

**Cross-Border Conflicts of Patents and Designs: a  
Study of Multijurisdictional Litigation and  
Arbitration Procedures**

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Submitted in partial fulfilment of the requirements of the Degree of Doctor of Philosophy

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## **Statement of Originality**

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## **Abstract**

This thesis examines procedural litigation problems arising when two parties have a conflict involving the same patent or design, with an impact in several jurisdictions, taking as a case study the litigation procedures of Apple and Samsung.

The thesis asks whether this type of dispute is best resolved through a single procedure. If so, what would be the circumstances surrounding such procedure in terms of jurisdiction, applicable law, preliminary injunctions and enforcement of the decisions?

It first identifies the problems related to the type of dispute when taking parallel actions in different National Courts.

Then it examines the European litigation procedure of patents and designs and assesses how this system addresses the inconsistency of the national litigation regime. It argues that in relation to patents, the Unitary Patent Court (UPC) has the potential to solve some of the problems identified in the thesis and that a similar unitary system should be extended to disputes involving designs.

However, in the absence of an effective international court system outside the EU for global disputes, it suggests that a single arbitration procedure is still needed. The thesis identifies the main legal barriers to an arbitration procedure as being: bringing the parties to arbitrate, the arbitrability of the dispute, the identification of applicable law and the need for preliminary injunctions. It is concluded that: the agreement to arbitrate should be facilitated by the authorities so that it is appealing to the parties; the arbitrability can be resolved by limiting the effect of the judgment to the parties; a flexible approach can be adopted to applicable law through the application by the arbitrator of 'choice of law' rules; and, even when a preliminary injunction is needed, the parties may recur to arbitration.

The thesis concludes that the primary benefit of a single arbitration procedure would be the creation of a single award enforceable at international level.

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AMDG

## Table of acronyms

AAA	American Arbitration Association
ADR	Alternative Dispute Resolution
AIA	American Invents Act
CDR	Community Design Right
EPC	European Patent Convention
FRAND	Fair, Reasonable and Non-discriminatory terms
ICC	International Chamber of Commerce
IP	Intellectual Property
IPR	Intellectual Property Rights
ITC	International Trade Commission
SEP	Standard Essential Patents
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UDRP	Uniform Domain-Name Resolution Policy
UNCITRAL	United Nations Convention on International Trade Law
UK	United Kingdom
UPC	Unified Patent Court
US	United States of America
USPTO	US Patent and Trademark Office
WIPO	World Intellectual Property Organization



## Chapter I. Introduction

### 1. Introduction

*“Every once in a while, a revolutionary product comes along that changes everything...”*<sup>1</sup>

The late Steve Jobs made this statement when introducing the iPhone for the first time in 2007. He was right about how this product was going to change the way people used communication devices, but perhaps what he did not imagine was that it was also going to have a big impact on the litigation of patents and designs. The launch of the iPhone implied the introduction of three innovations in combination into one device: a widescreen with touch controls, a new mobile phone and internet communication<sup>2</sup>. It also involved a design that would set up new trends in the whole mobile phone industry. *“And boy, have we patented it!”*<sup>3</sup> said Jobs referring to the fact that Apple had filed applications for over 200 patents (in the U.S.) constraining this single product<sup>4</sup>, *“and we intend to protect them!”*<sup>5</sup> he added. This statement was the first prediction of a series of litigation procedures that were about to start in the process of defending the design and patents of the device. They escalated so much that the phenomenon was named “the Patent War” involving Apple and its industry competitors, mainly Samsung, HTC, Nokia and Motorola.

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<sup>1</sup> Dilger, D. E. January, 2012. Five years of iPhone. *Apple Insider*. <[http://appleinsider.com/articles/12/01/09/five\\_years\\_of\\_iphone](http://appleinsider.com/articles/12/01/09/five_years_of_iphone)>.

<sup>2</sup> Dilger, D. E. January, 2012. Five years of iPhone. *Apple Insider*. <[http://appleinsider.com/articles/12/01/09/five\\_years\\_of\\_iphone](http://appleinsider.com/articles/12/01/09/five_years_of_iphone)>.

<sup>3</sup> Apparently, the back story behind this declaration, was the fact that Apple had been forced to settle a patent infringement in 2006 with a Singapore-based but multinational company (“Creative”). See Duhigg, C. and Lohr, S. October 7, 2012 The Patent, Used as a sword. The New York Times. This article is part of the series “The iEconomy” that examine challenges posed by increasingly globalized high-tech industries. The series won a Pulitzer prize for explanatory reporting on 2013.

<sup>4</sup> Dilger, D. E. January, 2012. Five years of iPhone. *Apple Insider*. <[http://appleinsider.com/articles/12/01/09/five\\_years\\_of\\_iphone](http://appleinsider.com/articles/12/01/09/five_years_of_iphone)>. In this respect see also 21/10/2011. Steve Jobs vowed to 'destroy' Android. *BBC News*. <<http://www.bbc.co.uk/news/technology-15400984>>.

<sup>5</sup> Dilger, D. E. January, 2012. Five years of iPhone. *Apple Insider*. <[http://appleinsider.com/articles/12/01/09/five\\_years\\_of\\_iphone](http://appleinsider.com/articles/12/01/09/five_years_of_iphone)>. In this respect see also 21/10/2011. Steve Jobs vowed to 'destroy' Android. *BBC News*. <<http://www.bbc.co.uk/news/technology-15400984>>.

The research question of this thesis is inspired by the multijurisdictional litigation procedures of this ‘Patent War’, focusing on the study of the litigation conflicts between Samsung and Apple. The battle between these companies started in 2011, when Apple sued Samsung before the Northern District Californian Court, arguing that the Korean Company had infringed a wide range of its patents<sup>6</sup>.

A week later, Samsung, had, not only countersued Apple’s original claim, but also initiated litigation procedures in multiple countries<sup>7</sup>.

It is difficult to get an exact number of the patent infringements that the companies brought against each other, not only because there were so many, but also because at different moments during the procedures, the companies withdrew some of the infringement claims. Furthermore, the Courts had been asking the parties to take patents out of litigation, so that the cases could be more manageable<sup>8</sup>. This thesis therefore set out to study the procedures for one of the patent infringements suits and for one of the design infringements suits.

Given the characteristics of the conflict stated above, the following features were observed: they were the same parties, trying to protect the same intellectual property right (**IPR**), based on the same facts, in multiple jurisdictions.

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<sup>6</sup>Patel, N. April 19, 2011. Apple sues Samsung: a complete analysis. *The Verge*. <<http://www.theverge.com/2011/04/19/apple-sues-samsung-analysis>>. And, April, 2011. Apple vs Samsung. *Before the Northern District of California*. <<http://cdn0.sbnation.com/podcasts/apple-samsung-lawsuit.pdf>>.

<sup>7</sup> Instant, J. November 2, 2011. Apple vs. Samsung: the complete lawsuit timeline. *The Verge*. <<http://www.theverge.com/apple/2011/11/2/2533472/apple-vs-samsung>>. and Staff Reporter 28/04/2011. Samsung vs. Apple Patent Complaint (Full text). *International Business Times*. <<http://www.ibtimes.com/samsung-vs-apple-patent-complaint-full-text-281597>>.

<sup>8</sup> Reisinger, D. August 8, 2014. A look back at the great Apple-Samsung Patent War. *eWEEK News*. <<http://www.eweek.com/mobile/slideshows/a-look-back-at-the-great-apple-samsung-patent-war.html>>, pp. 12.

This observation leads to the idea of substituting the multiple parallel proceedings, with one single procedure that could be validated in multiple jurisdictions, the ideal forum for this, is believed to be international arbitration.

### *The questions addressed in this thesis*

1. Can and should a cross-border dispute over a patent and a design be solved through a single dispute resolution procedure?
2. If so, what would be the circumstances surrounding such a procedure in terms of jurisdiction, applicable law, preliminary injunctions and enforcement of the decision?
3. Would an international arbitration procedure be suited for the task? Particularly in relation to arbitration agreements and the arbitrability of infringement and validity of designs and patent.

### *Why are these questions important?*

The aim of intellectual property rights (**IPRs**) is to protect a person's creation by giving them the exclusive right over the use of it for a determined time<sup>9</sup>, so that he/she can benefit from their work<sup>10</sup> either by using the creation exclusively, or by licensing it. In general, the right holder trades the IPR in order to recover the money invested in research and development and generate revenue. In other words, the benefit of the creation comes from the trade of the associated IPR. Inherent in the trading activity, the creator will encounter disputes with others.

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<sup>9</sup>See World Trade Organization "What are IPRs?".  
<[http://www.wto.org/english/tratop\\_e/trips\\_e/intell\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/intell_e.htm)>

<sup>10</sup>See World Intellectual Property Organization "What is Intellectual Property?".  
<[http://www.wipo.int/export/sites/www/freepublications/en/intproperty/450/wipo\\_pub\\_450.pdf](http://www.wipo.int/export/sites/www/freepublications/en/intproperty/450/wipo_pub_450.pdf)>. 3

Various international, regional and national forums, and governing bodies are seeking ways to strengthen the current regimes for the enforcement of intellectual property<sup>11</sup>. This suggests that current frameworks and systems are not considered sufficient for an appropriate enforcement of IPRs.

The main problem with existing IPR dispute frameworks is that IPRs are still, for the most part, national rights. The creator or proprietor of the IPR will have to apply in several national offices for the IPR if he/she wants to trade it in more than one country<sup>12</sup>.

Therefore if someone infringes that IPR in several jurisdictions, the owner may have to litigate in each of the countries where he/she wants to enforce the IPR<sup>13</sup>. Starting a litigation procedure in each and all of the jurisdictions where the IPR has been infringed leads to higher costs, duplication of work and, above all, an increased risk of diverging judgments<sup>14</sup>.

If the cases involve the same right holders, the same IPR and are based on the same facts, but still result in very divergent judgments across jurisdictions<sup>15</sup> there is the need to study why this happens and if the associated problems could be solved. Torremans argues that while traditional litigation may serve the interests of the parties in certain situations, many cases will have needs that are going to be better solved through other procedures<sup>16</sup>.

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<sup>11</sup>Grösse Ruse-Khan, Henning. (2009) IP enforcement beyond exclusive rights. *Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper Series No. 09-08*, pp. 43-61

<sup>12</sup>Although this situation may change with the creation of a European Patent with Unitary effect. See chapter below

<sup>13</sup>van Engelen, Th.C.J.A. (December 2010) "Jurisdiction and Applicable law in matters of Intellectual Property" in *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>

<sup>14</sup>Torremans, Paul L.C. (2009) "The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer" in *Intellectual Property and Private International Law*. Leible, Stefan and Ohly, Ansgar (eds), Mohr Siebeck. 191-210

<sup>15</sup>Ibid.

<sup>16</sup>. (2012) "Dispute Resolution Procedures in the Northern District of California Handbook" in *ADR Handbook*. <<http://www.cand.uscourts.gov/adrhandbook>> p.1

Therefore, this thesis proposes and analyzes the possibility of solving this type of conflicts through a single procedure rather than having parallel court proceedings across multiple jurisdictions.

In this regard, the thesis first discusses the cross border litigation in national Courts (using the example of the Apple v Samsung case) in order to identify where the divergence in the decisions originates.

It then analyzes the community rights systems in the EU. It recognizes that the system of the Unitary Patent Court (UPC) could already solve some of the actual problems of cross-border litigation with patents. However, given that this system will only solve some<sup>17</sup> of the patent disputes at a European level, the thesis still highlights the necessity for a more global solution that could also be applicable for other IPRs, and finds it in international commercial arbitration.

While the use of litigation to defend IPRs is often regarded as a fierce, predatory method of protection, arbitration is perceived to be a friendlier, more cooperative approach. However, the use of arbitration to solve such disputes is not a universal solution for these type of problems. Several factors will have to be taken into consideration to determine which IPR disputes are more suitable for arbitration.

## **2. Structure of the thesis**

In the present chapter, the introduction to the topic and the methodology are explained. The thesis is then divided in two parts. Part A portrays the study of litigation procedures dealing with multijurisdictional conflicts of patents and designs (referred to as “the type of case studied” in this thesis). Part A contains Chapters II and III. Part B explores the international

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<sup>17</sup> Not all of the members of the European Union are going to be part of the Unitary Patent Court, as it will be studied in Chapter III, section 2.2.1.

arbitration procedure focusing on the same type of IPR conflicts, and it will contain chapters IV and V. The general conclusions of the thesis will be made in Chapter VI.

Chapter II sets up the problem analyzed in this thesis: how does the current litigation system work in order to protect a single patent and a single design in different jurisdictions? The chapter focuses on the national litigation of patents and designs, based on the case of Apple vs Samsung. It shows the characteristics of this type of conflicts, with respect to the parties, the facts and the rights involved. It will analyze in more depth the cases followed in the US and the UK and some other aspects of the cases in Germany and the Netherlands. The chapter will focus on the aspects of the applicable law, the approach of the case study, the injunctions and the enforcement of the decisions.

Chapter III will continue with the study of litigation in cross-border conflicts of patents and designs, but from the perspective of the European Union community. From this perspective it is important to analyze the jurisdiction conflict: which Court would be the appropriate venue to hear a case that involves Community IPRs. The chapter examines the new Patent Court system in Europe (UPC), as it is submitted that it represents more advantages for the type of conflict studied, than the current patent system. It will discuss the way the new scheme will work in relation to aspects of jurisdiction, applicable law, pan-European injunctions and enforcement of the decisions. Subsequently, the chapter applies the same perspectives to study the multijurisdictional conflicts involving Community Design Rights.

In Part B, the research focuses on the arbitration of the type of case studied. This study is divided in procedural aspects in chapter IV, and substantive aspects of international arbitration in chapter V.

Chapter IV sets out the main procedural aspects of the arbitration procedure that may be considered to be most relevant to the cross-border conflicts of IPRs. Given that arbitration is a voluntary procedure, it first analyzes how the parties get into arbitration. The chapter will then focus on the selection of arbitrators –or decision makers-, and on a third part, the selection of the forum or place of the arbitration. Finally, this chapter highlights a procedural aspect that it is considered to be an advantage of arbitration over litigation procedures: the confidentiality.

Once the main procedural aspects of arbitration have been addressed, Chapter V considers the substantive aspects of arbitration. Given that intellectual property rights have the *erga omnes* effect while arbitration has an *inter partes* effect, the first question that has to be answered is whether the type of dispute studied would be barred from arbitration. This is referred to as the “arbitrability” of disputes. The chapter moves on to examine the applicable law for arbitration in the case of study, discussing principles of conflict of laws. It then continues examining how the preliminary injunctions are processed in arbitration and finally it will analyze issues regarding the enforcement of the decision which is called an “award”.

Chapter VI draws together the issues that were identified in the previous chapters and it evaluates the problems encountered in the procedures for solving cross-border conflicts of patents and designs, how these conflicts are addressed in the EU and how can they be solved through a single international arbitration procedure.

### 3. Primer to the topic

It is estimated that a case in the EU that reaches the CJEU costs around 300,000 Euros, this amount it is not a cost that the litigants bear, but in general all the European Citizens<sup>18</sup>. Another study asserts that a litigating patent dispute through disposition (up until 2011) costs from 900,000 to 6 million USD in the United States<sup>19</sup>.

Now, if one multiplies these amounts for each of the cases risen in a cross-border conflict, one can conclude that a single action would represent an excessive expense for all the Courts involved. This is what happen in the so-called 'patent war' between Apple and Samsung, which constituted the same conflict in 10 different jurisdictions and nevertheless ended outside the Court rooms<sup>20</sup>. Hence, it is submitted that if the parties would have taken the conflict outside of the Court from the early stages, they would have saved the justice system time and money.

Given this scenario, it is acknowledged that, for the Court to be more efficient in the administration of justice, some types of conflicts should be taken to an alternative dispute mechanism, where only the parties to the conflict will have to bear the costs.

In view of the above, this thesis focuses on law-related problems derived from the cross-border litigation of patents and designs and the possibility of solving those if taken to a single arbitration procedure. The thesis discusses the following issues: the forum shopping (the rules of jurisdiction will be analyzed); the discrepancy of the court's decisions (the applicable law will be studied); the necessity of preliminary injunctions and the enforcement of the decisions.

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<sup>18</sup> Campinos, A. May 29, 2014. Key note opening speech. *OHIM's Intellectual Property Mediation Conference*. Spain, Alicante.

<sup>19</sup> Fox, D. and Weinstein, R. April 19, 2012. Arbitration and Intellectual Property Disputes. *Myth busting: Arbitration perceptions, realities and ramifications*. Washington, D.C., pp. <[http://www.micronomics.com/articles/Arbitration\\_and\\_Intellectual\\_Property\\_Disputes.pdf](http://www.micronomics.com/articles/Arbitration_and_Intellectual_Property_Disputes.pdf)>. p.11

<sup>20</sup> As seen elsewhere, the litigation in the USA still continues at the moment of writing, but the procedures in Europe were settled in a negotiation.



### ***Why Arbitration?***

The alternatives to a court proceeding may be: reaching a settlement between the parties, having a mediation, an expert determination<sup>21</sup> or arbitration.

Arbitration was chosen in the hypothesis of this research because it is the dispute mechanism that involves more law-related aspects in the procedure<sup>22</sup>. It is believed to have an advantage over regular litigation to fully solve IPR disputes, because of the flexibility that it can offer to these type of conflicts.

At face value, there are numerous arguments why arbitration can be an effective and a good option for IPRs disputes:

1. It is a fair assumption that since arbitration is chosen consensually by the parties involved (which would mean that they have already agreed to the arbitral process), they will act and comply with the resolution coming from it<sup>23</sup>.
2. Arbitration is by nature private and confidential, which means that parties can generally keep the fact of their dispute and the details of it, hidden from all but the parties to the arbitration, and the arbitration tribunal. In IPR disputes this is of relevance if the case involves sensitive information relating to a party's technology<sup>24</sup>.

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<sup>21</sup> The expert determination consists of bringing a person skilled in the technical part of the IPRs, that will conduct its own investigations into the facts (without needing that the parties provide evidence) and its decision will be often final and binding to the parties. Tweeddale, A. and Tweeddale, K. 2005. *Arbitration of Commercial Disputes*. p. 18

<sup>22</sup> It is said that for mediation and negotiation to work, the law will actually have to “stay outside of the door”, in the same line, an expert determination will be conducted under the rules that the parties agree. Appel, M. May 29, 2014. *Negotiation, Mediation and Arbitration: Comparisons and synergies*. OHIM's Intellectual Property Mediation Conference. Alicante, Spain.

<sup>23</sup>Fong, Karen. (December, 2009) "Arbitration of IP disputes: eyes wide shut" in *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>

<sup>24</sup>Ibid.

3. Another benefit of arbitration is that the parties can ensure that they have a tribunal that has experience and background in areas pertinent to the dispute, because the parties will select the arbitrators by themselves.

4. Specifically in multijurisdictional disputes, litigation systems can take separate proceedings in different institutions within the same country. This often leads to inconsistent decisions and duplication of work, which results in increased time and costs. A single proceeding has the potential of greatly reducing litigation costs<sup>25</sup>.

5. An arbitration award, because of to the New York Convention, is enforceable in several jurisdictions (149 signatory parties at the moment of writing), and is therefore convenient for the parties to a cross border dispute as it will ensure that the parties are bound to follow the resolution to their problem.

6. In general arbitration is less adversarial than litigation<sup>26</sup>. Hence, arbitration represents an advantage if the parties want to go ahead doing business while they are solving a conflict.

Among the out-of-court procedure options, arbitration may be considered to be a more effective means of solving a dispute involving the same parties and the same IPR over different countries. This is due to the existence of the New York Convention on Enforcement of Arbitral Awards (NYC). The NYC was signed 50 years ago and has a large practice of enforcement of awards all around the world<sup>27</sup>.

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<sup>25</sup> Hines, Mark. (June, 2013) "Rethinking IP disputes - a useful role for international arbitration" in *Lexology*. <<http://www.lexology.com/library/detail.aspx?g=03ba12e5-b89d-4e38-bc66-1b30b3bc1903>>

<sup>26</sup> Cabrillo, F. and Fitzpatrick, S. 2008. *The Economics of Courts and Litigation*. Edward Elgar. p. 211

<sup>27</sup> Currently there are 149 member countries, see "New York Convention Countries" in *New York Arbitration Convention*. <<http://www.newyorkconvention.org/contracting-states/list-of-contracting-states>>

### ***The case of study Apple v Samsung***

As stated above, this thesis tests international arbitration in cross-border disputes by using as a case study the conflict between Apple and Samsung.

A characteristic that can be observed from this conflict is that it has attracted vast attention from the public, and the media has covered all the moves in detail. The companies have not behaved in the most cooperative way to each other, nor to the Courts that are dealing with this case. For instance, as part of the Court of Appeal proceeding in the procedure in the United Kingdom (UK), the Court ordered Apple to highlight the decision on its website. The Court of Appeal ordered Apple to provide an affidavit from the Marketing Manager whose job was to comply with the order. Apple complied but the affidavit was not produced. This was a deliberate misbehavior by Apple, and Sir Robin Jacob of the Court of Appeal has cited this situation as an example to show that not necessarily even the largest companies will conduct themselves properly in cases such as this one<sup>28</sup>.

Given the behavior of the parties through the Court proceeding, it seemed unlikely that they could reach a settlement, but they did in August 2014 (except for the conflict in the US). Arguably therefore, had they gone to arbitration from the first moment that the dispute arose, it can be assumed that they would have solved the dispute in a more effective way for both of the parties, without having to waste the resources of the national Courts.

### ***About the current arbitration of IPRs***

The idea of taking IPR disputes to arbitration is not new. There are already alternative dispute resolution avenues for the conflicts that involve IPRs. As an example, the Intellectual Property Office in the United Kingdom in its booklet regarding deciding disputes over patents,

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<sup>28</sup>Sir Robin Jacob, commenting on the case *Apple v Samsung* (2012) EWCA Civ 1339 and (2012) EWCA Civ 1430, in his presentation of 14/January/2013 at the “Shooting up-Raising expectations about R&D”

suggests that resolving the dispute through litigation should be the last resort, and specifically recommends arbitration or mediation<sup>29</sup>.

In 2003, David Caron<sup>30</sup> was of the opinion that arbitration was better suited as a means to solve IPR disputes. He considered that the following facts confirmed the statement:

a) The fact that the special nature of the IP disputes require more party control. Caron put forward the idea that a major party control could be achieved by using arbitration.

b) The fact that the arbitrability of IPRs disputes had been considerably promoted, because even when the disputes encountered validity issues, they were considered to be arbitrable.

Nevertheless, Caron identified that there was a need to educate the IP world to choose arbitration. As far back as 2003, some commentators in the U.S. agreed that the arbitration of IPR disputes was better suited for certain types of IPR situations: distribution agreements, violation of software agreements and in employment contracts in which confidentiality was essentially required<sup>31</sup>. In this thesis, the suitability of arbitration for IPRs conflicts, is extended to cross-border disputes involving the same parties, the same IPRs and the same facts.

### ***Why other forms of ADR were not included?***

This thesis is focused on comparing litigation with arbitration and no other forms of alternative dispute resolution. It is worth taking a moment to discuss mediation, another very popular out-of-court procedure. Mediation does not always work as it is difficult to make the parties agree throughout the whole process. Judges of England and Wales have stated that

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<sup>29</sup> Intellectual Property Office, U. 2010. Deciding Patent disputes.  
<<http://www.ipo.gov.uk/decidingpatentdisputes.pdf>>. p. 3

<sup>30</sup>Caron, David D. (2003) The World of Intellectual Property and the Decision to Arbitrate. *Arbitration International* 19(4)

<sup>31</sup>Ibid.

mediation has a valuable role to play in some, but not all, types of IPRs disputes and have expressed their arguments against compulsory mediation, since they consider that in the situation where the parties cannot reach an agreement, in the end, mediation would simply increase the costs of the case<sup>32</sup>. This thesis does not suggest that, arbitration should be a mandatory alternative means, but it does present arbitration as a more appealing out-of-court option for certain types of IPR disputes.

Another reason for not exploring mediation in this thesis is the fact that experts in mediation, such as Van der Vleugel, recommend parties to “leave the law outside of the door” to make mediation work, since the commercial, rather than legal, interests should come first<sup>33</sup>. This does not mean that in mediation the law will be avoided. Public policy cannot be ignored, but there is a moment in mediation where the law is set aside and the parties should say what they really want and what they expect from the process, talking exclusively from a business perspective<sup>34</sup>.

The same lack of law-perspective (but rather commercial) decisions, are found in negotiation and expert determination, both means will be conducted according to what the parties agree. Arbitration therefore provides a better vehicle through which it is possible to analyze the issues surrounding the applicable law in a cross-border dispute over an IPR.

Having established that there is a need for a single, out-of-court procedure that avoids divergent decisions in cross-border disputes and as part of the justification for choosing to research arbitration, it is important to address the reluctance of the practitioners to use it.

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<sup>32</sup>Patent judges in England and Wales, Lord Justice Jacob. (March, 2011) "Response to Call for Evidence by the Independent Review of Intellectual Property and Growth". <<http://www.ipo.gov.uk/ipreview-c4e-sub-thejew.pdf>> p. 8.

<sup>33</sup>Van der Vleugel, Fabienne. (May 29, 2014) "Mediation: Getting the most out of it" in *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain

<sup>34</sup>Ibid.

### ***The Reluctance from practitioners to Choose Arbitration***

The World Intellectual Property Organization (**WIPO**) opened its Arbitration and Mediation Centre in 1994, in order to offer arbitration, and other forms of dispute resolution services, for commercial disputes involving IPRs between private parties<sup>35</sup>. It has, so far, administered over 350 cases, not only in arbitration but mediation and expert determination as well<sup>36</sup>. Though there are no comprehensive statistics on the number of IP disputes cases in front of national Courts, the number of cases resolved at WIPO is still significantly smaller in comparison to the number of cases that national courts around the world experience. This shows the underlining reluctance of professionals to resort to arbitration in IP disputes.

There are many interesting reasons behind this, and as pointed out by some academics and practitioners in the field, they are of cultural and of an economic nature. David Caron<sup>37</sup> interviewed several IP litigators and practitioners in Silicon Valley in 2003 and identified 4 possible reasons why IP companies are averse to arbitration:

**1. The fear of private procedures.** Overall, Caron found that IP practitioners are not willing to expose their IPRs asset in a private procedure, because it will be perceived as not being sufficiently aggressive to defend the rights. However, while litigation may provide a publicly enforceable result, the flip-side to this is that where a party is unsuccessful (i.e. loses the 'family jewels' IPRs in litigation), those rights are lost publicly. By contrast, an unsuccessful arbitration will only have effect 'inter partes', reducing any risk for the IPR because the consequences of failure are less far-reaching.

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<sup>35</sup>See World Intellectual Property Organization "ADR- Frequently Asked Questions".  
<<http://www.wipo.int/amc/en/center/faq/index.html>>

<sup>36</sup>See World Intellectual Property Organization "WIPO Caseload Summary".  
<<http://www.wipo.int/amc/en/center/caseload.html>>

<sup>37</sup>Caron, David D. (2003) The World of Intellectual Property and the Decision to Arbitrate. *Arbitration International* 19(4)

**2. The venture capitalists-stock market.** The grounds to this reasoning is the fact that the IPR market value depends on the perception of getting greater earnings, and not necessarily immediate ones. Hence, the senior management of the company will have to know if it is possible to win the dispute and it is perceived that a press release concerning a motion for protective measures in a local court, can have more effect on the perception of the investors, than a statement from the company announcing an arbitration<sup>38</sup>.

Arguably this is not always true. As we will see from the Apple vs Samsung case, the fact that several journalists reported all of the details of the claims did not become intimidating for other competitors. This can in fact damage the image of the companies before their consumers. This thesis will not talk in depth about this concern, as doing an economic study of what is valued in the trade of IPRs is not one of the aims.

**3. The *zeitgeist* of the high technology.** This explanation is based on the fact that to start an arbitration it is necessary to sign an arbitration agreement. This action is considered to involve a lot of institutionalization, hence restricting the vitality in which the IPR world develops (given how fast technology advances are created). It is perceived that IPRs need to avoid dependence on arrangements of law, in order to flourish. Therefore, Caron suggests that litigation gives the flexibility that IPRs are looking for, because an infringement action can be started at any time at any place (without having to sign a previous agreement)<sup>39</sup>.

A counter argument to the perception that litigation is the better choice because it can be 'activated' more quickly comes precisely from the speed in which technology advances: the

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<sup>38</sup> Caron, D. D. 2003 The World of Intellectual Property and the Decision to Arbitrate. *Arbitration International* 19.

<sup>39</sup> Caron, D. D. 2003 The World of Intellectual Property and the Decision to Arbitrate. *Arbitration International* 19.p. 447

regulation and law cannot be actualized as often. Therefore, even though an infringement action can be started without the consent of the other party, arbitration can provide more flexibility to the parties in terms of substance to solve the conflict. This thesis examines the concerns raised by this point in detail, as it agrees that one of the obstacles for choosing arbitration is the fact that the parties will have to decide before starting the procedure that they want to settle their dispute by this means. The thesis explains this as one of arbitration's legal barriers and puts forward the idea that the agreement for arbitration can be pursued through other means.

**4. The legal culture view.** Caron argues that lawyers are more confident with certain forums which they are familiar with, as oppose to trying foreign Courts and/or laws. His study focuses on how Silicon Valey was developed as a community IPR market place, where the businesses and their law firms “grew up together”<sup>40</sup>. For this reason, legal practitioners felt more comfortable to litigate in their local Courts (in California) rather than thinking about starting a procedure in a foreign forum. Caron also found that there was a lack of confidence in the technical expertise of WIPO (or other arbitral institutions) to decide over IP issues. However this can be qualified as a standard fear by U.S. practitioners (who do not want to have European perspectives involved in their dispute settlement).

This is a cultural rather than a legal concern. Research by practitioners supports the idea that the fear is merely justified as a fear of an unknown procedure. In this context, Diana Wallis, an expert mediator of IPRs in the United Kingdom, pointed out the following as the main causes of the reluctance to choose a procedure different to litigation<sup>41</sup>:

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<sup>40</sup> Caron, D. D. 2003 *The World of Intellectual Property and the Decision to Arbitrate*. Arbitration International 19.

<sup>41</sup> Wallis, Diana. (May 29, 2014) "Mediation quo vadis?" in *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain



**a) Lack of knowledge.** In general, countries (at least in the European Union) do not really give their citizens information on the available remedies. Hence, the lack of knowledge about the procedures available and how they work, prevents the parties from making an informed decision before bringing their dispute to a court.

**b) Lack of expertise.** There are not enough experts in both Intellectual Property and out-of-court proceedings for the parties to feel confident that they will receive an optimal and efficient solution to their dispute.

**c) Terminology and perception.** The so-called “alternative dispute resolution” methods need to find their place within the justice system.

Mrs. Wallis puts forward the idea that they should not be called “alternative” means for dispute resolution, but that they should be part of the dispute resolution system. It is true that the solutions offered are cataloged as “private” and the results are confidential, but they still need to respect the law, hence they should be seen as part of the dispute resolution system and not only as an alternative<sup>42</sup>. This thesis embraces this idea, and develops it further in Chapter IV, section 1, regarding the arbitration agreement.

Nevertheless, it is important to point out that Mrs. Wallis recognizes that the means of dispute resolution are not going to be useful for each and all of the disputes involving IPRs, as sometimes the conflicts need a result but other times they need the law<sup>43</sup>. I agree with this

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<sup>42</sup>Ibid.

<sup>43</sup>Ibid.

view, and as explained elsewhere, the hypothesis of this thesis is focused on the type of cases similar to the Apple vs Samsung case.

Mr. Schneebalg, a certified mediator from the International Mediation Institute, reflects on the economic reason for practitioners' reluctance to use arbitration: the current mechanisms of billing clients. Specifically, he puts forward the idea that since the out-of-court proceedings have proven to be more efficient than litigation, the lawyers are reluctant to take those means, because in general, longer processes are economically more convenient for the law firms. This is derived from the way lawyers would normally charge the client for their services: the billable hour. Mr Schneebalg argues that lawyers in firms should be paid for finding a good solution in less time, rather than paid for all the time spent trying to find a solution<sup>44</sup>.

Lastly, regarding Apple vs Samsung, in the spring of 2012, Apple's CEO Tim Cook declared that he always hated litigation, and that he will continue to hate it but he also added that is his job to protect Apple's inventions<sup>45</sup>. On another note, Schmidt, Google's CEO said that the patent war is "bad for innovation", and that it "eliminates choices"<sup>46</sup>. These statements are probative of several issues discussed above: the fact that the parties do not always know exactly what their options are when it comes to protecting their IPRs, and that having an abuse of litigation (like in the case of the patent war) is not helping the industry and the speediness in which technology moves.

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<sup>44</sup>Schneebalg, Avi. (May 30, 2014) "Creating value through mediation" Ibid.

<sup>45</sup>Gustin, Sam. (October 12, 2012) "Apple vs Google is the most important battle in Tech" in *TIME Business & Money*. <<http://business.time.com/2012/10/12/why-apple-vs-google-is-the-most-important-battle-in-tech/>>

<sup>46</sup>Ibid.

#### **4. Methodology**

The main methodological approaches used in this thesis are qualitative research methods in the form of: case study; comparative approaches; literature and case law review, and information gathered from attending conferences with academics and practitioners. The secondary sources of the thesis were drawn from newspapers, technology magazines and IPRs blogs, given that they provided the latest updates on the case.

It is known that qualitative research gives a deeper understanding experiences of the law and its application<sup>47</sup>.

This thesis uses the Apple v Samsung case as a case study to analyze the research questions raised above. The reasons for choosing this particular case are: its topicality; the fact that it involves both patents and designs; and the equality of powers and market position of the parties. These characteristics represent a unique possibility to examine a conflict of this type. The research question of this thesis was initially inspired by the Budweiser vs Budvar battle of Trademarks, who have been fighting for more than 100 years for the right to use the name. This dispute can be described with the following characteristics:

- a) It involves the same parties;
- b) Fighting over the same IPR;
- c) Based on the same facts; and
- d) Repeating the same dispute in multiple jurisdictions

This led to the idea that instead of having multiple parallel proceedings, they should be integrated in a single procedure, and to get that single decision validated in multiple jurisdictions.

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<sup>47</sup> Qualitative research aims to understand the meaning of human action, relying on text data rather than numerical, it also asks open questions about the phenomena as it occurs in context. See Carter Stacy, Little Miles (2007) “Justifying Knowledge, Justifying Method, Taking Action: Epistemologies, Methodologies and Methods in Qualitative Research” , Vol. 17 No, 10 pp. 1316-1328

However, at an early stage of the research, the Apple and Samsung case became the hot spot of cross-border IPR disputes. While it had the same characteristics of the Budweiser case, (the same parties, fighting over the same IPR, based on the same facts in multiple jurisdictions) it involved two different types of IPRs: designs and patents, a feature that made the case more appealing given the opportunity to study two types of IPRs instead of just one. Furthermore, the design protection and the technology involved in patents, in principle should not be perceived differently by users in different markets or speaking different languages. As a result, a finding of infringement should not be biased by national languages or market conditions as opposed to what may be the situation with regards to trademarks and copyrights<sup>48</sup>.

A further reason for selecting Apple v Samsung rather than Budweiser as a case study, is the fact that the parties in the Budweiser cases are seen as David and Goliath<sup>49</sup>, because of their very different positions in the market. This is not the case with Apple and Samsung, since they are fighting each other at a more equal footing in terms of their place in the technology market<sup>50</sup>.

I also considered comparing the study case with the software litigation between Apple and Microsoft. This litigation started in the late 1980's and it finished only on 1997. The CEO of each of these companies, Steve Jobs and Bill Gates didn't become friends after this litigation

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<sup>48</sup> van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

<sup>49</sup> Janicek, K. 2012. Budweiser vs Budvar, battle continues to brew. *The Huffington Post, US edition*. <[http://www.huffingtonpost.com/2012/12/18/budweiser-vs-budvar\\_n\\_2322123.html](http://www.huffingtonpost.com/2012/12/18/budweiser-vs-budvar_n_2322123.html)>.

<sup>50</sup> Samsung it is actually a broader company, but this comparison it's made from the perspective of the technology field only. A broader analysis of the companies, will be done in Chapter II.

nor enemies, instead, they focused on new products<sup>51</sup>. The way the controversy ended was in the signing of a stock preference agreement by the parties.

Two main ideas were developed from the analysis of this case: the fact that the creative part of the companies focused on keeping up with the development of new products, without the ongoing litigation affecting on it, and the fact that it actually ended with the parties signing an agreement. Nevertheless, in the end the conclusion was that the case itself did not provide further substance of analysis, especially given the changes in the litigation procedures in the last 15 years.

Once the study case was decided, it was important to consider the national court decisions, in order to compare what were the factors that the judges took into account to make the judgments. First, I will talk about the jurisdictions that were chosen for this, and then I will explain the specific issues that were analyzed from the Court decisions.

As main examples, I chose the cases in the US and the UK and make a deeper examination of them. The first reason for this was due to the understanding that I have of the language in which they are written. Taking into account the languages that I can read, I considered bringing into the comparison the case in Spain. However the Spanish court decided to stay the proceedings in some of the actions of Apple v Samsung. Hence, it was decided that it would not bring anything new to the law arguments of the thesis.

The German and the Netherlands decisions were not analyzed in depth because of language barriers. However, these two were deemed important to mention, due to the significance and their impact on the case in Europe. Their analysis is based on the reports of the cases in English.

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<sup>51</sup> Barret, P. M. August, 2012. Apple vs Samsung: The Longer View. *Bloomsberg Business week*. <<http://www.businessweek.com/articles/2012-08-30/apple-vs-dot-samsung-the-longer-view>>.

I will now lay down the points of reference to study and compare the cases in the UK and the US:

- a) The definition of the IPR in question (either design or patent), in order to identify whether the understanding of the IPR was the same in those jurisdictions.
- b) The content of the applicable law. This allowed the analysis to compare the law in which the parties were basing their claims. It is important to remember that the facts were very similar in each of the jurisdictions. Actually this is one of the reasons why the case was chosen as a case of study.
- c) The test applied. In order to determine whether there has been an infringement, according to the applicable law, the Courts apply a test to see whether the accused object would fit with what the law describes as a case of infringement.
- d) The approach of the judge. The method that the judge followed to apply the test to the allegedly infringer and render a decision.
- e) The preliminary injunction procedure.
- f) The enforcement of the judgments.

Taking these factors into account, I draw conclusions on the differences between the substantive points of reference in the different jurisdictions. The analysis showed that the scope of protection of the IPRs is very similar.

Once the similarities and differences in the national procedures have been laid out, I analyze how a cross-border dispute is solved in the context of Community rights in the European Union. In the EU the inventors or designers can decide whether to apply for national or community protection of their IPRs.

For the analysis of the patents, I chose the dispute surrounding the 3G technology that belongs to Samsung. An unexpected shift surrounding this patent, is that during the course of the litigation, it became declared a Standard Essential Patent (SEP). Given the overlapping of this type of patents with Competition Law, it was included a reference of the decisions of the US and the EU authorities. Nevertheless, the study was limited to a brief analysis of the decisions in relation to their impact with the Court procedures without analyzing the competition law grounds of the decisions, as this was considered beyond the scope of this thesis.

I first analyzed the procedure on the Patents that has encountered transformations during the writing of this thesis. I lay out in general how the European Patent Convention system works. This can be summarized as a system of a single application that can give the applicant a bundle of national courts. In February 2013 the Unitary Patent Convention was signed by several but not all of the countries in the EU. The convention has not yet been completely ratified at the moment of writing (except for a couple of countries). If it gets ratified, it will imply the creation of a European Patent with Unitary effect and of a Unitary Patent Court. Hence, I analyze the essential characteristics of the system and the latest proposal for procedural laws and how this new system, can be especially of help when dealing with cross-border conflicts (such as the one of the case of study Apple vs Samsung).

In this chapter I also explain matters of the preliminary injunction in questions of community patent rights, according to the EPC, and the fact that the cross-border patent disputes can raise questions of competition law. In this respect, I explain the decision of the competition authority in the EU related to the case of Apple and Samsung.

In the last part of this section, I explain how the decisions of the Unitary Patent Court are supposed to be enforced in the EU. Since the UPC is not yet in force, I based the findings of

this section in the several articles published so far, and the material available via the EPC website. Moreover I attended to conferences with patent experts, where the UPC system was analyzed and debated, and the most relevant findings are quoted through this section. For now, the debated issues are just a matter of opinion since the system is still not in force. The conversations, debates at conferences and one-to-one interviews, were of high importance in order to gather enough data that would lead to the analysis to answer the research questions, specifically because there is a lack of cases and practice of the new system. Thanks to these actions, the research now has an analysis of information gathered from a variety of experts and active contributors of the Patent system in Europe: patent lawyers<sup>52</sup>, patent chiefs of innovative companies<sup>53</sup>, patent judges, professors and representatives of the European Patent Office.

For the analysis of the Community Designs Rights, I analyzed the literature and the Regulations in the EU. I complemented the analysis by bringing back the case of study, as an example on how the cross-border litigation of a single Community Design Right is done at present.

In order to test whether a cross-border conflict involving the same parties would work through a single arbitration procedure, I applied the same elements of analysis of the litigation procedure, to the international commercial arbitration practice.

Once I established the advantages for IPR conflicts to be solved through arbitration, I studied the barriers of having a single arbitration procedure for cross-border patent and design disputes. These are the barriers perceived by the author after discussions with several experts in intellectual property litigation. These were not interviews on practice, because the thesis

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<sup>52</sup> From recognized European Law Firms that are specialized in the litigation of patents

<sup>53</sup> Such as Nokia, Bayern, Catherpillar, etc.



is not trying to assess why the arbitration hasn't been used so far, but rather to understand how arbitration might be useful for this type of conflicts. Hence, for this analysis, the thesis tries to understand the in-depth perception of a small number of people that are highly specialized. The data gathered from the discussions with experts allowed to test the usefulness of arbitration regarding the problem studied in the thesis. The research added to the understanding of the hypothesis that arbitration could be the ideal and single means to solve a multijurisdictional conflict of patents or designs between the same internationally-based parties.

A limitation to the scope of the study is that the time efficiency of arbitration was not part of it, because it was not considered to be necessary for the legal analysis. Moreover, it is difficult to obtain data regarding the arbitration procedures, given the confidentiality of the cases. Further, there has been no analysis of the rules of evidence in arbitration because this was not considered to be too different in respect of the procedures in court.

A final barrier that was identified, is that there are no publications of arbitration decisions of this type of conflicts, hence the research had to be done on the basis of analysis of doctrine, laws and procedural rules of arbitration.

In the following section starts part A, above described.

## **Part A: Litigation of Patent and Design Cross-border Disputes in National Courts**

Part A encloses chapters II and III of this thesis and will analyze the litigation of cross-border disputes involving patents and designs. Chapter II studies litigation from the perspective of national courts. Chapter III, discusses the litigation from the perspective of the Community rights and Community Courts in the European Union.

### **Chapter II. National Litigation of Intellectual Property Rights**

#### **1. Introduction**

This chapter will examine the litigation in mainly two different jurisdictions of a cross-border conflict involving the same patents and designs. Apple v Samsung will be used as the case example in order to carry out this analysis. As explained in the introduction of the thesis, in the interest of doing a comparative approach, it was chosen to follow only one of the claims for infringement between the parties. For the patents, the case regarding the 3G technology, owned by Samsung. For the designs, the claim over the protection of the iPad's design, owned by Apple. The examination will focus on the litigation cases in the United States and the United Kingdom. For each of the jurisdictions, the applicable law in patent and design cases is analyzed and the approach of the judges to that law. In addition, it will examine the law and procedures relating to preliminary injunctions. In those cases where judgment has been given, I will explain the judgment delivered by the court and whether or not it has been enforced.

Finally, aspects from the German and the Dutch patent and design cases, will be studied, given that the decisions in those Courts illustrate important elements for the hypothesis of the thesis and, as it will be pointed out, had an impact outside of their jurisdictions.

The purpose of this chapter is to identify how a case that essentially involves the same parties, based on the same facts, was analyzed by courts of different jurisdictions. It will reveal what are arguably the similarities in the applicable laws of IPRs, which are becoming harmonized ever since the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) was signed. As we will see, the interpretation of the rules differs across the jurisdictions, in part because the judges have to follow the case law developed in their respective countries. These differences cause the absence of consistency in the judgments.

Before engaging in analysis of the national litigation procedures, I will explain some basic facts about the case of study.

## **1.1 The parties in the case of study**

At the outset, it is important to mention the magnitude of the companies that are involved in the conflict that will be analyzed.

On one hand we have Apple, which was formed in April 1976, by Steve Jobs and Steve Wozniak<sup>54</sup>, and as of February of 2012 the company had roughly 15,500 patents<sup>55</sup>. In 2013 the company's total research and development expense was \$4.5 billion (USD)<sup>56</sup>, and it was reported to have around 80,000 employees<sup>57</sup>.

On the other hand, Samsung is an older company, it was founded in 1938. By 1969 it had funded Samsung Electronics (which is the party in the conflict of the case of study)<sup>58</sup>. By

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<sup>54</sup> Weyhrich, S. Apple 2 History. <<http://apple2history.org/appendix/ahb/ahb1/>>.

<sup>55</sup> McGrath, D. February 29, 2012. Report details Apple's patent holdings. *EE Times*. <[http://www.eetimes.com/document.asp?doc\\_id=1261292](http://www.eetimes.com/document.asp?doc_id=1261292)>.

<sup>56</sup> March, 2014. Apple Inc (APPL: NASDAQ GS): Company Description. Bloomberg Businessweek: <[http://investing.businessweek.com/research/stocks/snapshot/snapshot\\_article.asp?ticker=AAPL&page=4](http://investing.businessweek.com/research/stocks/snapshot/snapshot_article.asp?ticker=AAPL&page=4)>.

<sup>57</sup> Money, C. January, 2014. Apple Inc (NASDAQ: APPL), Company Description. <<http://money.cnn.com/quote/profile/profile.html?symb=AAPL>>.

<sup>58</sup> Samsung's History. *Corporate Profile*. <<http://www.samsung.com>>.

2013, it reportedly had 240 000 employees<sup>59</sup>. The scope of the products is far larger than that of Apple. Between June 2012 and June 2013, Samsung invested around \$10.4 billion (USD) in research and development. This was not invested in the smartphones and tablets alone, but across the whole business, which covers a vast number of areas<sup>60</sup>.

Taking into account the size and influence in the technology market of these two companies, it is important to point out their high reliance on one another. For instance, according to the Bloomberg supply-chain analysis, in the year 2012, 8.8% of Samsung's revenue (approximately \$7.5 million USD) came from Apple, since the Californian company is the Korean's largest customer<sup>61</sup>.

Moreover, ahead of the launch of the iPhone in 2007, Apple asked Samsung to provide a microprocessor that would act as the brain of the device. Samsung became the manufacturer of the logic memory chips which are the heart of the iPhone and iPad<sup>62</sup>. It is irrefutable that those products generated great profit for Apple, and, as pointed out by Samsung during the procedures in the U.S., about 20% of the iPhone is comprised of Samsung technology<sup>63</sup>.

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<sup>59</sup> June 28, 2013. Sustainability Report 2013. Samsung Electronics:

<[http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/download/2013/2013\\_Sustainability\\_Report.pdf](http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/download/2013/2013_Sustainability_Report.pdf)>.

<sup>60</sup> According to the Booz & Company report, see Vince October, 2013. Samsung ranks second in R&D spending for 2013. <<http://blog.gsmarena.com/samsung-ranks-second-as-top-rd-spender-intel-and-microsoft-close-by/>>., Also with the same data: Mogg, T. July 4, 2013. Samsung looks to the future with \$4.5 billion investment in five new R&D centers. *Digital Trends*.

<<http://www.digitaltrends.com/mobile/samsung-to-invest-4-5-billion-in-five-new-rd-centers/#!BAVvh>>.

<sup>61</sup> Samsung became the sole manufacturer of a series of chips that are the heart of the iPhone and the iPad, See King, I. and Satariano, A. August, 2012. Apple Ties to Samsung in Sharp Contrast to Courtroom Clash. *Bloomberg Technology*. <<http://www.bloomberg.com/news/2012-08-07/apple-ties-to-samsung-in-sharp-contrast-to-courtroom-clash.html>>.

