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5B Patent Law Session. Patent Potpouri

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SESSION 5: Patent Law
5B. *Patent Potpouri*

Moderator:
Andrew Bowler
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Speakers:

Michael Williams
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Implied Licenses Exhausted Under Australian Patent Law: Assessing the Impact of the Adoption of Exhaustion on First Sale

Sepehr Shahshahani
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Measuring Follow-On Innovation

Panelists:

Ari Laakkonen
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Simon Holzer
Meyerlustenberger Lachenal AG, Zurich

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ANDREW BOWLER: Perfect. Hi. Hello, everyone. Hi. Sorry about that. Welcome to the session on patent potpourri. I'm Andy Bowler, I'm a partner at Bristows in London. I've got the pleasure of moderating this session, which I think is a veritable smorgasbord of patent delights. Let me introduce the various international panel we've got for this session. First, we've got Michael Williams from Gilbert and Tobin in Australia. I think it might be past midnight in Sydney, Michael, so I hope you're feeling very sprightly there.

Then we've got someone who's located geographically slightly closer to Fordham than Michael, and that's Sepehr Shahshahani from Fordham Law School. He's an associate professor there, so very good morning to you. Next, Marleen van den Horst, from BarentsKrans in the Netherlands. Hello, good afternoon. Moving on, we have Ari Laakkonen from Powell Gilbert in London. Hello, Ari. Nice to see you. Finally, our panelist today is Simon Holzer from Meyerlustenberger in Switzerland. As well as being a practitioner, Simon also sits as a judge of the Swiss Federal Patent Court. Hi, Simon.

SIMON HOLZER: Hello, Andy, nice to see you.

ANDREW BOWLER: Hello. Good to see you. Very international panel, as I say. We're going to cover a series of diverse talks today on different topics. Then I think there'll be a short discussion after each talk, which hopefully, Simon and the other panelists will contribute to. anything that we don't cover in those sub-discussions, we can save up to the end because I think there's some time available right at the end for a broader discussion.

Without further ado, I think Michael is upfront. He's going to talk about a recent case from the High Court of Australia, which I understand is your supreme court out there on a case which I think has replaced the implied license doctrine with the principle of exhaustion of rights, as I think we know, more familiarly in the US and the EU. Perhaps a bit of a departure from the motherland under Australian law. Over to you, Michael.

MICHAEL WILLIAMS: Thanks, Andrew. I think you're stealing my thunder a bit by referring to the motherland because that reference is inevitable if you're Australian. Let me just see if I can share the screen with the slides. I've just got a couple of slides that should assist. Just see if I can get that working great.

As Andrew said, what I'm going to look at is a pretty profound development under Australian law in relation to right of repair. I've titled that patent implied licenses exhausted because essentially, there's a choice between the two and our highest court has taken that choice. Oops, pardon me. Perhaps the starting point is essentially ultimately what rights does a purchaser of a patent article have?

This has been both something of a philosophical question through the ages, but also an important question for patentees and acquirers of those products. It's well established that the purchaser of products has common law rights and a bundle of rights associated with physical ownership. Of course, that can potentially lead to a conflict with the patent rights over the relevant article in terms of the making of that article. Then that leads, as many would be well aware, to issues around when modifications to a patented article are permitted and when

in some instances they amount to infringement. This gives rise to this concept of the so-called right of repair without infringing.

Ultimately, where the court draws the line between permissible acts of repair or modification and impermissible acts can be quite difficult. This is one of the topics that we will cover briefly in the four and a half minutes I've got to go. There are two leading approaches to the right of repair. I'm going to fix on these two as examples. The first is the exhaustion doctrine exemplified by the US Supreme Court in impression products. I'll come back to an aspect of that, which effectively holds that the rights in respect of the particular article are exhausted on for sale, and interestingly, internationally exhausted.

The alternative significant approach is the one based on the UK doctrine of implied license, most recently explained by the UK Supreme Court in Schutz v Werit. Interestingly, the implied license doctrine derives from an extremely old case, which introduced this doctrine based on an analogous concept under the law of trespass. Anyway, we're going to very briefly look at what happened in 2020 when the Australian High Court had the opportunity to choose between the two doctrines for the first time in 100 years, and how it made that choice.

Very briefly, the case that the court had heard very soon after federation, actually, in Australia was a case called Menck. At that point in time, there were a great many parallels between the Australian law and actually US law in a similar way, one might say, to some of the parallels between US law and UK law in the late 1800s. The High Court in a case in which the patentee essentially of a process to create records, photographs sought to sue a reseller who was selling those photographs in a particular way.

The High Court struck down the claim applying the US doctrine of US patent law of exhaustion and affirmed what it described as the elementary principle of law personal property, that the purchaser has an absolute right to use and dispose of them as they see fit. Interestingly, and somewhat painfully, however, at that point in time, there was a right of appeal to the Privy Council because Australia was certainly looking to the motherland for their final decisions in such matters. The Privy Council reversed that decision and indicated that a different principle should apply, which is implied license, which would certainly avail a purchaser of certain rights, but it was not an acceptance of the wider doctrine of exhaustion.

Moving ahead very quickly, in 2020 and then a couple of years before it, essentially the test case came before the Australian courts, and it was very similar to impressions in the sense that it was about ink cartridges. In short, a reseller of refurbished ink cartridges had been sued for infringement by Seiko Epson. Interestingly, the cartridges in question were collected and refurbished by a Chinese company called Ninestar. In perhaps a Douglas Adams style scenario, Ninestar had only a couple of years before purchased Lexmark just before the US Supreme Court had ruled against it in impressions.

