

I N S I D E T H E M I N D S

IP Client Strategies in the EU

*Leading Lawyers on Understanding European
Intellectual Property Laws, Staying Ahead of
Changing Regulations, and Developing IP Protection
Strategies in a Global Economy*



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Enforcing IP Rights in the EU

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Legal Background

Quite contrary to common belief that there is something like “European IP laws,” despite certain trends to harmonize intellectual property (IP) law in the European Union, most IP issues are still covered by national laws of the European Union (EU) member states and enforced before national courts.

There are a few IP rights that may be obtained community-wide (e.g., the EU trademark and the EU design, both administered by the Office of Harmonization for the Internal Market Office in Alicante, Spain). But the European patent, in particular, is *not* such a European-wide, centrally administered IP right, because after being granted by the European Patent Office, further prosecution is left to the patent offices of the individual EU member states. One important consequence is that after expiration of the opposition period, challenging the validity of a European patent becomes burdensome, since a central attack is no longer provided for. Rather, one needs to challenge the validity of each national part of the European patent individually.

Enforcement of all IP rights is left to the courts of the individual member states. For example, when dealing with an infringement of an EU trademark, the trademark holder would need to enforce it at a competent court in an EU member state.

In the course of the last few years, an increasingly advanced body of EU regulations and directives has come into force that governs various aspects of IP law. The main difference between them is that while EU regulations shall be directly applied by the member states (and their courts), the EU directives address the legislators of the individual member states to enact laws that are in accordance with the respective EU directive. Here are some examples:

- Directive 2004/48/EC, OJ 2004 L157/45 (Apr. 29, 2004) (IPR Enforcement Directive)
- Council Regulation 1383/2003, OJ 2003 LL196/7 (July 22, 2003) (EC) (Customs Regulation)
- Council Regulation 6/2002, OJ 2002 L3/1 (Dec. 12, 2001) (EC) (Community Design Regulation)
- Council Regulation 40/90, OJ 1994 L11/1 (Dec. 20, 1993) (EC) (Community Trade Mark Regulation)

Of these, both the Trade Mark Regulation and the Design Regulation established entirely new rights taking effect in the entire EU, and being centrally administered by an EU authority (called the Office of Harmonization for the Internal Market Office) in Alicante, Spain. Others, such as the Customs Regulation and the Enforcement Directive, had a severe impact on the procedures in relation to IP infringement issues.

There is no cooperation between the courts of the EU member states even if the same infringement is tried in various EU countries in parallel. This brings about the possibility of different (conflicting) results of courts dealing with the same infringement scenario. If you have, for example, the holder of a European patent seeking to enforce its rights against one and the same infringer in Germany, France, and Italy, this would require three different lawsuits (one per country) that may lead to entirely different results. The same may occur when enforcing an EU trademark or design.

Important Developments in the Laws

In 2004, the EU took a step toward harmonizing the national laws of the EU member states with regard to some crucial aspects of the enforcement of IP rights, by adopting the EU IP Rights Enforcement Directive 2004/48/EC, OJ 2004 L157/45 (Apr. 29, 2004).

Member states were required to bring the laws, regulations, and administrative provisions necessary to comply with this directive into force by April 29, 2006, and it appears that most of them have now done so. Despite the time that has elapsed since the directive needed to be put into force (around three years), it appears that by now the IP community actually takes significant notice of some changes. The degree of changes depends on the national legislation that has been in force before adoption of this directive. But in general, I think it is fair to say that important aspects of IP enforcement (as pointed out above) handled by the courts of the EU member states are harmonized.

Key provisions of the directive include:

- Means of preserving, obtaining, and presenting evidence

- Right of information as regards origin and distribution networks of infringing goods or services
- Interlocutory injunctions to prevent an imminent infringement
- Corrective measures with regard to goods the court has found to be infringing
- Reimbursement of legal fees (as long as these are reasonable and proportionate)
- Publication of judicial decisions

Of the aforementioned key provisions, the first two (on evidence and right of information) probably bring about the most important changes in the legislation of the member states. Therefore, I would like to describe them in more detail.

Evidence

According to Article 6 of the directive, member states must ensure that a plaintiff that has presented evidence that is reasonably available and sufficient to support its claims, and which has specified evidence that lies in the control of the defendant, may ask the court to order such evidence to be presented by the defendant. In all cases, confidential information shall be protected. However, if the infringement is committed on a commercial scale, the defendant may be ordered to hand over banking, financial, or commercial documents (subject to the protection of confidential information).

According to Article 7.1 of the directive, member states shall ensure that, even before a lawsuit is initiated, a party that has presented reasonably available evidence to support its infringement claim may request provisional measures to preserve relevant evidence in respect of the alleged infringement. Such measures may include the detailed description or the physical seizure of the infringing goods, and may even include seizure of materials used in the production of these goods. Such provisional measures to preserve relevant evidence may even be taken without the other party having been heard (i.e., *ex parte*), in particular where any delay could cause irreparable harm to the IP rights holder or where there is a risk that evidence may be destroyed.