<sup>62</sup> King, I. and Satariano, A. August, 2012. Apple Ties to Samsung in Sharp Contrast to Courtroom Clash. *Bloomberg Technology*. <<http://www.bloomberg.com/news/2012-08-07/apple-ties-to-samsung-in-sharp-contrast-to-courtroom-clash.html>>.

<sup>63</sup> King, I. and Satariano, A. August, 2012. Apple Ties to Samsung in Sharp Contrast to Courtroom Clash. *Bloomberg Technology*. <<http://www.bloomberg.com/news/2012-08-07/apple-ties-to-samsung-in-sharp-contrast-to-courtroom-clash.html>>.

In August of 2010, Apple sent a warning letter to Samsung, stating that their phones and tablets were infringing Apple's patents. The companies met later in October of the same year, trying to work out a license deal<sup>64</sup>. Nevertheless, the companies did not agree on a license, and in April 2011 Apple initiated an action against Samsung<sup>65</sup>. This claim triggered an unprecedented patent war, where the companies sued each other in more than 10 countries<sup>66</sup>. Partners in business and enemies at Court, hence the relationship between the two companies was defined as "frenemies": a conjunction of the words "friends" and "enemies"<sup>67</sup>.

Finally, it is important to point out the scale of the case of study, according to the New York Times, this two top innovators have actually spent more money on the litigation procedures than on research and development<sup>68</sup>. Furthermore, a simple google search typing "Apple vs Samsung" would give around 416 million of results<sup>69</sup>, due to the high level of coverage by the press (news), academic articles and general blogs referring to the dispute.

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<sup>64</sup> The propositions of this deal can be seen in: Apple's October 5, 2010. Samsung Apple Licensing. *Scribd*. Turpen Fried, Ina: <<http://www.scribd.com/doc/102594989/Samsung-Apple-Oct-5-2010-Licensing>>.,

<sup>65</sup> The writing of the original claim can be consulted in: April, 2011. Apple vs Samsung. *Before the Northern District of California*. <<http://cdn0.sbnation.com/podcasts/apple-samsung-lawsuit.pdf>>.

<sup>66</sup> O'Donnell, J. April 29, 2014. European Union moves to end smartphone patent wars. <<http://www.reuters.com/article/2014/04/29/us-eu-competition-motorola-idUSBREA3S09220140429>>.

<sup>67</sup> See the Huffington post, UK Reuters, Forbes magazine among other sources.

<sup>68</sup> Duhigg, C. and Lohr, S. October 7, 2012 The Patent, Used as a sword. The New York Times..

<sup>69</sup> As of the 14 of April of 2014 using the general google.com web browser, which will mainly show results in English language

<[https://www.google.co.uk/?gfe\\_rd=cr&ei=QThMU\\_LAH43R8geY9oHICQ#q=apple+vs+samsung](https://www.google.co.uk/?gfe_rd=cr&ei=QThMU_LAH43R8geY9oHICQ#q=apple+vs+samsung)>

## **1.2 The facts of the case of study**

As stated in the introduction chapter, there were around 200 patents surrounding the iPhone, when Apple first launched it in 2007. On the other hand, Samsung's Galaxy mobiles and Tablets family was introduced in 2010<sup>70</sup>. The products had a lot of physical similarities, moreover, they both worked on the basis of similar, if not identical technology. The products of both of the companies were sold in the same markets, and given the size of the technology industries the trade was extended all over the world.

Based on the similarities of the products, the Californian Company alleged that Samsung was incurring in infringement of IPRs. As explained above, after the negotiation for license terms failed, Apple decided to sue its Korean competitors on the grounds of infringement of several Intellectual Property Rights.

Several lawsuits and countersuits followed this first one, where both of the parties acted as either claimants or defendants, but they are all based in the facts that one of them owns IPRs, and that the technology or design is being used in devices that are sold by the other company.

## **1.3 The Intellectual Property Rights at stake**

In the introduction chapter, it was explained that the number of patents infringements claimed between the parties escalated together with the number of litigation procedures all around the world. It is difficult to keep a track of all of the IPRs that are at stake in the different National Courts, hence, for the purposes of this thesis, I am going to focus in the

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<sup>70</sup> Apple's Claim April, 2011. Apple vs Samsung. *Before the Northern District of California*. <<http://cdn0.sbnation.com/podcasts/apple-samsung-lawsuit.pdf>>. paragraph 56

analysis of the cases related to the Patents of the 3G technology<sup>71</sup> (owned by Samsung), and the protection over the Design of the Tablets (a design right owned by Apple)<sup>72</sup>.

It is important to note that, the claims between the companies involve matters of infringement of IPRs, questions of validity of the same IPRs and claims for damages and punitive damages (in the US case). This thesis will focus only in the analysis of the infringement and validity questions.

## **2. National Litigation of a Patent Dispute**

When a patent owner is facing a cross-border dispute with a competitor, and is considering where it would be most convenient to bring its claim, they will consider the domino effect: they will try to get a good decision in the first forum so it will influence other forums<sup>73</sup>. Hence they will be likely to choose a forum that will probably be favorable to them. Furthermore, it has been said that litigators will use favourable forums to gather evidence in the first place, to be able to use it in other jurisdictions<sup>74</sup>.

Regarding the patent litigation of the case under study, there were several patents that the parties were fighting for, some owned by Apple, others by Samsung. The first suit was initiated the District Court of California (US), which is the nearest court to Apple's domicile. Given the number of patent disputes going between these parties, for the purposes of this chapter the analysis will be focused on only one of those conflicts, the one related to the 3G technology. I will first discuss the patent litigation in the United

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<sup>71</sup> In a nutshell, "3G" stands for the "third generation" of mobile telecommunications technology and it allows mobile devices to communicate without being connected by wires. Further in the thesis I will explain more on this patent.

<sup>72</sup> The analysis regarding the Design case can be found from page 36 until the conclusion of this chapter.

<sup>73</sup> Thomas September 19, 2013. Inter-Industry debate: International Litigation considerations. In E. P. R. Forum (ed) Managing Intellectual Property: Munich.

<sup>74</sup> Thomas September 19, 2013. Inter-Industry debate: International Litigation considerations. In E. P. R. Forum (ed) Managing Intellectual Property: Munich.

States, and then the litigation in the United Kingdom, and finally make reference to the procedures in Germany and the Netherlands.

## **2.1. Patent Litigation in the United States**

In this section it will be given an overview of the Patent system in the US and it will be explained the complaint of Samsung against Apple. The patent system in the United States is a very complex machinery, and it is not the aim of this thesis to explore it in detail. This section will focus on the type of patent conflict in the case of study and the issues that were described above.

In order to be patentable in the United States, an invention must fall within at least one of the four classes of the subject matters as specified in the 35 U.S. Code<sup>75</sup> paragraph 101: processes, machines, manufactures or compositions of matter<sup>76</sup>. Hence, it can be affirmed that the patentable inventions are given as a positive list leaving the exceptions to the common law.

One of the distinctive characteristics of the patent system in the US is that the patent infringement cases can be brought before a jury if at least one of the parties requests it, except for those cases in which equitable relief is at issue. At the jury trials, the judge is responsible for deciding issues of law (in patent cases this will translate to, i.e. construction of claims), and the jury will be responsible for deciding the disputed issues of fact, applying the law to the facts and finally, determining liability and damages<sup>77</sup>.

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<sup>75</sup> The United States Code, is a consolidation by subject matter of the general and permanent laws of the United States. The Title number 35 is dedicated to the general rules of Patents. See United States Code. In U. H. o. Representatives (ed): <<http://uscode.house.gov/browse.xhtml>>.

<sup>76</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp. <<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>.

<sup>77</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.



In 2011, Apple started a civil action against Samsung for copying its products, before the US District Court for the Northern District of California. I will talk about this claim in section 3 of this Chapter.

Within days of being sued, Samsung brought a counterclaim alleging the infringement of ten patents<sup>78</sup> related to wireless data communications and data transmissions in the production of Apple's devices (iPhone and iPad). At the same time, Samsung filed a complaint before the US International Trade Commission (ITC), about the importation into the US of electronic devices, naming Apple as respondent. Further comment on the decision of this complaint will be done in the enforcement section, on page 64.

### ***2.1.1. Applicable Law in the United States***

Before starting the analysis of the patent litigation in the US, it is important to explain the law that defines the patents in the relevant jurisdiction. I will first start with the statutes that are applicable and how the patent is constructed according to them. In this analysis I

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<sup>78</sup> The U.S. patents in trial are the following:

7,362,867 "Apparatus and method for generating scrambling code in UMTS mobile communication system"

7,386,001 "Apparatus and method for channel coding and multiplexing in CDMA communication system"

7,050,410 "Apparatus and method for controlling a demultiplexer and a multiplexer used for rate matching in."

7,009,626 "Systems and methods for generating visual representations of graphical data and digital document processing"

7,069,055 "Mobile telephone capable of displaying world time and method for controlling the same"

7,447,516 "Method and apparatus for data transmission in a mobile telecommunication system supporting enhanced uplink service"

7,200,792 "Interleaving apparatus and method for symbol mapping in an HSDPA mobile communication system"

7,675,941 "Method and apparatus for transmitting/receiving packet data using predefined length indicator in a mobile communication"

6,928,604 "Turbo encoding/decoding device and method for processing frame data according to QoS"

6,292,179 "Software keyboard system using trace of stylus on a touch screen and method for recognizing"

Consulted on the Staff Reporter 28/04/2011. Samsung vs. Apple Patent Complaint (Full text).

*International Business Times*. <<http://www.ibtimes.com/samsung-vs-apple-patent-complaint-full-text-281597>>. and PriorSmart Patent & IP news archive. <<http://news.priorsmart.com/samsung-electronics-v-apple-l3Y3/#pat-6928604>>.

will include the case law that has been developed in the US regarding the construction of the patents. This will establish the legal platform on which the judge will base the construction of the claim.

*a) Definition of the patent protection*

The protection of patents in the US is a fundamental right given in Title 35 of the Constitution, which provides that: “*Congress shall have the power... to promote the progress of... useful arts, by securing for limited times to... inventors the exclusive right to the their... discoveries*”.

Further regulation of patents is found in the Appendix R of Title 37 of the Code of Federal Regulation of Patent, Trademarks and Copyrights, which contains the Consolidated Patent Rules<sup>79</sup>; and the Consolidated Patent Laws, which are included in Appendix L of Title 35 of the Constitution of the US<sup>80</sup>. As a complement for these laws, there is also the Manual of Patent Examining Procedure (**MPEP**) which contains a series of instructions to examiners regarding the nature of information and interpretation of the procedures when examining a patent application. However, this does not have the force of law<sup>81</sup>.

Finally, it is of relevance to mention the *Leahy-Smith America Invents Act (AIA)*, signed on September 2011, which significantly reformed the US patent law system. It changed the system from a “first to invent” to a “first inventor to file” scheme and developed the post-grant opposition<sup>82</sup>. These changes help the US align with international norms, hence

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<sup>79</sup> Consolidated Patent Rules (appendix R, Title 37 - Code of Federal Regulations Patents, Trademarks and Copyrights). In USPTO (ed): <[http://www.uspto.gov/web/offices/pac/mpep/consolidated\\_rules.pdf](http://www.uspto.gov/web/offices/pac/mpep/consolidated_rules.pdf)>.

<sup>80</sup> Consolidated Patent Laws (appendix L, United States Code 35 - Patents). <[http://www.uspto.gov/web/offices/pac/mpep/consolidated\\_laws.pdf](http://www.uspto.gov/web/offices/pac/mpep/consolidated_laws.pdf)>.

<sup>81</sup> USPTO Manual of Patent Examining Procedure. <<http://www.uspto.gov/web/offices/pac/mpep/index.html>>.

<sup>82</sup> 2011. Leahy-Smith America Invents Act. *H.R. 1249 (112th)*. U.S.A.

aiming for a harmonization of the international patent system<sup>83</sup>. Other than that, it must be pointed out that the United States are also bound from the general TRIPS agreement, hence in their 35 U.S. Code the conditions of patentability (stipulated by TRIPS in the sense that the invention should be new, there must be an inventive step and it should have industrial application) were adopted in paragraphs 102 and 103 of their 35 U.S. Code as a result.

***b) Construction of a patent***

It is important to know how a patent is constructed in the US, because the construction will constitute the basis for its defense. The so called “claims” help in the description of the patent: the goal of the claims is to point out in a particular way the subject matter that the owner regards as his invention<sup>84</sup>.

The first step of the owner in the construction of the patent is, naturally, the application for the patent. Section 112 of the Patent Statute<sup>85</sup> establishes that in the application for a patent, there should be specifications not only describing the invention but also how to make use of it. As stated above, the AIA establishes post-grant review proceedings, meaning that the claims of the patent can be amended after it was granted. The post-grant review may be in the form of opposition or of an *inter partes* re-examination proceeding. They can both be brought up by a third party. Nevertheless, if the patent owner wants to

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<sup>83</sup> USPTO Global impacts of the AIA. <[http://www.uspto.gov/aia\\_implementation/global\\_impacts.jsp](http://www.uspto.gov/aia_implementation/global_impacts.jsp)>.

<sup>84</sup> “The Term ‘claimed invention’ means the subject matter defined by a claim in a patent or an application for a patent” AIA, section 3(j) in <[http://www.uspto.gov/aia\\_implementation/20110916-pub-1112-29.pdf](http://www.uspto.gov/aia_implementation/20110916-pub-1112-29.pdf)> See also “What are claims?” Patent Lens website <<http://www.patentlens.net/daisy/patentlens/2352.html>>, and Radak, D. 1995. Reading and Understanding Patent Claims. *JOM*. <<http://www.tms.org/pubs/journals/jom/matters/matters-9511.html>>.

<sup>85</sup> Consolidated Patent Laws (appendix L, United States Code 35 - Patents). <[http://www.uspto.gov/web/offices/pac/mpep/consolidated\\_laws.pdf](http://www.uspto.gov/web/offices/pac/mpep/consolidated_laws.pdf)>. As amended by AIA

reconsider or correct information that is relevant to the patent, the AIA also gives an opportunity for them to do so, via the post-grant review proceeding<sup>86</sup>.

In the US the patents are construed during and after the patent application before the US Patent and Trademark Office (USPTO). It is important to note that these post-grant review proceedings cannot be initiated if there is an allegation of invalidity pending in a patent infringement action.

Only the judge should decide the construction of a patent claim<sup>87</sup>. He would do so during the Markman hearing, named after the decision *Markman v Westview Instruments, Inc.* 517 U.S. 370 (1996), which established that in the interpretation of patent claims, the determination of its meaning, with respect to the question of infringement, is an issue of law for the judge and not the jury. The Supreme Court made this decision on the basis that the judge is more experienced and trained to determine the scope of the patent and that it should be decided prior to the trial<sup>88</sup>.

In addition to section 112, the patents are also construed taking into account practices from case law, from positions of the USPTO, and occasionally from historical customs that do not have an express legal basis<sup>89</sup>. Nevertheless it had to be taken into account, that once the courts have constructed the patents, based on the claims, neither the parties nor the Courts are entitled to amend the claims during litigation procedures.

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<sup>86</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

<sup>87</sup> Based on the application of a patent and the claims contained, the judge will construct what is the actually being patented.

<sup>88</sup> Mayer, R. L. and Butler, J. M. 2010. United States of America. In J. Busche, M. Trimborn and B. Fabry (eds), *Patent Infringement Worldwide*. Carl Heymanns Verlag.

<sup>89</sup> Mayer, R. L. and Butler, J. M. 2010. United States of America. In J. Busche, M. Trimborn and B. Fabry (eds), *Patent Infringement Worldwide*. Carl Heymanns Verlag.

**c) *Infringement***

As specified above, the AIA changed the way to contend the validity of a patent, as now it provides also for a post-grant opposition procedure that would potentially challenge the validity of the patent. Also, from March of 2013, the AIA provided that the definition of “prior art”<sup>90</sup> includes non-printed and oral disclosures that were made available to the public, anywhere in the world<sup>91</sup>. It is important to note then, that when Apple started the suit against Samsung in the US, the AIA was still not in force, this is why the validity of the Patents was an issue during the trials. As stated above, since the AIA is in force, the patents can be challenged by a post-grant procedure, and not necessarily before the Court.

According to the 35 U.S. Code, § 271, both direct and indirect infringements of patents are penalized. Paragraph (a) of the Code explains that a person who offers to sell, or sells, or imports in to the US an invention will be considered an infringer (direct infringer). On the other hand, indirect infringement is defined in paragraph (b) as the action of a person which induces infringement of patent. This concept of an indirect infringement is also found in the UK<sup>92</sup>.

There are three ways to determine whether there has been a patent infringement: literal infringement, the doctrine of equivalents or prosecution history estoppel.

The literal infringement consists of comparing the allegedly infringing product or process and seeing whether it includes every element of the asserted patent claims<sup>93</sup>. For a finding

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<sup>90</sup> Prior art is composed by any evidence that the invention is already known. Oake Jr., R. G. May 2013. Design Patent Perspective: Prior Art and the Ordinary Observer Test. *IP Today*. <<http://www.iptoday.com/issues/2013/05/design-patent-perspective-prior-art-and-ordinary-observer-test.asp>>.

<sup>91</sup> 2011. Leahy-Smith America Invents Act. *H.R. 1249 (112th)*. U.S.A.

<sup>92</sup> See Section 60 of The Patents Act (1977). In I. v. J. 2014 (ed): <<http://www.ipo.gov.uk/patentsact1977.pdf>>.

<sup>93</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

of literal infringement, the claim must be “readable” on the accused subject matter at issue. Meaning that, if each element of the claim correctly construed is found in the accused subject matter that will constitute literal infringement<sup>94</sup>.

If the product or process is not literally similar to the claim, there might still be infringement under the doctrine of equivalents. The patentee will be able to claim infringement from a device that performs substantially the same function to obtain substantially the same result<sup>95</sup> than its patent. Hence, it can be inferred that there will be infringement if there are insubstantial differences between the elements of the patent claims and the corresponding elements of the claim of the accused product or process<sup>96</sup>. The doctrine of equivalents takes in to account prior art disclosures.

The ‘prosecution history estoppel’ is a judicially created doctrine that, in litigation, means that through the doctrine of equivalents the patent owner will be estopped from recapturing through claims subject matter that he had already surrendered when doing the application before the USPTO<sup>97</sup>.

Regarding our case of study in the United States, Apple claimed that its patents were infringed and the majority of those infringements are related to Android content, to small technical applications. However, the major issue is concerning the patent number 604<sup>98</sup> which is the Quick Search box (also called QSB).

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<sup>94</sup> Mayer, R. L. and Butler, J. M. 2010. United States of America. In J. Busche, M. Trimborn and B. Fabry (eds), *Patent Infringement Worldwide*. Carl Heymanns Verlag.

<sup>95</sup> 1950. *Graver Tank & Mfg. Co. v. Linde Air Products Co.* U.S. Supreme Court, pp. 339.

<sup>96</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

<sup>97</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

<sup>98</sup> Arrouye, Y. and Mortensen, K. Publication date 14/04/2005. Universal interface for retrieval of information in a computer system. In U. P. a. T. Office (ed): United States, pp. 43.

### ***2.1.2. US Approach to Patent Law***

Now that the basic law has been established, I am going to study how the judge approaches the law. As previously explained, in order to construe the patent during the litigation proceedings, there is the need for a ‘Markman hearing’, and most patent infringement proceedings will involve one<sup>99</sup>. The hearing may occur at different times in the proceeding<sup>100</sup>. If during the Markman hearing, the judge makes a construction of the claim that eliminates the possibility of literal infringement, then it is likely that there will be a summary judgment of non-infringement, without the necessity of a trial before a jury<sup>101</sup>.

In general, the patent infringement must be established by a preponderance of the evidence, meaning that in order to prove infringement, there must be a finding that it is likely that what the party is seeking to prove is true.<sup>102</sup>

For a patent to be declared invalid, it must be proved by clear and convincing evidence. Plus it should be highly probable that what the party seeks to prove is true. This is a higher burden of proof that comes as a result of the statutory presumption that patents issued by the USPTO are valid<sup>103</sup>.

Regarding the case of study, Samsung filed for infringement of patents against Apple, before the Californian Court, among the claims it was the 3G Patent<sup>104</sup>. Nevertheless, on

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<sup>99</sup> Mayer, R. L. and Butler, J. M. 2010. United States of America. In J. Busche, M. Trimborn and B. Fabry (eds), *Patent Infringement Worldwide*. Carl Heymanns Verlag.

<sup>100</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

<sup>101</sup> Mayer, R. L. and Butler, J. M. 2010. United States of America. In J. Busche, M. Trimborn and B. Fabry (eds), *Patent Infringement Worldwide*. Carl Heymanns Verlag.

<sup>102</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

<sup>103</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional Comparisons)*. London, pp. 493-511.

<sup>104</sup> Defined as the U.S. Patent Number 6,928,604 on a “turbo encoding/decoding device and method for processing frame data according to QoS” Park, Chang-Shoo, J., Jong-Ho, L. and Hyeon-Woo 6,928,604. In USPTO (ed) Samsung Electronics Co., Ltd.: US.

July of 2012 Samsung decided to withdraw this Patent from the trial against Apple in San Jose<sup>105</sup>.

### ***2.1.3 Injunctions in the United States***

Having established the basic sources of law and the way to approach it during patent litigation, it is important to discuss a very important procedure: the injunction action. The injunction is a key procedure that will help the patent owner to stop immediately the reproduction, commercialization, or general infringement of his protected item. In this section, I will explain first what the court requires in the US to grant an injunction order. Then, this will be illustrated in the case of study Apple vs Samsung.

A patentee seeking a preliminary injunction must establish, first, that he is likely to succeed on the merits, second that he is likely to suffer irreparable harm in the absence of preliminary relief, third that the balance of equities tips in his favor, and finally that the grant of the injunction is in the public interest<sup>106</sup>. In order to decide whether a party should be granted a preliminary injunction in the realms of the Patent Act, the court should base its analysis on the likelihood of success and irreparable harm factors.

In the case of study, since Apple was accusing Samsung of infringing four of the Apple's patents<sup>107</sup>, it also filed a motion for a preliminary injunction, seeking to share the revenues

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<sup>105</sup> Mueller, F. July 23, 2012. Samsung drops one more patent ahead of next week's Apple trial. *FOSS Patents*. <<http://www.fo SSPatents.com/2012/07/samsung-drops-one-more-patent-ahead-of.html>>.

<sup>106</sup> 2012. 695 F.3d 1370. US Court of Appeals, Federal Circuit.. The decision to concede or not a preliminary injunction in the US, is based in the case *Winter v. Natural Res. Def. Council Inc.*, 555 U.S. 7, 20 and 129, where it is stated that:

“A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest”.

These requirements were also set up in the *eBay Inc. v MercExchange, LLC* case.

<sup>107</sup> This is a reference to the initial case, although ever since the dispute started, there has been more claims coming from Apple and regarding patents in the new Samsung products.



of the sales of the Samsung product (Galaxy Nexus). However, the District Court only granted an injunction in relation to the infringement of only one of its patents (the 604)<sup>108</sup>. In order to decide whether a party should be granted preliminary injunction in the realms of the Patent Act, the District Court should base its analysis on the likelihood of success and irreparable harm factors.

In regards with the case of study, Apple has continued trying to get injunctions to ban Samsung's products from the market. Nevertheless it has not been successful in its pleadings, and the market position of Samsung's technology products has been increasing<sup>109</sup>. The last one to be rejected was on August 2014, where Judge Lucy Koh rejected Apple's arguments trying to ban Samsung smartphones, even though they were found to violate Apple's patent rights<sup>110</sup>. The decision was based on the fact that a permanent injunction on a certain line of Samsung's products was not warranted, given that the claimant has already secured enough from the defendant, hence the irreparable harm was not demonstrated<sup>111</sup>.

It is important to note that none of the injunctions that Apple has asked for, have been granted so far. The Federal Circuit pronounced against the bans that Apple was looking for<sup>112</sup>.

In the following section the enforcement of decisions will be discussed.

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<sup>108</sup> 2012. 695 F.3d 1370. US Court of Appeals, Federal Circuit. p. 1373

<sup>109</sup> According to the Wall Street Journal, even when Apple maintains the lead in the U.S. smartphone market, the second place is held by Samsung. See Beckerman, J. June, 2014. Apple Keeps U.S. Smartphone Market-Share lead, but Samsung gains ground. <<http://online.wsj.com/articles/apple-maintains-u-s-smartphone-market-share-lead-but-samsung-gains-ground-comscore-reports-1401830291>>.

<sup>110</sup> In May 2014, a Federal jury decided that Samsung should pay \$120 million of US dollars in damages for copying the iPhone technology. See Mintz, H. August, 2014. Apple vs. Samsung: Judge refuses ban on Samsung smartphones. *San Jose Mercury News*. <[http://www.mercurynews.com/business/ci\\_26417310/apple-vs-samsung-judge-refuses-sales-ban-samsung](http://www.mercurynews.com/business/ci_26417310/apple-vs-samsung-judge-refuses-sales-ban-samsung)>.

<sup>111</sup> Mintz, H. August, 2014. Apple vs. Samsung: Judge refuses ban on Samsung smartphones. *San Jose Mercury News*. <[http://www.mercurynews.com/business/ci\\_26417310/apple-vs-samsung-judge-refuses-sales-ban-samsung](http://www.mercurynews.com/business/ci_26417310/apple-vs-samsung-judge-refuses-sales-ban-samsung)>.

<sup>112</sup> Mueller, F. December 3, 2011. Denial of US preliminary injunction against Samsung shows low strategic value of Apple's design patents. *FOSS Patents*. <<http://www.fosspatents.com/2011/12/denial-of-us-preliminary-injunction.html>>.

### ***2.1.4 Judgment and Enforcement in the United States***

As we have seen, since 2011 there have been several procedures regarding the patents of Samsung and Apple in the US. Even though some of the cases have concluded, they have been appealed and up until the point of writing, the decisions have not been enforced, and there has not been a payment of damages by any of the parties. Regarding the 3G Patent, Samsung took it out of the litigation in the US in early stages of the procedure<sup>113</sup>.

Nevertheless, regarding this patent, Samsung had also initiated another procedure in the US, before the International Trade Commission (USITC). Given the importance of the decision in this procedure, I will now explain further about it.

#### ***The USITC Decision***

While disputing with Apple in the courts, Samsung filed a complaint against Apple before USITC in August 2011. The complaint alleged that there were violations of section 337 of the *Tariff Act*, due to the infringement of several US patents owned by Samsung by certain electronic devices from Apple. Without making an exhaustive analysis of the allegations, I will point out several elements of the decision.

The USITC determined that Samsung proved that the iPhones 4, 3GS and 3 and the iPads 3G and 2, infringed the claims of the patent '348 belonging to Samsung<sup>114</sup>. Apple tried to invalidate the patent but was not able to prove that the construed claims should be void. On the other hand, Samsung proved that it has a domestic industry in the US with respect

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<sup>113</sup> Mueller, F. July 23, 2012. Samsung drops one more patent ahead of next week's Apple trial. *FOSS Patents*. <<http://www.fo SSPatents.com/2012/07/samsung-drops-one-more-patent-ahead-of.html>>.

<sup>114</sup> Patent '338 cover "An apparatus and method for encoding/decoding transport format combination indicator in CDMA mobile communication system" 2013. Inv. No. 337-TA-704. United States International Trade Commission: <[http://www.usitc.gov/secretary/fed\\_reg\\_notices/337/337-794\\_notice06042013sgl.pdf](http://www.usitc.gov/secretary/fed_reg_notices/337/337-794_notice06042013sgl.pdf)>.

to that patent, and Apple failed to prove an affirmative defense based on FRAND declarations<sup>115</sup>.

FRAND stands for “fair, reasonable and non-discriminatory” and it refers to a series of terms that must be content in the licenses of patents that are considered to be essential. It is important to note that given the features of the telecommunications patents, and the complexity to link the network<sup>116</sup>, it is understandable, that there should be compulsory licenses so that all the competitors in the markets can make use of the right holder’s patents. In the following chapter I will explain a bit more on the FRAND impact, but this thesis in general does not make a deep analysis of them, except for a similar analysis of the decision of the European authority in this respect<sup>117</sup>. For the moment, I will continue with the reference to the USITC decision in this matter.

There were other violations alleged by Samsung, referring to the infringement of the patents ‘644, ‘980 and ‘114. However the USITC considered that the claims of those patents were not infringed. Nevertheless, given that the patent ‘348 was found infringed, the USITC stated that the appropriate remedy should be to issue an exclusion order and a cease-and-desist letter prohibiting Apple from importing into the US or selling or distributing in this territory its devices, including portable music products, and data processing and tablet computers which were all found to infringe claims of the ‘348 patent<sup>118</sup>.

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<sup>115</sup> 2013. Inv. No. 337-TA-704. United States International Trade Commission: <[http://www.usitc.gov/secretary/fed\\_reg\\_notices/337/337-794\\_notice06042013sgl.pdf](http://www.usitc.gov/secretary/fed_reg_notices/337/337-794_notice06042013sgl.pdf)>..

<sup>116</sup> Radcliffe, J. and Sproul, G. December 2011. FRAND and the smartphone wars. *Intellectual Property Magazine*. <<http://www.intellectualpropertymagazine.com/>>.

<sup>117</sup> See Chapter III, section 2.3.1 Pan-European Injunctions in the EPC

<sup>118</sup> 2013. Inv. No. 337-TA-704. United States International Trade Commission: <[http://www.usitc.gov/secretary/fed\\_reg\\_notices/337/337-794\\_notice06042013sgl.pdf](http://www.usitc.gov/secretary/fed_reg_notices/337/337-794_notice06042013sgl.pdf)>.

After USITC reaches a decision, it is then reviewed by the US president (in this case Mr. Obama) and the US Trade Representative, whom in 60 days have to decide whether to veto USITC's decision. Those veto are rare, and before this case, they had only happened 5 times since the 1980's<sup>119</sup>. Not surprisingly, the decision was vetoed by the Obama Administration. The reasons for the veto, roughly explained, were: that the 3G patents were considered to be "standards essential patents" (SEP), considering that the owners of such patents made a voluntary commitment to license them on fair, reasonable and non-discriminatory terms. The government also expressed its concern on the effect for the competitive conditions of the US economy and regarding the impact on consumers<sup>120</sup>. This was a very controversial decision from the Obama Administration, given the fact that USITC had determined that Apple failed to prove the FRAND-related defenses. USITC concluded that public interest did not prevent the issuance of a limited exclusion order, which is why they provided a cease-and-desist order against Apple<sup>121</sup>. A further analysis regarding the significance of the FRAND-related issues will be presented in the arbitration chapter.

Regarding the veto from Obama's office of USITC'S decision, Samsung and others commented that the veto disappoints decades of settled expectations on the part of patent holders seeking to stop the importation of infringing products<sup>122</sup>. Arguably, the veto comes really from a commitment of the government to protect their national enterprises,

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<sup>119</sup> June, 2013. ITC issues exclusion order against Apple based on infringement of Samsung 3G-essential patent (Inv. No. 337-TA-794). *Essential Patent Blog*. Kelley Drye Intellectual Property: <<http://www.essentialpatentblog.com/2013/06/breaking-itc-issues-exclusion-order-against-apple-based-on-infringement-of-samsung-3g-essential-patent/>>.

<sup>120</sup> August, 2013. US government overturns ITC Apple Samsung patent ruling. <<http://www.worldipreview.com/news/us-government-overturns-itc-apple-samsung-patent-ruling>>.

<sup>121</sup> June, 2013. ITC issues exclusion order against Apple based on infringement of Samsung 3G-essential patent (Inv. No. 337-TA-794). *Essential Patent Blog*. Kelley Drye Intellectual Property: <<http://www.essentialpatentblog.com/2013/06/breaking-itc-issues-exclusion-order-against-apple-based-on-infringement-of-samsung-3g-essential-patent/>>.

<sup>122</sup> Sutton, P. J. September, 2013. Obama administration unsettles patent bar. *World Intellectual Property Review*. <<http://www.worldipreview.com/article/obama-administration-unsettles-patent-bar>>.

rather than from a legal reason. It is submitted that the result might have been different if it was not such a big and successful US company involved<sup>123</sup>.

To summarize, after 4 years of litigation not all of the procedures have been decided and none of them have been enforced. Neither company has yet seen a penny of the money that was awarded, nor a change in the market distribution of the devices from the other company. It could be said that they are still in the same position as they were before starting, except for the money spent for the course of the litigation. It is interesting to note, however, that nevertheless the business between the two companies has continued over these years.

Having summarized the law and events in the US, I will now look at the situation in the United Kingdom.

## **2.2. Patent Litigation in the United Kingdom**

In order to compare what are the elements in the litigation of a patent in the UK, it is first necessary to understand what it is considered to be patentable under UK law. In this country, a patent will cover products or processes that contain “new” functional or technical aspects, which are concerned with how things work, how they are made or what they are made of<sup>124</sup>. As in any other country member of the European Patent Convention, in the UK, patents may be granted by either the European Patent Office or by the national Intellectual Property Office.

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<sup>123</sup> This issue supports one of the arguments of this thesis in relation to Arbitration securing neutrality avoiding predilection for the local Enterprises.

<sup>124</sup> (UK), I. P. O. 2013. Patents: basic facts (booklet). <<http://www.ipo.gov.uk/p-basicfacts.pdf>>. p.6

Regarding the case of study, after Apple started procedures in the US, Samsung initiated a claim before the Patents Court of the UK. Patent proceedings are heard in a specialist Patent Court which is a division of the High Court, or the Patents County Court. If a case is considered to be more complex or if it is of high value, it will be heard before the Patent Court, as in the case of Apple vs Samsung<sup>125</sup>.

### ***2.2.1. Applicable Law in the United Kingdom***

The following paragraphs will set out what the statutes say regarding the protection of patents, along with important aspects that are given by the case law which complements the statutes. These will then be discussed in the context of the case of study.

#### ***a) Definition of the patent protection***

The *Patent Act* of 1977 describes the conditions required for an invention to be patentable. Section 1 stipulates the invention must be new, involve an inventive step and be capable of industrial application. These three elements, are the same requirements that the European Patent Convention (EPC) applies<sup>126</sup> and the same laid out by the TRIPs agreement<sup>127</sup>.

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<sup>125</sup> In the UK, Samsung alleged infringement of three patents by Apple. Such infringements constitute the 3G technology, patents numbers:

- a) 1,005,726 (called in the trial patent “726”), turbo encoding device and method for processing data according to QoS
- b) 1,357,675 (patent “675”) apparatus and method for channel coding and multiplexing in a CDMA communication system; and
- c) 1,714,404 (patent “404”).apparatus and method for allocating OVSF codes and I/Q channels for reducing peak to average power ration for transmitting data via enhanced uplink dedicated channels in WCDMA systems.

See (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para 3 & 159; see also (2013) EWHC 468 (Pat). High Court of Justice, Patents Court. para. 3

<sup>126</sup> These are the same three requirements done by the European Patent Convention in its article 52.

<sup>127</sup> Article 27 of TRIPs, Patentable subject matter. World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights. <[http://www.wto.org/english/tratop\\_e/trips\\_e/t\\_agm0\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm)>.

According to section 2 of the *Patent Act*, in the UK, an invention will be considered to be “new” if, it does not form part of the state of the art<sup>128</sup>. Section 2(2) defines that the state of the art, will comprise all matter which has been made available to the public anywhere (not only in the UK) before the priority date of that invention. Hence, it can be said that the definition of “novelty” comprises the concept of “state of the art” and in order to define the state of art, one will have to define the “priority date”. Section 5, establishes that the priority date of an invention is the date when the application was filed, and it establishes several exceptions to this rule. .

One of the exceptions is pointed in section 5(2)(a) which establishes that if a declaration is made in connection with the application for a patent, then the priority date will be, instead of the date of filing the application, the date of the declaration (disclosure). A corresponding provision can be found in article 87(1) of the European Patent Convention, which says that priority may be derived from an earlier application in respect of the “same invention”<sup>129</sup>.

It is important to note that the question of priority was one of the key issues analyzed in *Samsung vs Apple in the UK*<sup>130</sup>. Samsung alleged that Apple infringed its patents while the Californian enterprise counterclaimed the validity of Samsung’s patents. Samsung had claimed that the priority dates for its patents were the dates on which it submitted applications for patent protection in Korea, while the Californian Company pleaded objections to those priority dates.

Justice Floyd clarified the differences between the legal test for determining a patent’s novelty (whether the patent is new over a previous disclosure) and the legal test for determining its priority date (whether a patent is entitled to rely on an earlier publication as the relevant disclosure of the invention).

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<sup>128</sup> Article 54 of the EPC has the same reference as to novelty

<sup>129</sup> See *Meimmune Limited v Novartis Pharmaceuticals Limited* [2012] EWCA Civ 1234, para. 151-154

<sup>130</sup> *Samsung v Apple* [2013] EWHC 467 (Pat) and *Samsung v Apple* [2013] EWHC 468 (Pat)

Continuing with the analysis of validity, in order to define whether the invention involves an inventive step, it is necessary to take into account its nature. In *Apple vs Samsung*, Justice Floyd quotes Lord Hoffman in *Biogen Inc v Medeva plc* (1997), who stated an inventive step is done when there is an addition or a new idea to the existing stock of knowledge.

Furthermore, in another case, Lord Hoffmann added that the understanding of what constitutes an inventive step implies that the invention was not “obvious<sup>131</sup>”. The obviousness must be decided on an objective test. A structured approach to this objective test is the one taken by the Court of Appeal in *Pozzoli v BDMO* (2007) EWCA Civ 588; (2007) FSR 37, involving the following steps:

“(1) (a) Identify the notional ‘person skilled in the art’

(b) Identify the relevant common general knowledge of that person;

(2) Identify the inventive concept of the claim in question or if that cannot readily be done, construe it;

(3) Identify what, if any, differences exist between the matter cited as forming part of the ‘state of the art’ and the inventive concept of the claim or the claim as construed;

(4) Viewed without any knowledge of the alleged invention as claimed, do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?”

Hence, as can be seen from point number 3 above, the objective test requires that there is an understanding of what is the state of art. The House of Lords in the case *SmithKline Beecham Plc’s (Paroxetine Methanesulfonate)* established that in order to consider

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<sup>131</sup> “The question of obviousness must be considered on the facts of each case. The Court will have to consider the weight to be attached to any particular factor in the light of all the relevant circumstances. These may include such matters as the motive to find a solution to the problem the patent addresses, the number and extent of the possible avenues of research, the effort involved in pursuing them and the expectation of success.” 2007. *Generics (UK) Ltd v H Lundbeck A/S. RPC 32*. First Instance. para 72.



something as part of the state of the art, there are two requirements: disclosure and enablement.

i) Disclosure. In order to determine whether there has been a disclosure, there is an infringement test that was given by the Court of Appeal in *General Tire & Rubber Company v Firestone Tyre & Rubber Company Limited* (1972) RPC 457. The test specifies that to constitute prior disclosure, the matter relied upon must disclose subject matter which, if performed, would necessarily result in infringement of the patent. It has also been stated a disclosure which is capable of being carried out in a manner which falls within the claim, but is also capable of being carried out in a different manner, will not anticipate, but may be the basis of, an obviousness attack<sup>132</sup>.

ii) Enablement. This requires that an ordinary skilled man would be able to perform the disclosed invention if he attempted to do so by using the disclosed matter and common general knowledge<sup>133</sup>.

### ***b) Construction of the Patent***

In order to construct what it is protected by a patent, the UK system follows the guide of the EPC in the matter. In article 69, the EPC establishes that the extent of protection of a patent is determined by the claims. Furthermore, the description and drawings will be used to interpret such claims, so the claims are constructed in context<sup>134</sup>. Article 84 of the EPC states that the 'claims' will define the matter that will be protected with the patent.

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<sup>132</sup> 2006. SmithKline Beecham PLC's (Paroxetine Methanesulfonate) Patent. House of Lords, pp. 323.

<sup>133</sup> 2006. SmithKline Beecham PLC's (Paroxetine Methanesulfonate) Patent. House of Lords, pp. 323.

<sup>134</sup> This is defined in the Protocol on the Interpretation of Article 69 EPC (as revised on November 2000). The patent is to be interpreted as defining a position combining a fair protection for the patent proprietor with a reasonable degree of legal certainty for third parties

In order to construct a patent, the case *Kirin Amgen v TKT (2005)* RPC 9 in the House of Lords determined that the extent of protection of the patent involves asking what a person skilled in the art would have understood using the language of the claim<sup>135</sup>.

In the UK the claims that constitute a patent may be amended during the Court proceedings –either for infringement or revocation- at the discretion of the Court<sup>136</sup>. This is different from the proceeding in the US, where the claims can no longer be amended during the Court proceeding.

### ***c) Validity and Infringement***

In the UK, the validity of an invention may be challenged by a third party after a patent has been granted, when it does not fulfill the requirements for it to be valid<sup>137</sup>. If the opposition is done before the European Patent office, it will have effect in all the Contracting States in which the patent has effect<sup>138</sup>.

The meaning of infringement of a patent is given from section 60 to 71 of the *Patent Act*. The infringement can occur while the patent is in force or, according to section 69, when the patent application has been published but not granted. According to the manual of patent practice the references to the proprietor of the patent are also extended to the applicant and to an exclusive licensee<sup>139</sup>.

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<sup>135</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 66

<sup>136</sup> *Smith, Kline and French Laboratories Ltd v Evans Medical Ltd* (1989) FSR 561 at 569

<sup>137</sup> See art. 100(a) of 2013. European Patent Convention.

<[http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/\\$File/EPC\\_15th\\_edition\\_2013.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf)>.

<sup>138</sup> Art. 99 2013. European Patent Convention.

<[http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/\\$File/EPC\\_15th\\_edition\\_2013.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf)>.

<sup>139</sup> Intellectual Property Office, U. latest version January 2014. Manual of Patent Practice in the UK.

<<http://www.ipo.gov.uk/downloads/practice-manual.pdf>>.

Whether a patent is infringed or not will depend on how it is construed, taking into account the extension granted to it (as specified by the claims). Section 60(1) of the *Patent Act* prohibits the direct use of the invention, and this is considered to be a substantive infringement. Section 60(2) establishes the indirect use of the invention as a contributory infringement. Finally, subsection (5)(a) describes the acts that are exempted from constituting infringement.

Whether a patent is infringed or not, will depend on how it is construed, taking into account the extension granted to it (as specified by the claims). As described above, the acts that constitute infringement can be defined as direct use of the invention (substantive infringement) and they are described in section 60 of the Patent Act.

The direct use (or substantive infringement) as discussed in section 60(1) has been discussed in several cases in the UK. Several cases have dealt with the activities that represent a direct use, for instance:

a) The repair of a patented product will not be considered to make or manufacture that product, hence it will not constitute an infringement<sup>140</sup>. However, this must be taken with care at the moment of considering whether the action constitutes a repair or a manufacture: this will be analyzed under the scope of the nature of the invention as claimed, and what was done by the defendant<sup>141</sup>.

b) If the patent is protecting a process, and there is a product that is the direct result of the claimed process, then the product is going to be considered an infringement. It was decided that the “direct” word will have the meaning of “without intermediary”, hence if the product results from further material and other steps, it will not constitute infringement<sup>142</sup>.

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<sup>140</sup> See *United Wire Ltd v Screen Repair Services (Scotland) Ltd* (2001) RPC24.

<sup>141</sup> Aldous LJ in *United Wire Ltd v Screen Repair Services (Scotland) Ltd* (2001) RPC24.

<sup>142</sup> Aldous LJ in *Pioneer Electronics Capital Inc and anr. v Warner Music Manufacturing Europe GmbH and anr* (1995) RPC 487.

According to section 60(2), a person A will be liable for indirect infringement if A is providing the means to B, so B can put the invention to work, without having the permission of C, the owner of the patent. Regarding this definition, the case law has established the following:

- a) From the perspective of the end user (in the example, “B”): what was the intention to use the means –provided by “A”- for putting the invention into effect? This means that, if it is “obvious to a reasonable person in the circumstances” that the means they are providing are intended to put the invention into effect, they will be considered to be infringers<sup>143</sup>.
- b) Regarding the requirement of section 60(2), that the invention is put into effect in the UK, it was determined that it did not matter what was the actual location of the infringer product, as long as the function of the invention is in effect in the UK<sup>144</sup>.

As stated above, the acts that are exempted infringements in the UK are described in section 60(5) of the *Patent Act*. Since these exceptions depend on the type of invention that is being protected, all the case law that has been developed regarding the wording of such section is not relevant for the purposes of this chapter.

### **2.2.2. UK Approach to Patent Law**

As stated above, in order to grant a patent the invention must be new, it should involve an inventive step and it must be capable of industrial application<sup>145</sup>. In order to determine whether the invention is new, the scope of the patent has to be set up. As previously stated, the claims ensure that third parties will have no doubts on the subject matter protected by

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<sup>143</sup> See *Grimme v Scott* (2010) EWCA Civ 1110.

<sup>144</sup> See *Menashe Business Mercantile Ltd v William Hill Organization Ltd* by the Court of Appeal (2003) RPC 31.

<sup>145</sup> Section 1 Patent Act 1977

the patent. The claims define the boundaries of patent protection. A patent may have many different claims and because of this, if the court is called upon to decide each issue, patent actions can become unmanageable<sup>146</sup>. The practice of the European Patent Office is that the patentee will have to identify main and auxiliary requests, however the practice in the courts of the UK is that if an earlier claim turns out to be invalid, the patentee is allowed to retreat to a subsidiary claim<sup>147</sup>.

As a matter of practice in order to avoid an unmanageable number of litigation proceedings, the UK courts schedule a management meeting where the patentee has to identify the claims they wish to put forward<sup>148</sup>. In *Apple vs Samsung*, Samsung put forward all of the 25 claims for its patent number 726<sup>149</sup>. The judge in the UK didn't examine each of the 25 claims. Given the pleadings of Samsung, he considered it was enough to examine only 3 of the claims as those would have an impact on the rest<sup>150</sup>.

Once the claims have been established, the judge will analyze whether each the claims are going to be considered valid. Each of the claims are analyzed in the light of a witness declaration from a "person skilled in the art" as per the definition in page 54.

### ***Novelty and Priority test***

The difference between the test of novelty and the test of priority is the following: given the disclosure of A+B+C, in some circumstances, that disclosure will not imply priority for a claim to A or B alone, or to A+B. On the other hand, it will normally deprive a claim of novelty to A, B, and C or A+B

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<sup>146</sup> Justice Floyd in (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para.60

<sup>147</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 60

<sup>148</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 60

<sup>149</sup> "Samsung... (said) that each of the 25 claims had independent validity..." (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 61

<sup>150</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. Para. 62-63

So if the release of A+B+C was done by an X individual, and the claim of A, B or C alone (or the mere combination of A+B) is done by a Y individual, the patent of Y may ask for priority but not for novelty<sup>151</sup>.

The **test of novelty** then, can be understood as meaning that there will not be novelty if the earlier document would fall directly and unambiguously within the monopoly granted by the patent claim – in other words, if the earlier disclosure would infringe the one that is claimed now<sup>152</sup>.

The **test of priority** has more substance and it's less formal. Justice Floyd explains that the test consists in determine whether the disclosure document as a whole, enables and gives the skilled person the subject matter of the relevant claim directly and unambiguously. <sup>153</sup>.

### ***Obviousness***

The approach explained above was taken into account in Apple vs Samsung: first Justice Floyd identified a person skilled in the art and the common general knowledge. Then the inventive concept of the contended claims was construed taking the amendments in to account<sup>154</sup>.

### ***Infringement***

In Apple vs Samsung, the analysis of infringement was not studied in depth. Samsung argued infringement of patent 404. Apple did not defend the argument with the evidence

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<sup>151</sup> Ibid para. 105

<sup>152</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. Para. 107

<sup>153</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. Para 182

<sup>154</sup> (2013) EWHC 468 (Pat). High Court of Justice, Patents Court. Para.104- 106

presented by Samsung, and the judge declared that the actions of Apple did constitute an infringement<sup>155</sup>.

Regarding the patent 726, Apple responded to the accusation of infringement but Justice Floyd considered that its defense was inadequate<sup>156</sup>. Apple also tried to put forward a decision from a German court. The Judge's treatment of the German decision is mentioned in section 2.3.1 of this Chapter. In the end, even though the patents were declared infringed, they were also declared invalid. Hence, since they did not survive the invalidity action, the declaration of infringement will not have a consequence<sup>157</sup>.

In the case of the patent 675, the demand of Samsung for infringement was abandoned, so only the validity remained at stake.