Anyway, putting that very interesting quirk to one side, the patents here covered the operation of the cartridges in combination with printers and did not cover some of the more basic elements of the cartridges such as the ink and the cartridges per se. Seiko alleged that various accidents of infringement occurred

based on refurbishment. It was a classic case of cat and mouse because the patentee continually changed the cartridges to a point where the refurbishment had to become more elaborate, move from very basic things like refilling inks to reprogramming and indeed replacing inbuilt chips, which is part of designed obsolescence.

At trial, the court and Justice Burley, who's actually spoken already and will speak further in this conference, found that half of the refurbished acts are infringed because they fell outside the right of repair. On intermediate appeal, all of the acts were held to be outside of the permitted repair, including the act of simply refilling the cartridges, and that was primarily based on the characterization of the patentees' intentions in releasing the products onto the marketplace in the first place.

The High Court then had the opportunity to consider it. We're very thankful that not only had we won the ashes on many, many occasions, we were no longer subject to the Privy Council appeal. As a result, in one of those rare instances, the court had the opportunity to look at it afresh. Although all the judges reached a decision overturning at least part of the intermediate appeal, the court split 4:3 over which doctrine should apply. A little quirk of that is that two judges were coming very close to compulsory age-based retirement but stuck on in order to battle it out over the numbers.

In short, the majority held that doctrine of exhaustion had virtues of logic, simplicity, and coherence, and that was consistent with the exercise of the rights of an owner in the article to improve it, the minority took a different course. Very briefly, the basis for the majority choosing it was that the proper analysis was based on the scope of the rights claimed in the patents and not the character of the product, and certainly not the subjective intention of the patentee when releasing the product onto the market. The implied license doctrine was criticized for creating difficulties differentiating between modifications of products and making, which would amount to infringement.

In this instance, none of the cartridges had been essentially boiled down to their constituent elements so that they cease to exist, and therefore it was on the right side of not being making. Then finally, the court made it fairly clear that the exercise of rights that would be permitted without infringement would include alterations to improve usefulness and reuse, which extends beyond repair. In conclusion, where does that bring us? Interestingly, it lines up very closely with the movements toward refurbishment and recycling of products for environmental reasons.

It leaves patentees to have to try and impose post-sale restrictions under contract, which of course would be valid subject to competition laws. However, there are, of course, issues around privity, which we might touch on later. Competition laws and regulators are very active in trying to prevent such post-sale contract provisions and restrict them. It also raised some very interesting points around the nature of improvement to a product, short of the product ceasing to exist based on this decision, which is probably fairly far-reaching and includes the potential for it to really spark a secondary market in products.

I'm not suggesting the future is steampunk but there is certainly the opportunity for products to be significantly changed and improved over time. Ultimately, it's sparked a movement much more broadly for law reform around route of repair, and the suggestion that that should leak across to copyright law in relation to other things such as access to manuals. I might just stop there.

ANDREW BOWLER: Super. Thank you very much, Michael. It's very interesting. Notwithstanding your comment about England losing to Australia at cricket, I might ask you a follow-up question. Since the 1908 case that you referred to, obviously, environmental factors have probably come a bit more into the force, as you mentioned, to what extent were the justices briefed and interested in that specifically outside the specific legal issues?

MICHAEL WILLIAMS: That's a great question. I must say we had the opportunity to run this case. I can say the client was prodding us with a sharp stick at all times to push the environmental line. I only managed, I think, half a dozen words in the final written submission, and basically, several words in the oral presentation by our senior counsel. That was about it. It was one of those odd situations where perhaps the biggest contribution the case makes gets very little run actually in the court dealing with the relevant principles around making, et cetera, and patent scope.

ANDREW BOWLER: Perhaps I could follow up with a question for Simon. We had a two-minute chat on the phone earlier. I think one of the points I was making was, as a practitioner, it's quite hard sometimes to advise clients on the boundary between repair on the one hand and making a new product on the other hand looking at the essential features of the claims, and that sort of stuff. Simon, have got any thoughts on how the German and Swiss courts approach that kind of issue? I know there's a case that played out in both Germany and the UK that you might want to mention.

SIMON HOLZER: Thanks, Andy. I agree and we all agree, I think, that the distinction between permissible repair and impermissible reconstruction or manufacture is a classical question of patent law. I don't believe, actually, that this question is easier to be answered under the doctrine of exhaustion than under any other doctrine, it's just a difficult question. The case you mentioned, Andy, is a prominent example how difficult it is to differ between repair and maintenance on the one hand and on making/manufacturing on the other hand, in my opinion.

Another case that dealt with this questions is the Schutz v Werit case concerning containers with specific metal cages and large plastic bottles inside for transport of liquids.

This case was litigated some 10 years ago in the UK and Germany. The case concerned, as I said, a patent covering so-called intermediate bulk containers. Such containers consist of a two-part construction with a metal cage into which a large plastic bottle is fit. I can briefly show the drawings of the patent. I don't know whether you can see it on your screens. It shows a patented container with a cage and the plastic bottle in it. The core idea of the patent was a specific metal cage with flexible weld joints to that cage to increase the strength of the cage.

Why was there a dispute? The company Werit sold plastic bottles for such intermediate bulk containers to another company, and that other company, they

replaced the original Schutz bottles in the containers by the Werit bottles and then sold the containers with the replaced bottles. Then Schutz initiated litigation in several jurisdictions. The main question in all jurisdictions was whether the replacement of the bottles of the patent containers was a making of a new device or rather the maintenance or repair of the original Schutz container.