Given that evidence is a key element in establishing IP rights infringement, the harmonization of national laws by the directive certainly is to be welcomed.

Right of Information

According to Article 8, member states shall also ensure that, in certain circumstances, the courts may order the defendant to disclose the origin and distribution networks for infringing goods or services. This information comprises the names and addresses of the manufacturers, distributors, and suppliers of these goods or services and intended wholesalers and retailers, as well as information on prizes and quantities manufactured, delivered, received, or ordered. The claim may be directed not only against the infringer found in possession of the infringing goods, but also against third parties identified by the infringer as being involved in the manufacture or distribution of the infringing goods. This is a key change implemented by the directive.

Another notable change that has direct impact on the costs for European patents is the so-called London Protocol, which went into force on May 1, 2008. Before this date, once a European patent was granted (more precisely, within three months from the date of grant), the patent had to be translated into an official language of each country in which the patentee wanted patent protection. This situation led to high translation costs for the patentee. The London Protocol provides for a new language regime that significantly reduces the translation work to be done. Most significantly, France, Germany, and the United Kingdom put away the translation requirements. Some countries still require that at least certain parts of the description and/or the claims be translated. In any case, the result is a significant cost reduction. It is hoped that the reduction of translation costs will provide an incentive to apply for more European patents, and that it will strengthen the competitiveness of the European economy.

So far, it is difficult to exactly see how the financial crises will affect IP registration and protection in the EU. Certainly, 2009 won't see another increase in the filing numbers. In some industries, one can note an increasing number of IP registrations (in particular, patents) that are dropped. However, so far it appears that it is still fair to say that the crises

do not lead to a sharp decrease of registration activities in the EU. With respect to infringement actions, one may even note an increase. A possible explanation for this is that in difficult economic times, IP rights provide another means to extend market share and foster position in the market. For the future, I foresee no drastic changes in terms of IP protection at all. There are certainly some legislative initiatives we watch out for, such as potential mutual recognition of decisions of selected national patent offices, or a pan-European enforcement protocol, but it appears that these subjects are still under discussion and far from being implemented in the foreseeable future.

Experiences in EU IP Law

We have repeatedly used German IP litigation to obtain a decision of a German court of first instance in an infringement matter within a short time frame (about one year) to either support or otherwise influence foreign—in particular, U.S.—IP conflicts (or pending infringement proceedings). Let me explain this a little further.

Understand that in comparison to U.S. litigation, litigation in most European countries (notably Germany) is relatively straightforward and leads to very reliable decisions of highly renowned courts. At the same time, the decisions will, in most cases, be issued within less than one year, and the costs (attorneys' fees and court fees) are pretty reasonable. Most importantly, German litigation does not know any discovery proceedings, which makes it much faster and less money-consuming than U.S. litigation.

Often, clients have their IP rights (e.g., patents, trademarks, and designs) registered in various EU countries as well as in non-EU countries. Many infringement cases need to be dealt with globally (i.e., within the EU and outside of it). This always brings up the question of where an IP rights holder should sue. We certainly experience an increasing trend toward enforcing IP rights in more than one country. In such a situation, we advise our clients that litigation in Germany should always be considered as a very effective tool to enforce IP rights. Despite the fact that the United States is by far a bigger market than any market covered by an EU member state, and despite the fact that the damage awards in the United States are much higher than in the EU, European litigation should not be neglected at all.

Let me provide you with some advantages of litigation in Germany. To start with, it is guessed that about 1,000 patent infringement cases are tried in Germany. This is by far the biggest share of all European patent litigation. I am not aware of comparable numbers of trademark and design infringement cases. In any event, with respect to IP litigation in general, it is fair to say that German courts are internationally recognized. Decisions issued under the German judge-based system are, for the most part, rather predictable, and in any event more predictable than decisions by juries. Another advantage of litigation in Germany is that litigation costs are much lower than in the United States. Moreover, the winning party obtains an award of reimbursement for legal fees that usually covers a significant part of its actual expenditure. The reason for relatively low litigation costs is that in Germany we do not have any U.S.-style discovery. Rather, the general rule is that the plaintiff needs to have all evidence in its hands before going to court. The litigation is very straightforward and will lead to a result within about one year.

In one specific case, we have been asked by a client to initiate legal proceedings on grounds of patent infringement in a situation where discovery in the United States was still ongoing and the defendant did not show any interest in settling the case. We worked out a strategy to put more pressure on the defendant by additionally suing him in Germany. The defendant, advised by local counsel, knew the German court would decide on the infringement matter within probably less than one year, and once the complaint had been served, settlement negotiations were taken up and concluded successfully.

