

# Seminar on the enforcement of intellectual property rights, Bishkek 11 Nov

*Dr. Joachim Feldges*

# HOWREY<sub>LLP</sub>

> Antitrust > Global Litigation > Intellectual Property

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# Overview

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1. The importance of patent litigation in the European Union
2. Why is an effective system of patent enforcement necessary?
3. Basic requirements for an effective system of patent enforcement
4. Development towards an interstate system of patent enforcement
5. Fighting Counterfeiting and Piracy

# 1. The importance of patent litigation in the European Union

National Statistics – European patents and cost of litigation <sup>1</sup>						
Measure	Country					
	France	Germany	UK	NL	Spain	Belgium
Validations annually	45,809	59,713	30,000	16,799	19,903	19,157
EPs in force each year	252,289	307,488	257,600	121,333	97,146	84,626
No. of Patent Actions commenced (including preliminary injunctions)	50	500	120	50	50	30
No. of Actions which reach First Instance Judgment	25	400	20	40	35	8

<sup>1</sup> Source: *Patent Litigation Insurance – a study for the European Commission on the feasibility of possible insurance schemes against patent litigation risks – Final Report*, CJA Consultants Ltd. (June 2006). All data reported is 2004

# 1. The importance of patent litigation in the European Union

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- 90% of all patent litigation in the European Union is concentrated on 4 countries, namely
  - France
  - Netherlands
  - United Kingdom
  - Germany
- More than 50% of all patent litigation in the European Union is concentrated in Germany
- In Germany, there are 12 courts competent to hear patent infringement cases, but about 50% is concentrated in one court (Düsseldorf)

## 2. Why is an effective system of patent enforcement necessary?

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- A patent is an exclusive right to use the patented technical teaching
- The exclusivity is limited to the patent term (from the grant of the patent to 20 years after the filing date of the patent application)
- The Patent Office grants the patent to the patentee in exchange for the disclosure of a new and inventive technical teaching

## 2. Why is an effective system of patent enforcement necessary?

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- Substantial investments require exclusivity for their amortization
- If patents can not be enforced effectively, innovation will suffer seriously
- Trust in the intellectual property system of a country represents an important factor for the import of advanced technologies

## 2. Why is an effective system of patent enforcement necessary?

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- An effective enforcement of intellectual property rights constitutes a necessary condition for attracting financial resources to an innovative industry
- The system of enforcement of intellectual property rights must take into account other important aspects of law such as e.g. antitrust considerations and needs of public health (compulsory licenses, see Art. 27 TRIPS).

# 3. Basic requirements for an effective system of patent enforcement

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## 3.1 Competence

### 3.1.1 Competence of courts and judges

- The Courts deciding on the validity and infringement of patents must develop a high competence in patent law and a sound understanding of technology.
- Competence is the most important source of authority and trust of the parties in the Court.
- Competence requires education and experience.



# 3. Basic requirements for an effective system of patent enforcement

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## 3.1.2 Competence of attorneys and patent attorneys

- Experienced and innovative attorneys and patent attorneys are indispensable for an effective system of patent enforcement
- As patent enforcement has become international, attorneys and patent attorneys should be familiar with international developments of the patent system
- A sound technical understanding is not only requested from patent attorneys but also from attorneys at law handling patent matters

# 3. Basic requirements for an effective system of patent enforcement

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## 3.1.3 Competence of experts

- An effective patent litigation system requires the availability of experts in the various technical fields
- Technical experts may either be appointed by the Court or presented by the Parties
- Technical experts should have a basic understanding of the patent system
- A pool of experienced experts available for a Court is advisable

# 3. Basic requirements for an effective system of patent enforcement

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## 3.2. Predictability

- Parties only enter into patent litigation if the result is predictable for experienced patent litigations.
- Nothing is worse as if the rules governing the patent litigation change repeatedly during the dispute
- All what is relevant for the outcome of the dispute should be determined by the legal provisions and their interpretation by the Courts.
- Taking influence on the Court from outside destroys predictability and trust in the legal system.

# 3. Basic requirements for an effective system of patent enforcement

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## 3.3 Time

- Patent disputes should be resolved within a reasonable time frame.
- Each patent dispute generates uncertainty at the parties about the future business (whether to the benefit of the patentee, unlawful competition can be stopped, or whether to the benefit of the defendant, he can continue to use a certain technology)
- The enforcement of an exclusive right only reestablishes exclusivity if the proceedings do not take too long.
- The international reputation of a Court system on patent matters depends largely on its ability to resolve such matters within a short time frame.