It's interesting that in the UK, I think at first instance, Justice Floyd did not approach this case under the doctrine of exhaustion but held that the replacement of the plastic bottles did not amount to making the patented product because the inventive concept concerned the characteristics of the cage rather than the bottle. The Court of Appeal did not agree. It held that the replacement of the bottles did amount to making the patented products because the containers with the Werit bottles were no longer Schutz containers according to the court, but new containers.

Then the UK Supreme Court allowed Werit's appeal and held that the defendant did not make the patented device because the bottle was a freestanding replaceable component of the container. The bottle had no connection with the claimed inventive concept and the bottle also had a much shorter life expectancy, I think, than the other inventive components. Therefore, no patent infringement according to the Supreme Court. In the UK, you can see that each instance changed the outcome of the case.

In Germany, the same case was discussed under the doctrine of exhaustion.

It's interesting that the regional court in Munich first and then the Higher Regional Court in Munich both dismissed the complaint of the patentee/licensee because the patent rights covering the cage with the bottle were exhausted according to these courts. Then the German Federal Court of Justice lifted the ruling of the Higher Regional Court and sent the case back because, according to the Federal Court of Justice in Germany, the reasoning of the lower instance court was not complete because it missed the starting point. The starting point, according to the Federal Court of Justice, was whether - according to the perception of consumers - the cages with the new bottles were newly made products or rather maintained products.

This question has not been assessed by the lower instance court. Here I think we can see, irrelevant what doctrine you apply, the question whether it's rather a making of or a maintenance or a repair of a product. I agree that it is an important question. We can expect that this question becomes more and more important because of all the recycling and upcycling efforts. It's a very difficult question and the answer is most often not just black or white in my view.

ANDREW BOWLER: I agree. Maybe at the end of the session after the talks, there are a couple more things we could talk about on this particular topic. Let's move on to hearing from Sepehr, who is going to tell us about some interesting research that he did, I think, with a colleague in relation to whether patents have got a direct or an indirect effect on follow-on innovation. Over to you, Sepehr.

SEPEHR SHAHSHAHANI: Do you see my screen?

ANDREW BOWLER: I can, yes.

SEPEHR SHAHSHAHANI: Okay. You see the slides, right?

ANDREW BOWLER: Yes.

SEPEHR SHAHSHAHANI: Great. Thanks to you and other organizers for putting this together and thank you for coming to the talk. My name is Sepehr Shahshahani, I teach at Fordham Law School. It's my pleasure to present joint work with Janet Freilich, who's a colleague at Fordham on measuring follow-on innovation. The effect of patents on follow-on innovation is a central question of innovation policy, and it's a subject of a growing literature, especially in economics. Our intervention as empirically minded legal scholars who are consumers of this rich literature is to propose an improvement or refinement of the measure of follow-on innovation.

Our thesis is that the set of activities that the empiricists usually consider to be follow-on innovation is over-broad because the vast majority of these activities clearly do not constitute patent infringement under US law. The importance of appropriately measuring follow-on innovation, I'm sure doesn't need to be stressed to a group like yourself, but let me just go over it briefly. As you remember from IP 101, there's a fundamental trade-off in intellectual property protection, but on the one hand, these are temporary monopolies that incentivize creative activity. On the other hand, like any form of monopoly, they lead to more costly and more difficult access to innovations that are subject of the monopoly.

When we talk about the access side of the incentive access trade-off, we're worried not just about access to consumers of patented products, but we're also worried about access for future innovators who want to build on pre-existing innovations. This building on prior innovations is called follow-on innovation, and of course, it's central to patent policy and innovation policy more broadly because all innovation is really follow-on innovation. Nothing in science and technology proceeds from scratch and reinvents everything. So understanding the effect of follow-on innovation is centrally important.

In the vast literature on the subject, follow-on innovation is broadly defined as all innovation that somehow relates to the subject of the thing that's patented. We try to propose a more pinpointed way to measure follow-on innovation. I think it's useful to conceptualize the innovation chilling effect, if any, of a patent as a fraction, the denominator of which is all potential follow-on innovations that could occur, and the numerator is potential follow-on innovations that did not occur because of the patent. Our contention is that correctly estimating this effect, correctly estimating the fraction, requires correctly measuring the denominator.

Here we need to count as the relevant sphere of follow-on innovations only potential activities that could possibly be affected by a patent. In other words, only activities that could possibly be thought to fall within the scope of the patent, and thus possibly be thought to be infringed. The literature commonly counts clearly non-infringing activities as well, and that's what we're attempting to correct. Our critique is general, it applies to many claims in the literature. To illustrate it, we're going to apply it to one recent important paper in the *American Economic Review* by Bhaven Sampat and Heidi Williams.

I should say we are big fans of these scholars' work. We pick on this paper not because it's bad but because we think it's good. It's free of many other measurement difficulties in this sphere so we can really focus on our critique. So Sampat and Williams look at three kinds of follow-on innovation related to gene patents. They look at scientific publications, clinical trials, and diagnostic tests, and they do two kinds of analyses. First, they compare follow-on innovation on genes that were claimed in at least one patent application but never granted a patent versus genes that were granted a patent.