We have also worked for clients who deliberately decided to bring their IP litigation to Germany, which has by far the most patent cases within Europe. Often, a decision in favor of an IP rights holder in a European country can trigger a worldwide settlement. And as I said at the outset, the benefit is that the fees are fairly reasonable, at least in civil law countries like Germany and France. The absence of any discovery proceedings makes German IP litigation rather fast.

Strategies for IP in the EU

The thrill of the legal profession dealing with IP lies, at least in part, in the fact that there is nothing like a standard case where you could rely on something like checklists or the like. Let me give you a few examples.

When a client comes to us, it usually has a good understanding of how important IP rights are. Otherwise, the client would not come to us. We do not see many clients who come to us asking about the benefits of IP rights (meaning they know it).

What we see, however, is clients who do not have a strategy—be it in regard to filing IP rights or enforcing them—tailored to their actual needs. An attorney dealing with IP rights needs to take into account the specific needs of its client. The attorney also needs to know the specific market, at least to some extent, meaning they should know the major competitors and the developments that the industry will most likely make in the next few years. This is important in view of the filing strategy. Patents, trademarks, and designs are still primarily used to determine a monopoly and heavily influence the markets. They are active tools to keep competitors out of specific markets and gain an advantage over competitors. This is why it is important to actually know how a competitor will react to filing of IP rights.

To give an example, often the markets are so close that any market participant (competitor) will try to file for, say, a patent on a new innovation made. But questions quickly arise. Should I extend my protection to other countries? How does the market develop in important countries like China or India? An attorney needs to discuss such issues with the client and work out a respective strategy. This is why it is important for an attorney to have a number of experienced and reliable law firms they can work with in practice.

Take, for example, the strategic question of where to file for patent protection in the world. The client, in most cases, can provide the attorney with input as regards the importance (or non-importance) of specific markets, but details and follow-up questions evolve. What are the costs of foreign filing? Can a patentee, based on their registered right, effectively

prevent infringement in this foreign country? How much would enforcement cost, and how long would an infringement proceeding last?

I guess the best strategy is to take an active role in assisting the client and making them aware of issues they previously were not aware of. Of course, when dealing with highly experienced clients, they will know themselves where they want to go and what they want to do. But, particularly when dealing with middle-sized companies, things look very different. We often see that they need guidance, and we take the time to sit down with them and discuss their needs and consequently work out a coherent IP strategy.

Nowadays, and even more so in the last few months, costs play an increasing role. The financial crisis has certainly had an effect on the economy as a whole, and does not stop at the doors of law firms. What we see, though, is that there are only a few clients who significantly reduce either their prosecution activities or their litigation activities. Most of them have learned from the last few years that IP rights form an extremely important asset of a company, and these assets need to be kept and further generated, even during a crisis. With respect to enforcement, we even see an increase of litigation resulting from infringement of rights.

As I said at the outset, the body of laws (statutes, directives, regulations, and the like) is rather dense, and in almost all jurisdictions, an important body of case law has evolved. This is why IP law in the EU, despite being harmonized, is not easy to handle. Non-European IP lawyers may tend to neglect notable differences in the EU countries. At the same time, we note that there are a growing number of IP lawyers from non-European countries who have had the experience of working on European cases and have become highly experienced due to that.

We closely monitor any legislative development in the EU and in Germany. Probably the issue discussed most is currently (again) the community patent and the question of whether EU-wide enforcement regulations for European patents can be established. Such legislative decisions on the EU level are time-consuming, and often it is difficult to predict whether they will be completed successfully. I guess at times it is difficult for non-EU attorneys to understand that here in the EU, we deal with a plurality of member states that have different interests. At times, as the London

Protocol shows, the individual EU countries come to an agreement. In other cases, they do not. Take, for example, the EU Software Directive, which has received press coverage outside the EU and shows pretty well what I mean. Keeping up with legislative developments on the European and the national (in my case, German) level is important. We do so by studying and reading the typical IP-relevant newspapers, magazines, and Internet homepages, and we have established an internal education scheme, where our attorneys hold lectures before their colleagues once every month. The same is true with respect to the body of case law of the European Court of Justice, as well as the court of first instance and the national courts.

Conclusion

It is fair to say we are certainly living in a global IP community these days. This means, for example, that European IP attorneys know of the most crucial developments in the United States, China, and Japan (to name a few countries).

Of course, in some areas of the law and in some countries of the world, decisions are difficult to find and follow. But we often see that at international IP conferences, IP lawyers from throughout the world have a pretty solid understanding of developments in other countries. This very important. In practice, you often work together in this area of the law with lawyers and decision-makers in other countries, and you constantly need to explain your legal system and compare it to other systems.

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