### ***Reference to other European Decisions***

In the case of the patent 726, around the time of the decision of the UK Patent Court (at the beginning of 2013), there was an ongoing procedure regarding the validity of same patent going in the Bundespatentgericht (German Federal Patent Court). However, only a preliminary opinion had been given, and because of its provisional nature, Justice Floyd decided not to consider it<sup>158</sup>. Regarding the infringement procedure in Germany<sup>159</sup> the Landgericht in Mannheim had already reached a conclusion considering obviousness to aid in the construction of the claim. Even when Justice Floyd mentions this decision, he states that the considerations of the UK Court do not have to and will not be in the same line<sup>160</sup>.

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<sup>155</sup> (2013) EWHC 468 (Pat). High Court of Justice, Patents Court. para. 104

<sup>156</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para 143.

<sup>157</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 201 and (2013) EWHC 468 (Pat). High Court of Justice, Patents Court. para 147.

<sup>158</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 136

<sup>159</sup> The procedure for validity and infringement of a patent takes place in different courts in Germany, see page 18

<sup>160</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK. para. 144

### ***2.2.3. Injunctions in the United Kingdom***

In the UK, applications for interim injunctions in patent matters are heard by the specialist patent judges of the Patents Court division of the High Court, which is the same forum that deals with infringement and validity<sup>161</sup>.

A party can apply for an interim injunction<sup>162</sup> on very short notice and obtain an injunction almost immediately, at the discretion of the Court<sup>163</sup>. In less urgent matters, the hearing should be attended by both parties, and the decision will be given within a couple of weeks<sup>164</sup>.

In order to decide whether the injunction should be granted, the Court will make an assessment of the balance of convenience between the parties. An issue that it is very important is whether the owner of the patent may be compensated by damages for the alleged infringement, if he were to succeed in the trial. If it is possible to be compensated, the grant of injunction will then be unlikely<sup>165</sup>.

If the decision is to grant the injunction, the patentee will need to give an undertaking to compensate the alleged infringer for damages in case that the injunction has been wrongly granted<sup>166</sup>.

### ***2.2.4. Judgment and Enforcement in the United Kingdom***

In the particular case, regarding the patents ‘726 and ‘675 owned by Samsung, the Court decided that they were both lacking priority and therefore considered invalid; even though

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<sup>161</sup> England, P. and Moore, S. 2009. United Kingdom. In D. Wilson (ed) International Patent Litigation.

<sup>162</sup> In cases of extreme urgency, ex parte

<sup>163</sup> England, P. and Moore, S. 2009. United Kingdom. In D. Wilson (ed) International Patent Litigation.

<sup>164</sup> England, P. and Moore, S. 2009. United Kingdom. In D. Wilson (ed) International Patent Litigation.

<sup>165</sup> England, P. and Moore, S. 2009. United Kingdom. In D. Wilson (ed) International Patent Litigation. For example, factor the court may consider in the favor of the patentee, include whether the allegedly infringing product causes permanent price erosion to the applicant’s product.

<sup>166</sup> England, P. and Moore, S. 2009. United Kingdom. In D. Wilson (ed) International Patent Litigation.



they would have priority, they would have nevertheless, been invalidated for obviousness<sup>167</sup>. Regarding the ‘726, the Judge ruled that it was actually infringed by Apple’s devices; nevertheless, this decision stays without effect given that the patent was considered to be invalid.

The Judge decided to deal with patent ‘404 in a separate judgment. This patent was considered to be invalid because it was demonstrated that it lost priority, there was prior art and in any event obvious<sup>168</sup>. Again in this judgment the Court decided that the infringement was proved, however it will remain ineffective given that the patent was nullified.

An aspect that should be taken into account is the particularity of a judgment to be considered *res judicata* in the United Kingdom. Being part of the European Patent system means that the final decision on validity will be given by the EPO. Therefore any decision by the EPO regarding the validity will overcome the decision of a UK Court<sup>169</sup>.

### **2.3. Patent Litigation in other Jurisdictions**

It is not the aim of this thesis to describe the patent system in different jurisdictions. But it is important for this section to point out some peculiarities of the procedure followed after an alleged infringement has been committed. This analysis will be done in the context of Apple vs Samsung, pointing out the procedural issues that are relevant for this study.

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<sup>167</sup> (2013) EWHC 467 (Pat). High Court of Justice, Patents Court, UK., para 201

<sup>168</sup> (2013) EWHC 468 (Pat). High Court of Justice, Patents Court., UK, para.147

<sup>169</sup> An opposition applies to the European patent in all Contracting States in which the patent has effect, see European Patent Convention articles from 99 to 105

### **2.3.1. Germany**

The *German Patent Act* (Patentgesetz) provides the legal framework of the German Patent system. There is a distinction between the infringement action and the nullity, as the system in Germany is “bifurcated”, hence it is not possible to raise invalidity as defense in an infringement court<sup>170</sup>. If there are parallel suits regarding infringement and invalidity of the patent, usually the infringement procedure will stay until the invalidity procedure is solved.

#### ***a) Construction of a Patent***

Section 1 of the *German Patent Act* states that: “*Patents shall be granted for inventions... if they are novel, involve an inventive step and are susceptible of industrial application.*”<sup>171</sup>

Germany, as well as the UK, is part of the EPO system, hence a patent that was granted under the EPC will be recognized in Germany (as part of the bundle of national patents). Nevertheless, since the procedure of invalidity and infringement is dealt with in two different proceedings, the patent holder will not be able to amend the claims directly in the infringement proceedings. It would be possible though, to limit but not extend the claims during the nullity or opposition and then use that limited claim in an infringement action<sup>172</sup>.

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<sup>170</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>171</sup> 1936. German Patent Act. <[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=238776](http://www.wipo.int/wipolex/en/text.jsp?file_id=238776)>.

<sup>172</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

## ***b) Validity of a Patent***

The German Patent Court decides actions for declaration of nullity of patents and provides for two kinds of judges<sup>173</sup> or legal members who have a full legal background, and the technical members who have a technical background. Being part of the EPO system, during the opposition period a patent may be raised before the EPO (if it is a European patent) or the German Patent and Trademark office (if it is a national German patent)<sup>174</sup>. However, if the opposition period has already lapsed, the action for nullity must be filed before the German Federal Patent Court, either the national or European Patents<sup>175</sup>.

A Patent will be revoked if, according to section 21 of the *German Patent Act*<sup>176</sup>:

- i) The subject matter is not patentable; e.g. lacks of novelty, inventiveness or industrial application,
- ii) The invention is not sufficiently clear for it to be carried by a person skilled in the art,
- iii) The essential contents of the patents have been taken from another patent without the consent of the owner –misappropriation, usurpation-
- iv) In case of inadmissible extension of the patent.

In the case of study, in Germany Samsung started an injunction against Apple over its 3G patent<sup>177</sup> but this issue was attracted and decided by the antitrust section of the European Commission. This issue is going to be further commented on the following chapter, when talking about the Pan-European injunction of the Patents<sup>178</sup>. For the purposes of this

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<sup>173</sup> Sections 65 to 67 2009. German Patent Act.

<[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=238776](http://www.wipo.int/wipolex/en/text.jsp?file_id=238776)>.

<sup>174</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>175</sup> See section 81 1936. German Patent Act. <[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=238776](http://www.wipo.int/wipolex/en/text.jsp?file_id=238776)>.

<sup>176</sup> 1936. German Patent Act. <[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=238776](http://www.wipo.int/wipolex/en/text.jsp?file_id=238776)>.

<sup>177</sup> Patent EP1005726, defined as the “turbo encoding/decoding device and method for processing fram data according to QoS” Mueller, F. April 10, 2013. Apple wins invalidation of 3G 'standard-essential' Samsung patent in Germany. *FOSS Patents*. <<http://www.fosspatents.com/2013/04/apple-wins-invalidation-of-3g-standard.html>>.

<sup>178</sup> Chapter III section 2.3 Pan-European Injunctions in Patents

section, it is enough to state that Samsung ended up withdrawing its injunction requests, although it continued the claim for damages<sup>179</sup>. I will also discuss the relative process of infringement in the section below, when I talk about the infringement procedure in Germany.

For now, I want to state that due to the bifurcated litigation of patents in this country, Apple challenged the validity of Samsung's patent in a separate nullity action. In April 2013, the *Bundespatentgericht* (Federal Patent Court) ruled that such patent was invalid<sup>180</sup>. Nevertheless, this decision was not final, and Samsung still had the possibility to appeal it before the *Bundesgerichtshof*, the Federal Court of Justice. It is important to remember that in August 2014, the parties decide to settle all their conflicts (except for the litigations running in the US), hence this decision will not be enforced.

### ***c) Infringement Procedure***

An infringement action for a patent in Germany is filed before the Civil Court. It is possible to choose one of the 12 specialized Regional Courts<sup>181</sup>, as long as the infringing product was sold in the district of the relevant Regional Court<sup>182</sup>. Several practitioners are of the opinion that the Court of Düsseldorf is one of the best courts in Germany, while the Court of Mannheim is the fastest<sup>183</sup>, hence there is a predilection for these courts from the Patent Litigators.

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<sup>179</sup> April 11, 2013. Boon for Apple as German court invalidates Samsung 3G patent. *Apple Insider*. <<http://appleinsider.com/articles/13/04/11/boon-for-apple-as-german-court-invalidates-samsung-3g-patent>>.

<sup>180</sup> Mueller, F. April 10, 2013. Apple wins invalidation of 3G 'standard-essential' Samsung patent in Germany. *FOSS Patents*. <<http://www.fosspatents.com/2013/04/apple-wins-invalidations-of-3g-standard.html>>.

<sup>181</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>182</sup> The principle of *locus delicti* is followed in Germany most of the infringing products are sold in all the German territory, opening the option of starting the procedure in any of the German districts indistinctively. Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>183</sup> E.g. Büttner, T. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. *European Patent Reform Forum 2013*. Managing Intellectual Property: Munich., and Dr. Henrik Vocke in his talk "German Patent Practice" Queen Mary, London September 2013.

The infringement courts will stay proceedings only if the invalidation of the patent is likely to occur<sup>184</sup>. In the case of study regarding the 3G patent, in January 2012, the Mannheim Regional Court decided that Apple was not infringing Samsung's patent<sup>185</sup>. Samsung then, appealed this decision, but in November 2013, the Mannheim Court decided to stay the infringement procedure<sup>186</sup>, given to the invalidation action, above described. The court actually identified infringement but on the grounds that there were doubts on the validity on the patent, decided to stay the proceedings until the parallel nullity action was resolved<sup>187</sup>.

As we saw above, the patent ended up being nullified, and hence the action for infringement did not have to be resolved in the merits.

#### ***d) Injunctions***

In Germany, the courts will only grant preliminary relief if: (i) There is a clear-cut case of infringement; (ii) The patent in question is considered valid without reasonable doubt; (iii) There is a matter of urgency, the applicant has to argue that he would suffer substantial disadvantage if no preliminary injunction was granted; and, if (iv) The patent holder did not wait too long to file the application for injunction. The patent holder must file the application within one to six months after becoming aware of all relevant facts or he will lose the chance to obtain preliminary relief<sup>188</sup>.

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<sup>184</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>185</sup> Mueller, F. April 10, 2013. Apple wins invalidation of 3G 'standard-essential' Samsung patent in Germany. *FOSS Patents*. <<http://www.fo SSPatents.com/2013/04/apple-wins-invalid-ation-of-3g-standard.html>>.

<sup>186</sup> Mueller, F. November 22, 2013. German court stays Samsung patent lawsuit against Apple: patent of doubtful validity. *FOSS Patents*. <<http://www.fo SSPatents.com/2013/11/german-court-stays-samsung-patent.html>>.

<sup>187</sup> Worstall, T. Samsung Loses Another Apple Patent Case, this time in Germany. *Forbes*. <<http://www.forbes.com/sites/timworstall/2013/11/22/samsung-loses-another-apple-patent-case-this-time-in-germany/>>.

<sup>188</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

It is possible for German courts to issue a preliminary injunction *ex parte*, but they are very reluctant to do so, unless there is a real urgency (e.g. the patent is about to expire when the infringement is taking place)<sup>189</sup>.

An action for preliminary injunction starts when the patent holder applies in writing for it, and then the court will decide if it rejects it, orders a hearing or grants it (*ex parte*)<sup>190</sup>.

In the case of study, even when Samsung was seeking for an injunction against Apple, over the 3G patent, in December of 2012, the Korean company withdrew all of the requests for injunction in Europe<sup>191</sup>.

### ***e) Reference to other National Courts' Decisions***

The German Federal Court of Justice recognizes that the German courts need to take into account decisions of the EPC, specifically with those issues that turn out to be identical<sup>192</sup>.

This should apply to questions of fact and in to some extent questions of law, e.g. if the patent is considered obvious over prior art<sup>193</sup>.

If the German court wants to decide differently than a previous foreign judgment, even though there were identical questions, it will have to discuss the reasons for doing so and the arguments given by the foreign court<sup>194</sup>.

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<sup>189</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>190</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>191</sup> Mueller, F. April 10, 2013. Apple wins invalidation of 3G 'standard-essential' Samsung patent in Germany. *FOSS Patents*. <<http://www.fosspatents.com/2013/04/apple-wins-invalid-ation-of-3g-standard.html>>.

<sup>192</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>193</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>194</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

Finally I want to point that Alternative dispute resolution methods are not very popular in this field in Germany. So far, there is no recollection of an invalidation of a Patent by an arbitral award<sup>195</sup>.

### 2.3.2. *Netherlands*

**a) *Construction of a Patent*** Article 2 of the Patent Act of the Kingdom 1995 (Rijkssoctrooiwet 1995; or ROW 1995), establishes that inventions that are new, involve an inventive step and are susceptible of industrial application shall be patentable<sup>196</sup>.

**b) *Validity of a Patent*** A patent may be invalidated if the conditions of articles 2 to 7 and 75 of the ROW 1995 are proven. Those are: i) if the patent claims seek to protect non-protectable subject matter; ii) lack of novelty, inventive step (given obviousness) or industrial application; iii) insufficient disclosure; iv) if there is added matter, or there is an extension on the scope of protection; or v) the patent holder is not entitled to the patent.

**c) *Infringements.*** There is no Court separation when there is a question of both, validity and infringement of a patent in the Netherlands, they can be dealt in the same court. If the invalidity of the patent is raised as a defense from an infringement action, both issues will be treated in the same proceedings. On the other hand, if the invalidity action is raised up as a counterclaim or in a separate nullity proceeding, these actions and the infringement will be analyzed in separate but simultaneous proceedings<sup>197</sup>.

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<sup>195</sup> Kellenter, W. 2012. Germany. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

<sup>196</sup> 1995. Patent Act (Netherlands). English version, Faculty of Law - University of Amsterdam: <<http://www.ivir.nl/legislation/nl/patentact1995.html>>.

<sup>197</sup> Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons). p. 292

In order to assess patent infringement in Netherlands, there is a doctrine of equivalence<sup>198</sup>. In *Apple vs Samsung* in the Netherlands, in October 2011, the Dutch Court ruled that Samsung, as the proprietor of the European patent for 3G technology used by Apple in its smartphones and tablet computers, was obligated to offer Apple patent licensing under FRAND<sup>199</sup>.

#### *d) Injunctions in the Netherlands*

The president of the District Court in the Netherlands will hear the patent case that implies an urgent interest in the injunction, if there is a reasonable time after the patent holder discovered the infringement<sup>200</sup>. The president will not make a decision only when the patent case is extremely complicated.

The preliminary injunction starts when the plaintiff submits a writ (containing claims, arguments and the evidence) requesting the president of the Court for a hearing. Then the writ has to be served on the defendant, who should submit his evidence before the oral hearing. At the oral hearing both parties will present the case, and the judgment will be given after 2 or 4 weeks after the hearing<sup>201</sup>.

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<sup>198</sup> Meaning that the infringement will be assessed by comparing all the relevant features and elements of a product with all the elements of a patent claim, taking into account the description and the drawings. As explained in Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional comparisons)*.

<sup>199</sup> Judiciary, N. October 14, 2011. Applications for interim relief Samsung against Apple rejected. In f. translation (ed): The Hague.

<sup>200</sup> Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional comparisons)*. pp. 300-301

<sup>201</sup> Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional comparisons)*. p. 306



Once the preliminary injunction procedure has started, main procedures should be followed, otherwise the injunction will lose its effect<sup>202</sup>.

*e) Reference to Other Courts*

As a general rule, the Courts in the Netherlands will only be bound by the judgments of foreign Courts, when an international treaty or a national law provides that explicitly. Regarding Patent substantive issues, even though the foreign judgment would concern the same parties and facts, there is no formal obligation of the Dutch Courts to actually take into account those decisions.<sup>203</sup>

The factor that has more influence in the Dutch court, is the merits of the foreign decision, having said that, it is perceived that in the Netherlands the Courts do give more weight to German and/or UK decisions<sup>204</sup>.

In the following page, there will be a table that summarizes the patent issues studied in the US and the UK.

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<sup>202</sup> See article 50, para. 6 of TRIPS Agreement on Trade-Related Aspects of Intellectual Property Rights. <[http://www.wto.org/english/tratop\\_e/trips\\_e/t\\_agm0\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm)>.

<sup>203</sup> Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons). p. 293

<sup>204</sup> Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons).

Patent Issue	In the US	In the UK
Patent owned by Samsung	Patent 6,928,604 (patent '604')	EU Patent UK No. 1,005,726 (patent '726')
<p>Extension of the Patent /</p> <p>Construction of the patent/</p> <p>Subject matter protected</p> <p>(Approach)</p>	<p>Only the judge (not jury) decides the construction of the patent.</p> <p>The claim of the patents is assessed during the Markman hearing.</p> <p>Once they have been established, they can't be change in the course of the procedure.</p>	<p>Follows art 69 of EPC where it is stated that the protection is determined by the <b>claims</b> and that they have to be construed in context with the drawings and description.</p> <p><b>UK:</b> If an earlier claim is invalid, the patentee is allowed to retreat to a subsidiary claim. But to avoid an amount of litigation that would not be manageable, now they do a case management meeting where the patentee identifies the claims he wants to put forward.</p> <p><b>Germany</b> it is not allowed to amend claims directly in the infringement proceedings, but the patent holder can limit the claims at any time during the nullity (or opposition proceedings).</p>
Infringement	<p>Three ways to deal with infringement:</p> <p>a) Literal infringement - inclusion of every element</p> <p>b) Doctrine of equivalents - if there are insubstantial differences</p> <p>c) Prosecution history estoppel - stopping the patentee from recapture claims he surrendered when applying for the patent</p>	<p>Actions of infringement can be considered direct or indirect, and there is a list of actions that are exempted of infringement.</p> <p><b>DIRECT</b> (substantive infr): if invention is a product, to make it, disposing of it, using it or import it. If it is a process, by using the process in the UK, or by using or importing the product obtained.</p> <p><b>INDIRECT</b> (contributory infringement): if A is providing the means to B, so B will put the invention to work, without having the permission of C owner of the patent.</p>

### 3. National Litigation of a Design Right

Continuing with the analysis of a national litigation of IPRs, now I will focus on the defense of a design right, between the same parties in different jurisdictions, again using Apple vs Samsung as a case study.

Apple launched the iPad in April 2010, together with a set of registrations for the design of the device in different countries. Later that year, Samsung launched the Galaxy Tab 10.1, also registering the design of it. Both of the products were marketed around the world. In the marketplace, the products in question look as follows:



Apple's iPad



Samsung's Galaxy Tab 10.1

Fig. 1 Front and back face, and profile of iPad and Tablet, 2010.

In the pictures in Fig. 1, at first sight, the products appear to be very similar. Based on the similarities and given that:

- a) Apple registered the design<sup>205</sup> of the iPad in several jurisdictions,
- b) Apple put in the market the (registered design) product in all of those countries where it had the registration<sup>206</sup>, and
- c) Samsung put in the same markets the allegedly infringing product (Galaxy tablet), Apple had the possibility of starting an infringement action in all of the countries where they had registered the design and it was infringed<sup>207</sup>. For the purposes of this thesis, I will describe an overview of the actions taken in the United States and the United Kingdom. While in the US it was Apple claiming the infringement, in the UK it was Samsung who started the action, asking for a declaration of “non-infringement”. For the analysis, I will take specific factors that the judges examined on both of the procedures, and I will study the approach of the judges to those factors and the results will be displayed in a table at the end of this section.

### **3.1. Design litigation in the US**

It is important to start this section with an overall summary of the litigation procedure that will be analyzed. The law suit in the United States was filed by Apple against Samsung in the US District Court for the Northern District of California<sup>208</sup>. Apple changed its allegations before sending the trial to jury, and what was finally claimed was that Samsung infringed three utility patents, four design patents and four trade dress rights.

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<sup>205</sup> Note that designs do not need to be registered to have protection *See USPTO Definition of a Design*. <<http://www.uspto.gov/patents/resources/types/designapp.jsp#def>>. and Stone, D. 2012. *European Union Design Law*. Oxford University Press. . However for the purposes of this thesis, I will focus on the fact that Apple did register the design in several jurisdictions.

<sup>206</sup> Owning a design right allows an exclusive right to reproduce the design for commercial reasons, see for example Design Right, UK Intellectual Property Office <http://www.ipo.gov.uk/types/design/d-about/d-designright.htm>

<sup>207</sup> There is a special situation regarding the Community Design Right, but this one will be analyzed in the next chapter.

<sup>208</sup>Case No. 11-CV-01846 (N.D. Cal)

The Apple design patents presented to the jury were U.S. Patent Nos. D593,087 (D'087 from now on); D618,677 (D'677 from now on) that deal with the ornamental appearance of the front face of the smartphones. The claim also included patent D504, 889 (D'889) for the overall appearance of the tablet. As part of the reply to the infringement accusations, Samsung brought up the invalidity of Apple's registered designs. In general, the argument for invalidation was based on the grounds that the element of the designs was only "functional" and not "ornamental"<sup>209</sup>. Hence, both infringement and validity of the IPR were in question in this matter.

For the purposes of this thesis, as stated above, I will focus on the part of the decision that deals with the claim over the design patent of the tablet (iPad), and I will analyze the decision over the same design right in other the jurisdictions in the European courts.

Once the position of the parties is set out, I will continue with the analysis of the litigation procedure. For this, I am going to explain the applicable law on which the decision had to be based, and then I will analyze the approach of the judge to interpret the law.

### ***3.1.1. Applicable Law in the United States***

First, I will give the definition of what is understood by "design" in the US legal framework, to lay down the general context of the IPR that is in question. Then I will explore the main concepts that were taken in to consideration by the courts to reach the decisions in Apple vs Samsung.

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<sup>209</sup>Carani, C. V. 2013. Apple v Samsung: Design Patents Take Center Stage. *Landslide*. American Bar Association on IP Law., p. 4

### ***Definition of Design Patent***

According to the United States Patent and Trademark Office (USPTO), a design consists of the visual ornamental characteristics embodied in, or applied to, an article of manufacture. A design is manifested in appearance, hence the subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article or to the combination of configuration and surface ornamentation. A design for surface ornamentation is inseparable from the article to which it is applied and cannot exist alone<sup>210</sup> and therefore the protection of a design is given only when it is applied to an item. USPTO also specifies that the design must be new and original so that it can be protected<sup>211</sup>. The scope of the protection is given only to the appearance of the article and not to structural or utilitarian features<sup>212</sup>.

The fact that the protection is given only to the ornamental features, and not those that are part of the functions of the item, is especially important when an authority has to decide whether a registered design should remain valid or not. This is discussed further below.

From the definition above, it can be said that in the US the protection of a design will be given when the design is new and this novelty is visible either on the shape or the ornaments that the designer applies the item. Also, the court will have to look into these characteristics when assessing the **validity** of the Design.

On the other hand, if the court needs to decide whether there has been an **infringement** of the registered design, they have to follow a test that has been laid down by precedent cases. These cases are going to be studied next.

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<sup>210</sup> USPTO Definition of a Design. <<http://www.uspto.gov/patents/resources/types/designapp.jsp#def>>. Also based on 35 U.S.C. 171-173 dealing with Patents for Designs

<sup>211</sup> USPTO Definition of a Design. <<http://www.uspto.gov/patents/resources/types/designapp.jsp#def>>. Also based on 35 U.S.C. 171-173 dealing with Patents for Designs

<sup>212</sup> USPTO Definition of a Design. <<http://www.uspto.gov/patents/resources/types/designapp.jsp#def>>. Also based on 35 U.S.C. 171-173 dealing with Patents for Designs

### ***Assessing the infringement of a design***

The applicable test for the infringement of a design patent was first defined in the case *Gorham Co. White*<sup>213</sup> where it was declared that there is an infringement if, in the eye of an “ordinary observer”, giving such attention as a purchaser usually gives, the two designs are “substantially the same”<sup>214</sup>. Hence, in order to know whether there is an infringement on a design patent the examiner should make the question: is the overall appearance of the patent and accused designs substantially the same in the eyes of an ordinary observer?

More than a century later, the *Egyptian Goddess Inc. v Swisa Inc*<sup>215</sup> case added to the ordinary observer test the requirement that it should be conducted in light of the *prior art*<sup>216</sup>. The prior art is defined as the ‘designs that were already issued and other published materials’<sup>217</sup>. Therefore, the question to test whether there has been an infringement should be: given the prior art, would an ordinary observer think that the overall appearance of the design would be substantially the same?

One final note important to consider, is that the ultimate inquiry is whether the claimed design would have been obvious to a designer of ordinary skill who designs articles of the type involved<sup>218</sup> (*Durling v. Spectrum Furniture*). These concepts will be further analyzed in the context of Apple vs Samsung.

#### ***3.1.2. US Approach in Apple v Samsung***

As stated above, in the US Apple started a civil action before the Court of California, for infringement of the design of the iPad, against Samsung, specifically in relation to the

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<sup>213</sup>1871. *Gorham v. Company v. White*. 511. U.S. Supreme Court.

<sup>214</sup>1871. *Gorham v. Company v. White*. 511. U.S. Supreme Court. at 528.

<sup>215</sup>2008. *Egyptian Goddess Inc. v Swisa Inc*. 543 F.3D 665. Fed. Cir.

<sup>216</sup>Carani, Christopher, *Apple v Samsung: Design Patents Take Center Stage*, Vol. 5 No. 3 *Landslide* (a publication of the American Bar Association on IPLaw), p. 6

<sup>217</sup> USPTO Definition of a Design. <<http://www.uspto.gov/patents/resources/types/designapp.jsp#def>>.

<sup>218</sup> *Titan Tire*, (2009) 566 F.3d at 1375, quoting *Durling v. Spectrum Furniture Co.*, 101 F.3d 100, 103 (Fed. Cir. 1996)

Galaxy tablet<sup>219</sup>. In their reply, Samsung counterclaimed that the patent design should be declared invalid. The Court analyzed first whether the designs could be declared invalid, and later whether, if valid, they were infringed.

### ***Approach to Invalidity***

As mentioned in the applicable law section (3.1.1), in order to decide whether a design should be or remain valid, the court will analyze whether its character has a utilitarian function<sup>220</sup>. In the case of study, the Court held that a design will not be declared “functional” merely because it has a utilitarian purpose or enhances the user experience<sup>221</sup>. Hence, the inquiry for invalidity is not the utility of each of the various elements that comprise the design, but the functionality of the patented design as a whole (L.A. Gear, 988 F.2d at 1123). In the case of study, the Californian Court did not analyze each of the elements that compound the patent design in but rather, assessed the functionality of the design as whole. Based on this standard, the patent design of the tablet was held valid.

### ***Infringement***

Once the validity of the design patent had been upheld, then the Court proceeded to analyze if the products of Samsung would constitute an infringement of the design patents of Apple. Taking into account the applicable law above described, in this particular case, the existence of infringement over the design patent depended on whether Samsung’s patented designs appeared “substantially” the same to an “ordinary observer” as Apple’s designs.

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219 ‘A patentee shall have remedy by civil action for infringement of his patent’.35 U.S. Code Chapter 29- Remedies for infringement of patent and other actions. pp.

<<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>. §281,

<sup>220</sup> 35 U.S.C. 171 reads: “Whoever invents any new, original and ornamental design for an article may obtain a patent therefor...” at <<http://www.law.cornell.edu/uscode/text/35/171>>

<sup>221</sup> Dkt. No. 452 at 13, citing L.A. Gear, 988 F.2d at 1123



Applying the Gorham case<sup>222</sup>, the Court found in the preliminary injunction that Samsung is likely infringing the D’889 patent based on a “side-by-side comparison” of the products<sup>223</sup>. Even though Samsung alleged that Apple had not identified examples of customer confusion, a precedent from the Federal Circuit confirmed that design patent infringement does not require consumer deception<sup>224</sup>. Therefore, the Court proceeded with the test of infringement, first identifying a primary prior art reference to see if it would create “basically the same” overall visual impression as the patented design, and then, identifying a secondary prior art reference whose overall appearance is so related to the primary reference that the appearance of certain ornamental features in one would suggest the application of those features in the other.

Samsung claimed that prior art existed in the design of an earlier product called “Fidler”:

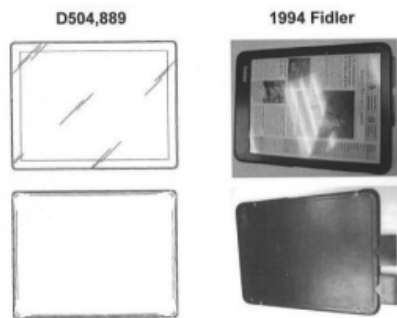


Fig. 2 The Fidler

According to the defense, the Fidler should have been a reference (prior) to Apple’s design. However the Federal Circuit precluded Samsung from relying on the Fidler, because it does not create “basically the same” visual impression as the D’899 design<sup>225</sup>.

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<sup>222</sup>1871. *Gorham v. Company v. White*. 511. U.S. Supreme Court.

<sup>223</sup>*Apple Inc. v Samsung Electronics* No. 11-CV-01846 N.D. Cal (2012)

<sup>224</sup>“Nothing in Gorham suggests that, in finding design patent infringement, a trier of fact may not as a matter of law rely exclusively or primarily on a visual comparison of the patented design, as well as the device that embodies the design, and the accused device’s design” in *Braun Inc. v. Dynamics Corp.*, 975 F.2d 825, 821 (Fed. Cir. 1990)

<sup>225</sup>*Apple*, 689 F.3d at 1330-32

Samsung also brought up as prior art the product Compaq TC1000. The Court held that this product was so different in visual appearance from the Fidler that it cannot qualify as the “secondary reference” to bridge the gap between Fidler and the D’889 design<sup>226</sup>.



Fig. 3 TC1000

As we can see from the image on the left, the TC1000 has a keyboard, transforming it from a notebook to a desktop, which likely was considered to be one of the main differences with the Fidler, hence making it impossible

to be the bridge between both of the

designs. After it was decided that there was no prior art, it was for the jury to decide whether the overall appearance of the Galaxy tablet was substantially the same as the appearance of the iPad in the eyes of an ordinary observer. To answer this question, the judge instructed the jury to take as the overall appearance based on the drawings of the Samsung design as depicted in the design patent application, without exceptions (even though the actual product does have a back side similar to the iPad). Following these instructions, comparing the drawings, the jury found that the Samsung Galaxy tablets did not infringe the D’889 patent<sup>227</sup>.

Regarding the design patent of the iPhone it was declared infringed, hence the sentence was for Samsung to pay damages. This part of the decision (the sentence for damages) is not going to be further analyzed in this thesis, as it is not the aim of the thesis to deal with damages awards.

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<sup>226</sup>Apple, 689 F.3d at 1331

<sup>227</sup>Carani, C. V. 2013. Apple v Samsung: Design Patents Take Center Stage. *Landslide*. American Bar Association on IP Law. p. 4

### 3.1.3. *Injunctions in the United States*

The injunction is a tool for the design patent owner for stopping a copy (of its design) being placed in the market. A first step could be to issue a cease-and-desist letter, asking the copycat to stop producing or selling the product, but the petition in the letter might be ignored<sup>228</sup>. A motion for preliminary injunction allows the right holder to request the court to prevent the alleged infringer from committing acts that would constitute infringement of the protected design<sup>229</sup>. The Supreme Court in the US stated that injunctive relief is an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief<sup>230</sup>.

In order to be granted an injunction the applicant will need to show the following:

a) He is likely to succeed on the merits. The plaintiff will have to construe the patent in a way that addresses functionality and other potential claim issues under the ordinary observer test<sup>231</sup>. It is also understood that if the infringer does not challenge the validity of the patent, then this can be used as a presumption of validity and support the evidence of likelihood of success<sup>232</sup>. However, if the validity is challenged, the burden of evidence is for the accused infringer to raise substantial questions of validity<sup>233</sup>.

b) He is likely to suffer irreparable harm in the absence of preliminary relief. Once the plaintiff has proven likelihood of success on the merits, there is a presumption of

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<sup>228</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>229</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>230</sup> Case *Winter v NRDC Inc.*, 129 S. CT. 365, 376 (U.S. 2008).

<sup>231</sup> See footnote 215

<sup>232</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>233</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

irreparable harm, due to the patent statutory right to exclude<sup>234</sup>. The burden then is on the plaintiff to prove the inadequacy of monetary damages<sup>235</sup>. According to case law of the US, the type of evidence that can prove irreparable harm is: customer confusion, reputational harm, damage to brand standing in the market place, lost business opportunities, lost customer good will, and permanent loss of customers to competitors<sup>236</sup>. Nevertheless, this element is not easy to prove, as there should be a causal link between the harm and the allegedly infringing product<sup>237</sup>.

c) That there is a balance of impartialities. The courts should balance the claims of injury and must consider the effect that the granting or withholding of the requested relief may have in each of the parties<sup>238</sup>. This means that the court will have to assess the potential harm that will be caused to each of the parties. The first thing to consider is that if the injunction is granted, the defendant will have to stop selling its product and given that, how will he be affected for that loss<sup>239</sup>.

d) That an injunction is in the public interest<sup>240</sup>. The granting of the injunction must be in accordance with public interest, in order to ensure that there is no a bigger damage done to the public by taking the product away from the market.

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<sup>234</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>235</sup> *Nutrition 21 v. United States*, 930 F.2d 867, 872 (Fed. Cir. 1991)

<sup>236</sup> See Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31. footnotes 38 and 39 quoting cases *Titan Tire Corp v. Case New Holland Inc (2007)*, *Reebok Int'l v. J. Baker Inc.* 32 F3d 1552, 1558 (Fed. Cir. 1994), *PHG Techs., LLC v. St. John Cos.*, 2005 U.S. Dist. LEXIS 32808, and *Polymer Techs v. Bridwell*, 103 F.3d 970, 975-976.

<sup>237</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>238</sup> See *Amoco Prod., Co. v. Gambell*, 480 U.S. 531, 542 (1987)

<sup>239</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>240</sup> See *Titan Tire Corp v. Case New Holland Inc.*, 566 F.3d 1372, 1375 (Fed. Cir. 2009)

In the case of study, regarding the patent D'889 (protecting the iPad design by Apple), the District Court found that the owner had shown a likelihood of irreparable harm with respect to the Samsung Galaxy Tab 10.1 tablet for the following reasons:

“... the tablet market appeared to be dominated by only two manufacturers, Apple and Samsung, who together controlled a substantial share of the market. The evidence suggested that Apple’s market share decreased in accordance with the increase in Samsung’s market share after the introduction of the Galaxy Tab... (also) the design mattered more to consumers in tablets (than in smartphones)...”<sup>241</sup>

This decision considered the case of *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1151 (Fed. Cir. 2011), which held that when there are just two players in the market, this mere fact should serve as a considerable ground for granting an injunction because it creates an implication that an infringing sale will result in a lost sale for the patentee.

However, regarding the patent D'889 injunction the conclusion of the District Court was that the preliminary injunction had to be denied because at that stage, the judge considered that there were substantial questions about the validity of the design patent D'889. That meant that, for Judge Koh, Apple was unable to show that they were likely to succeed on the merits. The District Court reached this conclusion on the basis that the Apple’s tableted design patent was subject to a substantial obviousness challenge due to a primary prior art reference and a secondary reference<sup>242</sup>.

The Appeal Court, on May 2012, disagreed on this matter, finding that the primary reference (the Fidler design) was not basically the same as the Apple’s design patent.

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<sup>241</sup> Case No. 2012-1105 (C.A. Fed. May 14, 2012). *Apple Inc, v Samsung Electronics Ltd.* p.12

<sup>242</sup> Due to the “Fidler” and the Compact T products, see US Approach above

Hence the secondary prior art reference (the TC1000) was also held to be too different in appearance, in order to serve as a secondary reference<sup>243</sup>. In this sense, the Federal Circuit remanded the case so the court could make findings on the preliminary injunction factors and balance the hardships and public interests.

In the second hearing back in the District Court, on June 2012, the Court found that while Samsung would be harmed if it had to be forced to take the Galaxy Tab 10.1 from the market, the harm that Apple faced by the absence of the injunction would be greater<sup>244</sup>. Then, the District Court addressed whether the public interest would favor the grant of a ban of the Galaxy Tab 10.1 as a result of the preliminary injunction. In order to assess this, the Court considered the decision of the Federal Circuit in the sense that it was likely that the validity of the Apple's design was going to prevail at trial, hence the District Court granted Apple the injunction against the sale of Samsung's Galaxy Tab 10.1 in the United States<sup>245</sup>. Judge Koh had stated that the test for design patent infringement was satisfied, as Samsung's tablet was virtually indistinguishable from Apple's Ipad<sup>246</sup>.

Nevertheless, this injunction was ultimately dissolved when the District Court reached the final verdict that the Galaxy Tab 10.1 did not infringe the design patent '889<sup>247</sup>.

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<sup>243</sup> Oake, R. G. July, 2012. Preliminary Injunctions in Design Patent Cases. *Intellectual Property Today*. <[http://designpatentschool.com/assets/Oake\\_JULY12%20V4.pdf](http://designpatentschool.com/assets/Oake_JULY12%20V4.pdf)>, pp. 28-31.

<sup>244</sup> Baxter Patent Attorneys July, 2012. Preliminary Injunction sought by Apple against Samsung Galaxy in the US. <<http://www.baxterip.com.au/ip-news/preliminary-injunction-sought-by-apple-against-samsung-galaxy-in-the-us/>>.

<sup>245</sup> Baxter Patent Attorneys July, 2012. Preliminary Injunction sought by Apple against Samsung Galaxy in the US. <<http://www.baxterip.com.au/ip-news/preliminary-injunction-sought-by-apple-against-samsung-galaxy-in-the-us/>>.

<sup>246</sup> Apple Inc. v. Samsung Elecs. Co., No. 11-CV-01846, 2011 (N.D. Cal. Dec. 2, 2011)

<sup>247</sup> Order Granting Samsung's Motion to dissolve the June 26, 2012 preliminary injunction, case No. 5-11-CV-01846-LHK

### **3.1.4. Judgment and Enforcement in *Apple vs Samsung in the United States***

The remedy for a finding of infringement over a design patent should be based in the *US Patent Act* (35 U.S.C. 289), which provides that “... whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale... shall be liable to the owner to the extent of his total profit...”

However, given that in *Apple vs Samsung* the Court ultimately found that since there was no infringement, there was no remedy to enforce.

## **3.2. Design Litigation in the United Kingdom**

In this section I will discuss the litigation followed in the UK between the same parties over the same design right. I will highlight the differences of the UK litigation system in respect to design rights with that of the US. It is important to first state that the action in the UK comprised the Community Registered Design (**CDR**)<sup>248</sup> belonging to Apple. The CDRs are valid across the countries of the EU, but the questions of infringement have to be litigated in a country by country basis.

In the UK, Samsung started an action for the declaration that three of its Galaxy tablets did not infringe Apple’s registered design. In its defense, Apple counterclaimed for infringement. The validity of the registration was not an issue in this case, since Samsung had applied to revoke the registration at the Office of Harmonization of the Internal Market (**OHIM**) who is the responsible for keeping the register of protected community designs<sup>249</sup>.

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<sup>248</sup>Community Registered Design No. 000181607-0001, *Samsung E. v Apple Inc* [2012] EWHC 1882 (Pat) at [1]

<sup>249</sup>*Samsung E. v Apple Inc* [2012] EWHC 1882 (Pat) at [1], by the time this decision was made, the OHIM had not reached a decision over the validity of Apple’s community designs. Nevertheless in the last few months OHIM ruled over the validity of the designs. Even though these decisions are of interest, they were not taken into account for the main purpose of this paper.

### ***3.2.1. Applicable law in the United Kingdom***

First of all, I will define what it is understood by “design” under UK rules and then what are the main concepts that the judge had to use to develop his analysis and reach his decision.

#### ***Definition of “design”***

In the UK, in the *Copyright, Designs and Patents Act* of 1988, design is understood as any aspect of the shape or configuration either internal or external, of the whole or part of an article other than the decoration of the surface<sup>250</sup>. The design protected must be an aspect of the shape or configuration of the whole or part of an article, that is, its three dimensional shape and arrangement<sup>251</sup>. The exceptions for the protection of design are given when the design is part of the functional or aesthetical character<sup>252</sup>.

Given that the right contended in the UK, is a CDR I will also talk about what the Regulation (EC) No 6/2002, defines as a design. In Article 3 it states that the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colors, shape, texture and/or materials of the product itself and/or its ornamentation will be considered a design. In Article 4, it is specified that a design will be protected as a Community design to the extent that it is new and it has individual character.

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<sup>250</sup> Section 51. As amended until 2007. Copyright, Designs and Patents Act 1988.  
<<http://www.ipo.gov.uk/cdpact1988.pdf>>.

<sup>251</sup> Intellectual Property Office Design right, do all designs qualify? :  
<<http://www.ipo.gov.uk/types/design/d-about/d-designright/d-designright-qualify.htm>>.

<sup>252</sup> Intellectual Property Office Design right, do all designs qualify? :  
<<http://www.ipo.gov.uk/types/design/d-about/d-designright/d-designright-qualify.htm>>.



### *Assessing the infringement of a design*

In order to assess whether there has been an infringement of a registered design in the UK, the court must take into account what it can see with its own eyes. According to *Dyson v Vax* [2012] FSR 4 at paragraphs 8 and 9.. The judge in *Dyson* points out that the most important things are: the registered design, the accused object and the prior art, and the most important thing about each of these is what they look like<sup>253</sup>. It is the overall impression which counts, and not a verbalized list of features<sup>254</sup>.

These elements were taken from leading UK cases, however, the decision includes a very important concept: that of the “informed user”. The identity and attributes of the informed user were given by the Court of Justice of the European Union in three cases: *Pepsi Co v Grupo Promer* (C-281/10P) [2012] FSR 5 at paragraphs 53 to 59; *Grupo Promer v OHIM* [2010] ECDR 7; and in *ShenzenTaiden v OHIM* case T-153/08 [2010]<sup>255</sup>. The attributes laid down by those cases are the ones that must be followed by the European Courts dealing with RCD in their jurisdictions. The following section will look further at the attributes in the context of the judge’s approach in *Apple vs Samsung*.

A second element introduced in the examination is the “design corpus” (also called “prior art”). The overall impression produced on the informed user of the design will depend on it<sup>256</sup>. Judge Birss (in *Apple vs Samsung*) said in this respect that the designs should receive a broader scope of protection when the registered design is evidently different to the design corpus, and that it should have a narrower scope of protection where there is just a little difference with the design corpus<sup>257</sup>. The concept of the design corpus can be

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<sup>253</sup>Samsung E. v Apple Inc. [2012] EWHC 1882 (Pat) at [31]

<sup>254</sup>Samsung E. v Apple Inc. [2012] EWHC 1882 (Pat) at [32]

<sup>255</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [33]

<sup>256</sup>The Council Regulation (EC) No 6/2002, recital 14:

*The assessment as to whether a design has individual character should be based on whether the overall impression produced on an informed user viewing the design clearly differs from that produced on him by the existing design corpus, taking into consideration the nature of the product to which the design is applied or in which it is incorporated, and in particular the industrial sector to which it belongs and the degree of freedom of the designer in developing the design*

<sup>257</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [48]

matched up with the concept in the US of prior art. In the following section I study how the applicable law and case law was approached in the case of study.

### **3.2.2. UK Approach in *Apple vs Samsung***

As stated above, in the UK, in order to determine whether there is an infringement of a design right the test implies identifying the informed user and the design corpus. Then, the judge will assess what is the overall impression of the informed user while looking at both products (the one with the protected design and the allegedly infringing one).

Applying this test in *Apple vs Samsung*, first the informed user was defined as a user of the handheld (tablet) computers<sup>258</sup> that is particularly observant, shows relatively high degree of attention and conducts a direct comparison between the products<sup>259</sup>. Then, Judge Birss considered that the informed user in this case would consider the products side by side<sup>260</sup>, since the products are sold in shops and websites. He also accepted that science fiction (specifically *Star Trek*) had already conceived tablet computers would have a large display screen, and that the screen would be the main element in the design<sup>261</sup>.

Having defined the informed user in this case, Judge Birss analyzed what would constitute the design corpus given the opinions of the two experts and all the evidence presented by the parties<sup>262</sup>.

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<sup>258</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [66]. In relation to the cases above stated, in paragraph 34, Judge Birss accepted that the informed user was "...not a designer, technical expert, manufacturer nor seller. That unlike the average consumer of trade mark law, he is particularly observant and has knowledge of the design corpus and features normally included in the sector concerned, as well as he is interested in the products and shows high degree of attention when he uses them. Lastly that the user conducts a direct comparison of the designs in issue."

<sup>259</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [183]

<sup>260</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [69]

<sup>261</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [70]

<sup>262</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [60-65]

While considering the ‘design corpus’ the judge also referred to German and a Dutch<sup>263</sup> preliminary injunction decisions regarding the same CDR. He analyzed the objects presented in those courts<sup>264</sup> because those cases involved the same Community right and he considered that there should be harmony between courts of different member states<sup>265</sup>. Nevertheless, he ended up disagreeing with the decisions of the foreign courts and he not taking them into account<sup>266</sup>, especially given that they were not final decisions, but only decisions on preliminary injunctions<sup>267</sup>.

This is a clear example of the issue that this thesis addresses: the fact that even though there is a conflict between the same parties, over the same IPR, even at the EU community level, the national courts are not obliged to follow each other’s opinions, hence potentially getting different results for the parties.

In the UK, the parties in *Apple vs Samsung* brought the following items as part of the design corpus: the Stevenson, the Bloomberg and Ozolin<sup>268</sup>.

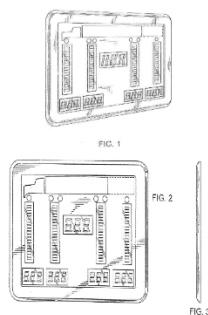


Fig. 4 Stevenson

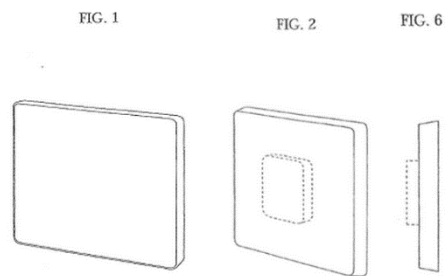


Fig. 5 Bloomberg 1

<sup>263</sup> See 24/01/2012. ECLI:NL:GHSGR:2012:BV1612. Court of Appeal, The Hague.

<sup>264</sup> In the Dutch decision, the pieces considered as prior art were: the Ozolins, the Knight Rider tablet, the HP Compaq TC1000, the Canadian Design Patent 89155 (the “Stevenson”), the Japanese design no. 887388 and 1142127. In Mueller, F. 24/01/2014. Dutch appeals court says Galaxy Tab 10.1 doesn't infringe Apple's design right. *FOSS Patents*. <<http://www.fosspatents.com/2012/01/dutch-appeals-court-says-galaxy-tab-101.html>>.

<sup>265</sup> *Samsung E. v Apple Inc* [2012] EWHC 1882 (Pat) at [91].