Second, they use an instrumental variable analysis which uses examiner leniency as an instrument for patent grant. They find no effect, no difference between patented and non-patented genes. In the basic analysis, they find a negative effect of patenting on follow-on innovation in the IV, the instrumental variables analysis, but the effect that they estimate is really small. We replicate both analyses. We do it only on publications because that's the only place where we have the requisite data to perform the correction, but we correct the analysis by restricting the set to only those innovations that should count. We count out many publications that we think are not positively infringing.

I'm happy to discuss more in the Q&A the doctrinal basis for counting out certain kinds of activities. We start with some patent, Williams' set of 2,771 applications and we successively filter out things such as extraterritorial activities, activities by government institutions, activities that fall into 271(e)(1) or Bolar exemption, and so forth, and we arrive at only 369 publications. A mere 13% of the publications in the database in our judgment should have been included. The scale of what we consider to be mismeasurement is fairly vast.

The upshot of the analysis of the re-analysis, I won't show you the regression tables. I'm happy to do it in the Q&A if needed, but the upshot is that we don't overturn their results, but our effects are more precisely estimated. To the extent that we do estimate negative effects, they're even smaller than what Sampat and Williams tested. This is surprising. We're shrinking the denominator, so why doesn't the fraction increase? We're limiting the set to only relevant activities, so you might expect that we get a greater effect of patents on follow-on innovations. We don't get that. Why? There are two possible explanations we think. One is context-specific and one is more general.

The context-specific explanation is that there's good evidence that university researchers tend to ignore patents in the context of purely academic research, and patentees tend to be rather tolerant of what technically would be infringement because they don't think it really harms their patents. The more general explanation, which is not specific to the university context, could be that contrary to the standard conceptualization of the incentive access trade-off, it could be that patents actually increase follow-on innovation by providing a high-quality signal of where future innovators should increase, should focus their efforts.

Critically, we can't distinguish between these explanations empirically because we don't have access to the data on clinical trials and diagnostic tests where the specific explanation wouldn't apply but the general would have. More broadly, the exercise points up the importance of sensitivity to the context when

measuring the impact of patents on follow-on innovation. At the end of the paper, we go through a number of important studies in the literature which seem to have divergent findings and we look at the context, and by sorting out what's infringement and what's not, we provide some coherence to these seemingly discrepant findings in the literature.

I don't want to get into too much of the details of that, but the broad takeaway is that we hope that a better measurement of follow-on innovation could lead to a better understanding of the effect of patents on follow-on innovation and with it, a greater knowledge of how the patent system works, which ultimately would lead to better crafting of patent policy. Thank you. I look forward to your comments.

ANDREW BOWLER: Thank you very much. Very interesting stuff. Apart from asking you how to tie a tie because I've actually forgotten how to do it over the last two or three years, one thing I noted in your presentation was part of your research was ruling out publications by non-domiciled institutions, I think you said. I just wonder how you squared that with the idea that-- Probably don't know, but there were probably foreign patents enforced in the countries where those publications were being written.

SEPEHR SHAHSHAHANI: That's a fair point, I think. One challenge was first estimating who's foreign and who's not. There are different approaches you could take to that account. The first author account, one of the affiliations of the first author so we did a bunch of different ways of doing it, it didn't make a difference. The question about foreign patents, I guess the idea is if we're asking about the effect of US patents, then it shouldn't matter that there might be foreign patents in force. It's not proper to account that as part of the analysis of the effect of the US patents follow-on innovation.

ANDREW BOWLER: I see there's a question from Juergen Dressel. Wouldn't you expect follow-on innovators to design around patents instead of infringing them? That's at least my experience in pharma.

SEPEHR SHAHSHAHANI: That speaks to one of the challenges in measuring this. We have gene patents here, and to the extent that they design around, it should not include the same sequence that's patented in what they're doing. That would not count as follow-on innovation in the data set. One of the hypotheses is that they might design around, which is fair. If they do, we would see a decreased amount of innovation on that patent because the designing around would not include the gene sequence in it. Here we didn't see that.

ANDREW BOWLER: Did you come to any conclusions on whether your research and similar research should change the length of the patent monopoly?

SEPEHR SHAHSHAHANI: Yes. That's a really interesting question. I think rigorously estimating the optimal length of patents is nearly impossible task. The amount of information you would need to have to know that is inconceivable. It's more based on refined intuition than really any rigorous estimate of the optimal length. But I should say it's not that we think patents do not affect follow-on innovation broadly. There’re some studies that show an effect, there's some studies that don't.

It's interesting that in this context, they didn't find it. I would be hesitant to prescribe more broadly what the length of patents should be. My intuition, and it's probably in line with the intuition of many academics in the US, is that the length of the copyright monopoly is way over law in the United States. It's mostly the result of lobbying and rent-seeking. The patent length seems to be more in the appropriate ballpark, but I don't really have a rigorous estimate of what the optimal length should be.

ANDREW BOWLER: Does anyone else on the panel have any thoughts on what we just heard? It occurred to me that, in Europe at least, there's lots of exemptions in patent systems to protect research, particularly in the life science sector; experimental use, Bolar, providing data to regulatory authorities, compulsory licenses. Does anyone have a comment on whether they all do the job or whether follow-on patents are being vetted and need more protection, more exemptions? Does anyone want to comment on that?

SIMON HOLZER: I don't have a comment, Andy, but I fully agree that those exceptions, I think they do the job. Also, Switzerland introduced a very broad research exemption, regulatory approval exemption, and a lot of other exemptions and also of compulsory licenses. In particular, the exemptions, they are applied very often. I think they also do their job to encourage follow-on innovation.