# 3. Basic requirements for an effective system of patent enforcement

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## 3.4 Costs

- Patent enforcement must be affordable also for small and middle sized companies (access to justice)
- To start and to continue a patent dispute is also a commercial decision
- Rules on reimbursement of costs
  - Must give the prevailing party at least a substantial part of its expenses back
  - Should not encourage the parties to let costs explode
- A limited reimbursement of costs by the losing party to the prevailing party constitutes a good compromise.

# 3. Basic requirements for an effective system of patent enforcement

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## 3.5 Support by Universities and other Research Institutes

- A continuous support in the development of a patent enforcement system by Universities and other Research Institutes can deliver valuable contributions to the patent practice
- Universities are crucial for the education of future judges and practitioners in the patent system
- Documentation and discussions of basic problems of the patent system can be initiated and promoted by Universities

## 4. Development towards an interstate system of patent enforcement

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- Limited resources - financially and as regards specialists – may make it difficult to build up a sophisticated system of patent enforcement in countries not having a broad patent practice
- The limited number of patent disputes may not justify the investment in building up such sophisticated system of patent enforcement
- The economy may desire an interstate system of patent enforcement in order to save costs and avoid conflicting decisions in the region

## 4. Development towards an interstate system of patent enforcement

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- There are major initiatives in Europe to generate an interstate system of patent enforcement
- European Union: In the context of the Community Patent a European Patent Court shall be installed, see

[http://documents.epo.org/projects/babylon/eponet.nsf/0/7379BE64FBF37626C12575A8002E9903/\\$File/community\\_patent\\_regulation\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/7379BE64FBF37626C12575A8002E9903/$File/community_patent_regulation_en.pdf)  
<[http://documents.epo.org/projects/babylon/eponet.nsf/0/7379BE64FBF37626C12575A8002E9903/\\$File/community\\_patent\\_regulation\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/7379BE64FBF37626C12575A8002E9903/$File/community_patent_regulation_en.pdf)

The efforts have not been successful since the 1970ies, but there is substantial political pressure by the European Commission

- EPLA – European Patent Litigation Agreement
- This constitutes an initiative within the framework of the European Patent Organization
- A litigation protocol has been developed with the support of highly experienced patent judges, see

[http://www.european-patent-office.org/epo/epla/pdf/agreement\\_draft](http://www.european-patent-office.org/epo/epla/pdf/agreement_draft)



## 4. Development towards an interstate system of patent enforcement

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- The basic objectives of a European Patent Litigation System are
  - to reduce the costs of patent litigation, both for the parties and for the Countries
  - to avoid conflicting decisions
  - to realize a harmonized European market also in the outcome of patent disputes
  - to benefit from the experiences, skills and resources from all participating court systems

## 4. Development towards an interstate system of patent enforcement

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- The major obstacles preventing so far a European Patent Litigation System are
  - language issues (which language shall be the language of the proceedings?)
  - no country likes to give up well-beloved instruments of its patent system (e.g. Germany's system of bifurcated patent disputes on infringement and validity)
  - concerns of smaller countries to get dominated by the practice of countries with numerous patent disputes

## 5. Fighting Counterfeiting and Piracy

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- Growing importance of fighting counterfeiting and piracy
- Development of value of seized goods in Euro in 2008 (only most important categories)

	2005	2006	2007	2008
leisure wear	12.850.536	109.396.879	56.125.265	73.476.692
watches & jewellery	31.038.946	287.850.703	34.814.794	64.011.591
electrical devices	54.484.839	110.480.805	42.292.720	60.960.735
shoes			67.057.647	121.408.438

<b>total value</b>	213.480.323	1.175.018.615	425.711.567	436.122.384
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# 5. Fighting Counterfeiting and Piracy

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➤ Instruments to tackle product piracy in Germany:

- civil proceedings



provided for in Enforcement Directive 2004/48/EC for trademarks, copyrights and related rights, design rights, patents, supplementary protection certificates, plant variety rights, protected designation of origin, protected geographical indication

- criminal law action

- border seizure

# 5. Fighting Counterfeiting and Piracy

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## ➤ Civil claims:

- claim to cease and desist, claim for removal of interferences
- claim for recall
- claim for destruction
- claim for publication of judgment
- claim for inspection
- claim for disclosure of origin and distribution channels
- accessory claim for disclosure
- claim for disclosure against third parties,
  - for copyright enforcement in the internet of particular importance: claim for disclosure against internet provider
- claim for damages

# 5. Fighting Counterfeiting and Piracy

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## Procedural enforcement

- warning letters
- proceedings on the merits
- preliminary injunction of outstanding importance
  - for: claim to cease and desist, claim for disclosure (origin and distribution channels), claim for destruction (seizure of infringing goods)
  - important tool for trade fairs
  - ex parte injunctions possible

# 5. Fighting Counterfeiting and Piracy

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## Criminal Law Actions

- product piracy is a criminal offence
  - possibility of criminal complaint against infringer
  - lead to police investigation
  - criminal authorities can seize infringing products ex officio

## 5. Fighting Counterfeiting and Piracy

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### Border Seizure

- border seizure according to Community law: Council regulation (EC) No 1383/2003
  - supersedes over national regulations
  - applicable to: registered trademarks, copyrights or related rights, registered design rights, patents, supplementary protection certificates, plant variety rights, protected designation of origin, protected geographical indication



## 5. Fighting Counterfeiting and Piracy

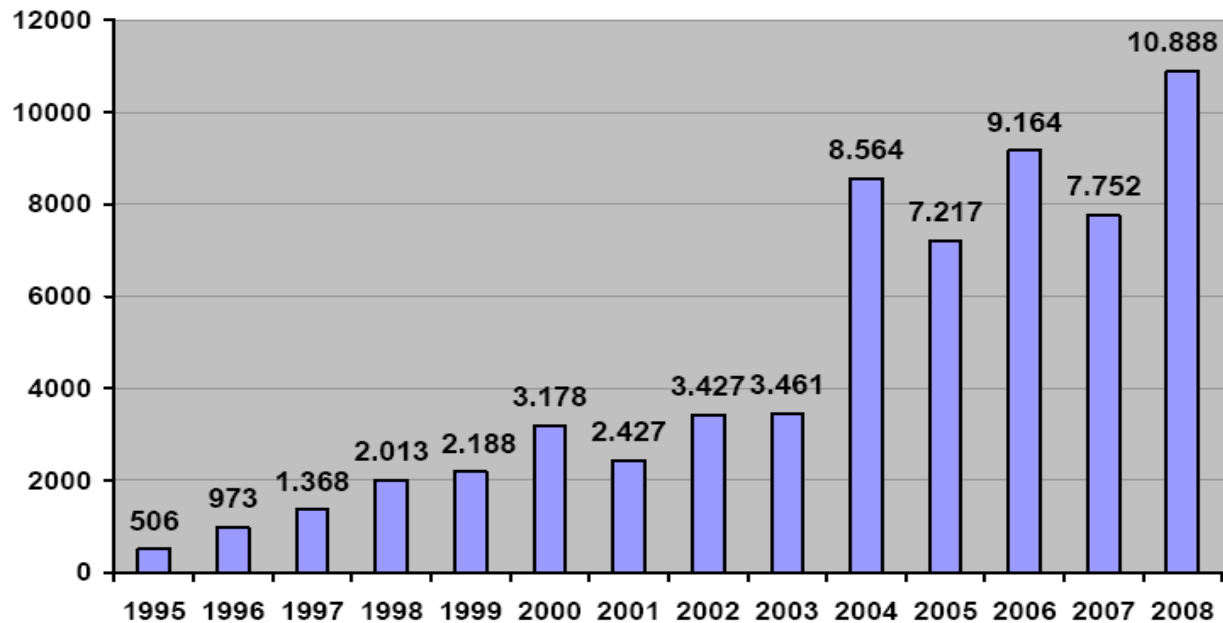
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- border seizure according to national law for areas that are not covered by EU regulations, in particular
  - parallel imports/grey imports
  - intra-Community trade
  - unregistered trademarks
  - infringement of laws protecting utility models and semiconductors
- main difference: suspicion of infringement suffices under European law whereas under German national law infringement must be manifest

# 5. Fighting Counterfeiting and Piracy

Development of seizures:

Entwicklung der Zahl der Aufgriffe



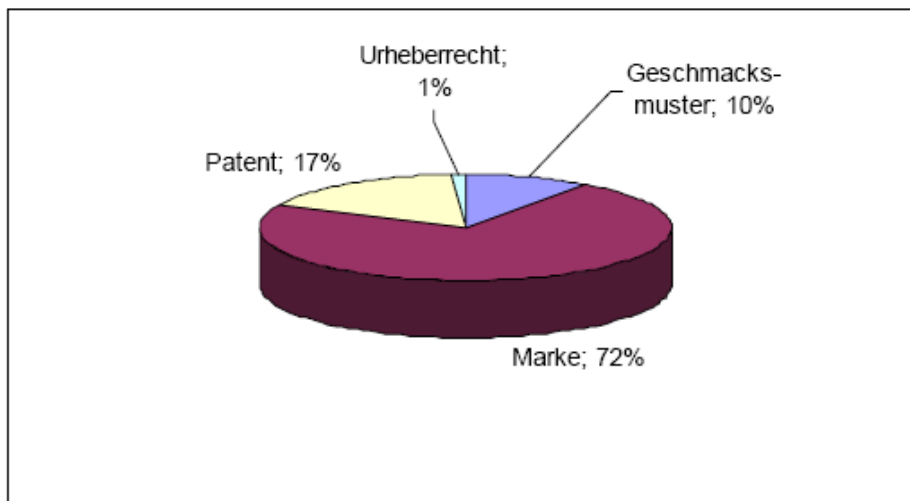
(source: Bundesfinanzdirektion Südost, Gewerblicher Rechtsschutz, Statistik für 2008)

# 5. Fighting Counterfeiting and Piracy

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Distribution of IPRs concerned in seizures according to value of goods

Prozentuale Aufteilung der bei den Aufgriffen 2008 jeweils betroffenen Schutzrechte nach Warenwert



(source: Bundesfinanzdirektion Südost, Gewerblicher Rechtsschutz, Statistik für 2008)

# 5. Fighting Counterfeiting and Piracy

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## Motion for border seizure

- to be submitted by right holder or any other authorized person
- usually application for border seizure for two years
- required content:
  - certified excerpt from register (for example trademark register)

## 5. Fighting Counterfeiting and Piracy

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### Required content:

- detailed description of counterfeits that enables customs authorities to recognize the goods in question; reference to the place where the counterfeits are expected to be imported and identity of expected importer; description of characteristics of original products and authorized importers; request to be informed of names and addresses of infringers in case of seizures
- appointment of expert that the customs authorities can address in case of questions whether particular goods are infringing
- bank guarantee for all expenses and for possible damages that may arise from unjustified border seizures

## 5. Fighting Counterfeiting and Piracy

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### Procedure of Border Seizure

- in case customs authorities are convinced that goods are pirated they will suspend release of goods and contact right holder in order to confirm that goods are counterfeits
- in case the right holder does not respond within 10 days (may be extended for max. 10 days) goods are released
  - in this case customs authorities may suspend motion for action for remaining period of validity

# 5. Fighting Counterfeiting and Piracy

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## Procedure after Border Seizure

After border seizure:

- importer can contest border seizure within two weeks of service,
  - right holder has to provide the customs authorities within two weeks with a judicial decision (preliminary injunction or confiscation order of criminal court) pursuant to which the custody of the seized goods has to be upheld,
  - period may be extended for up to further two weeks

# 5. Fighting Counterfeiting and Piracy

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## Procedure after Border Seizure

- in case the decision is not provided in time customs authorities will revert decision on border seizure
- in case decision is provided in time customs authorities will impose necessary measures such as confiscation



## 5. Fighting Counterfeiting and Piracy

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- Possibility of simplified procedure of destruction of goods
  - written application by right holder to customs authority
  - within ten days (may be extended for further ten days in exceptional cases) after receipt of notification of suspension of release

## 5. Fighting Counterfeiting and Piracy

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- required documents:

expertise confirming that relevant goods infringe intellectual property

consent of importer to the destruction of goods, that is presumed if destruction is not specifically opposed within ten days; in case consent is denied judicial decision required

■ or, importer can accept measures,

- in that case customs authorities issue confiscation order

## 5. Fighting Counterfeiting and Piracy

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### Community wide Border Seizure

- possibility of filing a Community-wide motion for border seizure based on for example Community trademark
- special motion required, has to be filed with any of the central customs offices in the Member States; in Germany: Oberfinanzdirektion Nürnberg
- central office afterwards grants border seizure for the whole European Union, if applied for, or for certain European Member States
- community wide border seizure is only upheld for one year, can be renewed during the term of the IPR