<sup>266</sup> Judge Birss states that although the documents analyzed in those decisions clearly form part of the design corpus, there are areas of disagreement: in the German decision the most important item was the Ozolin, and in the Dutch decision the most important item was the Stevenson. *Ibid*

<sup>267</sup> *Ibid*

<sup>268</sup> See *Samsung E. v Apple Inc* [2012] EWHC 1882 (Pat) at [72-90]

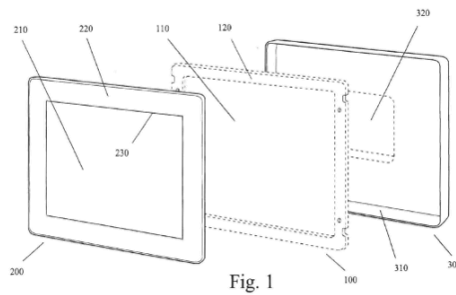


Fig. 6 Ozolin

Continuing with the analysis, Judge Birss took into account the following features of the different products existing in the ‘design corpus’:

- i) A rectangular biaxial symmetrical slab with four evenly, slightly rounded corners
- ii) A flat transparent surface without any ornamentation covering the entire front face of the device up to the rim.
- iii) A very thin rim of constant width, surrounding and flush with the front transparent surface.
- iv) A rectangular display screen surrounded by a plain border of generally constant width centered beneath the transparent surface.
- v) A substantially flat rear surface which curves upwards at the sides and comes to meet the front surface at a crisp outer edge.
- vi) A thin profile.
- vii) Overall, a design of extreme simplicity without features which specify orientation.

For each of these features, Judge Birss analyzed the impact of the design freedom, the occurrence of such features in the design corpus, the similarity of Samsung’s tablets to that specific feature and finally, the overall significance of that feature<sup>269</sup>. A profound description of this analysis is not relevant for the purposes of this thesis. However, it is important to point out that after this analysis Judge Birss considered that the significance

<sup>269</sup>See Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [92-175]

of the similarity of the front surface of Apple's design was reduced by the presence of identical features in the design corpus<sup>270</sup>.

Then, Judge Birss compared the overall impressions from the informed user's point of view. He pointed out that the Community design rights scope of protection not only identifies as infringers solely those products that are identical or nearly identical, but that the test of "different overall impression" is wider than that, and includes products which can be distinguished to some degree from the registration.<sup>271</sup>

He highlighted the most important similarities between Apple's design and the Samsung Galaxy tablet, contrasting them with their differences.

The similarities found were<sup>272</sup>:

- i) The view from the front (flat glass plate out to a very thin rim and a plain border under the glass).
- ii) The fact that none of them has indicator lights or buttons on the front surface or obvious switches or fittings on the other surfaces.
- iii) The thinness enhancing effect of the sides, that creates the same impression.

Regarding the differences, he found that there are two major differences between the products:

- i) The thinness of the Galaxy tablets.
- ii) The detailing on the back of each of the tablets<sup>273</sup>.

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<sup>270</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [182]

<sup>271</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [58]

<sup>272</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [184]

<sup>273</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [185]

After this analysis, he defined the question: are the differences enough to overcome the similarity at the front and the similarity in overall shape? Judge Birss decided that the case should be decided on the evaluation of the strength or significance of the similarities. He stated that the similarity in overall shape was not very significant<sup>274</sup>.

As to the similarity at the front, he considered that the significance was reduced by the design corpus (as discussed above), to the degree up until which the user who is particularly observant and is informed about the design corpus "...reacts to the Apple design by recognizing the front view as one of a familiar type..."<sup>275</sup>. From the front, both the Apple and the Samsung tablets look like members of the same pre-existing family, hence, he found that the significance of the similarity was much reduced.

Finally, Judge Birss ruled that the informed user will know that the Samsung Galaxy tablets do not have the same understated and extreme simplicity of the Apple design, and therefore found that Samsung's tablet did not infringe Apple's registered design<sup>276</sup>.

### ***3.2.3. Injunctions in the United Kingdom***

The directive 2004/48/EC on the Enforcement of Intellectual Property Rights requires that the Member States should make sure that the right holders have measures available to prevent an imminent infringement or to forbid the continuation of the alleged infringement<sup>277</sup>. In general, the directive also provides for the obligation that the measures should be fair and equitable, that they should not be complicated or costly in an

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<sup>274</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [188]

<sup>275</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [189]

<sup>276</sup> Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [191]

<sup>277</sup> Article 9 recites: "Member States shall ensure that the judicial authorities may, at the request of the applicant: a) issue against the alleged infringer an interlocutory injunction intended to prevent any imminent infringement of an intellectual property right..." See 2004. Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of Intellectual Property Rights. <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:157:0045:0086:EN:PDF>>.

unnecessary manner and that should entail reasonable time limits (Article 3). Overall, the measures should avoid barriers for legitimate trade (Article 3 Paragraph 2). In this particular case in the UK, the companies did not ask for a preliminary injunction, but as seen above, Apple had already applied for a preliminary injunction in the Dutch and German courts. These will be mentioned in Section Design Litigation in other Jurisdictions”.

#### **3.2.4. Judgment and Enforcement in Apple vs Samsung in the United Kingdom**

Samsung argued that taking into account the existing design corpus and the degree of freedom of the designer, the overall impression that the Apple design produces on the “informed user” is a different one from that produced by Samsung’s tablets<sup>278</sup>. Taking into account the informed user test, Judge Birss ruled in July 2012 that the Samsung tablets did not constitute an infringement of the protected design of Apple.

### **3.3. Design Litigation in other Jurisdictions**

#### **3.3.1. Germany**

In Germany, the first instance jurisdiction for disputes regarding design rights resides with the ordinary courts for civil law matters (*ordenlitche Gerichte*)<sup>279</sup>.

Apple initiated an injunction before the first instance court in Düsseldorf and ultimately, Samsung was prohibited from selling its Galaxy Tab 10.1 in Germany.

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<sup>278</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat), at [3]

<sup>279</sup> The German Federal regions have designated courts to exclusively hear disputes that are design related. In Carter-Silk, A. and Lewiston, M. 2012. The Development of Design Law Past and Future. *From History to Policy*. Intellectual Property Office: <<http://www.ipo.gov.uk/ipresearch-designlaw-201207.pdf>>.

The Düsseldorf Court decided in September of 2011 that the informed consumer would have seen the Galaxy tablet as looking like the protected design of Apple<sup>280</sup>.

The Court didn't compare the Galaxy tablet with the actual iPad but focused on the design filed by Apple before the OHIM (design agency in the European Union). The German judge pointed out that the crucial issue to take into account was whether Samsung's tablet looked like the drawings registered as a design right<sup>281</sup>. Hence, as we can see, the approach of the judge in Germany was similar to the approach of the judge in the US, who asked the jury to take into account the drawings registered as the (community) design right<sup>282</sup>.

The Appeal Court in Germany found that Samsung did not infringe Apple's Community design<sup>283</sup>. This decision was taken on the basis of a prior art design, the Ozolin (see Fig. 6 in section 3.2.2) given that the designs differed only in minimal characteristic<sup>284</sup>. Nevertheless, the appeal Court upheld the injunction granted by the first instance Court, but since the grounds for this decision are based on unfair competition laws, this fact will not going to be explore further as it is beyond the scope of this study.

At last, it is important to point out that given that the injunction was conceded in merits of competition law, and hence made only valid in Germany, Apple changed the strategy,

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<sup>280</sup> Matussek, K. September, 2011. Apple wins court ruling to ban German sales of Samsung Galaxy Tablet 10.1. *Bloomberg Technology*. <<http://www.bloomberg.com/news/2011-09-09/apple-wins-ruling-for-german-samsung-galaxy-tablet-10-1-ban.html>>.

<sup>281</sup> Matussek, K. September, 2011. Apple wins court ruling to ban German sales of Samsung Galaxy Tablet 10.1. *Bloomberg Technology*. <<http://www.bloomberg.com/news/2011-09-09/apple-wins-ruling-for-german-samsung-galaxy-tablet-10-1-ban.html>>.

<sup>282</sup> See US Design litigation in Chapter II, section 3.1 Design litigation in the US

<sup>283</sup> Schuster, M. May 7, 2013. Design protection battle between two technology giants. *Legal Newsletter*. International Law Office: <<http://www.internationallawoffice.com/newsletters/detail.aspx?g=705b09fb-0425-44df-90e8-4a09fa7ee9ca&redir=1>>.

<sup>284</sup> Schuster, M. May 7, 2013. Design protection battle between two technology giants. *Legal Newsletter*. International Law Office: <<http://www.internationallawoffice.com/newsletters/detail.aspx?g=705b09fb-0425-44df-90e8-4a09fa7ee9ca&redir=1>>.



withdrawing the originally asserted Community design, in order to amend the infringement contentions based on newer Community designs<sup>285</sup>.

### 3.3.2. *Netherlands*

On August 24, 2011 the Dutch Court ruled that the Galaxy Tab 10.1 belonging to Samsung did not fall under the scope of protection of Apple's design. Apple appealed this decision before the Dutch Supreme Court and the decision was upheld in The Hague in January 2012<sup>286</sup>.

The Appeal Court decided that Apple's CDR was valid, given that overall impression of the informed user over the design was considered to be different from the prior art<sup>287</sup>. The Dutch Appeal Court also pointed out that despite the fact that the Apple's design was valid, given that it was not very different from the designs on the market (prior art), the extent of the protection was going to be narrowed down. In this order of ideas, Samsung's 10.1 Tablet was considered to have delicate differences in shape and the frame, which in the eyes of the informed users would be a considerable difference<sup>288</sup>.

Given that this case only covered the Galaxy Tab 10.1, Samsung asked the Court to clarify whether this decision could also apply to its other tablets, and declare that they did not infringe Apple's design right<sup>289</sup>. Apple counterclaimed asking the Court to declare infringement of its right, and to ban Samsung's products. The Dutch Court was composed

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<sup>285</sup> Given that Samsung was challenging all of those Community design in a nullity action before OHIM since May 2011. See Mueller, F. September 25, 2012. Samsung's new prior art likely to trump Apple's new design rights in German tablet case. *FOSS Patents*. <<http://www.fosspatents.com/2012/09/samsungs-new-prior-art-likely-to-trump.html>>.

<sup>286</sup> Truijens, M. February, 2013. Court rules that Samsung tablets do not infringe Apple's community design. *World Trademark Review*. IP Media Group.

<sup>287</sup> Rijdsdijk, M. 01/08/2013. Apple v Samsung: a lack of consistency. *World Intellectual Property Review*. <<http://www.worldipreview.com/article/apple-v-samsung-a-lack-of-consistency>>.

<sup>288</sup> Rijdsdijk, M. 01/08/2013. Apple v Samsung: a lack of consistency. *World Intellectual Property Review*. <<http://www.worldipreview.com/article/apple-v-samsung-a-lack-of-consistency>>.

<sup>289</sup> Essers, L. January, 2013. Samsung's Galaxy Tabs do not infringe on Apple design right, Dutch court rules. *MacWorld*. <<http://www.macworld.co.uk/news/apple/samsungs-galaxy-tabs-do-not-infringe-apple-design-right-dutch-court-rules-3421079/>>.

by a panel of three judges who determined that the Samsung products were not infringing Apple's design right when manufacturing, supplying, marketing, importing, exporting nor using those products in the Netherlands and the European Union<sup>290</sup>.

It is important to mention that, at the time the Dutch Court had to decide over the pan-European case, there had been already two European decisions regarding the CDR in conflict: in Germany and in England. The analysis on how these decisions were taken into account will be undertaken in Chapter III Chapter III. Cross-border litigation of Intellectual Property rights conflicts in the European Union, because it implies the Dutch Court taking into account the verdict of a higher court of another jurisdiction (the UK Court of Appeal) but in the European system of Designs.

The table on the following page summarizes the similarities and differences in the legal systems in the US and the UK that were analyzed in this section.

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<sup>290</sup> Essers, L. January, 2013. Samsung's Galaxy Tabs do not infringe on Apple design right, Dutch court rules. *MacWorld*. <<http://www.macworld.co.uk/news/apple/samsungs-galaxy-tabs-do-not-infringe-apple-design-right-dutch-court-rules-3421079/>>.

<b>Issue</b>	<b>US</b>	<b>UK</b>
<b>Definition of Design</b>	Visual ornamental characteristics embodied in, or applied to, an article of manufacture: shape, surface ornamentation, combination of shape and ornamentation	The appearance of the whole or a part of a product resulting from the lines, contours, colours, shape, texture and/or materials of the product and/or its ornamentation
<b>Applicable Law</b>	35 U.S.C. 102 Requirements for Patentability: New, Original and Ornamental	1. Copyright, Designs and Patents Act 1988: UK design right 2. Council Regulation 6/2002
<b>Intellectual Property Right</b>	Design patents * Validity at issue: considered valid	Community Design Right *Validity not at issue <sup>291</sup>
<b>Test applied to assess infringement</b>	The ordinary observer test (based on <i>Gorham Co v White</i> , 1871)  Taking into account prior art.	The informed user test (based on the CJEU case <i>PepsiCo v GrupoPromer</i> , 2012),  Taking into account the “design corpus” (prior art) and the design freedom
<b>Approach</b>	Whether the overall appearance of the patent and accused designs are substantially the same in the eyes of an ordinary observer	It is the overall impression which counts and not verbalized list of features <sup>292</sup> . The overall impression produced on the informed user <sup>293</sup>
<b>Ruling of the Judge</b>	Injunction: Samsung appears to have created a tablet design that it is likely to deceive an ordinary observer, ‘inducing him to purchase one supposing it to be the other’ <sup>294</sup>  *This was not the final decision	The informed user’s overall impression of Samsung Galaxy tablet is: ‘They do not have the same understated and extreme simplicity.... of the Apple design. They are not as cool. The overall impression produced is different’ <sup>295</sup>
<b>Other opinions of the judge</b>	The design patent infringement does not require consumer deception	The informed user will consider the products side by side

<sup>291</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [1]

<sup>292</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [32]

<sup>293</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [53]

<sup>294</sup>Apple, Inc. v Samsung Elecs. Co., No. 11-CV-01846, 2011 U.S. Dist. LEXIS 139049 (N.D. Cal. Dec. 2, 2011)

<sup>295</sup>Samsung E. v Apple Inc [2012] EWHC 1882 (Pat) at [190]

#### 4. Conclusions

This chapter studied different national procedures regarding patents and design rights. In order to answer the question: “Why is the current cross-border litigation of patents and designs considered to be problematic?” the litigation between Apple and Samsung was used as an example. First, the magnitude of the companies doing business on a world scale, with more or less equal business leverage was noted. It was revealed that even though, since 2010 Samsung and Apple have been litigating in more than 10 different jurisdictions (four of which are studied in this chapter), the companies have continued to make business together.

Although this chapter did not present any figures, it is well known that the companies spent enormous amounts in their world-wide litigation procedures<sup>296</sup>.

I then analyzed the court procedures mainly in the US and the UK referring briefly to key procedural factors of the German and Dutch Courts. The factors considered were the applicable law on which the courts had to base their decisions, and the approach of the judge to that applicable law. It is submitted that the law that protects the patents and the designs in the studied jurisdictions, in essence has the same content, and there is great harmonization of the understanding of protectable patents and Designs.

Nevertheless, it was observed that each country not only follows its own case law, but the interpretation of the law is different also. By way of analogy it can be said that the judges

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<sup>296</sup> Milone, C. November, 2012. A powerful new weapon against patent trolls. *Forbes Magazine*.  
<<http://www.forbes.com/sites/forbesleadershipforum/2012/11/15/a-powerful-new-weapon-against-patent-trolls/>>.

are different chefs following the same recipe<sup>297</sup>, and this results in decisions that provide different rights to the parties.

Regarding the preliminary injunctions, in both the US patent and design procedure the analysis of the decisions of the First courts and the Appeal courts, conceding and then denying the injunctions, resulted in the accused products not being materially restricted. It is therefore arguable that the goal of promoting an injunction (to ban allegedly counterfeiting items from a certain market) was not achieved. This shows that the litigation procedure is not always the effective mechanism that the companies would need for raising an injunction.

For the injunctions in the European Union in the jurisdictions analyzed, it has been shown that, while the courts are closely linked, they nevertheless do not feel obliged to take into account the decisions of the others. In the case of the design, the German Court provided for injunction that it intended to make valid, not only in its territory but also in the rest of the European countries where those rights were protected. In the end, this pan-European injunction was not enforced. This is an example on how the decision of one European country can make an impact in other European jurisdictions, a phenomena that it is going to be further studied in Chapter III.

Finally, in the judgment and enforcements sections, it was shown that, after four years of litigation, the patent cases in the US are still pending and have no resolution. Nevertheless, specifically in the patent of study, the 3G technology, the Korean company brought an out of court claim before the USITC. This situation revealed that in the end, the claim for patent infringement implies also issues of Competition law. This aspect of the patent

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<sup>297</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

conflicts is considered to be of great importance for the management of the right, but it will not be part of the study of this thesis.

On the other hand, in relation to the UK there was no enforcement of the decisions in the case of the claim of the patent, Samsung lost the demand for infringement, given that the patent was declared invalid. In the case of the designs Samsung won the action for a declaration of non-infringement, but this declaration does not need to be enforced. It was also pointed out that in order to decide over the validity of the rights, the National Courts showed to be closely aligned with the main European institutions that administrate the rights: the EPO in the case of the patents and the OHIM in the case of the designs.

Overall this chapter revealed that contending litigation in different jurisdictions of a case that involves the same parties, and the same patents or designs, based on the same facts:

- (a) Despite the harmonization of the laws protecting the IPRs in question, the Courts would still take different approaches to analyze the law and hence, achieve different judgments.
- (b) The preliminary injunctions in respect to designs in the European Union can have a cross-border effect.
- (c) The litigation of patents may fall within the scope of competition law, which will have to be decided by the competition authority.
- (d) The enforcement of national judgments has only effect in the territory of the country.

### **Chapter III. Cross-border litigation of Intellectual Property rights conflicts in the European Union**

In the previous chapter I analyzed litigation of cross-border disputes over the same patents and designs between the same parties mainly in the US and the UK, with reference to the decisions in Germany and the Netherlands. After demonstrating the harmonization that exists in the law protecting IPRs, it was concluded that having to litigate in different jurisdictions, when the conflict involves the same parties and the same right, causes inconsistencies due to the different interpretations and applications of the law. In this Chapter it will be addressed whether that problem identified in the National Litigation of cross-border disputes, finds a solution within the European system of Community IPRs?

At the outset, a brief explanation will be given of the general Community rules in relation to the Cross-border conflicts in commercial matters. The elements analyzed here, and throughout the chapter are: (a) questions of jurisdiction, in order to determine which court will have the authority to hear the case; (b) questions of conflict of law in order to determine the applicable law in which the court will base its decision on, given that the right involves several territories; (c) the pan-European injunctions and (d) the enforcement of the judgments.

This chapter will discuss the current regulation of Community patents and designs in the European Union. As we will see, there have been recent changes to the European patent system, which despite not yet being in force, it is submitted that it will represent an improvement to the current system and particularly advantageous for the type of dispute studied in this thesis.

In section 2 of this chapter it will be analyzed how the Community design rights operate at present, based on the case of Apple v Samsung, and it will be determined what the design system can learn from the forthcoming patent system. I use the example of Apple vs Samsung to illustrate certain concepts of the European system, especially related to the cross-border injunction, as it was an issue present in the study in Chapter II.

## 1. Cross-border conflicts in the EU

Given the expansion of EU markets and the diversity of the conflicts in civil and commercial law jurisdictions, the EU community has established a legal framework to assist national courts when dealing with cross-border litigation<sup>298</sup>. The legal framework aims to prevent concurrent court decisions and it can be defined as the “*lis pendens*” rule<sup>299</sup> that was set out by the Brussels Convention<sup>300</sup> and the Lugano Convention<sup>301</sup> and after the signing of the Maastricht Treaty, by the Brussels Regulation 44/2001<sup>302</sup>.

The Brussels Regulation’s basic principle is that jurisdiction will be exercised by the EU country in which the defendant is domiciled regardless of his/her nationality<sup>303</sup>.

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<sup>298</sup> Štanko, A. 2011. Cross-border "torpedo" litigation. available at <<http://www.commonlawreview.cz/cross-border-qtorpedoq-litigation>>.

<sup>299</sup> Štanko, A. 2011. Cross-border "torpedo" litigation. available at <<http://www.commonlawreview.cz/cross-border-qtorpedoq-litigation>>.

<sup>300</sup> 1968. Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. *OJ L 299*. available at <<http://curia.europa.eu/common/recdoc/convention/en/c-textes/brux-idx.htm>>.

<sup>301</sup> 1988. Convention on jurisdiction and the enforcement of judgments in civil and commercial matters. Lugano, available at <<http://curia.europa.eu/common/recdoc/convention/en/c-textes/lug-idx.htm>>.

<sup>302</sup> “*In the interests of harmonious administration of justice it is necessary to minimize the possibility of concurrent proceedings to ensure that irreconcilable judgments will not be given in two Member States. There must be a clear and effective mechanism for resolving cases of lis pendens and related actions and for obviating problems flowing from national differences as to the determination of the time when a case is regarded as pending...*” paragraph 15 December 22, 2000. Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I). available at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2001R0044:20100514:EN:PDF>> with amendments until March 2014.

<sup>303</sup> Article 2 December 22, 2000. Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I). available at <[104](http://eur-</a></p></div><div data-bbox=)



The following section will set out the general rules for European cross-border litigation, before entering in the analysis of the patent and design systems.

## 1.1 Jurisdiction Over Cross-border Conflicts

The Brussels I Regulation dictates which court will have jurisdiction when encountering cross-border conflicts. This rule for jurisdiction (also called the “*lis pendens* rule”) is contemplated in articles 27 to 30 of Brussels I. They basically establish that when there are litigation procedures brought before courts of different Member States, from the same action, and involve the same parties, the claim will only continue in the first court in which it was instigated. The other courts will have to set a motion to stay their proceedings for as long time as the court that was first seized takes to decide on its jurisdiction. Once the jurisdiction is decided upon, the other courts should then decline their jurisdiction in favor of the first seized court<sup>304</sup>.

The reason for this rule is that when the actions are closely connected it is beneficial to hear them together so that there is a single determination, otherwise there is the risk of having irreconcilable judgments coming from different proceedings<sup>305</sup>.

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lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2001R0044:20100514:EN:PDF> with amendments until March 2014.

<sup>304</sup> December 22, 2000. Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I). available at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2001R0044:20100514:EN:PDF>> with amendments until March 2014.

<sup>305</sup> Article 28 December 22, 2000. Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I). available at <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2001R0044:20100514:EN:PDF>> with amendments until March 2014.

This is precisely the type of conflict displayed on the case of study, described in Chapter I. Following the Brussels I Regulation the dispute between Apple and Samsung should have been resolved in the first court in which proceedings were instigated, while the others should have stayed their proceedings, following the application of Articles 27(3) and 29 of the Brussels I Regulation.

However the *lis pendens* rule did not applied, and this is because the rule has changed and developed given that there were litigation techniques that were leading to an abuse of it. Mario Franzosi identified the abusive practice and called it “Italian Torpedo”<sup>306</sup>. He compared the *lis pendens* rules with a convoy of ships. A convoy goes at the same speed at the slowest ship is capable of going at top performance: if a ship has technical problems, the other ships should stay and wait until it is fixed<sup>307</sup>. The result is that the slowest ship determines the speed of the entire convoy<sup>308</sup>. In the same way, when an alleged infringer files for an action for declaration of non-infringement of a patent in a court that turns out to be more slow (e.g. before the Italian court), it is possible that that action was filed merely to delay the process<sup>309</sup>. If the litigation for achieving non-infringement of an IPR is conducted over a long period of time, the enforcement of the patent becomes almost impossible<sup>310</sup>. The torpedo tactic hence implies a delay and abusive practice on infringement actions.

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<sup>306</sup> Franzosi, M. 1997. Worldwide Patent Litigation and the Italian Torpedo. available at <<http://www.franzosi.com/articolo/1997/worldwide-patent-litigation-and-the-italian-torpedo>>.

<sup>307</sup> Štanko, A. 2011. Cross-border "torpedo" litigation. available at <<http://www.commonlawreview.cz/cross-border-qtorpedoq-litigation>>.

<sup>308</sup> Franzosi, M. 1997. Worldwide Patent Litigation and the Italian Torpedo. available at <<http://www.franzosi.com/articolo/1997/worldwide-patent-litigation-and-the-italian-torpedo>>.

<sup>309</sup> Studio Legale Jacobacci & Associati July 19, 2013. Italian Supreme Court news: the rise of the Italian Torpedo. <<http://www.lexology.com/library/detail.aspx?g=8c7b00c4-80dd-43e4-89f3-fdd453a19420>>.

<sup>310</sup> Franzosi, M. 1997. Worldwide Patent Litigation and the Italian Torpedo. available at <<http://www.franzosi.com/articolo/1997/worldwide-patent-litigation-and-the-italian-torpedo>>.

In order to avoid torpedo tactics, litigators have been using what is called a “sue first” strategy<sup>311</sup>. Franzosi elaborates on this ‘sue first’ tactic from the different views of both sides of a patent dispute. On the side of the patentee, if he believes that the patent is being violated but do not think that he will be able to persuade the infringer to stop the infringement action, the patentee is advised not to send warning letters or seek contact, because a warning letter is considered to provoke a counter action for non-infringement before a slow court<sup>312</sup>. Hence Franzosi observed that when the infringers realized that they could get sued for their actions, they would hurry up and start their (non-infringement) action in the Court of preference. From the side of the alleged infringer, if that company fears it is going to be attacked (by a right holder or a troll) without grounds and in more than one country, it may avoid this (sort of legal harassment) by filing an action for non-infringement in a favorable jurisdiction<sup>313</sup>. Nevertheless, the risks that Franzosi identified, are somehow solved in the IPRs arena, and the following section will deal with that.

### *Exclusive jurisdiction of the validity of registered IPRs*

At the outset, the general provisions of the Brussels Regulation, state in Article 2 that a person will be sued in the courts where they are domiciled. Nevertheless, Article 22 establishes exclusive jurisdiction when the conflict involves the question of validity of registered IPRs regardless of the domicile of the parties. Paragraph 4 relates to the proceedings concerned the registration or validity of patents, trademarks, designs “or other similar rights” that need

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<sup>311</sup> Štanko, A. 2011. Cross-border "torpedo" litigation. available at <<http://www.commonlawreview.cz/cross-border-qtorpedoq-litigation>>.

<sup>312</sup> Franzosi, M. 1997. Worldwide Patent Litigation and the Italian Torpedo. available at <<http://www.franzosi.com/articolo/1997/worldwide-patent-litigation-and-the-italian-torpedo>>.

<sup>313</sup> Franzosi, M. 1997. Worldwide Patent Litigation and the Italian Torpedo. available at <<http://www.franzosi.com/articolo/1997/worldwide-patent-litigation-and-the-italian-torpedo>>.

to be registered, the courts of the Member State in which the registration has been applied or has taken place will have exclusive jurisdiction. It then goes on to state that each of the courts of the European Patent Office (**EPO**) Member States will have exclusive jurisdiction in proceedings regarding the registration of the European patents granted for that State. The application of this disposition is without prejudice to the jurisdiction of the EPO.

It is possible that the second part of article 22(4) will change when the Unitary Patent Court (**UPC**) system is ratified. The section in question establishes that the EPO has jurisdiction to grant European Patents but that there are the Courts of each of the Member States that have the exclusive jurisdiction in cases where the validity of the European Patent is at stake. The UPC system will be explained further later in this section.

Coming back to the mandatory character of the exclusive jurisdiction rule, the Brussels I Regulation further elaborates in article 25 that if a court seized with a claim concerning a matter over which the court of another Member State has exclusive jurisdiction, then based on article 22(4) (above described), it must by its own motion, refuse jurisdiction. However this analysis does not make clear what will be the impact of the exclusive jurisdiction when the validity of the right is raised as a defense in cross-border infringement proceedings.<sup>314</sup>

To answer this question, there is a landmark EU case regarding in the EU, the *GAT v LuK*<sup>315</sup> case. In summary, GAT (a German company) was looking for a declaration of non-infringement and also a declaration that the French patents belonging to LuK (a German

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<sup>314</sup> van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

<sup>315</sup> Gesellschaft für Antriebstechnik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG

company as well) were either void or invalid. The court of first instance in Germany considered that it had international jurisdiction to adjudicate upon infringement<sup>316</sup> and also regarding the validity of the French patents and proceeded to dismiss GAT's actions on the merits, holding that the French patents were valid<sup>317</sup>.

Then, when this decision was challenged, the Appeal Court stayed the proceeding and referred to the Court of Justice of the European Union (CJEU) for a preliminary ruling on the effect of article 16(4) of the Brussels Convention<sup>318</sup>. The CJEU replied that the article is to be interpreted as meaning that the rule of exclusive jurisdiction would apply to all proceedings relating to the registration or validity of a patent, irrespective of whether the issue is raised by way of an action or only as a defense<sup>319</sup>.

The ruling comes down firmly in favor of exclusive national jurisdiction, in this case by stating that only a French Court can rule on the validity of a French patent<sup>320</sup>. It has been said that to allow a foreign infringement court to decide over the validity of the IPR at issue would undermine the binding nature of the exclusive rule of jurisdiction and evade its mandatory nature<sup>321</sup>. In addition, having the courts deciding the validity of foreign patent has the effect

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<sup>316</sup> There was no question about the infringement jurisdiction, as both of the companies were domiciled in Germany. Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer. In S. Leible and A. Ohly (eds), Intellectual Property and Private International Law. Mohr Siebeck.

<sup>317</sup> Phillips, J. July 13, 2006. Big day at the ECJ (GAT v LuK). *The IPKat*. <<http://ipkitten.blogspot.co.uk/2006/07/big-day-at-ecj.html>>.

<sup>318</sup> Article 16(4) of the Brussels Convention provides for exclusive jurisdiction “*in proceedings concerned with the registration or validity of patents... (to) the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or is under the terms of an international convention deemed to have taken place*” 1968. *Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters*. OJ L 299. available at <<http://curia.europa.eu/common/recdoc/convention/en-c-textes/brux-idx.htm>>.

<sup>319</sup> 2006. GAT v LuK. European Court of Justice.

<sup>320</sup> Phillips, J. July 13, 2006. Big day at the ECJ (GAT v LuK). *The IPKat*. <<http://ipkitten.blogspot.co.uk/2006/07/big-day-at-ecj.html>>.

<sup>321</sup> van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

of multiplying the number of courts which have jurisdiction, allowing perhaps a decrease of legal certainty and amplifying the risk of conflicting decisions<sup>322</sup>.

Another landmark decision over cross-border jurisdiction is the *Roche v Primus*<sup>323</sup> case. In this case, Primus and Goldenberg, domiciled in the USA, proprietors of a European patent, brought an action against Roche, domiciled in Netherlands, and other companies in the Roche group, domiciled in several other countries. The companies in the Roche group that were not domiciled in the Netherlands contested the jurisdiction of the Dutch courts, and based their arguments on the absence of infringement and invalidity of the patent. The first court declared that it had jurisdiction. On appeal, the court set aside the judgment and prohibited Roche from infringing the patent in all the countries designated. Finally, the Supreme Court, hearing on a point of law, referred to the CJEU for a preliminary ruling regarding the application of article 6(1) of the Brussels Convention<sup>324</sup>. The CJEU ruled that article 6(1) does not apply in European patent infringement proceedings that involve a number of companies established in various Contracting States<sup>325</sup>. It was considered that even if the aim of the article in question is to avoid “irreconcilable judgments”, the risk does not exist in view of infringement of bundle patents by companies located in different Contracting States<sup>326</sup>. The CJEU considered that a resolution to the contrary would encourage the practice of forum

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<sup>322</sup> See on the same opinion: Phillips, J. July 13, 2006. Big day at the ECJ (GAT v LuK). *The IPKat*. <<http://ipkitten.blogspot.co.uk/2006/07/big-day-at-ecj.html>>, van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

<sup>323</sup> 2006. Roche Nederland BV and others v Frederick Primus and Milton Goldenberg, C-539/03. European Court of Justice.

<sup>324</sup> Article 6(1): “A person domiciled in a Contracting State may also be sued... where he is one of a number of defendants, in the courts of the place where any one of them is domiciled...”

<sup>325</sup> 2006. Roche Nederland BV and others v Frederick Primus and Milton Goldenberg, C-539/03. European Court of Justice.

<sup>326</sup> Kur, A. 2006 A Farewell to Cross-Border Injunctions? The ECJ Decisions GAT v. LuK and Roche Nederland v. Primus and Goldenberg. *International Review of Intellectual Property and Competition Law* 37(7), 844-855.

shopping. It is considered that together these decisions have further increased the level of harmonization within Europe<sup>327</sup>.

This set of decisions was first thought to bring an answer and security over the cross-border IP litigation in Europe, nevertheless analyzing *GAT v LuK* with more care, it seems that it actually contributes to the risk of divergent judgments<sup>328</sup>.

Furthermore, two months after *GAT v LuK* decision, in September of 2006, the Dutch court granted a cross-border injunction, arguing that the *GAT v LuK* judgment only applies to cases on the merits, not to preliminary injunctions, which are exempt under article 31 of the Brussels I Regulation<sup>329</sup>. A more extended analysis on the effect of pan-European injunctions will be discussed below in section 2.3 of this chapter.

Finally, it is worth to point out that the above considerations give merits to Torremans argument that the CJEU sort of closed the harmonization of cross-border litigation in the EU. It is true that due to the abuse of the system set out in the Regulation, by way of the torpedo actions there was the need of a correction on the interpretation of the Brussels I Regulation<sup>330</sup>. Nevertheless, the final effect in *GAT v LuK* is giving the following effect: even when the actions are based in the same facts, based on parallel rights, the examination and legal rules

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<sup>327</sup> Kur, A. 2009. Are there any Common European Principles of Private International Law with regard to Intellectual Property? In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*.

<sup>328</sup> In this regard, Torremans said: "... As a result of the judgment in *GAT v LuK*... it will no longer be possible to consolidate patent litigation by bringing a single case against a defendant dealing with several parallel patents, unless there is a rare guarantee that validity or registration will not be an issue. These cases will now have to be brought on a country (of registration) by country (of registration) basis..." Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why *GAT* cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck.

<sup>329</sup> Rödiger, F. January 1st, 2009. Cross-border litigation after *GAT v LuK* and *Roche v Primus*; the future of the Italian Torpedo. *Bird&Bird*. <<http://www.twobirds.com/en/news/articles/2012/cross-border-litigation-after-gat-v-luk-and-roche-v-primus-the-future-of-the-italian-torpedo>>.

<sup>330</sup> Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why *GAT* cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck.

are dealt differently in the Member States<sup>331</sup>. A clear example of this effect was the way the Courts of the Member States dealt with the case of *Apple v Samsung*, studied in the first chapter of this thesis<sup>332</sup>. However, it is important to note that the Brussels I Regulation is about to be changed in year 2015, and below, these changes will be further described.

### *Changes to the Brussels I Regulation*

In 2012, there was a recast of the Brussels I Regulation that intends to replace it by the year 2015 (article 66 of Regulation 1215/2012)<sup>333</sup>. The main changes that this new Regulation implies in respect to the Brussels I, can be identified as<sup>334</sup>: (1) Making the judgments rendered by a national EU Court enforceable across the EU without the need of an *exequatur* procedure<sup>335</sup>; (2) Limiting the exclusive jurisdiction for validity of IPRs, when an action can be brought into several Courts, only the first one seized will know the case<sup>336</sup>; (3) Including

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<sup>331</sup> Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck. p. 204

<sup>332</sup> Although, as proven in *Actavis v Lilly*, it is possible that the parties to a cross-border conflict of patent agree to give jurisdiction to a UK Court, as long as the validity of the patent is not in issue. See 2012. *Actavis v Lilly*. *EWHC 3316*. (Pat).

<sup>333</sup> Commission, E. 2012. Regulation 1215/2012. Official Journal of the European Union <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0001:0032:En:PDF>>.

<sup>334</sup> Herbert Smith Freehills, L. T. December 12, 2012. Reforms to Brussels Regulation now finalised. *Litigation Notes*. <<http://hsfnotes.com/litigation/2012/12/12/reforms-to-brussels-regulation-now-finalised/>>.

<sup>335</sup> Article 39 of the 1215/2012 regulation states “*A judgment given in a Member State which is enforceable in that Member State shall be enforceable in the other Member States without any declaration of enforceability being required*” Commission, E. 2012. Regulation 1215/2012. Official Journal of the European Union <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0001:0032:En:PDF>>.

<sup>336</sup> Article 24(4) the 1215/2012 regulation establishes the exclusive jurisdiction in respect to registration and validity of IPRs. And, on article 31(1) is complemented by adding that when the exclusive jurisdiction falls into several national Courts, then other Courts will stay the proceedings in favor of the first seized Court. Commission, E. 2012. Regulation 1215/2012. Official Journal of the European Union <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0001:0032:En:PDF>>.



parties that are not domiciled in the EU into the rules related to jurisdiction<sup>337</sup>; (4) Taking out of the Regulation, arbitration procedures<sup>338</sup>.

In regards to the last point, the Regulation makes it clear that even though its principles are not applicable to arbitration, the Courts will have to check that if the action before them was actually subject to an arbitration agreement, and hence will refer the parties to this procedure, or in any case declare the arbitration clause void or inoperative (according to their national rules)<sup>339</sup>. It is important to note that the scope of the Brussels regulation, does not extend to Court proceedings that are auxiliary to arbitration proceedings. Hence, such ancillary proceedings will not be bound by the *lis pendens* rule (only the procedures that have to do with the subject matter of the dispute)<sup>340</sup>.

Below, in the Arbitration chapter there will be a deeper examination regarding the arbitration agreement and how the parties and the Court participate on it.

## 1.2 Conflict of Law procedures and Applicable Law

The procedural law applicable in the EU in civil and commercial matters in the event of a conflict of laws is divided between two different Regulations: the Rome I Regulation and the Rome II Regulation.

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<sup>337</sup> In this respect, article 6 of the 1215/2012 Regulation points that the people not domiciled in the EU Member States, will have as jurisdiction rules, among others, according to article 25. This article talks about the prorogation of jurisdiction by way of agreement of the parties. However this last article is not applicable to matters of IPRs (it excludes article 24), as the Regulation 1215/2012 keeps on with the Brussels I tradition in terms of not letting the validity of IPRs be contested in a forum agreed by the parties. Commission, E. 2012. Regulation 1215/2012. Official Journal of the European Union <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0001:0032:En:PDF>>.

<sup>338</sup> In article 1 is defined the scope of the Regulation and one of the subjects that it does not apply to, is matters of Arbitration. Commission, E. 2012. Regulation 1215/2012. Official Journal of the European Union <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0001:0032:En:PDF>>.

<sup>339</sup> Paragraph 12 Commission, E. 2012. Regulation 1215/2012. Official Journal of the European Union <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:351:0001:0032:En:PDF>>.

<sup>340</sup> See the analysis of the *Marc Rich* case in p. 848 Hartley, T. C. 2014. The Brussels I Regulation and Arbitration. International and Comparative Law Quarterly.

Rome I lays down the law applicable to contractual obligations, which can be summarized as follows:

- a) The parties are free to choose the governing law to their contracts<sup>341</sup>. This is considered to be one of the foundation stones of the system of conflict-of-law rules for contractual obligations.
- b) In the absence of choice by the parties, the applicable law will be determined based on the country of residence of the principal actor carrying out the contract. Nevertheless, if the contract is related more closely to another country than the one provided by the rules, the law of that country will apply<sup>342</sup>.

On the other hand, the Rome II Regulation defines the conflict-of-law rules that are applicable to the non-contractual obligations in the subject matters of Rome I. The Rome II Regulation attempts to harmonize the conflict-of-law-rules, so that the rules determining the applicable law will always be the same. Overall, the relevant dispositions of Rome II can be summarized as follows:

- a) The applicable law should be the law of the country where the harm was done<sup>343</sup>.
- b) The applicable law will be the law of the country where both of the parties have the habitual residence at the moment that the damage occurred<sup>344</sup>.

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<sup>341</sup> Article 3 2008. Regulation (EC) No 593/2008 on the law applicable to contractual obligations (Rome I).

<sup>342</sup> Article 4 2008. Regulation (EC) No 593/2008 on the law applicable to contractual obligations (Rome I).

<sup>343</sup> This is the general rule *locus delicti* in article 4(1) 2007. Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (Rome II). *OJ 199 31.07.2007*. available at <<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0864&rid=1>>.

<sup>344</sup> If the parties have their habitual residence in the same country at the time the damage occurs, they can invoke that law as the applicable one. Article 4(2) 2007. Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (Rome II). *OJ 199 31.07.2007*. available at <<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0864&rid=1>>.

c) The applicable law should be the law of the country which is more closely connected than the other countries<sup>345</sup>.

d) Lastly, and a very important factor for this thesis, is that Rome II authorizes the parties to choose, by mutual agreement, the law that will be applicable<sup>346</sup>.

A more profound analysis of the Rome II Regulation and its specific application in matters of IPRs will be done in the arbitration chapter.

It is worth noting that, the Rome regulation does not constrains the applicable law exclusively to those that are enumerated. Indeed, in the UK there was a case of declaratory of non-infringement of a patent (*Actavis v. Lilly*) where it was admitted that if the parties surrender the jurisdiction to the UK Court, then it would be allowed to consider the different laws of the countries in which the parties wanted to make the judgment valid. A further analysis of this case is done in Chapter V. section 2 when talking about applicable law in arbitration of cross-border conflicts of patents.

### **1.3 Pan-European Injunctions in Civil and Commercial matters**

Article 31 of the Brussels I Regulation provides that the application for provisional measures can be done before a court of a Member State, even though other national courts have jurisdiction in regards to the merits.

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<sup>345</sup> Article 4(3) 2007. Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (Rome II). *OJ 199 31.07.2007*. available at <<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0864&rid=1>>.

<sup>346</sup> Article 24 2007. Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (Rome II). *OJ 199 31.07.2007*. available at <<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0864&rid=1>>.

After the decision on the *Roche* case (explained in section 1.3 of this chapter), the Dutch courts have continued their practice of adjudicating infringement of foreign patents against one or several, including nonresident, parties. This is because the *Roche* case had no clarification about the potential reach and impact of article 31, hence the Dutch hallmark on provisional measures continued<sup>347</sup>. The *Roche* principle comes from a decision in the case *Focus Veilig v. Lincoln Electric* (1989) as a matter of Dutch private international law, there is no reason why an order by a Netherlands court should have to be limited to acts that take place in the Netherlands. The Dutch Supreme Court stated that if a damage is committed in different States and the right holder is forced to commence separate proceedings in all the national Courts concerned that would be disadvantageous to the general business interests. It is important to note that in this particular context the Court decided over international infringements of IPRs involving international acts of unfair competition. After the decision in *Focus v Lincoln*, Dutch courts have granted a great number of cross-border injunctions in cases involving trademarks, copyrights and patents<sup>348</sup>.

Moreover, on September 2012, in the case *Solvay SA v Honeywell* the CJEU ruled that the application of article 22(4) of Brussels I—that grants exclusive jurisdiction of regional Courts for matters of validity of Community IPRs- should not exclude the application of article 31 of the same regulation. Hence, up until the time of writing, the cross-border injunctions protecting IPRs can be granted when the case is in a preliminary proceeding stage and the

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<sup>347</sup> Article 31 does not specifically set aside the prerequisite that the Court must be competent to decide on the matter, according to its national law. However, the specific requirement does not represent a problem under Dutch National law. In the *Roche* judgment, the competence of the Court was confirmed regarding the claim raised against the US based company. Kur, A. 2006 A Farewell to Cross-Border Injunctions? The ECJ Decisions *GAT v. LuK* and *Roche Nederland v. Primus and Goldenberg*. *International Review of Intellectual Property and Competition Law* 37(7), 844-855.

<sup>348</sup> van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

Court is not making a decision regarding the validity. This principle may stay after the January 2015, when the 1215/2012 Regulation will be applicable, because this new Regulation, copies on its article 35 what the Brussels I Regulation described on its article 31.

In order to determine whether to grant a cross border injunction, a National Court will have to apply the national law of the place of the infringement, given the *lex loci delicti* or *lex loci protectionis rule*<sup>349</sup>. Further in the Pan-European injunction of patents (section 2.3) and designs (section 0) will be explained how is this rule is applied for this type of injunctions dealing with those type of rights.

## **2. The Patent System in Europe**

In 1949, after the creation of the Council of Europe, French Senator Longchambon made a proposal for the creation of a regional patent system. This proposal was rejected, however, the belief in the need for a patent office and supporting laws to facilitate integration in Europe remained. During the following years there were several failed proposals, all of which in combination helped to set the agenda for the creation of a European patent, the European Patent Convention (EPC)<sup>350</sup>. In this part of the chapter, first there is going to be a description of the EPC system that it is still in operation. Then this chapter takes into account the very recent changes in the European Patent system that took place during the development of this thesis. On February 2013, a system for a Unified Patent Court (UPC) was signed. At the moment of writing it is waiting for ratification of the Member States and it should start ruling

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<sup>349</sup> van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

<sup>350</sup> Pila, J. 2013. The European Patent: An Old and Vexing Problem. *International & Comparative Law Quarterly*. <[http://users.ox.ac.uk/~lawf0169/pdfs/iclq\\_theeuropeanpatent.pdf](http://users.ox.ac.uk/~lawf0169/pdfs/iclq_theeuropeanpatent.pdf)>, pp. 917-940.

as soon as 13 Member States, including the UK, France and Germany, have ratified it<sup>351</sup>. This new UPC system will be explored in Section 2.2 of this chapter.

The UPC issues to be analyzed in the present chapter are: the general jurisdiction rules, with a mention on the bifurcation rules for this system; the applicable law (as we have seen from the section above, it is important to specify what are going to be the conflict-of-law rules that will determine the substantive law); the pan-European injunction, and its peculiarities in the current patent system and how it would change with the UPC; and finally, the enforcement of the patent judgments.

## 2.1 The European Patent System

The European Patent Convention (**EPC**) was signed in Munich in 1973, and became effective in 1977<sup>352</sup>. The EPC establishes “a system of law, common to the Contracting States, for the grant of patents for inventions”<sup>353</sup>, and a European Patent Organization (**EPO**) with administrative and financial autonomy<sup>354</sup>. That is, a single procedure and office for what it is called the European Patent. However, even when it established a single procedure for the application, the European Patent does not grant a unitary right, but rather a bundle of national patents that are subject to the laws of the Contracting States in which protection is sought<sup>355</sup>.

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<sup>351</sup> According to the European Patent Office Unitary Patent & Unified Patent Court (FAQs).

<<http://www.epo.org/law-practice/unitary.html>>.

<sup>352</sup> Di Cataldo, V. 2002. From the European Patent to a Community Patent. *8 Colum. J. Eur. L.* p. 19

<sup>353</sup> Article 1, 2013. European Patent Convention.

<[http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/\\$File/EPC\\_15th\\_edition\\_2013.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf)>.

<sup>354</sup> Article 4 2013. European Patent Convention.

<[http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/\\$File/EPC\\_15th\\_edition\\_2013.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf)>.

<sup>355</sup> Pila, J. 2013. The European Patent: An Old and Vexing Problem. *International & Comparative Law Quarterly*. <[http://users.ox.ac.uk/~lawf0169/pdfs/iclq\\_theeuropeanpatent.pdf](http://users.ox.ac.uk/~lawf0169/pdfs/iclq_theeuropeanpatent.pdf)>, pp. 917-940.

The validity of the grant of the European Patent is conditioned upon the European Patent being translated into the language of each Member State where the patent is to have effect.<sup>356</sup> The London Agreement that entered into force in 2008 allowed some of the translations be dispensed but only on those thirteen EPC States that signed it<sup>357</sup>. The aim of the agreement is to reduce costs of translations.

The European Patent is a fragmented patent system, where each Contracting State's patent law governs that State's fractional share of the European Patent. Aside from the translation arrangements, the signatory parties have to legislate regarding the remedies that the parties can claim<sup>358</sup>.

In addition, it is important to note that when it comes to issues after the granting of the patent, such as amendment, revocation and infringement of the patents under the EPC system, all litigation has to take place in the national courts<sup>359</sup>. In the end, even though the inventors can apply and get a European Patent in a single application procedure, they had to not only validate it in each of the European countries where they were seeking protection, but also, when encountering a possible infringement, they had to bring litigation claims in each of the national courts where the alleged infringement was taking place.

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<sup>356</sup> Article 137(2)(b) 2013. European Patent Convention.

<[http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/\\$File/EPC\\_15th\\_edition\\_2013.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/00E0CD7FD461C0D5C1257C060050C376/$File/EPC_15th_edition_2013.pdf)>.

<sup>357</sup> The London Agreement is an optional agreement applying article 65 of the European Patent Convention. See European Patent Office London Agreement. <<http://www.epo.org/law-practice/legal-texts/london-agreement.html>>.

