Wetboek, bedoelt de wetgever dat de verzoeker gegevens moet aanreiken die aannemelijk maken dat een inbreuk zou kunnen worden gepleegd op het intellectueel eigendomsrecht. De aangedragen feiten moeten van die aard zijn dat zij, bij een beoordeling op het eerste gezicht, op zich of met elkaar in verband gebracht, een vermoeden doen rijzen van een inbreuk of een dreiging van inbreuk. »*

## Ineos / Chevron (5)

*“4. De appelrechters stellen vast dat:*

- de octrooien van verweerster betrekking hebben op een werkwijze;*
- gelet op de beslotenheid van het productieproces, de mogelijkheid om een inbreuk op deze octrooien vast te stellen hier enkel kan gebeuren door in dit productieproces van de inbreukmaker te gaan kijken via een procedure van beschrijvend beslag;*
- de eiseressen bij het Europees octrooibureau oppositie hebben ingesteld tegen deze twee octrooien van verweerster;*
- de eiseressen een ‘rechtstreekse concurrent’ zijn van verweerster in de petrochemische nijverheid en inzonderheid in de sector van de polymeerproducten vervaardigende ondernemingen;*



## Ineos / Chevron (6)

*« 5. Uit deze feiten alleen hebben de appelrechters niet wettig kunnen afleiden dat er aanwijzingen zijn dat de eiseres inbreuk pleegt op de octrooien van de verweerster waardoor een beschrijvend beslag toelaatbaar is. »*

- NO to fishing expeditions !

## GSK / Novartis (1)

- 2 March 2009: Novartis files *ex parte* request in order to obtain measures of seizure against GSK
- 3 March 2009: request granted
- 3 April 2009: third party opposition proceedings by GSK

## GSK / Novartis (2)

- 7 May 2009: decision on third party opposition:
  - Amends decision
  - Novartis can use the information in the (still to be filed) expert report only to establish whether or not infringement
  - The report can only be communicated to a limited number of people
- Report filed on 5 June 2009
  - As often is the case, report contains body and annexes which contain all the information communicated by GSK to the expert some of which is not required to establish whether infringement or not

## GSK / Novartis (3)

- 24 June 2009: GSK serves summons on Novartis and expert to appear before President
- Basis: article 1369bis/8 of the Code of Civil Procedure:  
*« The president who has rendered the decision rules on all incidents in connection with the execution of the seizure measures. »*
- GSK requests:
  - To order the expert to delete from the annexes the elements not discussed in the body of the report
  - To order Novartis to return all copies of the report and to confirm that none of its employees or counsel still possess a copy
  - To prohibit Novartis to use in whatever way the information to be deleted from the annexes

## GSK / Novartis (4)

- 3 September 2009: President: claim Novartis unfounded
- GSK appeals
- Novartis: this is not « *an incident in connection with the execution of the seizure measures.* » because seizure description is closed once expert has filed his report

## GSK / Novartis (5)

- 4 December 2009: decision Brussels Court of Appeal
  - This is « an incident »
  - Orders expert to delete the elements from the annexes which have no relation with what is described in the report
  - Prohibits Novartis from using the deleted information in whatever way
- Good order but
  - Why not prevent it?
  - Why not do something to safeguard position during the proceedings?

## Innogenetics / Genetic Technologies (1)

- Innogenetics markets tests for detection of genetic variations
- Tests are based on use of 'primers' and 'probes' on human genetic material
  - Primers delimit specific region of genetic material
  - Probes detect variation
- Primers and probes are pieces of synthetic genetic material composed of a specific sequence of nucleotides, which will only bind to a perfectly complementary matching sequence of nucleotides in the genetic material
- If the probe binds within the delimited region, genetic variation is present; if not, the genetic variation is absent

## Innogenetics / Genetic Technologies (2)

- The nucleotide sequences are the result of years of R&D
- They have the unique characteristic that they can be used simultaneously in one test on several regions of genetic material to check presence of multiple genetic variations
- The nucleotide sequences are trade secrets
- What is not secret are the locations in the genetic material where primers and probes are interacting because this is on generally known sites of the tested genetic variations



## Innogenetics / Genetic Technologies (3)

- 8 July 2010: Seizure description at Innogenetics
- Experts request that entire sequences are provided
- Partial sequences are provided (selection of a couple of consecutive nucleotides from the entire sequences)
- Innogenetics refuses to provide entire sequences invoking the decision of Ghent court of Appeal which granted request:
  - Does not mention entire sequences
  - No penalties
  - Orders expert to take into account article 1369bis/6 Code of Civil Procedure

## Innogenetics / Genetic Technologies (4)

- Open envelope with entire sequences provided to bailiff with view to discuss an access mechanism
- Expert grabs envelope, removes the docs with entire sequences and escapes



## Innogenetics / Genetic Technologies (5)

- After repeated telephone conversations expert reappears without the documents !
- Expert is willing to keep the entire sequences in sealed envelope and takes a commitment - noted in bailiff's minutes - only to open envelope if partial sequences are not sufficient

## Innogenetics / Genetic Technologies (6)

- On 13 July 2010, Innogenetics brings proceedings before the Ghent Court of Appeal on the basis of article 1369bis/8 of the Code of Civil Procedure requesting:
  - To deal with the case on the introductory hearing of 20 July 2010 and:
  - In principal order, prohibit the expert from opening the sealed envelope and to order the expert to return the sealed envelope to Innogenetics, subject to a penalty of 100.000 EUR per period of 24 hours of delay to comply with the order;

## Innogenetics / Genetic Technologies (7)

- In the alternative,
  - Appoint a bailiff as custodian over the sealed envelope
  - Order the expert to hand over the sealed envelope to the bailiff, subject to a penalty of 100.000 EUR per period of 24 hours of delay to comply with the order;
  - Order the appointed expert – if and to the extent that they would deem it necessary to access the entire sequences for the performance of their descriptive mission – to comply with the following procedure:  
(...)

## Innogenetics / Genetic Technologies (8)

- What for the period until Ghent Court of Appeal renders a decision?
- Innogenetics seizes the President of the Ghent Court of First Instance requesting that expert be prohibited from opening the envelope until the Ghent Court of Appeal shall have rendered decision on envelope under a penalty of 250.000 EUR if order is violated
- Request granted on 15 July 2010

## Innogenetics / Genetic Technologies (9)

- At hearing of 20 July 2011 parties agree to suspend hearing and negotiate solution
- In two hours time parties and expert settle on mechanism to be followed to safeguard Innogenetics' confidential information

## Conclusion

- When seizure description contact attorney and do not hand over confidential information until attorney arrives
- Study of the decision
- Explain expert that he must comply with article 1369bis/8 of the Code of Civil Procedure
- Try to work out creative mechanism
- If problem, immediately seize President on « incident » and at the same time *ex parte* request to freeze descriptive activities as long as no decision on « incident »