ANDREW BOWLER: Great.

SEPEHR SHAHSHAHANI: In the US context, the research exemption was thought to be broader, and then the Federal Circuit in a recent decision narrowed it. I don't know enough, but maybe in the general Q&A, I'll ask more about how broad it is in the European context.

ANDREW BOWLER: Ari, were you scratching your ear, or did you put your hand up?

ARI LAAKKONEN: Possibly both. First of all, I'd like to congratulate you on this excellent research. I did have a question which was “Is there a logical link that you discovered in your research between original innovation which is patented and the follow-on innovation?” One theory would be that without the original patent, there might not be the follow-on research if it was inspired by the original patent.

SEPEHR SHAHSHAHANI: Absolutely. The classic account is there's some innovation out there. If it's patented, fewer people would go work on a follow-on because they'd be infringing and they'd be subject to liability, whereas if it's not patented, then a lot of people will go work on it. The counter-narrative similar to what you said is the fact that there's a patent is itself a high-quality signal in the market for people to go do the follow-on innovation.

The patent might have some restrictive effect, but it might be outweighed by that signal effect, which actually encourages focused research on the subject of the patent. I think that the jury is very much out on that. The evidence that we uncover by replicating the Sampat and Williams' study is certainly consistent with that, but we can't say whether that's something specific to that university research field or if it holds more broadly. I think more studies would be needed to adjudicate that.

ANDREW BOWLER: You're being complimented on the research also in the Q&A, Sepehr, so very good stuff. Thank you. Let's move on to another topic. I think everyone knows that Dutch courts and Dutch lawyers have always been very innovative in terms of their procedural tools. One thinks of the court getting and that sort of thing. Marlene is going to bring us up to date on the powerful weapon, I would say, of the Dutch court cross-border preliminary injunction. Over to you, Marlene,

MARLEEN VAN DEN HORST: Thank you very much, Andrew. Thank you, Fordham, to invite me in this session. My talk concentrates on cross-border preliminary injunctions that the Dutch courts are willing to grant. As you may recall, in former days, before 2006, the Dutch courts granted both cross-border preliminary injunctions (PIs) in interim relief proceedings and cross-border injunctions in final relief proceedings. This came to an end by the GAT v LuK decision of the Court of Justice of the EU[1]. That was because this type of practice was seen as being a violation of Article 24, sub 4 of the Brussels I Regulation[2], which actually says that in matters where the validity of a patent comes into play, exclusive jurisdiction rests with the courts in the countries where the patents are granted. You cannot depart from it, as was also later confirmed by the Court of Justice. In preliminary injunction cases (i.e. interim relief proceedings), the Dutch courts were still allowed to grant preliminary relief. This was confirmed by the Court of Justice in the Solvay versus Honeywell decision in 2012[3].

Now let's see how this practice evolved. To that end, I make a distinction in two scenarios. Scenario A is the scenario where a PI is requested against one or more defendants domiciled in the Netherlands and scenario B, in which a PI is requested against one or more defendants domiciled in the Netherlands in combination, and that's the point here, with one or more co-defendants domiciled outside of the Netherlands. Now, scenario A against Dutch defendants is not much of a difficult thing because the court has jurisdiction based on Article 4 Brussels I, so we don't need to discuss this much further. More interesting is scenario B, which is against a combination of a Dutch defendant with a foreign defendant, not being domiciled in the Netherlands.

If scenario B occurs, there are actually three conditions that need to be fulfilled. First, there should be at least one anchor defendant domiciled in the Netherlands. Second, there must be a closely connected claim against the defendants, which requirement that is based on Article 8(1) of the Brussels I Regulation. Thirdly, ther foreseeability requirement should be fulfilled, which is also based on Article 8(1). I will elaborate a bit more on this.

A Dutch anchor defendant is self-explanatory, I would say. The closely connected claims requirement is a little bit more interesting. It should be established that the claims relate to the same factual or legal situation. That could be, for example, if the defendants are accused of threatening direct or indirect infringement of the same national patents with the same type of products, so all

[1] CJEU 13 July 2006, Case C-4/03, *GAT v LuK* [2006] ECR I-06509.
[2] Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgements in civil and commercial matters, [2001] OJ L 12, p. 1.
[3] CJEU 12 July 2012, Case C-616/10, *Solvay v Honeywell*, ECLI:EU:C:2012:445.

being connected. An example is the case of Fractus versus Xiaomi, [4]where closely connected claims were found between the Dutch and Chinese defendants because they were all accused of entrenching the same European patent by marketing the same Xiaomi mobile phones in Germany, France, and Spain.

I go to the third requirement, the foreseeability requirement. Also based on Article 8(1) of the Brussels I Regulation. That requires that it is foreseeable for foreign core defendants to be involved in a Dutch court case with respect to the alleged infringements. According to the Court of Justice, this follows from Article 8(1) of the Brussels I Regulation. In Fractus versus Xiaomi, this requirement was fulfilled because the Dutch and Chinese defendants formed one supply chain for the Xiaomi products. That was enough to make it foreseeable that what would happen with one would also happen with the other.

Another case, which is worth mentioning, is the Novartis versus Mylan case[5]. A pharmaceutical case, where foreseeability was found with respect to a French co-defendant, because this French co-defendant, a subsidiary, was instructed by its Dutch parent company and because it also cooperated with another Dutch subsidiary. There was a connection within the group. They were all concerned with the same infringements, and therefore, it was, in the eyes of the court, foreseeable that also the French entity could be part of the Dutch proceedings.