<sup>358</sup> Di Cataldo, V. 2002. From the European Patent to a Community Patent. *8 Colum. J. Eur. L.* p.20

<sup>359</sup> Ellyne, E. 2012 European patent law: a foreseeable future in the wake of the European Court of Justice Opinion 1/09 on the compatibility of the Draft Agreement creating a unified litigation patent system with the founding European Treaties. *Queen Mary Journal of Intellectual Property* 2, 343-362.

As was explained in Section 1.1 of this chapter (page 105), this is due to the principle laid down in the *GAT vs LuK* case. It is also important to note that because of the *GAT vs LuK* principle the parties in *Apple vs Samsung* had to start litigation in multiple national courts. In the case of study, the parties had to bring actions in different national Courts and deal with the different rules of procedure of each of the European jurisdictions where they wanted to enforce their rights. Taking into account that in Chapter I these procedures were already analyzed, they will not be elaborated further in this chapter, except for the section of Pan-European injunctions.

Finally, it is worth mentioning that the EPC was supposed to be only the first step, a provisional tool. As a convention intending to partially harmonize and partially unify European patent law, the EPC was always intended to be followed by a further step, a more advanced tool. In fact, that tool was crafted even before concluding the EPC works: the Luxembourg Convention, signed on December of 1975<sup>360</sup>. However, the Luxembourg Convention was never ratified. That did not mean the efforts for a unified system of patents would stop there: as we will see in the following section, there has been a European patent reform that created a unified patent and a unified patent court, aiming to achieve a unified patent law.

## **2.2 The Unified Patent Scheme**

The European Patent with unitary effect was instituted by way of European Union regulation, based on article 118 of the Treaty of the Functioning of the European Union (TFEU). The patent reform was agreed by the European Parliament, by means of a “patent package” that

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<sup>360</sup> Di Cataldo, V. 2002. From the European Patent to a Community Patent. *8 Colum. J. Eur. L.* p. 19



included two Regulations and one international Agreement: the Agreement on a Unified Patent Court (**the UPC Agreement**). The package will be implemented by way of enhanced cooperation between 25 Member States<sup>361</sup>. The patent package provides for a Unitary Patent and for a Unitary Patent Court (**UPC**).

In the following section I will lay out what is the Unitary Patent and what are its implications, and what is the UPC, together with its basic rules of procedure. Section 2.2.2, will describe how the litigation of patent disputes will be processed once the system is up and running, concluding with some general observations regarding this new scheme.

### ***2.2.1 The Unitary Patent***

The Unitary Patent or “European patent with unitary effect” will be a European patent, granted by the **EPO**, which, upon request of the patent holder, will have a unitary effect for the territory of the 25 Member States participating in the Unitary Patent Scheme. Only Member States of the European Union may become contracting member states to the Agreement on the UPC<sup>362</sup>.

The Unitary Patent will co-exist with national patents and the classical European patents<sup>363</sup>. Hence, at the time that the Unitary Patent starts, there will be four parallel patent systems in the EU, some of which will overlap:

- 1) National patents based on national applications;
- 2) National patents based on an EPO application within the UPC Agreement system;

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<sup>361</sup> European Patent Office Unitary Patent & Unified Patent Court (FAQs). <<http://www.epo.org/law-practice/unitary.html>>.

<sup>362</sup> European Patent Office Unitary Patent & Unified Patent Court (FAQs). <<http://www.epo.org/law-practice/unitary.html>>.

<sup>363</sup> Office, E. P. August 15, 2013. The Unified Patent Court. <<http://www.epo.org/law-practice/unitary/patent-court.html>>.

3) National patents based on EPO application outside the UPC Agreement system (owing to non-ratification or in non-Member States);

4) European Patents with unitary effect.

It is important to note that the Unitary Patent will coexist with national patents and current European patents. The possibility of patent protection through the current European patent system (with non-unitary effect) will remain for all contracting states of the EPC<sup>364</sup>. There is the option of opting out of the Unitary Patent, and this is going to be explained in the following section. There will be a common registry for the Unitary Patent, with local sub-registry offices<sup>365</sup>.

There is a strong possibility of an increase in the volume of unnecessary patents, given the fact that there are going to be several types of patent protection when the Unitary Patent starts having an effect. The inventors will need to have a very good advice to know which of the patents they should apply for.

Dr. Heusch, the litigation chief of Nokia, thinks that there are already too many patents around, especially in the mobile handset arena (as in our case study) where each new module would make use of around thousand patents when in the end, it is very obvious to everyone that not all of those are a great invention “mobile phones are complex, but not that complex” he adds<sup>366</sup>.

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<sup>364</sup> Sadler, P. January 31, 2013. The European Unitary Patent Package. *IP News*. Reddie & Grose: <<http://www.reddie.co.uk/news-and-resources/ip-developments/special-delivery-the-european-unitary-patent-package>>.

<sup>365</sup> European Patent Office Unitary Patent & Unified Patent Court (FAQs). <<http://www.epo.org/law-practice/unitary.html>>.

<sup>366</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

Following, the applicable laws for the Unitary Patent will be introduced, this section will deal with the challenges that Spain and Italy raised. On section b) it will be explained how the opting out system will work, once the Unitary Patent is in force.

**a) Applicable law for the Unified Patent**

As stated above, the “patent package” implements enhanced cooperation between 25 Member States<sup>367</sup> and consists of two Regulations and one international Agreement, laying grounds for the creation of unitary patent protection in the European Union. The relevant instruments are:

1. Unitary Patent Regulation: 1215/2012 of the European Parliament and of the Council of 20.12.2012 on jurisdiction and the recognition and enforcement of judgment’s in civil and commercial matters. This legislation makes the unitary patent possible<sup>368</sup> by renovating the previous Brussels I Regulation. The Unitary Patent Regulation is only open to Member States of the EU, which excludes non-EU members of the EPC such as Switzerland, Norway and Turkey<sup>369</sup>.
2. Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements<sup>370</sup>.

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<sup>367</sup> All the Member States except Italy and Spain, more on this topic further in the present chapter.

<sup>368</sup> Council, E. P. a. E. 2012. Regulation (EU) No. 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection. *EU 1257/2012*.

<sup>369</sup> Sadler, P. January 31, 2013. The European Unitary Patent Package. *IP News*. Reddie & Grose: <<http://www.reddie.co.uk/news-and-resources/ip-developments/special-delivery-the-european-unitary-patent-package>>.

<sup>370</sup> December 17, 2012. Council Regulation (EU) No 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:361:0089:0092:EN:PDF>>.

3. Agreement on a Unified Patent Court<sup>371</sup>. According to Pierre Véron, the title is somehow misleading because the agreement not only establishes the new UPC, but also the adoption of the new body of substantive law<sup>372</sup>.
4. Rules of Procedure<sup>373</sup>. There is a Preparatory Committee<sup>374</sup> for the Rules of Procedure, and they tried to meet users' and practitioners' demands. From June 25 until 1 October 2013, the draft Rules of Procedure were open to written comments from stakeholders or other interested parties.

The UPC Agreement explains in article 24(1) that the Court shall base its decision on Union law. According to Véron, this was decided in order to make clear the supremacy of the Union law<sup>375</sup>. The next law to take into account would be the UPC Agreement itself, and the UPC Agreement supersedes the EPC, which will be the next law to take into account. After, there will be other international agreements applicable to patents and that are binding on all the contracting member states, e.g. the Paris Convention. And finally, the last laws to take in to account are the national laws (article 24(1)(e) of the UPC Agreement).

But the role of national law is very limited and the basic rules for infringement will be the rules set down by the UPC Agreement, as listed in article 24(2): *To the extent that the Court*

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<sup>371</sup> 2013. Agreement on a Unified Patent Court and Statute. EPO website: <[http://documents.epo.org/projects/babylon/eponet.nsf/0/A1080B83447CB9DDC1257B36005AAAB8/\\$File/upc\\_agreement\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/A1080B83447CB9DDC1257B36005AAAB8/$File/upc_agreement_en.pdf)>.

<sup>372</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>373</sup> website, U. P. C. Public consultation on the Rules of procedure for the UPC. <<http://www.unified-patent-court.org/consultations>>.

<sup>374</sup> The drafting committee was composed as follows: Kevin Mooney (UK, Chairman), Kalus Grabinski (Germany), Willem Hoyng (Netherlands), Winfried Tilmann (Germany), Pierre Véron (France), Alice Pezard (France) and Christopher Floyd (UK) according to <<http://www.unified-patent-court.org/consultations>> consulted on September 10, 2013

<sup>375</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

*shall base its decisions on national law, including where relevant the law of non-contracting States, the applicable law shall be determined:*

*(a) by directly applicable provisions of Union law containing private international law rules, or*

*(b) in the absence of directly applicable provisions of Union law or where the latter do not apply, by international instruments containing private international law rules; or*

*(c) In the absence of provisions referred to in points (a) and (b), by national provisions on private international law as determined by the Court.*

Regarding the cases of opting out, when a party opts out from the exclusive jurisdiction of the UPC, they do not opt out from the application of the UPC Agreement. In this case, an infringement will be solved before a national court, but it will be difficult to define whether it will be the UPC Agreement or the national law which applies. According to Véron, this will be the basis of a variety of disputes before the UPC's appeal court<sup>376</sup>.

There are a number of fundamental issues, such as transfer of rights, which the Unified Patent System does not address at all. While under articles 5(3) and 7(1) of the Regulation 1257/2012 this is subject solely to national law, some aspects of a Unitary Patent are nonetheless subject to more than one national law.

It is important to note that the Agreement harmonizes the national laws of 25 EU Member States on the aspects of substantive patent law<sup>377</sup>.

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<sup>376</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>377</sup> Callens, P. and Granata, S. 2013. Introduction to the Unitary Patent and the Unified Patent Court. Kluwer Law International: The Netherlands. p.99

### *The Spanish and Italian Challenge*

In relation to the law applicable to the European Patent with Unitary effect, I want to make a brief comment on the challenge that Spain and Italy brought against the European Council before the CJEU, because the reasoning behind this challenge is helpful in the analysis of the Unified Patent.

The background of the challenge is that the first EU “patent package” introduced a proposal for translation arrangements in English, French and German on the grounds that it was needed to save translation costs and these are the official languages of the EPO<sup>378</sup>. High quality translations without cost would be provided online on demand<sup>379</sup>. Nevertheless, Spain and Italy voted against this proposal, and by November 2010, it was noted that there would not be unanimity regarding the translation arrangements<sup>380</sup>.

Under these circumstances, 25 Member States (the 27 EU Member States, excluding Spain and Italy<sup>381</sup>) required the Council of the European Union (“Council”) to authorize the use of

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<sup>378</sup> See European Commission 2010. Proposal for a Council Regulation on the translation arrangements for the European Union patent. <[http://ec.europa.eu/smart-regulation/impact/ia\\_carried\\_out/docs/ia\\_2010/com\\_2010\\_0350\\_en.pdf](http://ec.europa.eu/smart-regulation/impact/ia_carried_out/docs/ia_2010/com_2010_0350_en.pdf)>..

<sup>379</sup> European Commission 2010. Proposal for a Council Regulation on the translation arrangements for the European Union patent. <[http://ec.europa.eu/smart-regulation/impact/ia\\_carried\\_out/docs/ia\\_2010/com\\_2010\\_0350\\_en.pdf](http://ec.europa.eu/smart-regulation/impact/ia_carried_out/docs/ia_2010/com_2010_0350_en.pdf)>..

<sup>380</sup> It was clear that an arrangement at the time would be impossible, and also in the foreseeable future 2013. Spain and Italy v Council. Court of Justice of the European Union..

<sup>381</sup> In 2014 there are already 28 EU Member States, but back in 2011 Croatia was still not part of it. European Union website 2014. EU Member Countries. <<http://europa.eu/about-eu/countries/member-countries/>>..

“enhanced cooperation<sup>382</sup>” and this was approved in March 2011<sup>383</sup>. Based on Article 20 of the Treaty on the European Union (TEU) establishes that the “enhanced cooperation” can only be used when the objectives of the European cooperation cannot be achieved by the EU as a whole.

After a ruling of the Council, the EU institutions drew up a “second EU patent package” taking into account the ruling of March 2011, and they did so by way of “enhanced cooperation” excluding Spain and Italy from the patent package<sup>384</sup>.

When this action was taken, Spain and Italy challenged the decision of the Council before the CJEU, arguing that the authorization of enhanced cooperation evaded the requisite of unanimity stated by the TEU. This was the general argument of the challenge, and is not the purpose of this section to extensively explain the grounds of it, but it is important to note also a couple of points in the decision of the CJEU of the 16 of April 2013, where it rejected equally all the arguments by Spain and Italy<sup>385</sup>. On a first point, the decision of the CJEU recognized that the measure of the Council to establish enhanced cooperation, did not go against the dispositions of the TEU. Moreover, it was considered that, since the discussions of the Unitary patent carried out several stages since the year 2000, it was assumed that the

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<sup>382</sup> Enhanced cooperation is the last resource implemented when several countries of the European Union want to work more closely together, move in different speeds, towards different goals than other Member States. Nevertheless, the enhanced cooperation does not have the same effect as the Treaties and also should not fall in areas where the Union has exclusive competence. European Union website Glossary, Enhanced cooperation. <[http://europa.eu/legislation\\_summaries/glossary/enhanced\\_cooperation\\_en.htm](http://europa.eu/legislation_summaries/glossary/enhanced_cooperation_en.htm)>.

<sup>383</sup> Press Release: Council of the European Union 2011. Council authorises enhanced cooperation on creation of Unitary Patent Protection. <[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/intm/119732.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/119732.pdf)>..

<sup>384</sup> 2011. Council Decision of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection. Official Journal of the European Union <<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011D0167&from=EN>>.

<sup>385</sup> 2013. Spain and Italy v Council. Court of Justice of the European Union.

language arrangements had been already widely discussed among the Member States and that none of those arrangements was supported to be part of the patent legislative package<sup>386</sup>.

In regards to the challenge, some commentators are of the opinion that Spain participated in the debates of the Regulations but in the end decided not to sign the UPC Agreement mainly for economic reasons particular to the moment of the signing<sup>387</sup>. Italy has done the opposite: it didn't participate in the UPC Regulations, but may sign up to the UPC Agreement for political reasons<sup>388</sup>.

The Spanish challenge is not the first complaint from European countries to defend the use of their language. In the times when the EPC started, it was originally proposed that English would be the official language of the EPO. France disagreed with this<sup>389</sup>, and in the end, the EPO decided upon three official languages<sup>390</sup>. The use of a single language should be seen as an attempt to simplify the system over the continent<sup>391</sup>.

One point that I want to raise here, is the fact that if the parties use arbitration, they can actually decide any language they want for their procedures, and the documents that will have to be presented to them.

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<sup>386</sup> Court of Justice of the European Union 2013. The Court has dismissed the actions brought by Spain and Italy against the Council's decision authorising enhanced cooperation in the area of the single European patent. *Spain and Italy v Council*. <<http://curia.europa.eu/jcms/upload/docs/application/pdf/2013-04/cp130047en.pdf>>.

<sup>387</sup> Cunningham, N. September 19, 2013. The European Court of Justice and the Unified Patent Court. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>388</sup> Cunningham, N. September 19, 2013. The European Court of Justice and the Unified Patent Court. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>389</sup> Riley, J. 2001. The Community Patent, or: How I learned to stop worrying and love the English language. Santa Clara High Tech. L. J, <<http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1303&context=chtlj>>., p. 301

<sup>390</sup> European Patent Court, article 14(2) "The official languages of the EPO shall be English, French and German.

<sup>391</sup> Riley, J. 2001. The Community Patent, or: How I learned to stop worrying and love the English language. Santa Clara High Tech. L. J, <<http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1303&context=chtlj>>.p. 302



There was also a second challenge. On 1 June 2013, Spain defied the legality of the Unitary Patent Regulations (1257/12 and 1260/12). The focus of this challenge was on the legal basis of the Unitary Patent itself, rather than the procedure of enhanced co-operation used to create the Regulations<sup>392</sup>.

In spite of these challenges, patent proprietors will be able to choose between various combinations of Unitary Patents and classical European Patents for those EPC Contracting States which do not participate in the scheme, such as Spain, Italy, Switzerland, Turkey, Norway, Iceland, etc<sup>393</sup>.

#### **b) Opting Out of the Unified Patent System**

As stated above, the Unified Patent system will not enter into force until all the Member States have ratified the UPC Agreement. Furthermore, once it is in operation, it grants a period in which the patent owners may decide whether to enter into the system or not, while they learn and observe how it is working. Article 83 of the UPC Agreement establishes what can be described as two different ways of opting out of the system:

1) During the transitional period<sup>394</sup> of seven years, an action for infringement or for revocation of a European Patent, or an action for infringement or for declaration of invalidity of a supplementary protection certificate issued for a product protected by a European Patent, may still be brought before national courts or other competent authorities<sup>395</sup>.

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<sup>392</sup> Johnson, A. June 2013. Unitary Patent and Unified Patent Court developments. *CIPA*. <<http://www.bristowsupc.com/assets/files/CIPA-Journal-333-UPC6.pdf>>, pp. 333-334.

<sup>393</sup> According to the European Patent Office “What is the Unitary Patent?” <<http://www.epo.org/law-practice/unitary.html>> consulted August 2013

<sup>394</sup> The transitional period is seven years but may be prolonged up to a further seven years

<sup>395</sup> Article 83 (1)20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

2) The proprietor of, or applicant for the European Patent will also have the possibility of opting out of the exclusive competence of the Court and should notify the registry, at the latest, one month before expiry of the transitional period<sup>396</sup>.

The first option refers to opting out of the procedure at the UPC for a specific action, during those seven years (a “small” opt out). The second option refers to opting out of the UPC system for the rest of the life of the patent (not only through the transitional period). This option must be exercised during the transitional period<sup>397</sup>.

If the patent owner decides to opt out of the UPC system and takes the action to a national court then, according to Pierre Véron, the national court should nevertheless apply the substantive provisions of the UPC Agreement (for example, about statute of limitation or exemptions or experimental exemption, etc.). However the national court will not apply the provisions of the UPC Agreement about sanctions because this is a matter under the jurisdiction of the court on procedural rules<sup>398</sup>. This issue will be probably one of the first issues that it is going to be debated in the national courts once the UPC enters into force.

### ***Considerations when deciding whether to opt out or in of the Unified Patent System***

Currently, practitioners agree that the decision to opt out it is going to be difficult to make.

For those companies which manage a big patent portfolio, experts agree that they will take

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<sup>396</sup> Article 83 (3) 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

<sup>397</sup> Osterrieth, C. September 19, 2013. Inter-Industry debate, International Litigation considerations. *European Patent Reform Forum*. Munich.

<sup>398</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich. Actually, the Enforcement Directive on IPR (2004/48/EC) requires all Member States to apply effective and proportionate remedies for those involved in counterfeiting and piracy issues, hence it is the duty of the States to legislate accordingly.

into account each patent individually to determine which ones will stay in the UPC system, and which ones will be opted out. Also, there are suggestions that it will not be convenient to opt out every patent, because there is going to be a cost for each opt out.<sup>399</sup>

Following there are some of the factors that will play a role when deciding whether to opt out:

1) **The importance of the patent to the company.** Depending on whether the patent in question is part of the “crown jewels” of the company, some commentators agree that it will be sensible to opt them out.<sup>400</sup> In this respect, Jörg Thomaier, chief IP counsel of the Bayern Group, has stated that he is reluctant to leave the blockbuster patents in their pharmacy area, at the mercy of a new court where they are not sure how the court will take its decisions<sup>401</sup>. This statement proves that litigators are always looking for certainty and predictability of the outcome.

2) **The cost of opting out:** at the moment of writing, the cost for opting out of the Unified Patent System has not been determined. As mentioned before, it is going to be crucial to take into account this cost, especially for those companies that have either a big or small patent portfolio, or the amount of litigation related to them. In this respect, Eric Siecker (head of IP in Europe, Africa and Middle East of Caterpillar) is of the opinion that even though opting out everything is probably less risky than opting in everything, he will be leaning

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<sup>399</sup> Gilbert, P. September 19, 2013. Inter-Industry Debate International Litigation Considerations. *European Patent Reform Forum*.

<sup>400</sup> Gilbert, P. September 19, 2013. Inter-Industry Debate International Litigation Considerations. *European Patent Reform Forum*, Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform*. and Gilbert, P. September 19, 2013. Inter-Industry Debate International Litigation Considerations. *European Patent Reform Forum*.

<sup>401</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform*.

towards opt out, however the first factor here will be the cost for doing so<sup>402</sup>. On the other hand, in the mobile industry, companies such as Nokia and HTC which do not have a huge amount of patents, they are thinking about opting out, since they will be able to bear the costs of doing so<sup>403</sup>.

3) **The perceived quality of the new UPC:** as mentioned above, practitioners have expressed their concerns about how the UPC is going to act, and what are going to be the new approaches to the law<sup>404</sup>. In a way, it can be said that the UPC will add to unpredictability of patent litigation. This unpredictability is more manageable with the current system because when one of the major European courts revokes or validates a patent, then it is very difficult to try to argue differently in respect to that right in another European court<sup>405</sup>. The exception for this is the United Kingdom courts<sup>406</sup>, which are considered to be more independent than the continental European courts. In this respect, an expert patent litigator has expressed the following:

*“... If you got a limited number of patents and you don’t know how good the Unitary Patent Court is going to be, then you certainly would not want to risk them in a court where you don’t know the ground rules, they might be very valuable but it is all you got. So, in that sense, I would say opt out...”<sup>407</sup>”*

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<sup>402</sup> Siecker, E. J. September 19, 2013. The Unitary Patent. *European Patent Forum*. Managing Intellectual Property: Munich.

<sup>403</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>404</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform*.

<sup>405</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>406</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>407</sup> Gill, S. September 19, 2013. Inter-Industry debate - International litigation considerations. *European Patent Reform Forum*. Managing Intellectual Property: Munich.. Sharaz was head of HTC litigation until June 2013.

Nevertheless, there is an understanding that a large part of the European industry is in favor of European systems, hence they will be willing to dispute their patents in the Unified System<sup>408</sup>.

### *Opting back into the Unified Patent System*

Regardless on how the patent owner decides to leave the patent in the system or to opt out of it, the decision will not be final. It is possible for the patent owner or applicant to withdraw the request for opting out at any moment, and thereby opt back in. This option is available as long as there is not an action that has already been brought before a national court<sup>409</sup>.

According to Pierre Véron, who took part in the drafting of the UPC Agreement, there was heavy discussion regarding the “opt in” possibility. In the debates of the drafting, several people expressed their concerns that if the opt in was available, it would lead to a massive opt out of the Unitary Patents, and the patent holders would just opt back in once the practitioner felt comfortable relying on the new system. In the end, the decision was to leave open the possibility to opt in, but as a choice that the right holders can only take once<sup>410</sup>.

On the same note, Heusch from Nokia expressed that the guardians of patents (litigators or right holders) in Europe are going to adopt the strategy of opting out everything, to avoid the revocation actions, and they will opt in when they want to enforce a patent<sup>411</sup>.

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<sup>408</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform*.

<sup>409</sup> This provision is on Article 83 (4) 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>. This article carries on with the *lis pendens* rule that already existed in the patent system, and that was explained in p. 107

<sup>410</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>411</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

### *Effects of the “opting out” of the Unified Patent regarding litigation*

In general, opting out of the Unitary Patent system means not only that the patent will not have Unitary effect, but also that third parties will not be able to challenge it through the new UPC. Hence, if A is the right holder of a patent X that is opted out of the Unitary effect, and B is a third party that wants to challenge X, the fact that X is opted out means that B will have to go through the each of the national courts where B wants the challenge to have effect. As I explained above, different groups of stakeholders would be willing to pay the fee (depending on the cost) to opt their patents out of the Unitary effect.

It is worth mentioning, however, that according to article 83 of the UPC Agreement<sup>412</sup>, during the transitional period, even if the patent holder did not opt out of the Unified Patent System, anyone is going to be able to start an action before the national courts. Hence, if someone starts an action directly in a national court, this action would imply that they are opting out the UPC Agreement. However, formally opting out in the Unitary Patent Registry will give the patent owners some sort of protection against third parties starting an action challenging the patent before UPC.

Having explained effects of opting out of the Unified Patent System, the following section will explain the functioning of the Unified Patent Court.

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<sup>412</sup> 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

### 2.2.2 *The Unified Patent Court*

After understanding the European Patent with Unitary effect<sup>413</sup> (unitary patent), it is time to explore how the UPC will work when the scheme is ruling.

The new court (the UPC) will have the same legal personality as a national court and thus will be under the same obligation towards EU law as any other national court<sup>414</sup>. It will have jurisdiction over unitary Patents, “classical” European patents and supplementary protection certificates<sup>415</sup>. It can make preliminary references to the CJEU where there is a fundamental question of EU law<sup>416</sup>.

According to the EPO, the fact that national courts and authorities of the Contracting States of the EPC decide on the infringement and validity of European patents gives rise to a number of difficulties when a patent proprietor wishes to enforce a European Patent in several countries. Such problems may include high costs, risk of diverging decisions and lack of legal certainty<sup>417</sup>. This is one of the justifications for the UPC.

The main characteristics of the UPC are the following:

- a) There is going to be a decentralized Court of First Instance with local regional and central divisions<sup>418</sup>, located in the Member States.

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<sup>413</sup> This term was mentioned by Prof. Desantes Real, M. Le "paquet européen des brevets", paradigme du chemin a rebours: de la logique institutionnelle a la logique intergouvernementale. Cahiers de droit Europeen.

<sup>414</sup> Article 1 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

<sup>415</sup> Article 3 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

<sup>416</sup> Article 21 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

<sup>417</sup> Office, E. P. August 15, 2013. The Unified Patent Court. <<http://www.epo.org/law-practice/unitary/patent-court.html>>.

<sup>418</sup> A local division for each Contracting State, A Regional division will cover two or more contracting states, and the Central division will have seat in Paris, and have sub-divisions in London and Munich. The Central divisions will be divided by specialty of the Patent matter. Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

- b) There will be a Common Court of Appeal.
- c) There will be reference to the CJEU for preliminary rulings whenever a question of Union law requires interpretation (like national courts).
- d) The panels are going to be internationally composed, with legally qualified judges and technically qualified judges.
- e) The judges are going to be appointed by the Member States, on the basis of a list prepared by an independent committee composed of patent practitioners.
- f) The UPC will have jurisdiction for both classical European patents and Unitary Patents. The latest draft of the UPC Agreement gives the UPC jurisdiction not only over the new unitary patents, but also over the “non-unitary” European Patents which are currently granted by the EPO<sup>419</sup>.
- g) The UPC will have exclusive jurisdiction to hear, *inter alia*, actions for infringement of patents and of supplementary protection certificates, counterclaims for revocation, revocation actions, actions for provisional and protective measures and injunctions and actions against decisions of the EPO relating to unitary patents.
- h) There is the possibility for the claimant to opt out and choose another forum during a seven year transitional period, which period is also extendable by a further seven years.
- i) The fees of the UPC will be fixed and value-based.
- j) There will be a mandatory representation by either lawyers authorized to practice before national courts or European patent attorneys with appropriate qualifications<sup>420</sup>.

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<sup>419</sup> Sadler, P. January 31, 2013. The European Unitary Patent Package. *IP News*. Reddie & Grose: <<http://www.reddie.co.uk/news-and-resources/ip-developments/special-delivery-the-european-unitary-patent-package>>.

<sup>420</sup> According to the European Patent Office “What are the main features of the Unified Patent Court?” <http://www.epo.org/law-practice/unitary.html> consulted August 2013



Having laid out the basic features of the UPC, the rules of procedure of this new court will now be explained.

**a) Rules of Procedure**

At the moment of writing the rules of procedure are still to be approved, but as they stand now in the latest draft (16<sup>th</sup> draft, published on January 2014), article 10 states the most important steps of the proceedings before the Court of First Instance:

*Proceedings... shall consist of the following stages:*

- a) A written procedure;*
- b) An interim procedure, which may include an interim conference with the parties;*
- c) An oral procedure which, subject to Rules 116.1 and 117, shall include an oral hearing of the parties where necessary;*
- d) A procedure for the award of damages;*
- e) Procedures for cost orders*

Hence, first there is a written procedure followed by an interim procedure. If there is a counterclaim for revocation, the procedure will start with the statement of claim, as per usual, and three months later will come the response, including the counterclaim for revocation. Two months later, there will be the reply to the statement of the defense accompanied by the defense to the counterclaim. One month later, the rejoinder of the reply and the reply to the defense will be filed, followed by the interim procedure which shall take 3 months, and then, the oral procedure<sup>421</sup>.

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<sup>421</sup> UPC, P. C. 06.03.2014. 16th Draft of Rules of Procedure. <<http://www.unified-patent-court.org/images/documents/revised-draft-rules-of-procedure.pdf>>.

In the preamble of the Rules of Procedure it is stated that the procedures should take one year, and commentators agree that this is certainly an ambitious goal:

*“I am doubtful that these 12 months can be kept in complex cases. The period for filing the submissions seem quite short, the 3 months for filing the statement of defense is certainly feasible, but then the reductions of further submission of 2 and 1 month is very ambitious<sup>422</sup>.”*

If the procedure of infringement goes on without a counterclaim for revocation, the periods for making the submissions are shorter: there will be one month to reply to the statement of defense and another month for the rejoinder to the reply.

Practitioners are of the opinion that one of the difficult issues will be to settle the procedural rules applicable to those cases of opting out. The patent holder may opt out from the exclusive jurisdiction of the UPC but he may not opt out of the application of the UPC Agreement. Hence, if there is an infringement problem, it will be solved before a national court (since the right holder opted out of the UPC). However, it will be difficult to define whether it will be the UPC Agreement or the national law which applies in the national court hearing. This will probably be the basis of a variety of disputes before the Court<sup>423</sup>.

## **b) Bifurcation**

An important part of the new procedure is the so-called bifurcation, this system comes from the German patent practice and it has been imported to the procedures of the UPC.

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<sup>422</sup> Kanz, C. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>423</sup> Pierre Veron, “The Unified Patent Court explained in detail”, Conference on the European Patent Reform (September 19, 2013 Munich)

According to article 33(3) of the UPC Agreement, the local division has the discretion to either proceed with both the action for infringement and the counterclaim for revocation, or to refer the counterclaim for revocation for decision to the central division and suspend (i.e. stay) or proceed with the action for infringement. This last alternative it is something that at the moment in German legal culture is called “bifurcation”, although it is not clear how it is going to be call later when the UPC system is up and running<sup>424</sup>.

For Judge Büttner (judge of the Regional Court of Düsseldorf), it is incorrectly understood that Germany has a bifurcation system. The German system should be described as a system of “division”, because two proceedings are divided from each other: the infringement is litigated before civil courts (also called ordinary courts) and the validity procedure is litigated before the Federal Patent Court. The proceedings are totally independent from each other and will happen simultaneously<sup>425</sup>.

An important characteristic of the division or bifurcation process in the new UPC will be what it is currently specified in rule 220(3), where it is stated that the Court of Appeal may hear appeals against separate decision on the merits in infringement proceedings and in validity proceedings together. Hence, it seems that even when the procedures are divided, they will be put together in the appeal.

However, at the moment it is still under consideration the way that the bifurcation or division system it is going to work in the UPC. The complicated procedural rules that are been discussed, are not of interest for the purposes of this chapter. It is enough to know that

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<sup>424</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>425</sup> Büttner, T. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. *European Patent Reform Forum 2013*. Managing Intellectual Property: Munich.

commentators agree that the judges of the UPC will have the biggest task on this topic, as they will have discretion to decide in all the different options<sup>426</sup>.

*Opinions of Patent experts regarding bifurcation or division in the UPC*

Specialists in patents, such as Ulrich Blumenröder (partner in the firm Grünecker LLP) agree that in general, there is what the Germans called a “British ängst” for bifurcation, and that bifurcation is not properly understood<sup>427</sup>. Indeed, Clemens Heusch, head of litigation of Nokia, is of the opinion that bifurcation is over-estimated: he agrees that lawyers from the UK or US would have the idea that because of bifurcation, in Germany it is easy to obtain injunctions even for the more obviously invalid patents, and that is not the case. Especially in the mobile phone arena, many of the cases in Germany will be stayed and do not continue until a decision over the validity has been taken<sup>428</sup>.

Jörg Thomaier, chief of patent litigation in Bayern, is of the opinion that having technical experts as judges is enough to improve the decisions in the UPC regarding infringement and validity: “*We can get rid of bifurcation as long as there is a technical judge in the panel*<sup>429</sup>.” Heusch from Nokia argues that German judges bifurcate or divide the cases because they have no other choice at the moment. It takes time and effort having to study the prior art and writing a very detailed decision regarding the stay of the proceedings, when they could easily

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<sup>426</sup> Blumenröder, U. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. In M. I. Property (ed) *European Patent Reform Forum 2013*. Munich.

<sup>427</sup> Blumenröder, U. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. In M. I. Property (ed) *European Patent Reform Forum 2013*. Munich.

<sup>428</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>429</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

also have written a decision on why the patent would be valid or not<sup>430</sup>. Hence, Heusch thinks that if the German judges would have the option of not to bifurcate, they would probably decide that (in certain cases).

In summary, it can be said that the decision of bifurcation or division in the new UPC would certainly be of challenge for the judges of the new Court. On the parties' side under the bifurcation or division system, the strategy of the defendants will be to stay the proceedings of infringement, and make clear that there is a serious ground of validity.

But the opinion of Thomas Jörg should stand in the terms that, from the perspective of patent owners, they would not be worried about bifurcation, as long as there is a technical judge in the decision panel ruling over the validity of the patent.

### ***2.2.3 Litigation in the Unified Patent Court***

As previously stated, the UPC Agreement establishes that during the transitional period of seven years, actions regarding the infringement, revocation, declaration of invalidity of a European Patent may still be brought before national courts or other competent national authorities<sup>431</sup>. If an action is still pending before a national court, it will not be affected by the expiry of this period<sup>432</sup>. The following section will focus on how the patent litigation in Europe will work when the UPC system starts functioning, including matters of jurisdiction, which courts will be competent to hear a case, how the bifurcation will be handled and finally, the role of the Court of Justice of the European Union (CJEU) in future patent litigation.

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<sup>430</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>431</sup> Article 83(1) Agreement on a Unified Patent Court as signed on 19th of February 2013  
<http://www.epo.org/law-practice/legal-texts/html/epc/2010/e/ar134.html> consulted September 2013

<sup>432</sup> Article 83(2) Agreement on a Unified Patent Court as signed on 19th of February 2013  
<http://www.epo.org/law-practice/legal-texts/html/epc/2010/e/ar134.html> consulted September 2013

**a) Jurisdiction of the Courts of the UPC (Forum)**

The UPC Agreement has a positive list of the actions that fall within the jurisdiction of the Court (article 32). The forum where the action will be taken is specified in rules of jurisdiction that, according to Véron<sup>433</sup>, were inspired by the rules of the Brussels Convention, which have been experimented and tested for more than 40 years and which therefore, gives a proper balance to the interests of the stake holder<sup>434</sup>.

*Jurisdiction rules for multijurisdictional infringement actions*

The analysis of the competent Court division will be focused in our case of study: a multijurisdictional infringement of a patent. As a basic rule, the claimant may start the proceedings at the Court where the alleged infringement has taken place. However in the case of study the infringement takes place in several Member States. Article 33(2) of the UPC Agreement depicts the forum rules as follows:

a) If there is an action between the same parties on the same patent, the action should not be brought before any other division. The Court of the division first seized will be competent for the whole case, and any other division seized later should declare the action inadmissible.

b) If there is an action pending before the regional division and the infringement occurred in the territories of three or more regional divisions, the concerned division, at the request of the defendant shall refer the case to the central division. According to Véron, this provision may puzzle a few European lawyers, as it is considered to be an “anti-regional division weapon”, because as soon as a third division starts operating in the case, they can

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<sup>433</sup> It is important to state that Véron took part on the debate discussions for the Agreement of the UPC.

<sup>434</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

transfer the case to the central division, leaving aside the jurisdiction of the regional Court. This will probably bring some political play into action<sup>435</sup>.

c) In part 5 of article 33 it is specified that if an action for revocation is pending before the central division, an action for infringement between the same parties and related to the same patent may be brought before any division or before the central division. The divisions will have the discretion to proceed with the infringement, or stayed it, applying what we have referred to as “bifurcation” (see above).

Hence, it can be said that the jurisdiction rules for the infringement actions are quite straight forward: the court first seized should know of the case, unless the infringement is extended in the territories of three regional divisions, because that would direct the case to the central division.

Nevertheless, when the case implies a question on validity of the patent, there is going to be the need of technical judges sitting on the panel, and this is going to be done in the central divisions. If together with the question of validity there is an action of infringement related to that patent, the judges would have the opportunity to decide whether they solve both the validity and infringement in the same panel, or if they would allow the questions to be divided.

#### *Jurisdiction rules in case that the action implies multiple defendants*

According to article 33(1)(b), the claimant also has the option to bring the infringement action where the defendant has its residence. In the case of multiple defendants, it could be the place where one of the defendants has its residence or principal place of business, bearing in mind that the action against multiple defendants may be brought against multiple defendants only where they have a commercial relationship and the action relates to the same alleged

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<sup>435</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

infringement. All the rules can apply to non-EU defendants (such as Chinese or US companies), as they can be sued based on the place of infringement.

#### *Jurisdiction by agreement of the parties*

Finally, according to article 33(7), in all cases, it is possible that the parties of the conflict agree to bring the action before the division of their choice, including the central division. As Verón points out, “[t]his is rather exceptional and needs a certain degree of maturity and good connection between the parties, I am a bit doubtful that it will apply<sup>436</sup>.”

#### *The likelihood of practicing forum shopping in the UPC*

Heusch from Nokia is of the opinion that the basic principle is that everybody should be sued at their domicile, and the idea of suing ‘locus delicti’ (the place of infringement) was first introduced in the Brussels I Regulation to protect the claimant against foreign laws or courts<sup>437</sup>. Nowadays however, given to the webpages broad market, it is possible to offer a product (protected by patent) all over the world, except perhaps in China or Iran, meaning that the claimant would have free choice on where to sue, picking up the court that it is more desirable for him, probably the more patentee friendly, which was not the basic intention of the Brussels I Regulation<sup>438</sup>. Hence it is likely that in the end, even with the jurisdictional rules proposed in the UPC, still remains the possibility that the parties will practice forum shopping.

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<sup>436</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>437</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>438</sup>



Having the same rules of procedure across the signatory Countries, and the fact that the decisions will be binding in all the Contracting States, should encourage the parties (of a multijurisdictional conflict of patents) to choose the forum strictly on cost efficiency basis. Nevertheless, patent experts have stated that this will not happen in practice, and they have identified the factors that will play a role in choosing the forum:

- a) **Injunctions.** The place of manufacture and the main distribution facilities or larger markets will have to be taken into account; in practice it is important to choose the forum that will be as instrumental as possible<sup>439</sup>. In the UPC system, every local division will be able to issue an injunction for all Europe and assess damages based on the whole territory. Nevertheless some patent experts have expressed that even having the same procedural rules, the different UP courts might take different approaches, according to their traditions: “*it is like different chefs following the same recipe, they will flavor the dish in a different way*”<sup>440</sup>.
- b) **Bifurcation.** Practitioners would be concerned to either start or not start an action in different divisions if they think that the judges will be likely to bifurcate. These considerations are analyzed in the following section.
- c) **Taking of evidence.** Even though the rules for taking evidence will be the same, as stated in point (a) of this section, “the food will not taste the same everywhere” meaning that the judges will each apply the law under their particular understanding. Depending on the need of the patents, practitioners will be tempted to go to one local division or another: there is still the belief that, for instance, UK courts will be more open to take witness testimonies than French courts<sup>441</sup>.

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<sup>439</sup> Thomas September 19, 2013. Inter-Industry debate: International Litigation considerations. In E. P. R. Forum (ed) *Managing Intellectual Property*: Munich.

<sup>440</sup> Véron, P. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. *Managing Intellectual Property*: Munich.

<sup>441</sup> Thomas September 19, 2013. Inter-Industry debate: International Litigation considerations. In E. P. R. Forum (ed) *Managing Intellectual Property*: Munich.

d) **Time efficiency of the decisions.** According to Heusch, with the new UPC courts, the regional and local divisions will want to attract cases, in principle to justify their existence<sup>442</sup>. Because of this, litigants are a bit afraid that there will be a sort of competition between the courts to see who is the most patentee friendly, which will probably reduce to timing issues, although it should not, as there will have to be quality in the decisions. Hence, one of the suggestions from the industry was to add rule 19Bis:

*In the cases where there are 3 [UPC] courts where actions could be brought, rule 19Bis suggests that the defendant can request that the case should be sent to the Court which has 'closest connection to the case'. For example, if you set 19% of your products in one or two big industrial countries, there may be no sense at all that because there is only presence of the webpage in one of the minor markets, this would be taken as a reason to move the case to another Court<sup>443</sup>.*

This is the reasoning behind the proposed article 19Bis, and experts acknowledge that in case that the article was accepted, it would represent a starting point, while the judges would have to decide on a case by case basis. Article 19Bis was supported in the fact that at the moment, the industry is paying a lot of money to deal with different plaintiffs or defending the cases, a practice that turns out to be very expensive and not very promising, and unfortunately that cost is reflected in the price of the product<sup>444</sup>. On the 16<sup>th</sup> draft, the Rule 19Bis was not included, but this does not mean that it will not be included in the final draft of the Rules of Procedure.

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<sup>442</sup> Although, he also points out the fact that they will want to attract the big cases as a matter of prestige. Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich..

<sup>443</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>444</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

In general, even though the substantive law will be harmonized, the different approaches to the law from the judges will still play a role during the first years, and only when a balance is achieved will forum shopping be less important.

A final point of concern regarding forum shopping is that, regardless of the different “local flavors” of the different UPC divisions, they will all meet in appeal and it will be interesting to see how the Luxembourg Court will harmonize all those local flavors, and if the Court of Appeal will add a local to it flavor? This issue will only have an answer in the long run.

## **b) Bifurcation**

As specified above, the procedural law of bifurcation is currently still under discussion. But, as a general issue to take in to account for international litigation, Blumenröder (partner in an IP firm in Munich) said that one of the most important things for patentees is to have a quick and reliable decision. Blumenröder says he will therefore advise his clients to go to a panel which is likely to not bifurcate and will provide a high quality decision; bifurcation will cost clients more time and money<sup>445</sup>. However, it has to be taken into account that highly urgent cases of infringement are more likely to get divided, since there will not be enough time to take the counterclaim in the same procedure<sup>446</sup>.

If the validity of the patent is of a complicated technical field, it will be more likely handed over to a more experienced division<sup>447</sup>. Heusch from Nokia is of the opinion that from the patentee’s perspective, it is important to take into consideration several factors to decide

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<sup>445</sup> Blumenröder, U. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. In M. I. Property (ed) *European Patent Reform Forum 2013*. Munich.

<sup>446</sup> Büttner, T. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. *European Patent Reform Forum 2013*. Managing Intellectual Property: Munich.

<sup>447</sup> Büttner, T. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. *European Patent Reform Forum 2013*. Managing Intellectual Property: Munich.

where to bring the cases<sup>448</sup>: at the end, the right holders will not choose certain jurisdictions, i.e. Germany, on the basis that the courts would be more likely to bifurcate<sup>449</sup>.

### **c) The Court of Justice of the European Union and the UPC**

Article 21 of the UPC Agreement states that the UPC is recognized as a court common to the signatory Member States and being part of their judicial system. Hence, given this, the UPC is going to be able to cooperate with the CJEU to ensure that there is going to be a correct application of the Union law (in the way that any other national court would do). Moreover, states that the decision of the CJEU will be binding on the UPC.

According to article 267 of the TFEU, only national courts of Member States are able to submit questions to the CJEU. The situation with the UPC is that it is a hybrid Court belonging to both, the EU and the EPC legal order<sup>450</sup>. The UPC is going to apply Union law but it is going to be an independent, international organization, having its own budget and different powers, hence the question pops up: can that really be described as a common court of Member States? Or is the UPC an international court able submit requests under article 267 TFEU?<sup>451</sup>

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<sup>448</sup> See the Topic Forum shopping above

<sup>449</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>450</sup> Ellyne, E. 2012 European patent law: a foreseeable future in the wake of the European Court of Justice Opinion 1/09 on the compatibility of the Draft Agreement creating a unified litigation patent system with the founding European Treaties. *Queen Mary Journal of Intellectual Property* 2, 343-362.

<sup>451</sup> Ulrich, H. September 19, 2013. The European Court of Justice and the Unified Patent Court. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

At the moment of writing, the questions remain unsolved by the CJEU. Professor Ulrich is of the opinion that the CJEU will accept the UPC, but they would need to define what kind of questions the UPC would be able to refer to the CJEU<sup>452</sup>.

From an industrial perspective, several lawyers agree that once the UPC schemes is enforced, they will embrace it on the basis that it offers legal certainty. Hence, they will not want to see that the CJEU suddenly brings a decision that would make the whole system void, or that, in a worst case scenario, the CJEU says that the UPC scheme is contrary to the European formation treaties, meaning that the European Patent mechanism will have to start from scratch for another 10 or 50 years<sup>453</sup>. As previously stated, overall from the industrial perspective, they are supportive of European harmonized systems<sup>454</sup>.

#### ***2.2.4 General Conclusions on the Unified Patent System***

At the moment, it seems, there is still a big question mark as to how UPC procedure is going to work. Nevertheless, there seems to be, among the European patent right holders, the idea that they want to try the system with some of their patents. The chief of litigation in Bayern, Jörg Thomaier, expressed that some of his colleagues in the pharmaceutical industry said that they would prefer to opt out each and every patent, in order to wait and see how the UPC will evolve, and after seeing how it evolves decide whether to opt in or not. He challenges this

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<sup>452</sup> Ulrich, H. September 19, 2013. The European Court of Justice and the Unified Patent Court. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>453</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>454</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

idea because if all of the patent holders opt out of the system, there will not be evolution of the UPC, there will be no evolution of the law<sup>455</sup>.

Another concern is that the right holders would need to trust the judges in the new UPC. Heusch, and other experts, are optimistic that should inexperienced judges make poor decisions in their divisional Courts, they expect that the central division, and the Appeal Court, will correct this very quickly<sup>456</sup>. Having technical judges as full members of the team will be a big difference to the UPC compared to the current system. Nevertheless, one experienced judge is of the opinion that there must be normative guidelines as to their roles: not every idea of the technician should be regarded as very important part of the proceeding<sup>457</sup>. This is understandable as a balance between both expert opinions: on the technical part of the patent and the applicable law to it.

### **2.3 Pan-European Injunctions in Patents**

Another general concern regarding the UPC, is the uncertainty that practitioners will have in the beginning. With the EPC system, experienced litigators are certain of the rules in the different European courts, hence they consider important to know what are going to be the rules for both the plaintiffs and the defense in the UPC. Practitioners would want to make sure they will have quality in the decisions. It is true, as we have seen above, that one of the

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<sup>455</sup> Thomaier, J. September 19, 2013. Consultation Panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>456</sup> Heusch, C. September 19, 2013. Consultation panel: Feedback and ideas regarding draft proposals for rules of procedure. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>457</sup> Büttner, T. September 19, 2013. Bifurcation: Debunking the myths and fleshing out the facts. *European Patent Reform Forum 2013*. Managing Intellectual Property: Munich.

factors to try out the system would be the costs implied, but at the end, the patent holders will be inclined for getting a good decision within the companies' budgets<sup>458</sup>.

An injunction is defined as a court order aimed at preventing the continuation of a patent infringement. Generally, it includes the prohibition to sell the product infringing the patent. Such injunctions can be preliminary: as a precautionary measure typically for the time of the assessment of the case on the merits by the court. Injunctions can also be permanent as a result of the decision of the merits by a court<sup>459</sup>.

This section will analyze the pan-European injunction in the case of cross-border patent conflicts. It will first look at the current situation with the EPC system and second, at the new dispositions for the UPC.

### ***2.3.1 Pan-European Injunctions in the EPC***

In order to grant a cross-border injunction, the court applies the national law of the place of infringement, given the *lex loci protectionis* rule. The European patent law under the EPC is unified to a large extent regarding validity and scope of protection<sup>460</sup>.

As studied above, with the decisions of the CJEU in *Gat v LuK* and *Primus v Roche* decided that the scope of the cross-border injunctions will be limited to those situations where the

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<sup>458</sup> Roberts, S. September 19, 2013. Inter-Industry debate: International Portofolio Management Considerations. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>459</sup> Commission, E. April 29th, 2014. Memo/14/322, Antitrust decision on standard essential patents (SEPs) Motorola Mobility and Samsung Electronics - FAQs. Brussels, <[http://europa.eu/rapid/press-release\\_MEMO-14-322\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-14-322_en.htm?locale=en)>.

<sup>460</sup> van Engelen, T. C. J. A. December 2010. Jurisdiction and Applicable law in matters of Intellectual Property. *Electronic Journal of Comparative Law*. available at <[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1974124](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1974124)>.

defendant is based in the country of the court that is deciding on the injunction, and the validity of the patents is not disputed<sup>461</sup>.

With the purpose of take another approach regarding the pan-European injunction in the EPC system, I will bring back the case of study of Apple vs Samsung and I will talk about another case in the patent war involving Motorola. These cases implied a very interesting decision, that got involved the EU Competition authority, and at the same time, this authority enacted decisions that are considered importantly relevant for this thesis.

### *The Standard Essential Patents (SEP) and the injunctions in the EU*

For the analysis of the relevant decision it is important to first lay out that a “standard” sets out the requirements for the material or service that it is going to be widely used, for instance the telecommunications industry has to rely on standards so that the products of the different companies can communicate with each other<sup>462</sup>. The standards are agreed by standard-setting organizations such as ETSI (European Telecommunications Standards Institute) in which patent holders and manufacturers of standard-compliant products (i.e. smartphones and tablets) participate<sup>463</sup>. The standards, normally would make reference to patents that protect certain technologies, and these patents then are called SEPs. For instance, the 2G, 3G or 4G technology is essential to fabricate smartphones or tablets, it would be impossible for these products to communicate if it would not be for that technology (protected by SEPs)<sup>464</sup>.

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<sup>461</sup> Dutilh, N. 2012. The Netherlands. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons). p. 300

<sup>462</sup> Commission, E. April 29th, 2014. Memo/14/322, Antitrust decision on standard essential patents (SEPs) Motorola Mobility and Samsung Electronics - FAQs. Brussels, <[http://europa.eu/rapid/press-release\\_MEMO-14-322\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-14-322_en.htm?locale=en)>.

<sup>463</sup> Commission, E. April 29th, 2014. Memo/14/322, Antitrust decision on standard essential patents (SEPs) Motorola Mobility and Samsung Electronics - FAQs. Brussels, <[http://europa.eu/rapid/press-release\\_MEMO-14-322\\_en.htm?locale=en](http://europa.eu/rapid/press-release_MEMO-14-322_en.htm?locale=en)>.

<sup>464</sup> Almunia, J. Brussels, April 29, 2014. Introductory remarks on Motorola and Samsung decisions on standard essential patents. European Commission <[http://europa.eu/rapid/press-release\\_SPEECH-14-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-14-345_en.htm?locale=en)>.



Hence, SEP status is given to a patent when it is important that the standardized technology they protect is accessible to all interested parties (i.e. smartphone and table manufacturers) at reasonable conditions. Thus holders of SEPs must commit to give access to their technology on fair, reasonable and non-discriminatory (FRAND) terms<sup>465</sup>.

It is not the aim of this thesis to make an extend analysis of SEPs nor the terms in which the patent holders commit to license their SEPs on FRAND terms. Nevertheless, it is important to mention the role of these patents in two cases given the importance that they have played in the European Commission.

#### *The cases of Motorola v Apple and Samsung v Apple*

Motorola is the owner of GSM<sup>466</sup> technology (SEP), and they were committed to license the use of it to third parties on FRAND terms. In the negotiations Apple had agreed that in case of dispute, the German courts would set the applicable rate and that Apple would pay royalties accordingly<sup>467</sup>. Nevertheless, Motorola tried to force Apple into a settlement agreement with very restrictive conditions and threat Apple that if they would not sign the agreement, Motorola would ask for an injunction. Motorola actually sought an injunction against Apple before a Court in Germany<sup>468</sup>.

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<sup>465</sup> Almunia, J. Brussels, April 29, 2014. Introductory remarks on Motorola and Samsung decisions on standard essential patents. European Commission <[http://europa.eu/rapid/press-release\\_SPEECH-14-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-14-345_en.htm?locale=en)>.

<sup>466</sup> GSM stands for Global System for Mobile communications: "...Cell phones use a cell phone service carrier's GSM network by searching for cell phone towers in the nearby area... GSM uses digital technology and is a second-generation (2G) cell phone system..." Fendelman, A. What is GSM? Definition of GSM: Cell phone glossary. available at <<http://cellphones.about.com/od/phoneglossary/g/gsm.htm>>.

<sup>467</sup> Almunia, J. Brussels, April 29, 2014. Introductory remarks on Motorola and Samsung decisions on standard essential patents. European Commission <[http://europa.eu/rapid/press-release\\_SPEECH-14-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-14-345_en.htm?locale=en)>. available at <[http://europa.eu/rapid/press-release\\_SPEECH-14-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-14-345_en.htm?locale=en)>

<sup>468</sup> Almunia, J. Brussels, April 29, 2014. Introductory remarks on Motorola and Samsung decisions on standard essential patents. European Commission <[http://europa.eu/rapid/press-release\\_SPEECH-14-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-14-345_en.htm?locale=en)>. available at <[http://europa.eu/rapid/press-release\\_SPEECH-14-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-14-345_en.htm?locale=en)>

Article 102 of the TFEU prohibits the abuse of a dominant position which may affect trade and prevent or restrict competition. The Council Regulation 1/2003 implements the rules of competition laid down in article 102. According to this regulation, the Commission is in charge of finding whether there has been an infringement of article 102, acting by either a complaint or by its own initiative (article 7).

Therefore, Apple complained before the European Commission, and it opened antitrust investigations against Motorola Mobility Inc. The aim was to assess whether Motorola used its SEP in a way that distorted competition of the internal market<sup>469</sup>.

On April of 2014, the Commission ruled that seeking an injunction before a National Court is a legitimate remedy in case of infringement of a patent. Nevertheless, the Commission agreed with Apple, and declared that the injunction cannot be justified, and becomes anticompetitive (an abuse of the dominant position) when the SEP holder had already voluntarily agreed to license the SEP (on FRAND terms) and the other party –against which the injunction was sought- showed willingness to enter into the license agreement<sup>470</sup>. The Commission also noticed that Apple was forced to give up its ability to contest Motorola's patents, and determined that the licensees should remain entitled to challenge the validity of SEPs. Finally, it is important to note that the Commission decided not to impose a fine on Motorola because there is no case law regarding injunctions based on SEPs and the National Courts have very different conclusions on that question<sup>471</sup>.

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<sup>469</sup> See IP/12/345, E. C.-. Brussels, April 03, 2012. Antitrust: Commission opens proceedings against Motorola. <[http://europa.eu/rapid/press-release\\_IP-12-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-12-345_en.htm?locale=en)>. available at <[http://europa.eu/rapid/press-release\\_IP-12-345\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-12-345_en.htm?locale=en)>

<sup>470</sup> Commission, E. Brussels, 29 April 2014. Antitrust: Commission finds that Motorola Mobility infringed EU competition rules by misusing standard essential patents. <[http://europa.eu/rapid/press-release\\_IP-14-489\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-14-489_en.htm?locale=en)>.

<sup>471</sup> Commission, E. Brussels, 29 April 2014. Antitrust: Commission finds that Motorola Mobility infringed EU competition rules by misusing standard essential patents. <[http://europa.eu/rapid/press-release\\_IP-14-489\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-14-489_en.htm?locale=en)>.

Samsung owns the 3G technology and it is a SEP related to the ETSI and it was considered to be key in the mobile and wireless communications<sup>472</sup>. Similar to the case above described, Samsung sought for injunctions against Apple in various Member States<sup>473</sup>. Then Apple complained before the Commission, and on December 2012, while still investigating the matter, the Commission sent a Statement of Objections to Samsung noting that the rights conferred by IPRs should to be misused when they have an essential impact in the implementation of industry standards<sup>474</sup>. Taking into account the concerns of the Commission, Samsung suggested commitments that were approved on February 2014<sup>475</sup>. Samsung committed to not seek injunctions for five years in Europe on the basis of SEPs for smartphones and as long as the licensee agrees to accept to have a license. In order to have a license agreement, there will be a mandatory negotiation period of up to 12 months. If the negotiation fails, a determination of FRAND terms will be done by "a third party" either a Court or arbitration<sup>476</sup>.

In summary, the access to the technology protected by SEPs -on FRAND terms- is supposed to allow a wide choice of products for the consumers, while ensuring that the holders of SEPs will be remunerated for their intellectual property. As seen above, the aim of an injunction generally involves a prohibition of the product infringing the patent being sold (i.e. excluding it from the market). This threat may, therefore, mislead licensing negotiations and lead to

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<sup>472</sup> Commission, E. Brussels, 29 April 2014. Antitrust: Commission accepts legally binding commitments by Samsung Electronics on standard essential patent injunctions. <[http://europa.eu/rapid/press-release\\_IP-14-490\\_en.htm](http://europa.eu/rapid/press-release_IP-14-490_en.htm)>.

<sup>473</sup> Some of these cases were studied in Chapter A.I

<sup>474</sup> Commission, E. Brussels, December 21 2012. Antitrust: Commission sends Statement of Objections to Samsung on potential misuse of mobile phone standard-essential patents. <[http://europa.eu/rapid/press-release\\_IP-12-1448\\_en.htm](http://europa.eu/rapid/press-release_IP-12-1448_en.htm)>.

<sup>475</sup> Commission, E. Brussels, 29 April 2014. Antitrust: Commission accepts legally binding commitments by Samsung Electronics on standard essential patent injunctions. <[http://europa.eu/rapid/press-release\\_IP-14-490\\_en.htm](http://europa.eu/rapid/press-release_IP-14-490_en.htm)>.

<sup>476</sup> Commission, E. Brussels, 29 April 2014. Antitrust: Commission accepts legally binding commitments by Samsung Electronics on standard essential patent injunctions. <[http://europa.eu/rapid/press-release\\_IP-14-490\\_en.htm](http://europa.eu/rapid/press-release_IP-14-490_en.htm)>.

licensing terms that might be qualified as anticompetitive, that the licensee of the SEP would not have accepted if there was no threat of an injunction<sup>477</sup>. This is considered detrimental to innovation and could harm consumers.

The fact that in the decision involving Samsung, the Commission not only accepted the commitment of Samsung to take the parties into arbitration to determine the terms of the license, but also added that they would encourage this means to solve the conflicts, gives a very good preamble and supports the arguments portrayed in Chapter C of this thesis.

### ***2.3.2 Pan-European Injunctions in the UPC***

Article 32(c) of the UPC Agreement provides that the UPC will have competence over actions for provisional and protective measures and injunctions. As specified elsewhere, at the moment of writing, the rules of procedure are still to be approved, but rule 10 of the current Rules of Procedure lays down the most important steps. In regards to the proceeding for injunction, this should not be separate from the procedure of the merits.

Article 62 of the UPC Agreement makes it clear that there is a possibility of obtaining a preliminary injunction against an infringer and that there should be some way of compensating the person against whom the injunction is granted. The Court is meant to balance the interests of the parties, and will decide whether to grant the injunction or not.

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<sup>477</sup> Commission, E. Brussels, 29 April 2014. Antitrust: Commission finds that Motorola Mobility infringed EU competition rules by misusing standard essential patents. <[http://europa.eu/rapid/press-release\\_IP-14-489\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-14-489_en.htm?locale=en)>.

This seems to come from the Anglo-Saxon approach of considering injunctions rather than trying to work out whether the party is going to be successful or not in an interim hearing<sup>478</sup>.

## 2.4 Enforcement

One of the purposes of the Brussels I Regulation was to simplify the formalities governing the reciprocal recognition and enforcement of judgments<sup>479</sup>. However this has not been the case.

As it has already been pointed out Brussels I is going to be reformed by January 2015 in order to comply with the enforcement of the judgments under the UPC system<sup>480</sup>.

Article 82 of the UPC agreement regulates the enforcement of the decisions and orders of the new Court. The principal rule is that that they will be enforceable in all of the Contracting Member States. The decision rendered by any of the UP Courts will actually have attached the order for enforcement of the judgment. Paragraph 3 of article 82, points that the law of the Contracting Member State will govern the procedure of the enforcement that is taking place in its territory. But it is important to note that the judgment will be treated as a decision given by a national courts of the enforcement place. This article corresponds with article 41(1) of the 1215/2012 Regulation (the recast of the Brussels I Regulation)<sup>481</sup>. Moreover, the amendments proposed to the 1215 Regulation, include an article 71(d) where it is stated that

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<sup>478</sup> Wilson, A. September 19, 2013. The Unified Patent Court explained in detail. *European Patent Reform Forum*. Managing Intellectual Property: Munich.

<sup>479</sup> “The purpose of the Convention is to facilitate, to the greatest possible extent, the free movement of judgments by providing for a simple and rapid enforcement procedure” see para. 19 2000. Krombach v Bamberski C-7/98. Court of Justice of the EU.

<sup>480</sup> See page 2

<sup>481</sup> The current draft of the rules of procedure of the UPC, have the same provision in Rule 354(1) “... *decisions and orders of the Court shall be directly enforceable from their date of delivery in each Contracting Member State in accordance with the enforcement procedures and conditions governed by the law of the particular... Member State...*” UPC, P. C. 06.03.2014. 16th Draft of Rules of Procedure. <<http://www.unified-patent-court.org/images/documents/revised-draft-rules-of-procedure.pdf>>.

the articles related to recognition and enforcement, will be applicable to the enforcement of the judgments of the Unified Patent Court<sup>482</sup>.

### ***Refusal of recognition of judgments***

Given the above, the provisions of the 1215/2012 regulation will apply from January 2015. This implies that the party against whom the enforcement is been taken, may apply for refusal of recognition. Article 45(1) of the 1215/2012 Regulation specifies that the recognition of the judgment will be refused if the recognition is manifestly contrary to the public policy of the Member State. This rule will not have an effect in UPC judgments, because as stated above, the judgment from those courts will be accompanied by an order of enforcement. But it will play a role on the enforcement of judgments of patents under the EPC and National scheme, where the validity of the patent is still considered to be of exclusive jurisdiction of the place of registration of the patent.

The other basis for refusal of enforcement pointed in article 45 are not considered to be relevant for the UPC judgments, paragraphs (c) and (d) talk about irreconcilability of earlier judgments involving the same cause of action and the same parties in the enforcement Court or at other Member States Courts. It is submitted that this is a circumstance that will not happen under the UPC scheme, given the rules of procedure.

Nevertheless, these paragraphs will play a major role regarding procedures involving patents that have been “opt out” of the UPC. The way the EPC stands at the moment, there is the possibility of still finding different judgments from National Courts.

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<sup>482</sup> Commission, E. 2013. Proposal for a Regulation amending Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. 2013/0268 (COD). <[http://ec.europa.eu/justice/civil/files/com\\_2013\\_554\\_en.pdf](http://ec.europa.eu/justice/civil/files/com_2013_554_en.pdf)>.

Finally, it is noteworthy to mention that article 89(1) of the UPC Agreement provides that it cannot enter into force prior to the entry into force of the amendments to the Brussels I Regulation that will adjust the relationship between both instruments<sup>483</sup>. At the moment of writing, the ratification process of the UPC is still on going, as only 5 (out of the 13 required ratifications) Member States have ratified it<sup>484</sup>. Hence it seems that the 1215 Regulation will enter into force before the UPC agreement does.

### **3. Community Design Rights**

Having explained the European Patent, this section will now focus on the Community Design Rights (**CDRs**). Different from the patent system under the EPC, the CDRs are not bundles of national rights, but unitary rights that have effect in all of the EU<sup>485</sup>. Hence, it can be said that CDRs have an effect comparable with the European patent with Unitary effect (or Unified Patent) above explained. This section of the chapter will deal, first with the extent of protection of CDRs, then the applicable law to them, and an analysis on how pan-European injunctions work and finally the enforcement of judgments that imply questions of validity and/or infringement of CDRs.

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<sup>483</sup> European Commission 26.7.2013. Proposal for a Regulation of the EU Parliament and of the Council amending Regulation No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Brussels <[http://ec.europa.eu/justice/civil/files/com\\_2013\\_554\\_en.pdf](http://ec.europa.eu/justice/civil/files/com_2013_554_en.pdf)>., p. 2

<sup>484</sup> Austria, Belgium, Denmark, France and Sweden. European Commission Unitary Patent - Ratification Progress. <[http://ec.europa.eu/internal\\_market/indprop/patent/ratification/index\\_en.htm](http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm)>.

<sup>485</sup> Stone, D. 2012. European Union Design Law. Oxford University Press., p. 83

### 3.1. The Community Design Right

The European Community harmonized national laws of registered designs by virtue of the Directive 98/71/EC<sup>486</sup> on the legal protection of designs. In December 2001, the Member States of the European Union agreed on a regulation creating a community design (**the CDR Regulation**)<sup>487</sup>.

The CDR Regulation creates a system in which a single design application can give protection throughout the European Community, in a single language<sup>488</sup>. According to article 1 of the CDR Regulation, there are two types of CDR:

- a) A registered right, which gives monopoly protection to original designs for up to 25 years; and
- b) An unregistered right, which gives protection against deliberate copying of designs for up to three years. This right will follow to a single disclosure within the European Union

This unitary community law of designs is additional to the protection for designs that is available under existing national laws. The unregistered design right has been available since March 2002, and the registered design right since 1 April 2003. Applicants for registered CDRs must apply to the Office for Harmonization in the Internal Market (**OHIM**)<sup>489</sup>, this Office does not deal with the protection of unregistered rights.

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<sup>486</sup> Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31998L0071:EN:HTML>

<sup>487</sup> Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community Designs

<sup>488</sup> Stone, D. 2012. European Union Design Law. Oxford University Press. p.83

<sup>489</sup> The OHIM is the official trademarks and designs registration office of the European Union. The OHIM registers community designs, covering 28 countries. Market, O. f. H. i. t. I. What is a Community design? : <<http://oami.europa.eu/ows/rw/pages/RCD/communityDesign.en.do>>.



### ***What is the Unitary Character of the Community Design?***

Article 1 of the CDR Regulation confers a unitary character for the Community design. It establishes that there will be an equal effect throughout the Community. It can be enforced for the whole EU in a single court action. The Community design will stand or fall for the whole Community, indivisibly. It is important to note, that OHIM would register a design as long as the application fulfills formal requirements, and it fulfills with the definition of design. But it does not examine that it has novelty neither an individual character, unless a third party raises an invalidity proceeding before the office<sup>490</sup>.

The unitary character of the CDR has exceptions provided in the Regulation. One of the exceptions is that a court may enforce a CDR for only part of the Community<sup>491</sup>.

### **3.2. The Applicable Law of a Community Design Litigation (Apple vs Samsung Case)**

As previously stated, the applicable law for the CDRs are the Directive 98/71/EC on the legal protection of designs, and the Council Regulation No. 6/2002 on Community Designs (the CDR Regulation). Both the Directive and the CDR Regulation protect “designs” for “products” each of which are defined terms. Under article 1(a) of the Directive and article 3(a) of the CDR Regulation, “design” means “the appearance of the whole or a part of a product resulting from the features of, in particular, the lines contours, colours, shape texture and/or materials of the product itself and/or its ornamentation” and which thus may be either two-dimensional or three-dimensional.

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<sup>490</sup> Fawcett, J. J. and Torremans, P. 2010. Intellectual Property and Private International Law, 2 edition. Oxford University Press. p 431

<sup>491</sup> For further reference see page 6

The registered CDR system consists of a simple registration procedure that implies a single application, in just one language of filing, a single administrative center, with the possibility to keep the design confidential for up to 30 months<sup>492</sup>.

Article 88(1) of the CDR Regulation provides that Community design courts shall apply the provisions of the Regulation. Therefore, any issue of Community design law covered by the Regulation, including jurisdictional issues, shall first be solved by consulting the CDR Regulation. If there are matters that are not covered by the Regulation, it is possible that the Community design court applies the national law where it is cited, as specified by article 88(2).

#### *What constitutes an infringement of a CDR?*

The CDR grants its proprietor an exclusive right to prevent third parties from making, offering, marketing, importing, exporting or using a product in which the design is incorporated or applied. Those actions would constitute an infringement of the exclusive right of the proprietor<sup>493</sup>. Article 10 of the CDR Regulation states that the protection of a Community design will include “any design which does not produce on the informed user a different overall impression” after taking into consideration “the degree of freedom of the designer in developing his design”.

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<sup>492</sup> Market, O. f. H. i. t. I. What is a Community design? :  
<<http://oami.europa.eu/ows/rw/pages/RCD/communityDesign.en.do>>.

<sup>493</sup> Market, O. f. H. i. t. I. What is a Community design? :  
<<http://oami.europa.eu/ows/rw/pages/RCD/communityDesign.en.do>>.

*a) The Community Design Courts*

Each Member State designated a list of Community design courts, which will have jurisdiction for any proceedings resulting from the actions over infringement and validity described in article 81<sup>494</sup>:

- i. Infringement actions, and if permitted under national law – actions in respect of threatened infringement of Community designs;*
- ii. Actions for declaration of non-infringement of Community designs, if they are permitted under national law;*
- iii. Actions for a declaration of invalidity of an unregistered Community design;*
- iv. For counterclaims for a declaration of invalidity of a Community design raised in connection with infringement actions as described above.*

If there is any other issue related to Community designs that are different to the ones above specified, article 93 of the CDR Regulation allows national courts to exercise jurisdiction over those. This could be, for example, the ownership and licensing of Community designs. Nevertheless it is important to note that the Community design Courts are meant to be formed by experienced judges that are ‘sufficiently specialized’ in the relevant IPR<sup>495</sup>.

The General Court is relevant to Community design law as it hears appeals from the Boards of Appeals. Appeals to the General Court relate only to CDRs and OHIM procedures. Decisions of the General Court are binding to OHIM. The General Court has no role in relation to unregistered Community designs, or national registered designs. Decisions of the

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<sup>494</sup> Council Regulation (EC) No 6/2002 on Community Designs. *OJ EC No L 3 of 5.1.2002*.

<sup>495</sup> Stone, D. 2012. *European Union Design Law*. Oxford University Press.

General Court in relation to CDRs are binding on Community design courts hearing disputes under the CDR Regulation and also on national courts hearing disputes under the Directive<sup>496</sup>.

***b) Litigation in the Community Design Courts***

**i. Jurisdiction**

Article 82 of the CDR Regulation establishes that the actions for infringement or validity of a CDR will be brought in the courts of the Member State in which the defendant is domiciled or, if he is not domiciled in any of the Member States, in any Member State in which he has an establishment. However, if the defendant is neither domiciled nor has an establishment in any of the Member States, the proceedings will be brought in the court of the Member State where the plaintiff is domiciled or where he has an establishment.

Overall, if the regulation is silent to determine which court has jurisdiction, the Brussels I Regulation will apply in order to determine which Member State will have jurisdiction. Then, it should be determined according to the CDR Regulation which court within that Member State will have jurisdiction. The CDR Regulation determines that if neither the defendant nor the plaintiff is domiciled or has an establishment, and no other Member State has jurisdiction, the proceedings will be brought in the courts of the Member State where the office (OHIM) has its seat, hence Spain<sup>497</sup>.

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<sup>496</sup> Stone, D. 2012. European Union Design Law. Oxford University Press., pp. 29-30

<sup>497</sup> Stone, D. 2012. European Union Design Law. Oxford University Press.

It is important to note that it is not possible to directly start an action for invalidity of a CDR before a Community design court. A direct action will have to be taken before the OHIM. It is only possible to file a counterclaim in infringement proceedings before a Community design court<sup>498</sup>.

Given a cross-border dispute involving the infringement of the unique CDR (like in the case of study Apple v Samsung), article 95(1) provides for a similar provision than the one portrayed in the Brussels I Regulation, asking the Courts to decline jurisdiction by their own motion and only the first court seized will continue to know the issue. This action would be expected as long as the actions have been raised in parallel<sup>499</sup>. If the conditions are met, the courts are not allowed to exercise discretion, nor can the parties agree to run parallel proceedings, as the main objective is to avoid conflicting decisions<sup>500</sup>.

## **ii. Rules of Procedure**

Article 88 of the CDR Regulation deals with the applicable law for the CDRs. In paragraph 3 it states that the Community design court will apply the rules of procedure governing the same type of action relating to a national design right in the Member State where the court is located. Hence, at the moment there is no a common procedural laws by which the CDR disputes are being judged.

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<sup>498</sup> Council Regulation (EC) No 6/2002 on Community Designs. *OJ EC No L 3 of 5.1.2002*. (article 24)

<sup>499</sup> Fawcett, J. J. and Torremans, P. 2010. *Intellectual Property and Private International Law*, 2 edition. Oxford University Press. p.435

<sup>500</sup> Stone, D. 2012. *European Union Design Law*. Oxford University Press.

### **iii. The Court of Justice of the European Union and the Community Design**

#### **Courts**

The role of the CJEU in relation to the EU Community design is limited to two main tasks: first, it hears appeals from the General Court on appeal from the OHIM. Hence, it is the final court of appeal in relation to any decision made by the OHIM under the CDR Regulation. Although, as it regularly does, it will only hear appeals on questions of law and will not pronounce on facts<sup>501</sup>. Second, the Court of Justice hears references from Member States on questions of interpretation of the Directive or the CDR Regulation. In both cases, the CJEU's decisions are binding on the OHIM, as well as on Community design courts and national courts in Member States. In this way, the CJEU is the ultimate arbiter for the interpretation of the CDR Regulation and the Directive<sup>502</sup>.

#### ***3.2.1 Cross-border litigation of a Community design (Apple vs Samsung case)***

#### **Infringement**

##### **a) In the UK**

The Apple vs Samsung case in the UK was already described in Chapter II of this thesis. However, for the purposes of this chapter, emphasis will be on the part of the judgment that is related to the function of the CDR, in a way that the function of this type of right may be clear for the reader.

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<sup>501</sup> Under article 256 of the Treaty on the Functioning of the European Union, appeals on judgments given by the General Court may be heard by the Court of Justice only if the appeal is on a point of law. If the appeal is admissible and well founded, the Court of Justice sets aside the judgment of the General Court of the European Union.

<sup>502</sup> Stone, D. 2012. European Union Design Law. Oxford University Press. p. 378

Prior to Judge Birss's final decision, Apple applied *ex parte* for a preliminary injunction in a German court. This preliminary injunction was granted without Samsung having an opportunity of being heard<sup>503</sup>. In July 2012 (a few weeks after Judge Birss's decision) the German Court of Appeal (Oberlandesgericht) granted a pan-European preliminary injunction (interim injunction) against the Galaxy 7.7. Under Community design litigation rules, Judge Birss's decision takes precedent and lifts that preliminary injunction. In his opinion, Lord Justice Jacob was highly critical of the German courts for taking that approach while the case was pending before Judge Birss sitting as a community design judge:

*56. Firstly I cannot understand on what basis the [German] Court thought it had jurisdiction to grant interim relief. I do not think it did [have jurisdiction] for several reasons<sup>504</sup>.*

At minimum, a national court in which interim relief is sought loses jurisdiction as soon as the court seized of the substance of the case (according to community design law) issues its decision.

In addition to wrongly hearing the case, Jacob, LJ also argues that the German Court wrongly decided the case.

*61. ... I regret to say that I find the Oberlandesgericht's reasoning on the merits sparse in the extreme....*

*62. What the Oberlandesgericht did not do was to consider Judge Birss's decision in detail. It gave only meagre reasons for saying "The Court cannot concur with the interpretation of the High Court". I regret that. ...*

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<sup>503</sup> Mueller, F. November 22, 2013. German court stays Samsung patent lawsuit against Apple: patent of doubtful validity. *FOSS Patents*. <<http://www.fosspatents.com/2013/11/german-court-stays-samsung-patent.html>>.

<sup>504</sup> 2012. Samsung E. v Apple Inc. *EWHC 1882*. Pat.

*63. ... If courts around Europe simply say they do not agree with each other and give inconsistent decisions, Europe will be the poorer.*

Finally on July 9, 2012 the High Court ruled that none of the three tablets fell under the scope of protection of the design. The decision was confirmed on October 18, 2012 by the Court of Appeal, which granted an EU-wide declaration of non-infringement.

#### **b) In Germany**

The Landersgericht Düsseldorf ruled on October 24 2011 that the Galaxy Tab 7.7 did fall under the scope of protection of the design. The decision was affirmed on July 24 2012 by the Oberlandesgericht Dusseldorf, which even granted a pan-European interim injunction against Samsung.

#### **c) In The Netherlands**

The District Court of the Hague quoted the reasoning of Lord Justice Jacob in the UK Court of Appeal decision, who had criticized the German Oberlandesgericht for granting a pan-European interim injunction when the English High Court, acting as a Community court, had already granted a declaration of non-infringement. In the Dutch proceedings, Apple argued that, since the UK Court of Appeal had already rendered a decision between the same parties, the Dutch District Court no longer had jurisdiction to decide upon this matter. However, the District Court held that, since the UK case involved different Samsung entities, these entities and those involved in the Dutch litigation (i.e. Samsung Ltd, Samsung Benelux BV, Samsung Europe Logistics BV and Samsung Overseas BV) could not be regarded as ‘one party’ under Article 27 of Council Regulation 44/2001. It made reference to the ruling of the Court of Justice of the European Union in *Drout v CMI* (Case C-351/96), in which it was held that



different parties may have different interests. The District Court thus found that it had jurisdiction in the Dutch proceedings<sup>505</sup>.

Nevertheless, the Dutch Court recognized that the subject matter of the Dutch and the UK case was the same, namely, whether the three Samsung tablets fall under the scope of protection of Apple's design. In answering this question, the Court held that, in principle, it had to follow the UK decision. It could deviate from the decision only if different arguments and evidence were presented. However, in the Dutch proceedings, Apple did not present arguments that differed from those denied by the UK Court of Appeal in a well-reasoned decision; nor did Apple substantiate why the Dutch District Court should deviate from the UK decision. Therefore, the outcome in the Netherlands could not be different. Samsung's claims were granted, while Apple's claims were declined<sup>506</sup>.

### **3.2.2 The Validity of a Community Design (Case before the OHIM)**

The OHIM, together with the Community design courts, is competent to resolve conflicts which arise concerning registered Community designs. Unregistered Community designs are dealt with exclusively by the Community design courts. Any natural or legal person, as well as a public authority, is entitled to apply for invalidity before the OHIM<sup>507</sup>.

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<sup>505</sup> Klos Morel Vos & Schaap February 15, 2013. Court Rules that Samsung tablets do not infringe Apple's community design. *World Trademark Review Daily*.  
<[http://www.klosmorelvosenschaap.nl/\\_images/uploads/Court\\_rules\\_that\\_Samsung\\_tablets\\_do\\_not\\_infringe\\_Apples\\_Community\\_design%20%20%20.pdf](http://www.klosmorelvosenschaap.nl/_images/uploads/Court_rules_that_Samsung_tablets_do_not_infringe_Apples_Community_design%20%20%20.pdf)>.

<sup>506</sup> Klos Morel Vos & Schaap February 15, 2013. Court Rules that Samsung tablets do not infringe Apple's community design. *World Trademark Review Daily*.  
<[http://www.klosmorelvosenschaap.nl/\\_images/uploads/Court\\_rules\\_that\\_Samsung\\_tablets\\_do\\_not\\_infringe\\_Apples\\_Community\\_design%20%20%20.pdf](http://www.klosmorelvosenschaap.nl/_images/uploads/Court_rules_that_Samsung_tablets_do_not_infringe_Apples_Community_design%20%20%20.pdf)>.

<sup>507</sup> Market, O. f. H. i. t. I. What is a Community design? :  
<<http://oami.europa.eu/ows/rw/pages/RCD/communityDesign.en.do>>.

The procedure is inter partes; the action is between the holder and the opposing party who is requesting the invalidation of the registered design. The invalidity division of the OHIM organizes the procedure and when it considers that the submissions and the evidence provided is admissible and sufficient, it renders a decision on the case. The decision reached may be appealed before the Boards of Appeal of the OHIM<sup>508</sup>.

According to article 30(3) of the Implementing Regulation<sup>509</sup>, an application for invalidity will not be admissible before the OHIM if the matter has already been decided by a Community design court.

Samsung has filed before the OHIM an invalidity procedure of the Community design property of Apple, which at the moment of writing is still in process.

### **3.3 Pan-European Injunction**

As stated above, the jurisdiction of the Community design court can be based on one of two sets of rules: the domicile rule (referring to the domicile or establishment of the parties), and the location rule, according to which territorial jurisdiction is established with reference to the location of the infringing activities<sup>510</sup>.

Acting on an interim, the Community design court cannot examine the grounds of the claims, it can only examine the existence of the IP rights on which the claims are based<sup>511</sup>.

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<sup>508</sup> Market, O. f. H. i. t. I. What is a Community design? :  
<<http://oami.europa.eu/ows/rw/pages/RCD/communityDesign.en.do>>.

<sup>509</sup> October 21, 2002. Commission Regulation (EC) No 2245/2002 implementing Council Regulation (EC) No 6/2002 on Community Designs. *OJ EC No L 341*.

<sup>510</sup> See p. 4

<sup>511</sup> Mas, S. 2012 Euro-injunction mechanism in Community designs: Samsung Galaxy Tab European ban partially lifted. *Journal of Intellectual Property Law & Practice* 7.

In article 90(3) of the Regulation it is allowed that the designated Community design courts to award provisional measures enforceable in the territory of any of the other Member States<sup>512</sup>.

The extent of the injunction that may be granted by a Community design court will depend on the basis on which its jurisdiction has been asserted. If the jurisdiction of the court is defined on the basis of the domicile rule, a pan-European injunction can be imposed; however, if jurisdiction is accepted on the basis of the location rule, injunctive relief can be obtained only with respect to acts committed or threatened within the territory of the court's Member State<sup>513</sup>.

In the case of study, and as stated elsewhere, Apple first obtained a registered CDR for a tablet computer in 2004, and launched the iPad tablet computer in 2010. Samsung planned to launch its competing tablet the Galaxy Tab 10.1 in Europe during August 2011. Ahead of Galaxy Tab 10.1's release, Apple argued that Samsung's device infringed its CDR. Apple applied to a German court for a Community-wide preliminary injunction against both the German and Korean divisions of Samsung.

The preliminary injunction was granted by the German court (Düsseldorf), and was held against both divisions of Samsung and valid across the European Community, excluding the

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<sup>512</sup> Fawcett, J. J. and Torremans, P. 2010. Intellectual Property and Private International Law, 2 edition. Oxford University Press. p.437

<sup>513</sup> Cubitt, S. December 13, 2010. Domicile rule: Pan-European relief for injunctions and damages, but not for penalties? *Legal Newsletter*. International Law Office:  
<<http://www.internationallawoffice.com/newsletters/detail.aspx?g=574a2001-7261-4620-9d7b-b8a0fe4f943a>>.

Netherlands<sup>514</sup>. This injunction was effective immediately, given that Apple would enforce it in each of the Member States of the EU.

Samsung objected to the preliminary injunction on the grounds that the Galaxy tablet did not infringe Apple's CDR, that Apple's design registration was invalid and the German court did not have jurisdiction outside Germany.

It is not relevant for this part of the thesis to explain the reasoning of the German court regarding the substance matter of the design. What it is important to highlight for this section is that the German court upheld the preliminary injunction against the German division of Samsung, but not against the Korean division<sup>515</sup>.

The extent of jurisdiction on Community design infringement depends on the international jurisdiction criteria, as stated in article 82 of the CDR Regulation, which reads:

*(Infringement proceedings) shall be brought in the Courts of the Member State in which the defendant is domiciled or, if he is not domiciled in any of the Member States, in any Member State in which he has an establishment.*

Article 85 (2) reads that, if

*The defendant is neither domiciled nor has an establishment in any of the Member States, such proceedings shall be brought in the courts of the Member State in which the plaintiff is domiciled or, if he is not domiciled in any of the Member States, in any Member State in which he has establishment.*

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<sup>514</sup> The German decision did not extend to the Netherlands because Apple had commenced separate proceedings there. See Chapter II

<sup>515</sup> Künzel, J. April 11, 2012. Apple takes on Samsung. *World Intellectual Property Review*. <<http://www.worldipreview.com/article/apple-takes-on-samsung>>.

Hence, it can be said that if the claimant or the defendant is domiciled or has an establishment in the Member State, the Community design court will have authority to grant a pan-European injunction based upon the CDR Regulation article 83(1). If however, the court is acting only so as to stop potential infringement in the Member State in which the act of infringement has been committed, or is going to be committed, as stated in article 82(5)) it will not have authority to grant a pan-European injunction as specified by article 83(2):

*A community design court whose jurisdiction is based on article 82(5) shall have jurisdiction only in respect of acts of infringement committed or threatened within the territory of the Member State in which that court is situated.*

Before the German Court, the defendants were Samsung Electronics GmbH and Samsung Electronics Ltd (South Korean headquartered). As stated above, regarding Samsung South Korea, the Court did not consider that the Korean branch of Samsung had an ‘establishment’ in Germany in the sense of the CDR Regulation. According to Severine Mas, this might be due to a problem of translation of the CDR Regulation into German since, the term ‘establishment’ was translated as ‘Niederlassung’ that can mean either an independent company or a subsidiary<sup>516</sup>.

The appropriate form of action in order to obtain a pan-European injunction would have been for Apple to have applied to the courts of Alicante in Spain, where the OHIM is situated, as specified in article 82 (3) of the CDR Regulation.

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<sup>516</sup> Mas, S. 2012 Euro-injunction mechanism in Community designs: Samsung Galaxy Tab European ban partially lifted. *Journal of Intellectual Property Law & Practice* 7. p. 20

### 3.4 Enforcement

Article 79 of the CDR Regulation specifies that the Brussels Convention will apply to the proceedings relating to CDR<sup>517</sup>. Nevertheless, it excludes the application of this Convention, in matters regarding the validity of the Design, and this is because the actions against validity can only be brought before OHIM. Unless they are rose as part of the counterclaim in an infringement procedure. This is the reason why Samsung in the case of study, asked for a declaration of non-infringement of the Apple's design in the UK, and started an invalidation action before OHIM.

It is important to remark that the OHIM has no role in relation to enforcement of designs, if there is a question of infringement, this is a matter for Community design courts and national courts<sup>518</sup>.

Article 87 of the CDR Regulation specifies that when a judgment of a Community design court declaring a Community design invalid has become final, the invalidity will have effect in all Member States.

If the procedure was regarding infringement, and the Community design court finds the right being infringed, the court must grant an order to stop the infringement. The court may also order seizure of the infringing products and the materials used to make them, as well as other remedies available in the country where the infringement has occurred<sup>519</sup>.

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<sup>517</sup> 1972. Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. *OJ L 299*. Brussels. (1972)

<sup>518</sup> Fawcett, J. J. and Torremans, P. 2010. *Intellectual Property and Private International Law*, 2 edition. Oxford University Press.

<sup>519</sup> Aide, C. M. 2003 *The Community Design: European Union-wide protection for your design portofolio*. *Northwestern Journal of Technology and Intellectual Property* 1. p. 42

#### **4. Conclusions**

This chapter has summarized the relevant laws for cross-border litigation of patents and designs in the EEU. As stated in the introduction, this was necessary in order to address whether the problems identified in Chapter I find a solution within the European system of IPRs.

The first part of the chapter, discussed the general setting of cross-border conflicts in the European Union. The analysis focused on matters of jurisdiction, rules of procedure together with the applicable law, and finally pan-European injunctions. The relevant laws applicable to cross-border commercial matter conflicts (relevant for an analysis of IPRs) were described and specifically analyzed in the context of IPRs, setting out the cases that constitute guidance at the moment of writing, for all of the European courts. In particular, the Dutch courts were identified as pioneers in the interpretation of European law.

Regarding the patent system in Europe, the analysis was divided between a study of the current system - the European Patent Convention (EPC) - and the Unitary Patent Court (UPC) system. The reference to the EPC in this chapter was limited to the overall description of the system, and a more profound analysis of the new UPC was made, given that this system represents more advantage for the conflicts involving several jurisdictions. It was noted that the system is still not in force, and that it does not include all of the Member States of the EU, because Countries like Spain and Italy opposed to it.

In relation to the UPC system, several factors were analyzed and can be summarized in the answers to the following questions:

(a) What is the effect of the Unified Patent? The new Unitary Patent is a single right, different from the rights conceded by the EPC bundle of rights system. It was pointed out the possibility of opting out of the system during a transitional period of 7 years. The opting out mechanism seems to be a first option for the patent holders that do not want to risk their assets in a procedure they still do not know. Nevertheless it is submitted that patent holders are in pro of European systems.

(b) Taking into account the fact that the conflicts in this regime will be, in their majority, cross-border disputes (the type of conflicts studied in this thesis), where will the procedures be brought? This chapter described the creation of the new European Court that will deal with the problems arising out of that Patent, in regional or divisional scales. The rules of jurisdiction, can be summarized as depending on the territory in which the infringement is extended.

(c) Once the jurisdiction has been defined, what is the procedure that the UPC is going to follow? In this respect it is important to note that the definitive rules of procedure have not yet been enacted but the latest draft of the rules were taken into account. In effect, the procedure will be harmonized all over Europe.

Regarding the procedure in the new court, it was noted the possibility of dividing the analysis of the infringement from the validity of the patents. It was found that patent owners encourage that the decision on validity of the patent is taken at a panel where technical experts takes part (and not only a law experts). It can be suggested that due to the fact that UPC will already have an expert on the panel when the question of validity arises, this will represent an advantage for the UPC.



After the analysis of the UPC, followed examination of the pan-European Injunction in the patent system. In this section the case of the pan-European patent injunctions sought in Apple vs Samsung were examined. It was found that this case was finally decided by the EU Commission because it implied a question of competition law, a resemblance with what occurred with the patent procedure in the US. It is important to note that the Commissioner that issued the decision encouraged the parties to solve this conflict through an alternative dispute resolution mechanism, such as arbitration.

Finally, regarding the enforcement of judgments, it was noted that there is the need for an adjustment of the current Brussels I regulation (related to the enforcement of foreign judgments in the EU) so that the new enforcement laid down for the UPC can enter into force. This change has already been processed by way of the Regulation 1215/2012, and it will allow the enforcement of the UPC judgments to be directly executable in any of the Courts.

### ***Conclusions on the Community Design Rights***

Following the path of the patent analysis, the CDR was analyzed by answering the same questions that were answered for the patent system. This commenced with the character of the CDR, where it was noted that the current design protection gives a similar protection nature that is intended in the new Unified Patent.

However, regarding the courts that deal with this unitary design right, at present, there is no unitary court similar to the UPC. This is why it was important to analyze the specific procedural characteristics of CDRs disputes. In order to achieve this, it was explained which

court will have jurisdiction over CDRs disputes, and it was established that in cases of infringements cases will be heard before Community design courts.

Regarding the procedure of the litigation on CDRs, it was found that the actions are divided (bifurcated) in analysis of validity or infringement. In relation to infringement was studied the case of Apple vs Samsung in the three different European jurisdictions considered so far (UK, Germany and Netherlands). Regarding the challenge of validity of the CDRs, it was briefly explained how the relevant institution (the OHIM) manages this issue.

In order to analyze the pan-European injunctions in the case of designs, we again turned to Apple vs Samsung since it allowed us to explore several factors surrounding this type of injunction. Finally, in the enforcement section, the Brussels I Regulation was established as the applicable law, complemented by the CDR Regulation. It was not possible to follow again the example of Apple vs Samsung, because there was never a cross-border enforcement of the court decisions.

From this analysis, it can be concluded that the UPC will potentially solve the problem of inconsistency in the judgments, as it intends to form a unified court in which judgments will be valid in 26 of the 28 European Member States. But there is still no instrument that would allow those judgments to be valid in countries outside of those signatory members, and the transitional period of 7 years (that can be expanded) does not seem to bring the stability that the patentees were looking for.

In respect to Designs, it was found that although the EU system is more harmonized than the current patent system, in terms of validity of the design it is still not as harmonized as the upcoming UPC will be once it is running properly. The current design system would also benefit from a more harmonized system (given the decisions in *Apple v Samsung*).

## **Part B: Arbitration of cross-border conflicts of Patents and Designs**

Is international arbitration a viable dispute resolution mechanism that can encompass cross-border conflicts of patents and designs? This is the main question that this part will answer.

As we have seen from the previous chapters when a dispute involving the same parties, based on the same facts, involving the same IPRs, occurs in different countries around the world, the parties would normally have to bring the case before each of the national courts, given the territoriality of IPRs.

We then learned that in the European Union, the cross-border litigation of IPRs works in a different way because of the existence of Community rights (in the case of designs, CDR, and in the case of patents, the European Patents, and the Unified Patent. It was also found that once the UPC Agreement gets ratified, there will be a Unitary Court for Patents. Nevertheless, if the dispute involves the same issues outside of the EU, they will have to be litigated in those countries. And, at the moment of writing, it does not seem to be a standardize mechanism that will allow the enforcement of foreign judgments.

Hence, this chapter suggests that international arbitration is an alternative means by which cross-border patent and design conflicts can be decided in a single arbitration procedure. This is because the awards i.e. outcomes of the arbitration can actually be enforced in different jurisdictions.

This part contains chapter IV and V. Chapter IV will talk about first what is understood by arbitration and will analyze the procedural aspects of arbitration specifically those that are more relevant to solve cross-border litigation of patents and designs. The four characteristics analyzed are:

1. The fact that arbitration has to start by an agreement of the parties;
2. The fact that the parties can choose the arbitrators (decision makers) in their conflict;
3. The fact that the parties can decide the place (forum) where they want to hold the proceedings; and
4. The confidentiality that surrounds the arbitration procedure<sup>520</sup>.

Chapter V then will discuss substantive aspects of an arbitration of cross-border patent and design disputes. First, it will address the “arbitrability” of the subject, that is to say, given that arbitration is a private method of dispute resolution, with only *inter partes* effect, is it possible to use it to solve matters of patents and design rights that have *erga omnes* effects? Next follows a discussion of the applicable law in order to solve the conflict, including an analysis of the conflict of law that will help determine the substantive law of the procedure. This will be done by examining proposals of two different academic institutes, one European (Conflict of Laws in Intellectual Property: **CLIP**) and the other one from the US (American Legal Institute: **ALI**) and the current principles of conflict of law in Europe will also be discussed. This analysis will be undertaken first in relation to patent disputes and then design disputes.

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<sup>520</sup> There are of course more procedural aspects of an international arbitration procedure, however these four were chosen on the basis that they are the ones that are more relevant for the cross-border disputes of patents and designs.

Finally, discussion will center on two aspects of the procedure: preliminary injunctions, and enforcement of arbitral awards. It will also consider the peculiarities in an arbitration procedure that involves multijurisdictional conflicts on patents and designs.

Given that the UPC system will also have an Arbitration Centre, it will be mentioned in order to compare the enforcement of international awards to the way arbitral awards rendered by the UPC will be enforced.

#### **Chapter IV. Procedural factors of International Arbitration in cross-border disputes of Patents and Designs.**

At the outset this Chapter will set out what is understood by international arbitration. It then will focus on the four characteristics outlined above: how the parties are going to become involved in arbitration. Then, how the freedom of the parties to choose the composition of the arbitration court and the forum will work given the case of study. Finally, the confidentiality of the process will be considered.

These procedural aspects will be studied taking into account the following rules of arbitration:

- a) **The rules of the World Intellectual Property Organization (WIPO).** WIPO is the agency of the United Nations in charge of developing and balancing IPRs at an international level<sup>521</sup>. WIPO has its own Center of Arbitration of IP disputes; hence it provides the public

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<sup>521</sup> See World Intellectual Property Organization What is Arbitration? : <http://www.wipo.int/amc/en/arbitration/what-is-arb.html>.

with Institutional arbitration. WIPO also offers a set of rules for expedited arbitration that can be of help in the injunction procedures<sup>522</sup>.

b) **The United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules.** This is the core legal body of the United Nations system regarding international trade law. The body only provides a set of procedural rules, it does not provide for a place of arbitration, nor arbitrators<sup>523</sup>. Countries all around the world have adopted this rules as their procedural rules for international arbitration.

c) **The International Arbitration Rules from the American Arbitration Association (AAA).** The AAA is a private non-profitable organization set in the US and provides rules and conflict-management services for both domestic and international arbitration<sup>524</sup>. This chapter will focus on the rules of arbitration at the International Centre for Dispute Resolution of the AAA.

d) **The International Chamber of Commerce (ICC) Rules of Arbitration.** The Arbitration Center of the ICC is one of major arbitration institutions in the world<sup>525</sup>. Their current Rules for Arbitration launched in January 2012. These rules are said to be friendlier towards resolving IPRs disputes<sup>526</sup>. Over the last few years the ICC has been adapting its arbitration rules to better suit such disputes<sup>527</sup>.