Interesting just to mention are two cases in which cross-border jurisdiction was accepted with respects to merely foreign defendants. This is not really something that is established standard case law, because the first case was a case where the parties voluntarily appeared and did not contest the jurisdiction of the court. That doesn't help us much further in the background of the conditions under which foreign defendants can be sued in PI patent proceedings cross-border.

Article 35 of the Brussels I Regulation requires that the requested measures must be available under the national civil procedural laws of the court. In order for a Dutch court to be able to grant a cross-border PIs, it should also fit into the Dutch rules of civil procedure, but I won't elaborate on that either because of the time.

Important to note is that if in first instance the Provision judge in interim relief proceedings grants cross-border PIs, it is a requirement under Dutch law based on TRIPS Article 50(6) that within six months, the patentee who was successful in getting the PIs starts final relief proceedings. It often happens that once the final relief proceedings are pending, there is invalidity defence being brought, or even invalidity proceedings become pending in that foreign country. If that is the case, it's not possible for the Dutch court to give a cross-border ruling on this because that would be in violation of Article 24. The assessment of validity is the exclusive jurisdiction of the foreign courts. In that situation, there are two options. Either the patentee continues the case and the claims regarding the foreign patents will be rejected, or the patentee request for a stay of the

[4] District Court of The Hague 10 December 2019, *Fractus v Xiaomi*, ECLI:NL:RBDHA:2019:13184.

[5]District Court of The Hague, 29 September 2020, *Novartis v Mylan*, ECLI:NL:RBDHA:2020:13650.

proceedings until the foreign invalidity proceedings have been brought If you ask for a stay, the advantage for the patentee is that during the stay of the final relief proceedings, the cross-border preliminary injunction will stay in force. The whole situation is actually frozen. For patentees, that can be an advantageous situation. I close off with two more recent cases which are, in my view, interesting. I'd mentioned already, the Novartis versus Mylan case, which involved the pharmaceutical product with the active ingredient deferasirox. That's a case decided September 2020.

Three parties were sued. It was Mylan N.V., that's the Dutch-based headquarters parent company, Mylan B.V., the Dutch subsidiary of this parent company, also based in the Netherland and distributing products, and thirdly, the foreign party, the French Mylan entity, which was sued before the Dutch court. Referring to the three conditions I mentioned earlier, you have to have an anchor Dutch party defendant. There were two in this particular case. There should be a close connection in terms of the claims brought against the defendants.. In this case it all involved bringing deferasirox products to the market.
The Mylan entity in France was the holder of the central marketing authorization , being able to license the marketing authorization to each and every subsidiary in Europe of Mylan (so also to the Dutch B.V.) for them to bring the product to the markets. It related to the same product, same patents, and so forth. Thirdly, was it foreseeable? As I mentioned before. yes, it was foreseeable because they were all connected in the same group.
The only difference was that the basis for granting the cross-border PI for Mylan B.V., the Dutch subsidiary distributor, was potential threatening patent infringement. Whereas, for the parent company and for the French entity, the basis was unlawful acts consisting of facilitating patent infringement in various countries. That was the Mylan-Novartis case.

The last case I want to mention is a very recent one, it is the Hanwha versus LONGi case[6]. On 1 March, 2022, the Court of Appeal of The Hague handed down its decision in the interim relief proceedings between these parties. I will not dwell on what was decided in the first instance but will provide just a few facts of this case. Hanwha is a patentee, a holder of a European patent that is valid in 16 European countries, except for the Netherlands. Hanwha effected two seizures on the premises of LONGi Netherlands B.V., a Dutch entity: a seizure for evidence and a seizure of allegedly infringing products. A party, whose products or evidence is seized, will usually start preliminary interim relief proceedings to get the seizures lifted. So did LONGi. The seizure of the products was indeed lifted because it was not clear that the products were (all) meant for countries where the patent was in force. The other one, the seizure for evidence, remained. In these proceedings LONGi, also brought an invalidity defense and instituted a counterclaim, asking for cross-border PI.

Now, many people will wonder how this can be, as there wasn't even a Dutch patent. That is correct,. Because there was no valid Dutch part of Hanwha's European patent, the case did not fall within the exclusive jurisdiction of the courts of The Hague in patent matters. But that does not affect the jurisdiction in

[6] Court of Appeal of The Hague, 1 March 2022, *Hanwha v LONGi*, ECLI:NL:GHDHA:2022:636.

interim relief proceedings of the District Court of Rotterdam in first instance and the Court of Appeal in appeal to determine whether or not the Dutch LONGi entity infringed Hanwha's patent in the other designated states, so as to warrant a cross border PI.

The situation was that in the provisional opinion of the Court of Appeal LONGi was found to sell the infringing goods to customers in countries where the patent was valid, offering the infringing products from the Netherlands , exporting them to and distributing them in the designated states, and so forth. The Dutch court said, "Okay, if there's no Dutch patent, then there is no exclusive jurisdiction of the District Court and Court of Appeal in The Hague. t We can, however, still hear the case at the competent court, based on the place of domicile of LONGi, which was the Court of Rotterdam(from which under normal rules an appeal lies to the Court of Appeal of The Hague). The is jurisdiction based on Article 4 of the Brussels I Regulation.