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<sup>522</sup> World Intellectual Property Organization ADR- Frequently Asked Questions. <<http://www.wipo.int/amc/en/center/faq/index.html>>.

<sup>523</sup> UNCITRAL March, 2012. Notes on Organizing Arbitral Proceedings. United Nations office at Vienna: <<http://www.uncitral.org/pdf/english/texts/arbitration/arb-notes/arb-notes-e.pdf>>.

<sup>524</sup> American Arbitration Association: <<https://www.adr.org/>>.

<sup>525</sup> According to the ICC, their International Court of Arbitration is the world's leading body for the resolution of international disputes. See International Chamber of Commerce ICC International Court of Arbitration. <<http://www.iccwbo.org/>>.

<sup>526</sup> See McConnell, K. and Searle, N. September, 2011. Would you take a patent dispute to the ICC for an arbitration? *PatLit: the patent litigation weblog*. <<http://patlit.blogspot.co.uk/2011/09/would-you-take-patent-dispute-to-icc.html>>.

<sup>527</sup> Hines, M. June, 2013. Rethinking IP disputes - a useful role for international arbitration. *Lexology*. <<http://www.lexology.com/library/detail.aspx?g=03ba12e5-b89d-4e38-bc66-1b30b3bc1903>>.

## ***International Arbitration***

At the outset, it is important to lay out what it is understood by international arbitration for the purposes of this thesis.

*Arbitration is a procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. In choosing arbitration, the parties opt for a private dispute resolution procedure instead of going to Court<sup>528</sup>.*

As seen in the definition above, it is a basic principle of arbitration that it will only operate if the parties **agree** to submit their conflict to this type of procedure. Another important characteristic is that, by the dispute being submitted to this procedure, **the parties will not go to a national court.**

There are two types of international arbitration: the institutional and the ‘ad hoc’. The former is administered by an arbitral institution. The latter implies that the parties would agree on their own procedure rules<sup>529</sup>. In this chapter I will focus on the procedural rules that can be adopted in both types. It is important to note that the arbitral process can be designed and adapted by the parties to best fit their commercial relationship or a specific dispute. Such adaptations can include processes to ensure that confidentiality is maintained, and setting strict parameters on discovery rights, reducing the overall cost of the arbitration. Parties can also chose the most convenient place and language of the arbitration and it can be designed to accommodate a large, complex dispute, involving multiple parties, from various jurisdictions<sup>530</sup>.

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<sup>528</sup> Organization, W. I. P. What is Arbitration? : <<http://www.wipo.int/amc/en/arbitration/what-is-arb.html>>.

<sup>529</sup> Born, G. 2009. International Commercial Arbitration. Kluwer Law International: The Hague.

<sup>530</sup> Hines, M. June, 2013. Rethinking IP disputes - a useful role for international arbitration. *Lexology*. <<http://www.lexology.com/library/detail.aspx?g=03ba12e5-b89d-4e38-bc66-1b30b3bc1903>>.



The increased use of arbitration to resolve IP disputes confirms the advantages that arbitration offers in comparison to litigation: free choice of decision maker, flexibility of process, speediness, efficiency, the fact that it implies a universal solution and the confidentiality of the procedures<sup>531</sup>. Certainly in Apple vs Samsung, having a single, neutral procedure to solve a multijurisdictional conflict over designs and patents, rather than take the dispute through several national courts, could have been much more efficient for the right-holders.

I will now continue with the study of the procedural aspects of arbitration that are considered to be crucial for the right holder, in order to decide whether to solve its multijurisdictional dispute through this means.

## **1. Arbitration Agreement**

In the absence of a valid agreement to arbitrate, there would be generally no legal grounds requiring a party to arbitrate a dispute<sup>532</sup>. Arbitration (and alternative dispute resolution methods in general) can only apply if the parties to the dispute give their consent<sup>533</sup>. In general, the different international arbitration rules allow the parties to agree to enter in arbitration before the dispute exists and also after the dispute has started. Both of these options are detailed next.

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<sup>531</sup> Hines, M. June, 2013. Rethinking IP disputes - a useful role for international arbitration. *Lexology*. <<http://www.lexology.com/library/detail.aspx?g=03ba12e5-b89d-4e38-bc66-1b30b3bc1903>>.

<sup>532</sup> Born, G. B. 2012. *International Arbitration: Law and Practice*. Kluwer Law International. p.1

<sup>533</sup> De Werra, J. 2012 Can Alternative Dispute Resolution mechanisms become the default method for solving international Intellectual Property disputes? *California Western International Law Journal* 43, 39-75., p.63

a) *Arbitration agreements for future disputes: arbitration clauses.*

When the parties have a contractual relationship, e.g. in a license contract, they can include in it an arbitration clause. In this clause the parties agree that the disputes related to the contract are going to be submitted to arbitration. In that case, the clause in the contract will constitute the arbitration agreement. It is important to make sure that the clause is written in a way that will include issues derived from the infringement of the IPRs at stake, and not only contractual issues<sup>534</sup>.

An example of a contractual clause for arbitration of future disputes is the WIPO clause that it is frequently found in licensing agreements. The agreement reads:

*“Any dispute, controversy, or claim arising under, out of or relating to this contract and any subsequent amendments of this contract, including, without limitation, its formation, validity, binding effect, interpretation, performance, breach or termination, as well as non-contractual claims, shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules. The arbitral tribunal shall consist of (a sole or three) arbitrator(s). The place of arbitration shall be (place). The language to be used in the arbitral proceedings shall be (...) The dispute, controversy or claim shall be decided in accordance with the law of (specify jurisdiction)”<sup>535</sup>.*

As can be seen, the agreement intends to define, first, what are the disputes that will be the subject of the arbitration. Note the phrase “... non-contractual claims...” which aims to cover, for instance, matters of IPR infringement. It then defines the procedural rules that the arbitration will follow (the WIPO Arbitration Rules) and encourages the parties to decide if

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<sup>534</sup> De Werra, J. 2012 Can Alternative Dispute Resolution mechanisms become the default method for solving international Intellectual Property disputes? California Western International Law Journal 43, 39-75. p. 62

<sup>535</sup> WIPO last seen 25/04/2014. Recommended Contract Clauses and submission agreements. <<http://www.wipo.int/amc/en/clauses/#4>>.

it will be a sole arbitrator or a panel, the place and the language in which the procedure will be conducted. Finally, the recommended clause suggests that the parties decide the applicable (substantive) law that will be applied to solve the conflict. A further analysis of the implications of the applicable law in cross-border IP disputes will be done in the section on page 237.

The suggested WIPO clause will be taken as the agreement for arbitration of the parties, and will be enforced by either of the parties when a dispute arises in relation to their contract. However, it can happen that the parties did not have a contract before a dispute arises. This was the case in *Apple vs Samsung*: the actions for infringement and declaration of non-infringement were not based on a dispute over a contract. Hence, in this type of situation, when there is a possible spontaneous infringement, how can the parties take their dispute to arbitration?

*b) Arbitration agreements for present disputes: submission agreements*

A submission agreement (to arbitration) can be signed by the parties in order to take an out-of-contract dispute to arbitration. The WIPO Arbitration Center has a model agreement that parties can use in this situation:

*We, the undersigned parties, hereby agree that the following dispute shall be referred to and finally determined by arbitration in accordance with the WIPO Arbitration Rules: (brief description of the dispute). The arbitral tribunal shall consist of a (sole or three) arbitrator(s). The place of arbitration shall be (...). The*

*language to be used in the arbitral proceedings shall be (...). The dispute shall be decided in accordance with the law of (specify jurisdiction)*<sup>536</sup>.

The submission agreement for an existing dispute has all the elements of the contractual clause for future disputes (procedural rules, choice of one arbitrator or a panel, choice of arbitral situs, language and the *lex arbitri*) except that the parties will have to define the dispute that they are submitting to arbitration.

As pointed out above, both the agreement for future disputes (ie the contractual arbitration clause) and the submission agreement require that the parties agree and decide to take their dispute to arbitration. However, it appears to be reluctance to solve conflicts involving IPRs by these means because of a lack of confidence in their effectiveness<sup>537</sup>. Hence it would help if the courts and tribunals push the parties to use alternative dispute methods, especially taking into account the levering up of the costs that the justice system has to pay when the parties could actually mediate or arbitrate the dispute<sup>538</sup>. In the following section there will be some examples of courts that are encouraging or forcing the parties to an alternative dispute resolution mechanism.

### **1.1 Arbitration Agreements in National Courts**

As seen above, even though a litigation procedure has started, there is the possibility that the parties agree to submit the current dispute to arbitration by ways of a submission agreement.

Some examples on how the courts are encouraging the use of arbitration are the following:

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<sup>536</sup> WIPO last seen 25/04/2014. Recommended Contract Clauses and submission agreements. <<http://www.wipo.int/amc/en/clauses/#4>>.

<sup>537</sup> Several commentators at OHIM's Intellectual Property Mediation Conference, Alicante Spain May 29-30, 2014

<sup>538</sup> Probert, S. May 29, 2014. Mediation of Intellectual Property in Practice. *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain.

a) **The Northern District Court of California** provides an option for non-binding arbitration at no charge to the litigants<sup>539</sup>. The goal of the court-sponsored arbitration is to provide the parties with adjudication that is earlier, faster, less formal and less expensive than trial<sup>540</sup>. The award in the non-binding arbitration may become the judgment if accepted by the parties, and the award will not be admissible at a subsequent trial (it becomes *res iudicata*) unless stipulated by the parties. The request for arbitration may occur at any time during the litigation proceedings. This type of arbitration is voluntary, and although the court will encourage the parties to take part, they will have to agree to actually get in the arbitration. It is important to point out that if the parties opt for the arbitration, the outcome of it is a non-binding decision<sup>541</sup>. This is a characteristic contrary to the type of international arbitration proposed in this thesis. For the signatory parties of the New York Convention on the Recognition and Enforcement of Arbitral Awards (the **NYC**) the award is enforceable without the need for the parties to “accept” it. What one can assume is that the Californian courts are trying to lessen practitioners’ fear of arbitration<sup>542</sup>.

b) **In the State of New York**, if parties having a commercial dispute both manifest their consent to an ADR method to resolve their conflict, they should advise the court of their

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<sup>539</sup> 2012. Dispute Resolution Procedures in the Northern District of California Handbook. *ADR Handbook*. <<http://www.cand.uscourts.gov/adrhandbook>>. p.6 “...Arbitrators are paid by the court \$200 per day or portion of each day of hearing in which they serve as a single arbitrator...”

<sup>540</sup> 2012. Dispute Resolution Procedures in the Northern District of California Handbook. *ADR Handbook*. <<http://www.cand.uscourts.gov/adrhandbook>>. p. 5

<sup>541</sup> The description of arbitration is found in rule 4-1 of the Arbitration Rules of California, and states: “Arbitration under this local rule is an adjudicative process in which an arbitrator or a panel of three arbitrators issues a non-binding judgment (‘award’ or ‘decision’) on the merits after an expedited, adversarial hearing. Either party **may reject the non-binding award** or decision and request a trial *de novo*...” (emphasis added) July 2, 2012. ADR Local Rules. In N. D. o. California (ed): <[www.cand.uscourts.gov/filelibrary/7/ADR%20Local%20Rules-eff.%207.2.2012.pdf](http://www.cand.uscourts.gov/filelibrary/7/ADR%20Local%20Rules-eff.%207.2.2012.pdf)>.

<sup>542</sup> Supporting this argument see the study of David Caron, where he interviewed practitioners in Silicon Valley, on page 10

desire<sup>543</sup>. In this context, the parties will then try to mediate the conflict. If the mediation succeeds, the case will be marked disposed<sup>544</sup>. However, if the mediation does not produce a settlement, the parties can agree to have a binding arbitration (in this case the parties will need to cover the fees for the arbitration service) or pursue a private arbitration<sup>545</sup>.

Furthermore, in December 2013 the Commercial Division Advisory Council in New York recommended the adoption of a pilot program of mandatory mediation for every fifth case<sup>546</sup>.

This program is designed to relieve some of the heavy burden of the Commercial Courts, in order to produce more settlements, so that the judges can focus on “substantive legal and factual issues and the development of New York commercial and business law”<sup>547</sup>. This pilot program aims to impose a mandatory mediation based on the perspective that the parties are reluctant to suggest mediation because they believe that it will reflect lack of confidence<sup>548</sup>.

It is still uncertain what is going to be the impact of this program as it has just started recently at the time of writing, but it does show the willingness of national courts to encourage the parties to look for alternative methods to solve their commercial disputes.

**c) In Portugal**, the law 62/2011 created a system of composition of disputes arising from IPRs regarding medicines and generic medicines. According to article 2, the disputes

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<sup>543</sup> Supreme Court, C. B. N. Y. C. C. D. April 2011. Guide to the Alternative dispute resolution program. <<http://www.nycourts.gov/courts/comdiv/PDFs/NYCounty/Attachment2.pdf>>. p.2

<sup>544</sup> Supreme Court, C. B. N. Y. C. C. D. April 2011. Guide to the Alternative dispute resolution program. <<http://www.nycourts.gov/courts/comdiv/PDFs/NYCounty/Attachment2.pdf>>. p.6

<sup>545</sup> Supreme Court, C. B. N. Y. C. C. D. April 2011. Guide to the Alternative dispute resolution program. <<http://www.nycourts.gov/courts/comdiv/PDFs/NYCounty/Attachment2.pdf>>. p.6-7

<sup>546</sup> See McConnell, J. December 11, 2013. Proposed creation of a pilot mandatory mediation program in the Commercial Division of the Supreme Court, New York County.

<<http://www.nycourts.gov/rules/comments/PDF/PC-PacketCommDivMedPilot.pdf>>.

<sup>547</sup> McGrath, M. January 17, 2014. Mandatory Mediation for every fifth case in NY county's commercial division? *JD Supra Business advisor*. <<http://www.jdsupra.com/legalnews/mandatory-mediation-for-every-fifth-case-69100/>>.

<sup>548</sup> McGrath, M. January 17, 2014. Mandatory Mediation for every fifth case in NY county's commercial division? *JD Supra Business advisor*. <<http://www.jdsupra.com/legalnews/mandatory-mediation-for-every-fifth-case-69100/>>. and De Palo, G. May 29, 2014. Tackling the challenges to mediation, especially in IP. *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain.

arising from IPRs, including injunctions, are subject to mandatory arbitration<sup>549</sup>. In article 3, it says that the arbitration should be started within 30 days of the publication of the application of the generic medicine<sup>550</sup>. At the moment of writing, there is a pending decision before the Constitutional Court to assess the constitutionality of article 2 to see whether it excludes the right to turn to public courts<sup>551</sup>. Hence it is still uncertain whether such a mandatory provision will remain in the Portuguese courts.

As shown by the examples above, some national courts are acknowledging the advantages that out-of-court procedures may bring in commercial disputes. As seen, there is still not a uniform policy regarding whether alternative dispute resolution (ADR) mechanisms should be mandatory, and the question remains if it would be possible to impose these procedures on the parties to a dispute. To answer this question, the following section will analyze how the ADR system is working for the resolution of disputes over domain names, and see whether this approach could be applied to other IPRs and specifically, if it could be applied for designs and patents as in *Apple vs Samsung*.

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<sup>549</sup> “Litigations derived from the claim of industrial property rights, including preliminary injunction proceedings, regarding reference medicines... and generic medicines, irrespective of whether process patents, product patents or patents of use are at issue, as well as Supplementary Protection Certificates, shall be subject to **mandatory arbitration**, whether or not institutionalized.” (emphasis added) Appendix 1: English Translation of Law 62/2011 England, D. July 12, 2012. Enforcement of IP rights- Portuguese Law 62/2011: Patent infringement and dispute resolution on medicines. *Letter to the British Embassy in Portugal*. <[www.ipfederation.com/document\\_download.php?id=1164](http://www.ipfederation.com/document_download.php?id=1164)>.

<sup>550</sup> England, D. July 12, 2012. Enforcement of IP rights- Portuguese Law 62/2011: Patent infringement and dispute resolution on medicines. *Letter to the British Embassy in Portugal*. <[www.ipfederation.com/document\\_download.php?id=1164](http://www.ipfederation.com/document_download.php?id=1164)>. Appendix 1: English translation of law 62/2011 p.11

<sup>551</sup> The action was promoted by Bayer (pharmaceutical company), after it had requested a preliminary injunction against Laboratorios Effik, to the IP Court. The Court refused the injunction based on article 2 of law 62/2011. Baptista, M. a. A. April 11, 2014. Compulsory arbitration and applications for interim relief: is Portugal's law invalid, or just plain wrong? *PatLit: the patent litigation weblog*. <<http://patlit.blogspot.co.uk/2014/04/compulsory-arbitration-and-applications.html>>.

## 1.2 The alternative dispute resolution of Domain Name Disputes

As studied above, there is still reluctance for the parties of conflicts involving IPRs to resource to arbitration as the means to solve their dispute<sup>552</sup>. Taking into account that arbitration is, at first hand, a dispute resolution method that can only start by agreement of the parties, it seems unlikely that parties to said conflict would actually make use of arbitration. Parties to IPRs conflicts would need an extra motivation to resource to arbitration, in comparison to parties of other types of commercial conflicts who make use of arbitration. Given the actual reluctance of the parties to go to arbitration on an agreement basis, there is the need to explore a more mandatory way to lead them to this procedure. It is submitted that if parties were encouraged to use arbitration as the means to solve IPRs conflicts that have an impact in several jurisdictions (instead of litigating in each and every single court), they would recognize the advantages that this procedure offers for their specific type of conflict. There are multijurisdictional conflicts that involve matters of IPRs, in which the parties are bounded to an alternative dispute resolution procedure: the conflicts between domain names and trademark owners. Given the success of this procedure, it was considered important to examine it, in the interest of assessing whether its example can be transmitted to multijurisdictional conflicts involving other type IPRs (patents and designs). Hence, in this section it is first explained how the alternative dispute resolution procedure was developed by the domain name users and administrators, and then how the procedure works.

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<sup>552</sup> For instance, in the Apple vs Samsung case, in the court of North California, Judge Koh asked the parties several times to take their dispute to an alternative dispute resolution means, but the parties could not agree on this. See Chillakanti, K. 24 July, 2013. Apple and Samsung: Frenemies for life. Huffington Post: <[http://www.huffingtonpost.com/fueled/apple-and-samsung-frenemi\\_b\\_3640858.html](http://www.huffingtonpost.com/fueled/apple-and-samsung-frenemi_b_3640858.html)>. and Patel, N. April 19, 2011. Apple sues Samsung: a complete analysis. *The Verge*. <<http://www.theverge.com/2011/04/19/apple-sues-samsung-analysis>>.



### 1.2.1 *The ICANN*

The Internet Corporation for Assigned Names and Numbers (**ICANN**) is a non-profit organization that assumed responsibility for coordinating IP address<sup>553</sup> space allocation, protocol<sup>554</sup> parameter assignment, domain names<sup>555</sup> system management and root server system<sup>556</sup> management functions. ICANN started to function thanks to the initiative of the US Government to have a non-governmental organization that would administer policy for the internet name and address system. It was important to have this disassociation of a government (single territory) in order to achieve integration into a global internet community<sup>557</sup>.

One of the fundamental principles of ICANN, having a multi-stakeholder model, is that all points of view should receive consideration on their own merits, because the institutions stands for the proposition that “all the users of internet deserve a say in how it is run”<sup>558</sup>. This approach is going to be considered when discussing a potential arbitration agreement in a multijurisdictional conflict of IPRs. But first, we will analyze the relevant issue within the scope of this organization.

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<sup>553</sup> An IP address is an identifier for a computer or device on a transmission control protocol (TCP/IP) network. Webopedia IP address - Internet Protocol (IP) address. <[http://www.webopedia.com/TERM/I/IP\\_address.html](http://www.webopedia.com/TERM/I/IP_address.html)>.

<sup>554</sup> The protocol is an agreed-upon format for transmitting data between two devices. It determines the type of error checking to be used, the data compression method, etc. From a user perspective, it is important to know whether the device will support the right protocols so it is able to communicate with other devices. Protocols can be implemented by hardware or software. Webopedia, “Protocol” <<http://www.webopedia.com/TERM/P/protocol.html>>

<sup>555</sup> The domain names are used to identify one or more IP addresses. For instance, the domain name Microsoft.com represents a dozen of IP addresses. Webopedia “Domain Name” <[http://www.webopedia.com/TERM/D/domain\\_name.html](http://www.webopedia.com/TERM/D/domain_name.html)>

<sup>556</sup> A root server is a system of 13 file servers (where data is storage) that are distributed around the globe and contain databases that form a master list of all the top level domain names. There is one central server that replicates changes to the other servers, and different organizations maintain the servers on the root server system. Webopedia “Root server system” <[http://www.webopedia.com/TERM/R/root\\_server\\_system.html](http://www.webopedia.com/TERM/R/root_server_system.html)>

<sup>557</sup> See Webopedia “ICANN” <<http://www.webopedia.com/TERM/I/ICANN.html>>

<sup>558</sup> See ICANN ‘About us’ <<https://www.icann.org/en/about/welcome>>

As seen above, one of the things that ICANN manages is the domain names system. Domain names are defined as: “*human-friendly forms of Internet addresses*”<sup>559</sup> and “*the name by which a company or organization is known on the internet*”<sup>560</sup>. They are used in uniform resource locators (URLs)<sup>561</sup> to identify a particular person or company.

Taking the following URL as example, “<http://www.pcwebopedia.com/index.html>” in this address, the domain name is “pcwebopedia.com”. The domain name is composed by a prefix which normally represents the identity of the person (physical or legal, in the example it would be ‘pcwebopedia’), and a suffix (in the example it is ‘.com’)

The suffix of the domain names indicates which top level domain (**TLD**) they belong to, there are several types of TLDs and it would depend on the kind of activity of the person or company, or the reasons for them having a website. Some examples of TLDs are: .com, .net, .cat, .coop, .info, .travel, .org etc. There are TLDs with two letters that have been established for over 240 countries, referred as “country-code” like: .uk, .de, .jp etc.<sup>562</sup> The TLD are classified in two types, the sponsored and unsponsored ones. The unsponsored TLDs operate under policies that are established by the global internet community directly through the ICANN process, whereas sponsored TLDs represent a specific community, in which the sponsor directly carries out delegated policy-formulation responsibilities over the matters of the TLDs<sup>563</sup>.

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<sup>559</sup> See WIPO definition of domain name <[www.wipo.int/amc/enc/center/faq/domains.html](http://www.wipo.int/amc/enc/center/faq/domains.html)>

<sup>560</sup> Definition given by the Intellectual Property Office in the UK <<http://www.ipo.gov.uk/types/tm/t-about/t-what-is/t-doma.htm>>

<sup>561</sup> A URL is the unique address of documents and other resources on the world wide web. Webopedia Protocol. <<http://www.webopedia.com/TERM/P/protocol.html>>.

<sup>562</sup> See a current list of TLDs that are part of the authoritative root zone in <<http://www.icann.org/en/resources/registries/tlds>> If a TLD does not appear on the list, it is because is not universally resolvable on the public internet.>

<sup>563</sup> ICANN About gTLDs. <<http://www.icann.org/en/resources/registries/about>>.

In order to register a domain name, any interested person has to apply to an accredited Registrar<sup>564</sup>. As stated above, the domain name identifies a person or a company on the internet. Given this characteristic, there is the possibility of conflict between domain name owners and trademark owners. To resolve this type of dispute, ICANN has developed a Uniform Domain Name Resolution Policy (UDNRP) that provides alternative dispute resolution means to solve disputes. This policy will be explained in the following section.

### ***1.2.2 The Uniform Domain-Name Resolution Policy (UDRP)***

The UDRP was born in response to a US White Paper<sup>565</sup>, which warranted the privatization of the internet and its independence from the US Government<sup>566</sup>. The UDRP, and other rules related to it, lays down the procedure for dispute resolution and forms the applicable substantive law for the resolution of disputes under its scope<sup>567</sup>. There are several Centers that provide services of dispute resolution on the grounds of the UDRP, all of those Centers had to be accredited by the ICANN, and the first of them to be accredited was the one administered by WIPO<sup>568</sup>.

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<sup>564</sup> To see an updated list of the Accredited Registrars go to <[www.icann.org/registrar-reports/accredited-list.html](http://www.icann.org/registrar-reports/accredited-list.html)>

<sup>565</sup> ‘White Paper’ on the regulation: Management of Internet Names and Addresses, 63 Fed. Reg. 31,741, June 10, 1998. This was done by initiative of Clinton’s Framework for Global Electronic Commerce, in which the president asked the Secretary of Commerce to privatize the domain name system in a way to increase competition and facilitate international participation in its management. <<http://www.ntia.doc.gov/federal-register-notice/1998/statement-policy-management-internet-names-and-addresses>> visited April 16, 2014.

<sup>566</sup> Komaitis, K. 2010. The Current State of Domain Name Regulation. p. 76

<sup>567</sup> Hörnle, J. 2009. Cross-border Internet Dispute Resolution. Cambridge University Press. p.187

<sup>568</sup> WIPO Guide to the Uniform Domain Name Dispute Resolution (UDRP).

<<http://www.wipo.int/amc/en/domains/guide/#c1>>.

According to a WIPO report, the main consideration in the design of the UDRP was to avoid cybersquatting<sup>569</sup> by creating a time and cost-effective procedure, where due process would be ensured<sup>570</sup>.

According to paragraph 4(a) to the UDRP Policy, the UDRP Administrative Procedure is only available for disputes concerning an alleged abusive registration of a domain name when:

- a) The domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights;
- b) The domain name registrant has no rights or legitimate interests in respect of the domain name in question; and
- c) The domain name has been registered and is being used in bad faith<sup>571</sup>

Hence as seen from above, trademarks<sup>572</sup> and domain names are closely linked given that they both indicate origin. This common feature is one of the reasons that will make the owners of trademarks and domain-names encounter conflicts (as mentioned above, also due to cybersquatting). Before the UDRP was born, there were few legal causes of action for

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<sup>569</sup> Cybersquatting may imply, for instance, ‘the registration of a domain name similar to a trademark for an illegitimate purpose, such as: selling the domain name to the trademark owner or to a competitor of the trademark owner, preventing the trademark owner from reflecting the name in the corresponding domain, vexing the trademark owner or in order to deflect traffic from the (famous) trademark owner onto the registrant’s own site, who may, by this last tactic, increase traffic and advertising revenue’. Hörnle, J. 2009. Cross-border Internet Dispute Resolution. Cambridge University Press. p.187, quoting UDRP policy para. 4(b) and WIPO Case No. D2006-0882, *Geoffrey Inc v. NOT THE USUAL*

<sup>570</sup> See paragraph 38 Center, W. A. a. M. 2005. New generic top-level domains: Intellectual Property Considerations. available at <<http://www.wipo.int/amc/en/domains/reports/newgtld-ip/>>.

<sup>571</sup> Article 4(a) ICANN Uniform Domain Name Dispute Resolution Policy. <<http://www.icann.org/en/help/dndr/udrp/policy>>.

<sup>572</sup> Provided that they are trademarks written See Komaitis, K. 2010. The Current State of Domain Name Regulation., p. 6

trademark owners to enforce their rights over domain names. The users of domain names come from all over the world, which made litigation at an international level more difficult<sup>573</sup>.

### *Decisions based on the UDRP*

Since the UDRP was adopted, the WIPO Arbitration and Mediation Center has solved thousands of disputes<sup>574</sup>. According to De Werra<sup>575</sup>, the success of the UDRP comes from:

- a) The obligation imposed on all domain name registrars for TLDs to be accredited with ICANN<sup>576</sup>; and
- b) The fact that the accreditation with ICANN obligates the registrars<sup>577</sup> to **contractually** require their clients - who register domain names - to submit to the UDRP<sup>578</sup>.

Moreover, the obligation is extended for the Registrars, when they enter in agreements with third party re-sellers: article 3.12 provides that the agreement with third party re-sellers will have to include the registration agreement provisions and notices that are required by the ICANN Registrar Accreditation Agreement<sup>579</sup>. According to De Werra, the effect of this

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<sup>573</sup> Hatcher, J. 2008. The UDRP: A guide for SMEs and Consumers on Domain Names and Domain Name Disputes. *International Intellectual Property Institute*. <[http://www.jordanhatcher.com/blog/wp-content/uploads/2010/03/The\\_UDRP\\_-\\_A\\_Guide\\_for\\_SMEs.pdf](http://www.jordanhatcher.com/blog/wp-content/uploads/2010/03/The_UDRP_-_A_Guide_for_SMEs.pdf)>.

<sup>574</sup> See WIPO -ADR, D. N. D. Total Number of Cases per Year. available in <<http://www.wipo.int/amc/en/domains/statistics/cases.jsp>>. last visited April 24, 2014

<sup>575</sup> De Werra, J. 2012 ADR: Default for International IP Disputes? *California Western International Law Journal* 43, 39-75.

<sup>576</sup> '3.1. During the Term of this Agreement, Registrar agrees that it will operate as a registrar for each TLD for which it is accredited by ICANN in accordance with this agreement' ICANN Registrar Accreditation Agreement. <<http://www.icann.org/en/resources/registrars/raa/ra-agreement-21may09-en.htm#1>>.

<sup>577</sup> 'Registrars are all the parties to the agreement' ICANN Registrar Accreditation Agreement. <<http://www.icann.org/en/resources/registrars/raa/ra-agreement-21may09-en.htm#1>>.

<sup>578</sup> '3.8 During the Term of this Agreement, Registrar shall have in place a policy and procedures for resolution of disputes concerning Registered Names... Registrar shall comply with the Uniform Domain Name Dispute Resolution Policy' ICANN Registrar Accreditation Agreement. <<http://www.icann.org/en/resources/registrars/raa/ra-agreement-21may09-en.htm#1>>.

<sup>579</sup> ICANN Registrar Accreditation Agreement. <<http://www.icann.org/en/resources/registrars/raa/ra-agreement-21may09-en.htm#1>>.

article is to create a chain of mutual contractual obligations<sup>580</sup>: the submission of disputes to the UDRP imposes on all internet domain name holders of a TLD in a hierarchical way, starting from ICANN on the top to the holder of a given domain name in the bottom. Hence, through the contracts provided for the service, the parties agree to submit the UDRP.

However, it is important to note that the UDRP conflict resolution mechanism is not arbitration per se. It is very similar to arbitration - the nature is alike - but there are substantial differences<sup>581</sup>. Furthermore, the decisions taken under the UDRP do not carry the same weight as the arbitral awards (in terms of the NYC)<sup>582</sup>.

The efficiency of the UDRP as a global dispute resolution for system made it an example for designing mechanisms of dispute resolution of domain names with national or regional extensions<sup>583</sup>. For instance, the domain names from the EU, ‘.eu’<sup>584</sup>, and the domain names from Switzerland, ‘.ch’<sup>585</sup>, have a policy that requires the domain name holders to submit to ADR systems<sup>586</sup>. The ADR methods are actually imposed by the public entities on the

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<sup>580</sup> De Werra, J. 2012 ADR: Default for International IP Disputes? California Western International Law Journal 43, 39-75.

<sup>581</sup> Komaitis, K. 2010. The Current State of Domain Name Regulation. p.91

<sup>582</sup> Komaitis, K. 2010. The Current State of Domain Name Regulation. p. 89

<sup>583</sup> De Werra, J. 2012 ADR: Default for International IP Disputes? California Western International Law Journal 43, 39-75.

<sup>584</sup> The EU Policy applying to the ‘.eu’ domain names, is based on the 874/2004 Regulation that states that the registry will provide for ADR procedures that take into account ‘...the international best practices in this area and in particular the relevant WIPO recommendations... (and) should respect a minimum of uniform procedural rules, similar to the ones set out in the (UDRP)...’ See recitals 16 and 17 of the Regulation on <<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004R0874>> last visited April 20, 2014

<sup>585</sup> The Swiss Policy requires to set up a dispute resolution system that is equitable, quick and that the rules of proceedings should be derived from the best practices in the field, specifically referring to the UDRP. De Werra, J. 2012 ADR: Default for International IP Disputes? California Western International Law Journal 43, 39-75.

<sup>586</sup> De Werra, J. 2012 Can Alternative Dispute Resolution mechanisms become the default method for solving international Intellectual Property disputes? California Western International Law Journal 43, 39-75. p. 63

individuals, in order to protect trademarks. The imposition is possible thanks to the fact that the public entities have control over the use of the ‘.eu’ and ‘.ch’ domain names<sup>587</sup>.

It is possible to conclude that the disputes that the UDRP solves, have the same characteristics that were identified in the case *Apple v Samsung*: they are between the same parties, the conflict involves the same IPRs in different jurisdictions. Hence, given these similarities is that the UDRP example can be taken to multijurisdictional conflicts of patents and designs.

The following section will focus on the arbitration agreements for the parties involved in multijurisdictional patents and design disputes, by considering whether it would be possible to generate a policy similar to that of the UDRP.

### **1.3 Arbitration Agreements for Spontaneous Infringement of Patents and Designs**

Would it be possible to generate a policy similar to that of the UDRP to make stakeholders adopt ADR in matters of patents and designs?

De Werra is of the opinion that the UDRP has showed that if a public entity controls the resource from which the IP dispute arises, then the public entity can impose an ADR method on the parties that want to register their right (in that resource)<sup>588</sup>.

The UDRP system protects the victim of an infringement, because the victim can decide whether to start an alternative procedure under the UDRP or go to national courts, while the domain name holders, by registering, gave their consent to be taken to the UDRP

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<sup>587</sup> De Werra, J. 2012 Can Alternative Dispute Resolution mechanisms become the default method for solving international Intellectual Property disputes? *California Western International Law Journal* 43, 39-75. pp. 63-64

<sup>588</sup> De Werra, J. 2012 Can Alternative Dispute Resolution mechanisms become the default method for solving international Intellectual Property disputes? *California Western International Law Journal* 43, 39-75. p. 64

procedure<sup>589</sup>. Furthermore, the domain name holders would not be able to take trademark holders to the UDRP procedures. It can be said then that the imposed consent from the domain name holders is a passive agreement to submit to the UDRP system, because they can only be defendants and passively await for procedures to be initiated by a third party, not knowing whether the third party is going to opt for the UDRP procedure or national courts.

On a related topic, Giuseppe De Palo has presented the idea of having a “mandatory mediation information session”. While this may sound paradoxical (as mediation is understood to be completely a parties’ choice), his study assures that having an opt-out mechanism would be the ideal option. Hence, his study suggests forcing the parties to enter into the mediation, with the possibility choosing to opt out of it in a later stage<sup>590</sup>.

He suggests that bringing more people into the mediation room will make some of them want to try it, hence the importance of offering quality in the mediation service. This follows the example from the New York courts (above described), where every 5<sup>th</sup> case goes mandatory to mediation with an ‘opt out’ mechanism<sup>591</sup>.

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<sup>589</sup> De Werra, J. 2012 Can Alternative Dispute Resolution mechanisms become the default method for solving international Intellectual Property disputes? *California Western International Law Journal* 43, 39-75. p. 65

<sup>590</sup> De Palo, G. May 29, 2014. Tackling the challenges to mediation, especially in IP. *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain.

<sup>591</sup> De Palo, G. May 29, 2014. Tackling the challenges to mediation, especially in IP. *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain.



### *1.3.1 Arbitration agreements for Patent Disputes*

#### *Voluntary Patent Arbitration in the US*

The United States Code<sup>592</sup> provides for voluntary arbitration<sup>593</sup> in section 294, where it states that parties to a contract involving a patent, or the right under a patent, may sign an arbitration clause for future disputes. It also allows the parties to an existing patent dispute to agree in writing to take that dispute to arbitration, by signing a submission agreement. It is important to outline that the provision allows the parties to submit to arbitration disputes over not just infringement but also validity of the patent<sup>594</sup>. Moreover, this arbitration agreement is considered to be valid, irrevocable and enforceable, except for the provisions in law or in equity for revocation of a contract<sup>595</sup>.

#### *Arbitration Agreement under the UPC*

Article 35 of the UPC Agreement establishes a Centre for Patent Mediation and Arbitration, which will be entitled to establish its own rules of procedure<sup>596</sup>. At the moment of writing, these rules have not yet been drafted. However, article 52(2) of the UPC Agreement provides that during the interim procedure of the UPC, the judge has the obligation to explore with the parties the possibility for a settlement “*including through mediation, and/or arbitration, by using the facilities of the Centre...*”<sup>597</sup>

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<sup>592</sup> The United States Code is a consolidation and codification by subject matter of the general and permanent laws of the United States. It is prepared by the Office of the Law of Revision Counsel of the United States House of Representatives. United States Code. In U. H. o. Representatives (ed):

<<http://uscode.house.gov/browse.xhtml>>.

<sup>593</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp.

<<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>. Section 294

<sup>594</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp.

<<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>. Section 294

<sup>595</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp.

<<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>.

<sup>596</sup> 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

<sup>597</sup> UPC, P. C. 06.03.2014. 16th Draft of Rules of Procedure. <<http://www.unified-patent-court.org/images/documents/revised-draft-rules-of-procedure.pdf>>.

It is very unclear at the moment how this article should be interpreted. It is submitted that during the interim meeting, possibly at the start of it, the judge will have to ask the parties if they have at least considered a settlement. But the following questions remain:

- a) What if is the first time that the parties actually are face to face? Would they be forced to, for instance, get into a room and try to achieve a settlement?
- b) Does the fact that the UPC Agreement says that the judge will have to work with the parties mean that he must actually suggest ways that they can achieve the settlement?
- c) Would the parties have to prove that they had tried to settle the case but could not reach an agreement?

The second part of article 35 states that the judge has to work with the parties if they do in fact wish to take their conflict to the UPC Centre. Related to point (b) above, it is unclear whether the obligation implies that the judge has already assessed some of the facts of the case, in order to decide whether reaching a resolution through either mediation or arbitration is viable. A possible approach is that this decision could be based on an assessment of the matter in dispute. If it is, for instance, a fight over license fees, then it is arguably a good candidate for ADR, given that there will be no questions of infringement or validity of the patent, which imply problems of arbitrability, as it will be portrayed on Chapter V, section 1.

It may be generally suggested that if the parties agree to take their dispute to the mediation or arbitration center of the UPC, they should sign a clause right on the spot<sup>598</sup>. Such clause should include an agreement of the parties that they cannot go back to the court for the same case: once they have decided to go to mediation or arbitration, they will have to solve their

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<sup>598</sup> Expert mediators perceive that after the parties have reached an agreement, if that was not signed on the spot, the parties are likely to change their minds on a later stage. Appel, M. May 29, 2014. Negotiation, Mediation and Arbitration: Comparisons and synergies. *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain.

conflict through that means, without raising the issue again in Courts. This agreement would not constitute a violation of the human right to have a fair trial<sup>599</sup>, as justice can be certainly administrated by ways of alternative dispute resolution<sup>600</sup>. Furthermore, the New York Convention<sup>601</sup> denotes that if the Courts are submitted an action which matter was committed to be solved through arbitration, the courts will have refer the parties to arbitration<sup>602</sup>.

On another note, it is also considered that if during the interim meeting, the parties do agree to arbitrate but would prefer not to do so at the UPC Centre because they would prefer another administrator such as the ICC or WIPO, they should be able to do so as well. Hence, it is assumed that the parties in the UPC court would not have to be bound to go to the Mediation and Arbitration Centre of the UPC.

A final observation regarding the agreement for arbitration in the UPC Centre is the fact that, when the rules of the Centre are drafted, they will have to prescribe the steps by which the parties decide on mediation and or arbitration. There should not be ambiguity in the initial agreement, because having a clause that it is unclear regarding the choice of arbitration has proven to be problematic<sup>603</sup>.

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<sup>599</sup> Article 6 of the European Convention on Human Rights refers to this right.

<sup>600</sup> Wallis, D. May 29, 2014. Mediation quo vadis? *OHIM's Intellectual Property Mediation Conference*. Alicante, Spain.

<sup>601</sup> Convention of the Recognition and Enforcement of Foreign Arbitral Awards, also referred as the "New York Convention".

<sup>602</sup> Article II(3) of the Convention points that when the Court of a Contracting State is seized an action in a matter in respect of which the parties made an arbitration agreement, the Court will have to refer the parties to arbitration, unless the agreement is null and void, inoperative or incapable of being performed. United Nations Conference on International Commercial Arbitration 1958. Convention on the Recognition and Enforcement of Foreign Arbitral Awards. <[http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII\\_1\\_e.pdf](http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII_1_e.pdf)>.

It is important to take into account what is going to be the applicability of the NYC to the arbitration administered by the UPC. This will be analysed in chapter V.

<sup>603</sup> See Born, G. 2009. *International Commercial Arbitration*. Kluwer Law International: The Hague, Lew, J. D. M. M., Loukas A.Kröll, Stefan 2003. *Comparative International Commercial Arbitration*. Kluwer Law

### *Other considerations for arbitration agreements of Patents*

Patents involve issues of public interest<sup>604</sup> hence it is no surprise to find so much reluctance to leave the dispute resolution to a private mechanism. It is important that the interests of society are kept by the State and not left to the mercy of private parties.

Nevertheless, it is considered that it would be possible to compel patent owners to arbitrate patent disputes via an institution that could work the way ICANN does. It would not mean that the patent owners would have to raise patent disputes against third parties (that are allegedly infringers), but that they will be forced to solve through arbitration the conflicts that may rise between members. This may be a solution at least in the EU level, if it's possible to have a creature like the UDRP for the new Unitary Patent Court system.

### ***1.3.2 Arbitration Agreements for Designs***

The OHIM launched in 2011 a Mediation service, in the light of starting with ADR for the resolution of IPRs, by ways of the Decision 2011/1. However, this service is only available in the course of appeal proceedings and on grounds related to the conflicts between private rights of the parties<sup>605</sup>. Furthermore, Decision 2011/1 establishes that the mediation proceedings should be instigated by a joint declaration from the parties<sup>606</sup> and is therefore strictly voluntary.

It may generally be suggested that OHIM could also adopt a UDRP policy, in the same way as ICANN does, applicable to registered designs. In that case, at the moment of registering a

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International, Redfern, A. and Hunter, M. 2004. Law and Practice of International Commercial Arbitration. Sweet and Maxwelll.

<sup>604</sup> Especially, patents encounter overlap with matters of competition law, as it was demonstrated in the study of SEPs in Chapter III.

<sup>605</sup> Decision No. 2011-1 of the Presidium of the Boards of Appeal. pp. available at <[http://www.uaipit.com/files/documentos/1322842399\\_DECISION\\_PRESIDIUM-EN.pdf](http://www.uaipit.com/files/documentos/1322842399_DECISION_PRESIDIUM-EN.pdf)>.

<sup>606</sup> Decision No. 2011-1 of the Presidium of the Boards of Appeal. pp. available at <[http://www.uaipit.com/files/documentos/1322842399\\_DECISION\\_PRESIDIUM-EN.pdf](http://www.uaipit.com/files/documentos/1322842399_DECISION_PRESIDIUM-EN.pdf)>. Article 1

design, the owner would agree to take to arbitration disputes that could arise from the owners of previous registered designs.

Article 3 of the Enforcement Directive points the obligations of the Member States to provide the necessary procedures and remedies to ensure the enforcement of IPRs, without them being unnecessarily complicated. It is submitted that in cases such as *Apple v Samsung*, this provision was not fulfilled in great measure due to the fact that the companies had to take their dispute to several jurisdictions. Given the possibilities to shorten the number of jurisdictions by entering into a mandatory arbitration agreement, it is suggested that in this type of cases the jurisdiction of the Court should be ousted and the parties bound to an arbitration, in the same way that the ICANN works.

This point is of special importance given the behavior of companies such as Samsung and Apple. They seemed to use Court litigation as a strategic step in order to get a good deal from a competitor, and not really to look for justice and enforce their IPRs. This is submitted given that the companies settled their disputes and cancel the ongoing litigations in several European courts. Perhaps if they would have been bound to go to arbitration from the beginning, the resources of the courts would not have been wasted.

## **2. Composition of the Arbitration Court**

One of the advantages of arbitration is that the parties have the freedom to choose the arbitrators that are going to decide over their conflict. Hence, they can ensure that trusted experts will be analyzing the case. This part of the chapter will look very briefly at how the arbitrators are appointed. There is vast literature regarding the rules to appoint arbitrators and the proven knowledge and ethics that are desirable for arbitrators. It is not the aim of this

work to analyze this issue deeply, but only to provide the necessary elements in order to ascertain if it is a component of advantage for arbitration in cross-border litigation of Patents and Designs.

Arbitration is a process that only takes place when the parties to a dispute agree to solve it through this means; hence, the jurisdiction that the arbitrators have to resolve on the conflict is given by the autonomy of the parties<sup>607</sup>.

Subject to the applicable law and the chosen institutional rules, if any, the principle of party autonomy generally will govern the selection and nomination of the arbitral tribunal. First, it is important to decide on the number of arbitrators.

## **2.1 Number of Arbitrators**

The principal factors that affect the decision about the number of arbitrators are the size, value and complexity of the dispute<sup>608</sup>. In general, appointing a sole arbitrator for smaller cases is more appropriate. The greater the number of arbitrators appointed, the greater the delay and expense likely to be incurred in the proceedings<sup>609</sup>. Nevertheless, appointing a three-member tribunal may permit the parties to combine different types of experience: legal, technical and linguistic, for example<sup>610</sup>. In the field of the intellectual property disputes, this

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<sup>607</sup>Fortier, L. Y. 2005. Arbitrability of Disputes. p. 269

<sup>608</sup> Bridgeman, J. 2012. Choice of Arbitrator. In T. D. Halket (ed) Arbitration of International Intellectual Property Disputes. JurisNet: New York. p. 226

<sup>609</sup> Redfern, A. and Hunter, M. 2004. Law and Practice of International Commercial Arbitration. Sweet and Maxwell. p.221

<sup>610</sup> Cook, T. and García, A. I. 2010. International Intellectual Property Arbitration. Wolters Kluwer: The Netherlands. p.143

would mean that it would be possible to appoint an arbitrator that has knowledge and skills in the field of the patent o designs.

If the parties decided to conduct the arbitration according institutional rules, the different dispositions regarding the number of arbitrators are the following:

- a) The WIPO Arbitration Rules specify in article 14 that the tribunal will consist of the number of arbitrators that has been agreed by the parties<sup>611</sup>.
- b) In articles 10(1) and 10(2) the UNCITRAL Model Law provides that the parties are free to determine the number of arbitrators but failing such determination the number of arbitrators shall be three. Rule 7(1) points out that if the responding party fails to designate its choice for the second member, the appointing authority may appoint a sole arbitrator.
- c) Rule 15 of the AAA Rules of Arbitration states that without agreement of the parties the default is one arbitrator, unless the administrator determines that three are appropriate because of the circumstances of the case. Three arbitrators will be the default if the claim amounts to a million dollars or more<sup>612</sup>.
- d) Article 12(2) of the ICC Arbitration rules, provides a presumption in favor of sole arbitrator participation when the parties fail to agree upon the number of arbitrators, unless it appears that the dispute warrants three arbitrators<sup>613</sup>.

Taking into account the rules above, there is the possibility of having either one or three arbitrators to decide the case, it does have to be an odd number so that, in case that the

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<sup>611</sup> 2014. Arbitration Rules. In W. I. P. Organization (ed):  
<<http://www.wipo.int/amc/en/arbitration/rules/#comp2>>.

<sup>612</sup> Association, A. A. 2013. Commercial Arbitration Rules and Mediation Procedures.  
<[http://www.adr.org/cs/ideplg?IdcService=GET\\_FILE&dDocName=ADRSTG\\_004103&RevisionSelectionMethod=LatestReleased](http://www.adr.org/cs/ideplg?IdcService=GET_FILE&dDocName=ADRSTG_004103&RevisionSelectionMethod=LatestReleased)>. Large Case Procedures L-2

<sup>613</sup> Commerce, I. C. o. 2012. ICC Rules of Arbitration. <<http://www.iccwbo.org/products-and-services/arbitration-and-adr/arbitration/icc-rules-of-arbitration/>>.

arbitrators differ on opinions, they can have a decision by majority. It is submitted that a panel of three arbitrators it is likely to be chosen by the parties of a multijurisdictional conflict of Intellectual property rights, although the parties may decide to have more (if the procedural rules permit this, but it has to be taken into account that the costs of the procedure would raise).