As regards the substantive issues, the patent was preliminarily found valid and also, the products were assessed as infringing. The Court of Appeal issued a preliminary cross-border injunction to keep Longi off the market. How the situation is assessed and determined in final relief proceedings, is a different matter. The Dutch courts will not be competent to finally assess the validity of foreign patents, if that comes into play in final relief proceedings. They will have to reject the claims regarding foreign patents or stay the proceedings until the competent foreign courts have ruled.

That's a very recent case. I think I close off with this. Thank you.

ANDREW BOWLER: Thanks, Marleen. Thank you very much. Very interesting. I find from an English perspective, the Hanwha case without a patent enforcing the jurisdiction, very interesting. I think at some point now, we'll probably in the 15 minutes at the end. I might ask each of the rest of you to think about whether your court would issue cross-border PIs and there's also for Europeans, whether the long-arm jurisdiction of the UPC can issuer a PI against other EPC territories that are outside the UPC? There're some interesting questions there.

Taking perhaps the first of those countries, Simon, have you got any comments, thoughts on how Switzerland or Germany if you can comment on that, deals with cross-border issues from a preliminary injunction perspective?

SIMON HOLZER: Thanks, Marleen, for the presentation. For the European countries and also for Switzerland being a member of the Lugano convention, the legal situation and case law is the same for all of us. We have several decisions of the European Court of Justice dealing with jurisdiction issues in this context: There is for example GAT/LuK, Rosmarinus, and Solvay/Honeywell, and we have to live with these decisions and to make the best out of it. I agree that it should be possible to have a PI issued in such a situation, although without a patent in Switzerland.

The Swiss Federal Patent Court has not granted cross-border PIs so far, but the court once dismissed a motion for cross-border seizures. However, the court dismissed this motion not because of the lack of jurisdiction, but only because this seizure was requested ex parte. That means without hearing the

defendant. In this situation the court said, "Ex-parte motions cannot be enforced under the Lugano convention, and therefore, we dismiss this motions." The court was more or less happy to deal with the motion and, in my view, the court would have jurisdiction to issue a seizure or a PI in such a situation.

[crosstalk]

ANDREW BOWLER: Oh, sorry, carry on.

SIMON HOLZER: No, problem. I wondered why other courts in other jurisdictions are reluctant to issue cross-border PIs?

ANDREW BOWLER: Would anyone else like to comment on how their country has or they speculate how their country's courts might look at this?

[crosstalk]

MICHAEL WILLIAMS: Oh, Sepehr, you go ahead.

SEPEHR SHAHSHAHANI: I just had a question. I didn't have anything valuable to add. If you can shed light on your country's practices, it's probably more useful.

ANDREW BOWLER: Go for it. Ask your question.

SEPEHR SHAHSHAHANI: I'm pretty ignorant of Dutch law, but is this considered a question under Dutch law? Is it a right of the defendant, or is it a question of the authority of the court? You said that in one case, the defendant didn't contest it, so it was okay, but if it's a question of the fundamental jurisdiction of the court, then you might-- For example, in the US, the question of subject matter jurisdiction is never waive, even if the defendant can’t see. I don't know if, in this context, it's more like personal jurisdiction in the US where defendants waiver would sell.

MARLEEN VAN DEN HORST: Are you asking me the question, actually?

SEPEHR SHAHSHAHANI: Yes.

MARLEEN VAN DEN HORST: Okay. The case I mentioned was not a matter of exclusive jurisdiction. It was more is the court competent to hear the case, and it could have been argued that the court was not competent to hear the case. If you despite certain possible objections appear voluntarily, then that saves the case. I don't know exactly what you have in mind, but if it's a matter of subject matter, that's another thing. If you can bring an action for an employment dispute only at a certain tribunal, you cannot bring that to another tribunal if that is what you mean by subject matter. Now here, the basis is patent infringements or unlawful acts.

Actually, I think that infringement is a form of unlawful act, but patent infringement is, of course, based on a patent. Whereas unlawful action is a different format. I mentioned Mylan-Novartis case, where the French entity was also sued, but the basis for the action against the French entity was not patent infringements because they were not infringing or threatening to infringe a patent, having a marketing authorization as such is not a patent infringement. They were facilitating other companies within the group to use the marketing authorization to start selling the products on those markets. They were facilitating a patent infringement in other countries.

Right now, if you look at Hanwha, they were patents in 16 European countries. It was proven that Longi was selling its products from the Netherlands to those countries and selling infringement goods in those countries. They were contributing to the patent infringement in other countries, and at the same time, they could be set to act unlawfully by facilitating it.

ANDREW BOWLER: If we get a chance to pick that up in a minute, but let's move on and hear from Ari, our final speaker who's going to talk about the adoption of equivalents in the UK and the associated Formstein defense, which may or may not become part of the UK law. Over to you Ari.

ARI LAAKKONEN: Thank you very much. I hope you can all see the slides that I'm sharing?

[silence]

Thank you. This is the last and no less fragrant part of this array of patent topics. I'd like to tell you about the doctrine of equivalents in the UK. I will compress this a little bit, so there's more time for questions at the end. The UK was in a stable holding pattern as far as claim construction is concerned until about 2017. Our doctrine was that claims should be construed purposively, and there was no doctrine of equivalents as such until activism really came along, which is a case they decided in the Supreme Court, ultimately. This represented a fairly fundamental change in approach. It was fairly seismic actually of the size of change that you would normally expect to be enacted by legislation and not by a change in case law.

What the case says is that there's two methods of determining the scope of protection of patents. The first is the normal construction, and that's still purposive. The second is an extended scope of protection, which is under the doctrine of equivalents. The way this works is that you asked a number of questions when you're looking at equivalents. The first question is whether the equivalent works substantially the same way as the invention, and then you look at whether it would have been obvious at the time that it works in the same way.

Then the final question is probably the most tricky of them all, which is when you look at whether strict compliance with the normal construction or the normal meaning of the words in the claim was an essential requirement of the invention. You'll notice that all three questions address the invention here. That is the inventive concept as in the difference between the prior art and the claim scope. In order to talk about equivalence in the UK, the first thing you actually have to do is define what the step change compared to the prior art was and how the claimed invention contributed to that. This is actually moving the discussion into a mixture of validity and infringement at this stage already.

The slight problem that, in fact, it's more than a slight problem, but the snag that comes in with those three questions is that if you could have two different questions about whether something was obvious in different directions. You can ask, starting from the invention, whether it would have been obvious that they're allegedly infringing product works in the same way with knowledge of the invention, or is it obvious that it works in the same way? Or you can start from the prior art but without any hindsight ask whether the allegedly infringing product or

the patent indeed was obvious. You might come to different answers on those questions.

This opens up a gap because conventionally in the UK, the thinking was that the prior art cannot infringe, and that led to what was called the Gillette Defense in patent cases. In order to bring in the Gillette Defense into an equivalence case, where there could be an example of where the prior art might be equivalent to a patent, but it wouldn't anticipate the patent. The court introduced the notion of the Formstein defense, and I think this is where we probably need to hear a more German view of the case, but the Formstein case is a German case, and that doctrine came into UK law through a judgement of Colin Birss in Facebook v Voxer a couple of years ago.

The objective there is to look at equivalence, and if it turns out that the allegedly infringing device hadn't been prior art lacks novelty that's obvious, then you fall back when normal claim construction, and you don't apply equivalence at all. It cuts back on the application of equivalence. Now, I'll come on in a moment to why that might be a problematic concept, but it didn't stop there. The next step in Apple and Optis soon thereafter was some Obita consideration by which it needs in relation to applying Formstein but for invalidity attacks against the claim. This is really the mirror image of the Formstein but just applied to invalidity instead.

There was no decision on that point. The judge recognized that, of course, the Supreme Court would have to address this as well, but if it comes in, then the consequence is going to be that we would have an extremely complex patent infringement and invalidity analytical framework in the UK. We would have normal construction, operating both for infringement and for validity. We would then have equivalents both for infringement and invalidity, so you'd have a number of different tests that would effectively change the landscape in how patent litigation is conducted.

One of the potential problem areas with this kind of expansion is that you end up with the scope of a pattern being determined by a number of not judicial but extra process documents. There are things outside the patent. The final wrap in itself was considered potentially relevant in activists' case. That's all right, even though it's not generally favored as founding an estoppel in UK law, but it's all right because it is publicly available at least.

If you're starting to construe the scope of a patent by reference to the prior art that's put forward in a particular case, then the scope of a patent could vary from case to case, depending on what prior art is put forward against the patent to attack its validity. That starts to get problematic because it's then quite hard for third parties to predict what the scope of the patent could be going forward. If they're just looking at the pattern on the register, how would they know whether they should adopt a normal construction or in equivalents construction in advance of actually being sued under the patent and how do they construct workarounds? The availability of workarounds is then dictated by things like prior art as well.

The second practical impact of that is on pleading requirements. Now here, there have been some developments, and in particular, if you're going to incur infringement by equivalents nowadays, the rule is that you have completed

out, which is tricky because as I mentioned before, that means that you have to identify as the patentee and put some words on paper as to what you think your invention is about so that you can say in your pleading that the allegedly infringing device isn't equivalent because the variant doesn't affect the functioning of the invention the way that the invention works. It's immaterial to the functioning of the invention, and that's why it's an equivalent and should be protected by the patent.

Finally, if I can conclude by expressing some positive thoughts and adoration for the approach adopted by the French courts, which seems eminently sensible. The doctrine as I understand it, and of course, I'm not a French lawyer, but my understanding is that you look at the core inventive concept. You apply the same for both infringement and validity, and perhaps that's the direction we're moving in. That is analytically a much more simple framework. Thank you.

ANDREW BOWLER: Thanks. Very, very good stuff. Poses lots of interesting questions, should we give the final word to Simon who may be able to answer some of those questions or at least give some thoughts from a German-Swiss perspective.

SIMON HOLZER: I don't know, but I cannot give answers to the questions [crosstalk]. Judge Grabinski is also in the audience. He might be the right person to answer most of the questions. What is correct, and I fully agree with Ari, that some of the questions and some of the problems that you have mentioned and discussed in my stem from the fact that the Formstein defense is a defense that has been created in Germany in a bifurcated system where some of the questions or some of the issues you mentioned do not play a role because the infringement courts where the Formstein defense is discussed do not decide in a final and binding way on the validity of the patents.

That might answer some questions or problems you have in the UK now when adopting the Formstein defense. Because the Formstein defense is only discussed in infringement courts in Germany, some of the problems do not occur in such a situation.

ANDREW BOWLER: I think we may be out of time. Is that right, Rilana?

RILANA WENSKE: Yes, that's correct.

ANDREW BOWLER: Okay. I think it just leads me to thank you all very much for a very discussion. It was a whistlestop tour of lots of different topics, but it just shows how interesting patent litigation is around the world. You could talk about all these topics for a long time on each one. Thank you very much, everyone also for watching. See you later.