## **2.2. Arbitrator Selection Procedures**

It has been established that the parties to arbitration will have the freedom to choose how many arbitrators they want in the panel. We will now look at the method by which they are selected.

### *a) Appointment by the Parties*

According to Cook and Garcia, in the IPR context the fact that the parties can appoint the arbitrators, gives them the advantage to assign individuals who possess certain technical and legal expertise to understand both the facts and legal aspects of the case<sup>614</sup>. If the parties have decided to have a tribunal of three arbitrators, and there are two parties in the procedure, normally, each of them would appoint one arbitrator, and then the two of them would appoint the third arbitrator<sup>615</sup>. If the parties cannot agree on the people they want, it is advisable that the parties agree on the methodology by which the tribunal will be selected, and otherwise the parties will lose control over the characteristics of the tribunal itself<sup>616</sup>.

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<sup>614</sup> Cook, T. and García, A. I. 2010. International Intellectual Property Arbitration. Wolters Kluwer: The Netherlands.. p. 144

<sup>615</sup> See article 11(3) UNCITRAL Model Law, article 12(5) of the ICC rules of arbitration, suggests each party will appoint one arbitrator, and the third one will be appointed by the Court.

<sup>616</sup> Bridgeman, J. 2012. Choice of Arbitrator. In T. D. Halket (ed) Arbitration of International Intellectual Property Disputes. JurisNet: New York. p.235



*b) Appointment in Institutional Arbitrations*

When the arbitration is institutional and the parties do not agree on the arbitrators, the institution will usually be entitled to appoint the arbitrators.

i) Under the WIPO Arbitration Rules, article 19 specifies that when the parties fail to agree on the appointment of an arbitrator, there will be a special mechanism conducted by the WIPO Center in order to find a person that would be suitable for both parties. This mechanism consists briefly of the following steps: The WIPO Center sends to each party an identical list of a three candidates (such names will come from a list drawn from the WIPO Center's database). Then each party may delete the name of any candidate that they would object to, and will leave the candidates in order of preference. Taking into account these preferences and objections, the Center then will invite a person to be arbitrator. In case the system fails, the Center will then be authorized to appoint the sole or presiding arbitrator<sup>617</sup>.

ii) UNCITRAL rules in article 11(3) state that in case the parties fail to appoint arbitrator(s), the appointment shall be made by the court or other authority specified by the State that is enacting the model law.

iii) Rule 13 of the AAA Rules of Arbitration specifies that in case the parties do not appoint an arbitrator, either within a specific period to do it, or after a notice from the AAA to do so, then the AAA will make the appointment<sup>618</sup>.

iv) ICC rules in article 12(8) specify that in the absence of a nomination and if the parties are unable to agree to a method for the constitution of the arbitral tribunal, the Court will appoint the arbitrators and will designate one of them to act as president<sup>619</sup>.

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<sup>617</sup> World Intellectual Property Organization 2014. Arbitration Rules. In W. I. P. Organization (ed): <<http://www.wipo.int/amc/en/arbitration/rules/#comp2>>.

<sup>618</sup> Association, A. A. 2013. Commercial Arbitration Rules and Mediation Procedures. <[http://www.adr.org/cs/idcplg?IdcService=GET\\_FILE&dDocName=ADRSTG\\_004103&RevisionSelectionMethod=LatestReleased](http://www.adr.org/cs/idcplg?IdcService=GET_FILE&dDocName=ADRSTG_004103&RevisionSelectionMethod=LatestReleased)>.

<sup>619</sup> Commerce, I. C. o. 2012. ICC Rules of Arbitration. <<http://www.iccwbo.org/products-and-services/arbitration-and-adr/arbitration/icc-rules-of-arbitration/>>.

It can be stated that the parties will decide in a case by case basis what would be the most convenient method for them to choose the arbitrators. For a case such as the one of study (Apple v Samsung) where the parties were so reluctant to agree in general terms, it would be better that they would have an institution helping them to decide arbitrators. However it is not considered that a Court would be helpful in this respect, as this would delay the procedure of arbitration (like the UNCITRAL rules suggested). The rules of the AAA and ICC do offer the advantage that if the parties cannot agree, then the institution will decide for them who the arbitrators are going to be. But, it is submitted that WIPO's system seem to be the most advantageous given that it has already a list of experts who have experience in arbitration of IP disputes.

### **2.3. Principles of Independence and Impartiality**

It is true that the parties to the conflict are free to choose the arbitrators. Nevertheless, it is recognized that the arbitrators should prove to be independent and impartial in order to ensure neutrality when deciding the conflict (as a starting point, for example, it is arguably preferable that the arbitrators should not be of the same nationality than any of the parties<sup>620</sup>). This constitutes one of the major benefits of international arbitration<sup>621</sup>.

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<sup>620</sup> The arbitration rules of leading institutions contain similar provisions: WIPO rules article 20(b), ICC rules article 13(1), AAA Rule 15 and UNCITRAL Model Law Article 11(5).

<sup>621</sup> Cook, T. and García, A. I. 2010. International Intellectual Property Arbitration. Wolters Kluwer: The Netherlands., p.150

Independence and/or impartiality are terms that represent certain complementary facets of the same principle that arbitrators must be fair-minded and unbiased<sup>622</sup>: both terms are mentioned in arbitration rules and national legislation<sup>623</sup>. The term “independence” can be understood as an objective standard, by virtue of which the arbitrator must lack connections with the parties or their lawyers, either in a professional, personal or financial level<sup>624</sup>. On the other hand, the term “impartiality” may constitute a subjective standard and it would mean that the arbitrator should not have a psyche that is biased in favor of one of the parties<sup>625</sup>. These qualities are important, and are normally used as standards to disqualify arbitrators in case the parties have “justifiable doubts”<sup>626</sup> as to their impartiality or independence. Furthermore, the arbitrators themselves have the obligation to disclose any situation that may affect their duty to remain impartial and independent<sup>627</sup>.

## **2.4 Particularities of Arbitrators Solving Multijurisdictional Intellectual Property Disputes**

As stated above, the parties will typically have the freedom to choose who will arbitrate their conflict, or to set up a mechanism to choose the arbitrators. The parties can also specify the

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<sup>622</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p. 153 See also Born, G. 2009. *International Commercial Arbitration*. Kluwer Law International: The Hague. p. 1475

<sup>623</sup> For instance, ICC rules provide in their article 14 that the appointed arbitrators may be challenge for an alleged lack of impartiality or independence. The UNCITRAL Model Law, also provides in its article 12 that when a person is appointed as arbitrator, they should disclose any circumstance that is likely to give rise to justifiable doubts of his impartiality or independence. Similar provision is found in the AAA rules of arbitration (rule 17). Finally, article 22 of the WIPO arbitration rules provides that arbitrators shall be impartial and independent.

<sup>624</sup> Lew, J. D. M., Mistelis, L. A. and Kröll, S. 2003. *Comparative International Commercial Arbitration*. Wolters Kluwer., p.257

<sup>625</sup> Lew, J. D. M., Mistelis, L. A. and Kröll, S. 2003. *Comparative International Commercial Arbitration*. Wolters Kluwer. p. 261

<sup>626</sup> See WIPO Rules article 24, Rule-18 of the AAA rules of arbitration, article 12(2) of the UNCITRAL Model Law, and article 14 of the ICC rules.

<sup>627</sup> Among others we find this disposition in the following arbitration rules: UNCITRAL Model Law, article 12(1), Article 13(2) of the ICC rules, Rule 17 of the AAA arbitration rules and article 22(b) of the WIPO arbitration rules.

qualifications they wish to have in the tribunal, for instance: the profession, professional experience, years of experience, industries in which they have worked, and so on<sup>628</sup>. If the arbitration is being conducted by an institution such as WIPO, the institution might provide an assurance for the parties that they will have experts in IPRs that are protected in an international scale. According to Fong, an arbitrator needs to have courage, decisiveness and case management ability<sup>629</sup>. Even though the processes to appoint arbitrators may be criticized for being long, if the arbitration is being conducted under the ICC provisions, there is the possibility of having emergency arbitrators to grant interim relief before the tribunal is constituted. This avoids the need for parties to go to court to attempt to obtain such relief: under the ICC, appointing an arbitrator will take two days<sup>630</sup>. In matters of IP disputes it can be of key importance to obtain an urgent injunctive relief<sup>631</sup>.

Finally, it is important to note that according to the results reported by the American Arbitration Association (AAA), having arbitrators with technical background who is also an expert in patent law, could resolve an IP dispute in less time and lower cost than the Courts in the US<sup>632</sup>. This thesis is not focusing on the cost savings that arbitration could provide as against holding a litigation procedure, nevertheless it does take into account that adding decision makers with a technical background, results in an advantage of arbitration. It is

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<sup>628</sup> Bridgeman, J. 2012. Choice of Arbitrator. In T. D. Halket (ed) *Arbitration of International Intellectual Property Disputes*. JurisNet: New York. p.240

<sup>629</sup> Fong, K. December, 2009. Arbitration of IP disputes: eyes wide shut. *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>.

<sup>630</sup> See Article 29 of the ICC rules and its Appendix V.

<sup>631</sup> McConnell, K. and Searle, N. September, 2011. Would you take a patent dispute to the ICC for an arbitration? *PatLit: the patent litigation weblog*. <<http://patlit.blogspot.co.uk/2011/09/would-you-take-patent-dispute-to-icc.html>>.

<sup>632</sup> Fox, D. and Weinstein, R. April 19, 2012. Arbitration and Intellectual Property Disputes. *Myth busting: Arbitration perceptions, realities and ramifications*. Washington, D.C., pp. <[http://www.micronomics.com/articles/Arbitration\\_and\\_Intellectual\\_Property\\_Disputes.pdf](http://www.micronomics.com/articles/Arbitration_and_Intellectual_Property_Disputes.pdf)>.

noteworthy to remember that the UPC would have this advantage as well (technical judges in the panels)<sup>633</sup>, although the parties will not have the freedom to choose them.

### **3. Forum of the Arbitration Court (Jurisdiction)**

Having chosen the people that will adjudicate the conflict, another feature of the arbitration is that the parties will be able to choose the place (forum) of arbitration. Other types of commercial disputes have generated a vast practice and experience over the selection of forum in arbitration (also called as forum shopping), which will be considered in this section to assess the impact in a cross-border intellectual property dispute.

#### **3.1. Seat of Arbitration and Lex Arbitri**

The place of arbitration is regularly understood as being the place where the arbitration tribunal will physically meet. According to article 20 of the UNCITRAL Model Law, the parties are free to agree on the place of arbitration<sup>634</sup>. However, article 20 also recognizes that the tribunal can meet at any place they consider appropriate for hearing witnesses, experts or for inspection of property or goods<sup>635</sup>. Therefore, there is a distinction between the seat of arbitration and the physical location where the parties or the tribunal meet to present evidence and have other procedure-related meetings<sup>636</sup>. Parties should consider the effects

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<sup>633</sup> See Chapter III, Section 2.2.2 in reference to the Bifurcation of the UPC.

<sup>634</sup> In this respect, article 18 of the ICC Rules of Arbitration also allow the parties to choose the place of arbitration, but in case they do not agree, it is provided that it will then be given by the Court.

<sup>635</sup> See article 20(2) UNCITRAL Model Law, also on this point, Article 39(b) of WIPO Arbitration Rules specifies that “The tribunal may, after consultation with the parties, conduct hearings at any place it considers appropriate”.

<sup>636</sup> Latham&Watkins 2013. Guide to International Arbitration. <file:///C:/Users/ANA/Downloads/guide-to-international-arbitration-2013.pdf>.

that the seat of arbitration will have on the procedure, as there are various issues related to the arbitration procedure that are linked to it, for instance:

- (a) The national courts of the seat of arbitration will have jurisdiction to set aside actions against awards rendered in their territory<sup>637</sup>;
- (b) In the absence of party agreement, and if the arbitration is not institutional, the courts of the seat will have the authority to appoint or remove arbitrators<sup>638</sup>;
- (c) If the seat of arbitration is party to the NYC, the award will be enforceable in other member countries. The enforcement will be dealt with in section 4 of Chapter V.

### ***The Seat of an Arbitration Procedure under the UPC Agreement***

In article 35 of the UPC Agreement, a patent Mediation and Arbitration Centre is established. It also disposes that the Centre will have seats in Ljubljana and Lisbon. According to De Werra, the decision to have two seats for the UPC Centre was a political one<sup>639</sup>. The fact that there are only two choices for the seat of arbitration, raises the question of what is it going to happen to the freedom of the parties to choose the arbitral seat? Would the parties wanting to use arbitration to solve their conflict over a European Patent have to *a fortiori* use the facilities of the Centre? In terms of the 'seat' of arbitration, would it be considered to be Lisbon or Ljubljana?

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<sup>637</sup> See for instance, article 34 of UNCITRAL Model Law, and with that the Arbitration rules of the the countries that have adopted the Model Law for their arbitration procedure.

<sup>638</sup> See article 11(3) of UNCITRAL Model Law. If the arbitration is conducted by an institution, they will normally have their own rules to appoint arbitrators, e.g. Article 3 of ICC Rules, article 19 of the WIPO Rules of arbitration, and article 6(3) of the Association, A. A. 2010. International Dispute Resolution Procedures. <[http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG\\_002037&revision=latestreleased](http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG_002037&revision=latestreleased)>.

<sup>639</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p.120

The selection of the arbitration seat has an impact on the costs of the proceedings, the applicable law, and potentially in the enforcement of the award<sup>640</sup>. In terms of disputing a Unitary Patent only, the question of applicable law would be solved, and the parties will not have to fear any potential application of the *lex fori*<sup>641</sup>.

The answer to the question portrayed in this section seems to lay in the freedom of the parties to pick their arbitration institution. Even if the parties have their patents opted in the UPC system, the existence of the UPC Arbitration Centre may be generally suggested as an alternative that the parties can choose or not. If the parties want to solve their patent dispute through arbitration, they can choose any arbitration institution to manage it, or even an ad-hoc procedure. If they do want to go to the UPC Arbitration Centre, it is clear that the places then will be Lisbon and Ljubljana, unless the rules of procedure of the UPC arbitration, allows the parties to choose another city or place outside of the official offices<sup>642</sup>. If practitioners start and continue using the UPC Arbitration Centre, it is submitted that this will bring certainty for the parties to multijurisdictional conflicts of IPRs in contrast to the forum shopping practice that exists at the moment. As seen elsewhere, parties may choose the seat of the arbitration but if due to cost or location convenience the parties decide to have audiences in other physical/geographical places, they are able to do so without altering the place of the seat.

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<sup>640</sup> Blaikie, H. June 19, 2013. Rethinking IP disputes - a useful role for international arbitration. *Lexology*. <<http://www.lexology.com/library/detail.aspx?g=03ba12e5-b89d-4e38-bc66-1b30b3bc1903>>.

<sup>641</sup> In this respect, see section 2.2.1 The Unitary Patent 2.2.1 in Chapter III.

<sup>642</sup> Although, if we take into account the opinion of the authors in footnote 639, it is possible that the UPC Arbitration Rules will dispose that the parties wishing to go to arbitration, would have to go to the offices in Portugal and Slovenia.

### 3.2. Absence of Choice of Seat by the Parties

If the arbitration is conducted by an institution and the parties do not agree on the seat of the arbitration, the institution will choose a place for them<sup>643</sup>.

In an *ad hoc* (not institutional) arbitration, if parties cannot agree the seat, it can be complicated to decide for one, but it will depend on the rules of procedure that they chose. According to article 20 of the UNCITRAL Model Law, the arbitral tribunal, taking into account the circumstances of the case and the convenience of the parties, will decide the place. It must be taken into account that the UNCITRAL Model Law it is not mandatory for all the countries, but different States have adopted the model in their internal arbitration rules.

The situation will then be the following for those arbitrations that are not subject to an institution:

- a) The procedural law of the arbitration will depend on the seat.
- b) If the seat hasn't been decided by the parties, then the arbitrator will have to apply procedural law in order to determine the appropriate seat.

The question is then, which procedural law will the arbitrator apply in order to determine the seat? If the arbitrator follows the UNCITRAL Model law in article 20, then he must consider the circumstances of the case, including the convenience of the parties. A similar rule is followed by other no-UNCITRAL countries, such as Switzerland that in their internal rules of arbitration, article 16 provides that if the parties cannot agree the seat of the arbitration, the national Court will determine it taking into account all relevant circumstances<sup>644</sup>.

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<sup>643</sup> See article 39 of WIPO Arbitration rules, and article 18 of the ICC rules

<sup>644</sup> Halket, T. D. and Nycum, S. H. 2012. The Arbitration Agreement. In T. D. Halket (ed) Arbitration of International Intellectual Property Disputes.



For the type of dispute studied in this thesis, the best option would be to choose a place that is neutral to the country of origin of the parties (e.g. in the case of Apple v Samsung it should not be neither the US nor Korea), that is arbitration friendly<sup>645</sup>, and that is signatory party of the NYC (so that the award can be enforced by this means). Alternatively, the arbitrators may consider choosing another jurisdiction different from the countries where they hope to enforce the award, but taking care that it is also a signatory party of the New York Convention<sup>646</sup>.

#### **4. Confidentiality of Proceedings**

Arbitration is private and confidential in nature. For IP disputes, this is of high relevance, given that it will often involve sensitive information relating to technology which the parties are keen to protect. Nonetheless, it is believed that there is no real distinction between the practice of arbitral tribunals and civil litigation when it comes to the protection of genuinely confidential information<sup>647</sup>. In this section the different institutional rules for confidentiality in arbitration will be analyzed.

##### *ICC Rules of Arbitration*

Article 22 of the ICC Rules lays down the way the arbitration must be conducted. If the parties so request it, they may make orders concerning the confidentiality of the proceedings and take measures to protect any confidential information.

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<sup>645</sup> London and New York are the most preferred seats of arbitration to be specified in international arbitration clauses, according to LLP, F. a. J. October 13, 2010. Fullbright 7th Annual Litigation Trends Survey. <<http://www.fullbright.com/images/publications/7thLitigationTrendsReport.pdf>>. p. 21,

<sup>646</sup> For a complete list of signatories of the NYC see New York Convention Countries. *New York Arbitration Convention*. <<http://www.newyorkconvention.org/contracting-states/list-of-contracting-states>>.

<sup>647</sup> Fong, K. December, 2009. Arbitration of IP disputes: eyes wide shut. *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>.

Article 6 of Appendix I of the ICC Rules acknowledges that the work of the court has a confidential nature and everyone participating should respect that nature. Moreover, Appendix II describes what is expected from the confidential character of the International Court of Arbitration and lays down the basic measures that the Court should take regarding the material and the people involved in the proceedings.

### *AAA Rules of Arbitration*

The AAA Rules of Arbitration do not provide specifically any provisions on confidentiality. Rule 23(a) provides that the arbitrator will have the power to oversee any exchange or production of confidential documents and information and give the appropriate orders to preserve the confidentiality of such information. Rule 34 requires the arbitrators to take into account applicable principles of legal privilege, such as those involving the confidentiality of communications between a lawyer and client.

### *UNCITRAL Model Law*

There are no rules regarding confidentiality of the procedure under the UNCITRAL Model Law. In the non-mandatory notes on how to organize the procedure, it is recognized that there is no uniform answer in national laws of the extent of the participants to observe confidentiality of information in the case. The notes suggests that the arbitral tribunal discuss with the parties and perhaps sign a confidentiality agreement covering matters such as the material or information that should remain confidential, measures to maintain confidentiality and circumstances in which confidential information may be disclosed<sup>648</sup>.

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<sup>648</sup> UNCITRAL March, 2012. Notes on Organizing Arbitral Proceedings. United Nations office at Vienna: <<http://www.uncitral.org/pdf/english/texts/arbitration/arb-notes/arb-notes-e.pdf>>. p.3

### *WIPO Arbitration Rules*

The WIPO Rules contemplate a series of exceptions to the obligation of confidentiality. In article 73 it is established that the existence of an arbitration can be disclosed by law or by a competent tribunal.

### *How Does Confidentiality of Arbitration Work in Practice?*

The different arbitration institutions have their own rules about confidentiality. Fong is of the opinion that the combination of all the rules may result in interim rulings on confidentiality and delay rather than assist parties in resolving disputes<sup>649</sup>. Furthermore, Kaster warns that the rules of arbitration do not generally protect materials produced in arbitration from discovery in a subsequent proceeding by a non-party, and assuring that type of protection is difficult<sup>650</sup>. Hence she recommends that there should be a provision under which without the consent of the parties, only such information as is required by law may be disclosed in proceedings to enforce or challenge the award<sup>651</sup>. Plus, she recommends a provision where each of the parties will commit to return or destroy all copies of the documents of the other party produced during the course of the proceedings, even the transcripts, filings and other material created during the course of the proceedings. This will be done once the arbitration concluded and the award is final and enforced or complied with<sup>652</sup>.

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<sup>649</sup> See Fong, K. December, 2009. Arbitration of IP disputes: eyes wide shut. *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>.

<sup>650</sup> Kaster, L. 2012. Confidentiality during and after proceedings. In T. D. Halket (ed) *Arbitration of International Intellectual Property Disputes*. JurisNet: New York. p. 322

<sup>651</sup> Kaster, L. 2012. Confidentiality during and after proceedings. In T. D. Halket (ed) *Arbitration of International Intellectual Property Disputes*. JurisNet: New York. P.323

<sup>652</sup> Kaster, L. 2012. Confidentiality during and after proceedings. In T. D. Halket (ed) *Arbitration of International Intellectual Property Disputes*. JurisNet: New York. p. 324

An important flip-side of confidentiality to keep in mind is that if a party has received a favorable award from a tribunal, it will not have the benefit of a reasoned and public decision by a court that could serve as a deterrent to other potential challengers and infringers<sup>653</sup>. The costs savings of using a confidential arbitration route may be lost if the party then has to litigate the same issues with a third party who cannot be told about any award rendered by the arbitral tribunal<sup>654</sup>.

## 5. Conclusions

In order to assess whether arbitration is a suitable procedure to solve the type of disputes studied in the thesis, it was necessary to lay out the procedural factors of international arbitration, and the way these can be applied to this type of conflicts.

First, it was important to know how the procedural aspects of arbitration would operate in this type of conflict. For this analysis, I took into account 4 different types of international arbitration rules: those of WIPO, UNCITRAL, the AAA and the ICC.

In terms of procedure, it was first examined how the parties can start arbitration. This was followed by considerations of the composition of the arbitral tribunal; forum location and finally the confidentiality of the procedures. The focus was on these four procedural elements as these are the factors that would provide real encouragement for choosing arbitration over litigation for the type of disputes that are being analyzed.

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<sup>653</sup> Publicity of a Patent litigation could be desired if other competitors are to be discouraged from a potential infringement. Luginbühl, S. L. 2009. Uniform interpretation of european patent law with a special view on the creation of a common patent court. Utrecht University: <<http://dspace.library.uu.nl/handle/1874/35246>>. p. 179

<sup>654</sup> Fong, K. December, 2009. Arbitration of IP disputes: eyes wide shut. *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>.

Regarding arbitration agreements, it was established that the arbitration cannot start if there is not an agreement between the parties. This is both a curse and a benediction: a benediction because it implies that the process will be only followed when both of the parties agree to it. It is a curse, because if only one of the parties wants to start arbitration, they will have to convince the other party to agree to this process. The agreement is not a problem when the parties had a previous relationship, as they could include it in their contract. But it becomes a problem when the parties did not have a relationship before the dispute arose. Nevertheless, I discovered that some courts already have mechanisms to encourage the parties to submit their disputes before arbitration.

After seeing the examples of those courts, I proceeded to explain how dispute resolution is assessed in the internet world. This is a very relevant comparison because the disputes between trademark owners and owners of web pages usually involve several jurisdictions. Regarding these conflicts, instead of assessing which court would be competent and which law should be applicable, the ICANN system compels its members into an arbitration-like procedure by way of mutual contractual obligations. I think that the passive agreement for arbitration is something that could be implemented in patent and design protection. This would mean that the patent and design right holders can still defend their rights from infringements before the national courts. It will only make a change to the infringers as they will be able to solve a controversy, e.g. ask for a license contract, by means of arbitration.

The opinion of Mr. Antonio Campinos is noteworthy when he states that the success of the ADR systems in solving disputes involving Intellectual Property might depend on the ability

of the proponents to raise awareness about such systems, this has to be done in the relevant circles so that it can build a sufficient level of trust<sup>655</sup>. This would require the provision of necessary features to convince the stakeholders to take their interests voluntarily to be decided by the arbitration procedure.

Regarding the UPC, it is the intention of the legislators that the judge will ask the parties to either settle, or take the conflict to the Mediation and Arbitration Centre of the UPC. An analysis of this proposed process concluded that more detail and clarity is required. Specifically in relation to defining the way to manage the attempt for settling and how the arbitration agreement would be signed in case the parties agree to proceed with arbitration. I think that a similar provision should be created to deal with the disputes over designs.

Regarding the composition of the arbitration court, it is considered to be an advantage of the arbitration process that the parties can choose who are going to be the decision makers. It is true that under the UPC system the tribunal can consist of a panel of 3 experts, not only judges but also including an expert technician. However, up to date there is no possibility for the parties to choose the panel members themselves. If the parties choose an institutional arbitration, they do have the power to choose the panel: the institution will only intervene if the parties are unable to agree on the arbitrator.

Regarding the seat of the arbitration, it was realized that this can also be chosen by the parties (or through the help of the arbitration institutions), taking into account how the law of the forum sometimes plays a role in the arbitration. In respect to the UPC arbitration procedure,

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<sup>655</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p. 117

the forum would have to be either Portugal or Slovenia; if the parties do not consider this convenient, they should instead opt for a commercial arbitration organized by a different institution.

Finally, the confidentiality that the arbitration offers to the parties is considered to be a key advantage over litigation, where the procedures are by nature open to the public. Unless the claimant wants to enforce the same right against another party, in which case he might want to conduct litigation in the Courts where it would be possible to use the decision as a precedent for the following cases. For the new UPC it was discovered that there is provision for the judge to decide to make the procedures confidential, but there is still uncertainty as to what are the requirements for this decision

## **Chapter V. Substantive Aspects of International Arbitration Procedure Dealing with a Cross-border Conflict on Intellectual Property Rights**

After discussing the particular procedural aspects of international arbitration focusing on the type of cases studied in this thesis, it is important to analyze the substantive aspects related to this procedure. This will allow a complete perspective of arbitration in which it will be possible to assess whether it is suited to solve cross-border conflicts of patents and designs, and if it deals with the problems identified in Part A of this thesis. In order to evaluate this, the chapter will study mainly the same aspects that were studied in the litigation part of this thesis: the applicable law, the preliminary injunctions and the enforcement of the decisions.

At the outset, it is studied the arbitrability of the type of disputes that are being analyzed. It will examine in general the arbitrability of conflicts involving IPRs and then specifically whether the validity of an IPR can be decided in arbitration. In order to assess the arbitrability of the validity of the IPR, the thesis will put forward different doctrinal opinions that based their arguments on public policy. This section will conclude studying the position of different jurisdictions towards the arbitrability of the validity of IPRs.

Section two of this chapter, will study the principles of conflict of law that the arbitrators will follow in order to decide which law will be taken into consideration for solving the cross-border conflict. As stated above, two different doctrinal options will be presented: the CLIP and the ALI projects, together with the laws applicable in the EU.

Based on the conflict of laws studied, this section will put forward the options that the arbitrators will have when they encounter a case such as the one of Apple v Samsung. The



suggestions will be given separately for a conflict involving patents and for a conflict involving designs.

Regarding the preliminary injunction procedures, the chapter analyzes the rules of procedure in respect of international arbitration and will put forward several considerations that will have to be examined by the patent owners in this respect.

Finally, the enforcement of international arbitration awards is discussed. The section analyzes both the option of setting aside and the option of enforcing the award which is based on the provisions of the New York Convention on the recognition of foreign awards. This section will also compare the dispositions available at the moment of writing, regarding the enforcement of the award in the UPC Arbitration Centre.

## **1. Arbitration of an Intellectual Property Right Conflict**

### **1.1 Arbitrability of a Dispute over an Intellectual Property Right**

It is important to address one of the most common concerns about arbitration of IPRs, which is the “arbitrability” of the conflicts related to IPR. For the purpose of this thesis, “arbitrability” will be understood as a reference to the possible jurisdiction of an arbitral tribunal, and not as the validity of the arbitration agreement (which is considered a misconception of the term “arbitrability”)<sup>656</sup>. This section will explain the jurisdiction that the arbitral tribunals have when deciding IPR disputes.

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<sup>656</sup> Brekoulakis, S. L. 2009. On arbitrability: Persisting misconceptions and new areas of concern. In L. Mistelis (ed) *Arbitrability: International & Comparative Perspectives*. Kluwer Law International.

### ***Why is the arbitrability of IPRs an issue?***

Arbitration is a procedure that has effect only between the parties involved. In the case of arbitration of disputes involving IPRs, the characteristic of arbitration as a procedure *inter partes*, contrast with the fact that IPRs are valid *erga omnes* (IPRs are going to be enforceable to a whole population in a restricted territory).

Nevertheless, it should also be taken into account that in commercial matters, although parties have the liberty to enter in any agreement they wish, the limitation is that they cannot invade the realm of the State<sup>657</sup>. Hence, if the subject matter of the dispute is out of the scope of the freedom of the parties in the relevant jurisdictions, the arbitration will not operate efficiently<sup>658</sup>. The autonomy of the parties to agree to arbitrate, finishes where public interest begins<sup>659</sup>.

In this regard, if there are issues related to IPRs that are reserved to the jurisdiction of the State, in terms of public interest, these issues are going to be excluded from arbitration. An example of matters of IPRs that are exclusive to the State, is regarding the registration and validity of the rights, therefore at first sight those particular questions are not subject to parties' autonomy<sup>660</sup>, they would not be subject of arbitration.

Henceforth it can be submitted that there are mainly three barriers for the arbitrability of disputes involving IPRs: (1) the clash between the arbitration having an *inter partes* effect and the IPRs having a *erga omnes* effect; (2) the matters of the IPRs that may affect public

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<sup>657</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p.50

<sup>658</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p.100

<sup>659</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands.

<sup>660</sup> Fortunet, E. 2010. Arbitrability of Intellectual Property Disputes in France. In W. W. Park (ed) *Arbitration International*. p. 284

policy; (3) the validity of the IPRs being part of the exclusive jurisdiction of the State –hence putting it out of the scope of arbitration-.

Regarding the first barrier, it can be said that, even when IPRs are enforceable to a whole population, and the arbitral award has limited effects of the award to the parties involved to the arbitration, this difference can be solved by stating that the outcome of the arbitration will not be binding for third parties<sup>661</sup>.

The barriers (2) and (3) above stated, will be analyze further in sections 1.2.1 and 1.2.2 of this Chapter.

### ***Arbitration Courts Analyzing the Arbitrability of the Dispute***

In the opinion of Cook and García, the international practice admits that arbitrators will not analyze issues of arbitrability *sua sponte*, unless the agreement contradicts principles of international public policy<sup>662</sup>. Therefore, the international arbitrators will deal with the question of arbitrability only if one of the parties raises it, and they will need to choose which law will be applicable to decide about arbitrability<sup>663</sup>.

Section 2 of this Chapter will discuss the applicable law in arbitration, but for now it is important to point that if the parties have not chosen expressly a law to govern the dispute, the arbitral tribunal will determine it<sup>664</sup> in order to decide over the arbitrability of the subject matter.

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<sup>661</sup> ICC Commission Report 1998. Final Report on Intellectual Property Disputes and Arbitration. *International Court of Arbitration Bulletin*.

<sup>662</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p.54

<sup>663</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p. 55

<sup>664</sup> Celli, A. L. and Benz, N. 2002. *Arbitration and Intellectual Property*. European Business Organization Law Review. p.605

As a general rule, the court should apply its own criteria to determine the arbitrability of a dispute, taking into account the principle of *favor arbitrandum*. Under this principle, the tribunal should make an effort to preserve the intention of the parties to submit their dispute to arbitration<sup>665</sup>.

## **1.2 Arbitrability of the Validity of an Intellectual Property Right**

In the previous section it was found that the major issues of the arbitrability of IPRs are whether the IPR dispute involves matters of public policy and if it involves the validity of the right. This section will analyze, how arbitral courts encounter public policy in general. We will then use this to understand how the validity of the IPR can be arbitrated, and finally what problems this would raise when encountering the Rome II Regulation.

### **1.2.1 Public Policy in International Arbitration of IPRs**

In order to determine arbitrability of the subject matter of the arbitration, the tribunal will have to analyze if the issue would possibly affect public policy. It will encounter this question in the following situations:

a) When the arbitral tribunal decides over its jurisdiction. Following the *Kompetenz-Kompetenz* principle, the arbitral tribunal is empowered to decide over its own jurisdiction<sup>666</sup>. Hence, at the moment of taking the case, the tribunal should decide whether it has competence to hear over the substantive matter, based on the law that governs the arbitration agreement<sup>667</sup>.

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<sup>665</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p. 55

<sup>666</sup> The *Kompetenz-Kompetenz* principle prevails in most legal systems, and it is universally understood as the priority of the arbitral tribunal to decide on its own jurisdiction. See Born, G. 2009. *International Commercial Arbitration. Kluwer Law International: The Hague*.

<sup>667</sup> Grantham, W. 1996 The Arbitrability of International Intellectual Property Disputes. *Journal of International Law* 14.. P. 190

b) When following the procedural rules, the arbitral tribunal has to apply the public policy of the place of the arbitration. Different procedural arbitration rules provide for mandatory insertion of the law of the seat into the arbitral process. For instance, the UNCITRAL Model Law provides that it will govern the arbitration as far there is not an applicable local law from which the parties cannot derogate<sup>668</sup>.

c) When the public policy of the place of enforcement has to be applied. Article V(2)(b) of the New York Convention allows a competent authority to refuse recognition or enforcement of an award contrary to public policy<sup>669</sup>.

In general, it can be stated that as long as the decision on the subject matter of the arbitration does not interfere with public policy, then the matter should be arbitrable, hence the award will be enforceable. This is clear for matters of national arbitration, since the tribunal will just have to follow the public policy defined in the State where the arbitration is taking part. However, when talking about an international arbitration, involving a cross-border dispute, what is it going to be considered to be public policy? It is difficult to probe a breach of international public policy,<sup>670</sup> simply because there is no clear international guidance for this. The opinion of Cook and García stands out, as they support that the users of international arbitration solving commercial disputes should express a degree of tolerance and they should put aside any constricted national public policy views<sup>671</sup>.

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<sup>668</sup> Grantham, W. 1996 The Arbitrability of International Intellectual Property Disputes. *Journal of International Law* 14. p. 192

<sup>669</sup> See p.11 for further discussion on enforcement

<sup>670</sup> Grantham, W. 1996 The Arbitrability of International Intellectual Property Disputes. *Journal of International Law* 14. p.194

<sup>671</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p. 76

### *1.2.2 Arbitration of the Validity of an IPR*

As stated above the registration and validity of an IPR is of exclusive jurisdiction. Hence, if the parties of an arbitration need to have a decision over the validity of the IPR, this decision would invade the realm of the State, at first sight affecting the arbitrability of the issue.

If we take into account the different outcomes of the award, the arbitrability of the issue can be preserved by dealing with the rights of third parties in the following manner:

i) If the award is rendered in such a way that the IPR would be declared “invalid”, that will mean that the owner of the IPR will still own the right, but it cannot be enforced against its counter party on the arbitration. Hence, the counter party will not have to pay to the owner of the IPR any royalties for using/exploiting the right. On the other hand, if the counter party attempts to register the right as theirs, the IP office will not allow this, since they will have the previous record of the owner. Therefore, in this case, the rights of any third party would not be violated with the decision of the arbitration.

ii) If the award is rendered in the sense that the owner of the right will be obliged to de-register the right before the national IP office, this decision will generate a more conflictive scenario for interested third parties, especially when the third party has a right that depends on the validity of the right at stake. So, how can the third party oppose the outcome of the arbitration? One option is that before de-registering the right, the national office will have to announce that the IPR is about to be invalidated, therefore, the third party will have the chance to stop the award from being enforced. In the end this will only be to give the third parties the right to be heard, as in a validity process in Court would have let them hear their opinion.

As a final note on the arbitrability of the validity, it is relevant to point Torremans' opinion in respect to patents. It is said that they are increasingly more instruments of commercial life, rather than 'acts of State': the role of the administrative authorities in patent law, is as important as any other role of the State in the economy, hence there is no reason on why that involvement should lead to exclusive jurisdiction<sup>672</sup>. If this holds true, then it can be submitted that the validity of patents does not have to remain in the exclusive jurisdiction of the State, but it is worth to note that at the moment, this is still only a doctrinal position, that has not found echo in practice, except for the specific cases that will be described in the following section.

### ***1.2.3 Different Approaches to the Arbitrability of the Validity of IPRs***

#### ***United Kingdom***

In the UK, the *Patents Act 1977* provides that validity may only be put in issue in certain proceedings (before the Court or the Comptroller<sup>673</sup>) specified in article 74 of the Act. It is important to notice that arbitration does not form part of the proceedings of article 74, in fact paragraph 2 of the article, and establishes that the validity of the patent should not be put in issue in any other proceeding. Nevertheless, article 53(2) of the same Act, permits that the Comptroller refers the opposed compulsory patent license application to an arbitration, either where the parties consent of the proceedings require a prolonged examination of documents or any scientific or local investigation.

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<sup>672</sup> Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck. p.196

<sup>673</sup> In the UK, the Patent Office offers the parties to solve their disputes before a Comptroller, a figure that resembles to litigation, but it's done in the Patent office instead of the Patent Court. See Intellectual Property Office, U. 2010. Deciding Patent disputes. <<http://www.ipo.gov.uk/decidingpatentdisputes.pdf>>.

Hence, according to Middlemiss, it is not clear whether the validity of a patent would be dealt with in arbitration, if that is the case, the award could only be effective on the following situations: (1) if the parties had agreed that the patent would be surrendered; (2) if the parties agreed that the patent would not be enforced between them; or (3) if the agreement is that the award is to be taken to the Patent Office for consideration in a revocation proceedings (notwithstanding that the Patent Office could reach a different conclusion)<sup>674</sup>.

The first effect given in this opinion can be understood as a recognition of the importance of the agreement of the parties, if the parties agree to submit the validity of the patent in such a way that if it turns to be invalid, the patentee would surrender its patent. Here it would be in question, in case that the patentee does not comply with the award, can the award be enforced? This answer will depend on the national court dealing with the enforcement of the award. Nevertheless, it is important to note that in an interim award of the ICC, the tribunal stated that the owner of the IPR is free to transfer its material rights, to the same degree as he would transfer other property, hence this also gives the right holder the ability to waive its rights against other parties<sup>675</sup>.

The second option would keep the effect of the invalidity between the parties, in that case the consequence of the award is that the patentee can still enforce its right against third parties. And if the patentee would try nevertheless to enforce its right against his counterparty in arbitration, before a national court, then the opposition of *res judicata* can be raised before this court.

The third suggestion from Middlemiss (taking the results of the arbitration to the Patent office for its consideration), does not comply with the idea of arbitration that this research is

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<sup>674</sup> Middlemiss, S. 2012. United Kingdom. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional comparisons)*. London.

<sup>675</sup> Interim Award in Case no. 6097 (1989) ICC Ct. Arbitration Bulletin, October 1993, p. 75-79



pursuing, since it would not imply a final decision that can be enforceable. Hence this last ‘option’ would be disregarded for the purposes of this work.

### *United States*

In the US, litigants are starting to turn to alternative dispute resolution methods mainly because of the high costs and the time of the patent litigation<sup>676</sup>. It has been noted that many federal district courts will require parties to engage in some form of ADR before trial<sup>677</sup>.

The divisions are divided however, on whether an award involving the validity of the Patent shall be final and binding. Palmese is of the idea that the US patent office it’s rather prompt to recognize an arbitral award regarding the validity of a patent<sup>678</sup>.

Section 294(c) of the US Patent Act states that the awards are going to be final and binding between the parties, with no effect on any other person<sup>679</sup>. According to Derek Mason, it is undisputable that the validity of a patent can be arbitrated, but that effect would only have effect *inter partes*, and the award could not be used as part of the evidence in a future procedure with a third party<sup>680</sup>.

Fong supports this idea, by stating that in the US validity is arbitrable theoretically only effective *inter partes*, and pointing that the award is not enforceable unless and until it is submitted to the US Patent and Trademark Office, where it becomes public<sup>681</sup>. Nevertheless,

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<sup>676</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), Patent Litigation. London.

<sup>677</sup> See for instance, the relevant to the Californian Court and the New York State court in page 192

<sup>678</sup> Palmese, M. L. 2012. United States. In M. Sterpi and T. Calame (eds), Patent Litigation. London.

<sup>679</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp. <<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>.

<sup>680</sup> Martin, A. S. and Mason, J. D. December, 2011. Arbitration: A quick and effective means for patent dispute resolution. *les Nouvelles*. <<http://www.oblon.com/publications/arbitration-quick-and-effective-means-patent-dispute-resolution-0>>.

<sup>681</sup> Fong, K. December, 2009. Arbitration of IP disputes: eyes wide shut. *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>.

since this is not clear in the law, the recommendation would be for the parties to limit the effect of the award in this respect<sup>682</sup>.

### ***Civil Law Jurisdictions***

In Italy, parties can only arbitrate infringement of IP rights, but not issues relating to validity<sup>683</sup>. In Spain, the validity of the IPRs can be only solved before a Court<sup>684</sup>.

In France, the award providing validity of IPRs has an effect only *inter partes*. In the *Liv Hidralivka v. Diebolt* case, the arbitral tribunal (ICC) prohibited Liv Hidralivka the use of the patent under the threat of a fine. Liv Hidralivka brought a review action to vacate the arbitral award before the Paris Court of Appeal on the basis that the validity of the IPR could not be arbitrated. However the Court stated that the award was valid and it would have only *inter partes* effect, hence according to Fortunet, this will mean that the invalidity of the right (unlike a judgment) does not become *res judicata*<sup>685</sup>, and it is not applicable to third parties.

### ***Switzerland***

In this country, the Federal Office of IP, since 1975 adopted that arbitral tribunals could rule over the validity of patents, trademarks and designs. The arbitration of IPR disputes, is more common in the context of license agreements, rather than having a spontaneous claim for

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<sup>682</sup> Martin, A. S. and Mason, J. D. December, 2011. Arbitration: A quick and effective means for patent dispute resolution. *les Nouvelles*. <<http://www.oblon.com/publications/arbitration-quick-and-effective-means-patent-dispute-resolution-0>>.

<sup>683</sup> Fong, K. December, 2009. Arbitration of IP disputes: eyes wide shut. *The in-house lawyer*. <<http://www.inhouselawyer.co.uk/index.php/intellectual-property/7673-arbitration-of-ip-disputes-eyes-wide-shut>>.

<sup>684</sup> Llevat, J. and Vendrell, C. 2012. Spain. In M. Sterpi and T. Calame (eds), *Patent Litigation (Jurisdictional comparisons)*. London.

<sup>685</sup> Edouard Fortunet, *Arbitrability of Intellectual Property Disputes in France*, William W Park (ed) *Arbitration International*, (Kluwer Law International 2010 Volume 26 Issue 2) pp.288-289

arbitration to decide the validity of the patent. It is also worth to note that the Swiss Patent office would give the award the same status as a judgment<sup>686</sup>.

### ***Unitary Patent Court***

Article 35 of the UPC Agreement, provides the creation of a Patent Mediation and Arbitration Centre, in the following terms:

*“...2. The Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of this Agreement. Article 82 shall apply mutatis mutandis to any settlement reached through the use of the facilities of the Centre, including through mediation. **However, a patent may not be revoked or limited in mediation or arbitration proceedings...**”* [emphasis added]

This article is further supported by article 79, which stipulates that:

*“The parties may, at any time in the course of proceedings, conclude their case by way of settlement, which shall be confirmed by a decision of the Court. **A patent may not be revoked or limited by way of settlement.**”* [emphasis added]

Hence, it seems that, *a priori*, the condition for settling a patent dispute, or taking it to the Mediation and Arbitration Centre, is that it does not imply a question of validity. According to de Werra, these provisions are open to interpretation on whether the UPC arbitral tribunal will have *Kompetenz* at all to decide on the issue of patent validity, or will have the power to decide on the issue but solely with *inter partes* effect (in the sense that the award will not affect third parties)<sup>687</sup>.

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<sup>686</sup> Calame, T. 2012. Switzerland. In M. Sterpi and T. Calame (eds), Patent Litigation (Jurisdictional comparisons). London.

<sup>687</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p.119

It is possible to agree that the arbitral tribunals of the UPC are going to have the power to decide on issues of validity that will only have effect between the parties. The justification for this is that the decisions rendered by the UPC revoking or deciding over the scope of a patent will already have an impact in all of the signatory countries. Article 65(5) of the UPC Agreement provides that when the Court revokes a patent, it will send a copy of the decision to the European Patent Office, or the national patent office of the Contracting State concerned (if it is an European patent), thereby giving almost immediate enforcement to the decision of revocation.

It is understood that the drafters of the UPC Agreement wanted to leave the decision over the validity of a patent to a “European” court, instead of what would be a more “private” method of conflict resolution. But given that the Mediation and Arbitration centre is also going to be part of the UPC institutions, why not giving them the flexibility of being able to decide over the validity? It is understandable that the legislators will try to protect the rights of the patent owners (especially those with a “weak” power in the market) by not allowing them to “settle” the validity of a patent. However, arbitration does not work in the same sense of the settlement nor mediation; it is important here to remember that arbitration actually resembles more to a court proceeding. There is an arbitrator (or a panel of arbitrators) that will take the decision on behalf of the parties, based on evidence and the rule of law.

Perhaps the answer to this question has to do with the way the arbitral award can be enforced. If the intention of the Arbitration Centre of the UPC is to offer services deciding not only over Unified Patents (or the remaining European Patents) but also on foreign patents, then the impact of the decision is broadened beyond the UPC territory. Further aspects of this issue will be discussed later on in section 4.2. Enforcement of an Arbitration Award under the UPC system.

Nevertheless, it is important to point out that article 35 of the UPC Agreement, in a way, solves the arbitrability question regarding patents, because now the issues, except for the validity, are going to be arbitrable in all the signatory countries. Hence, it would be unlikely that an arbitral award rendered on the basis of article 35 would not be enforced in the Member States, on the grounds that under national laws a patent dispute would not be arbitrable<sup>688</sup>.

## **2. Applicable Law in Arbitration**

In arbitration, parties have autonomy to determine the substantive law applicable to the merits of the dispute, this allows them to avoid unfavorable law to their international dispute<sup>689</sup>. The freedom for the parties to determine the law, provides certainty towards the applicable law to the contract and the effects and interpretation<sup>690</sup>.

According to Lew, Mistelis and Kröll, party autonomy is the most prominent and widely accepted international conflict-of-laws rule, and national laws have very limited rights to interfere with the expressed will of the parties<sup>691</sup>. However, it may happen that the parties do not agree over the applicable law, in which situation there are options available to the arbitrators to decide the law.

International arbitrators have neither a mandatory applicable conflict-of-laws rules, nor any other conflict-of-laws rules<sup>692</sup>. Moreover, they often have to decide on cases that have to deal with matters where legal principles have not yet been developed, leaving arbitrators free to

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<sup>688</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p. 120

<sup>689</sup> Julian DM Lew, Loukas A. Mistelis and Stefan M Kröll, *Comparative International Commercial Arbitration* (Kluwer Law International) p. 413

<sup>690</sup> Julian Lew, *Applicable Law in International Commercial Arbitration* (Oceana Publications, 1978) p.80

<sup>691</sup> Julian DM Lew, Loukas A. Mistelis and Stefan M Kröll, *Comparative International Commercial Arbitration* (Kluwer Law International) p. 414

<sup>692</sup> Julian Lew, *Applicable Law in International Commercial Arbitration* (Oceana Publications, 1978) p.223

take a pragmatic approach and relieved of having to achieve a far-reaching legal consequence<sup>693</sup>.

In this context, what is the appropriate choice-of-law rules that arbitrators must apply when the conflict implies issues of IPRs?

Julian Lew is of the opinion that, in general, arbitrators can choose among the following choice-of-law rules to decide the applicable law:

- i. According to the choice-of-law rules of the forum;
- ii. According to the choice-of-law rules of an international convention or institutional rules;
- iii. According to a system of private international law that they consider appropriate.

Arbitrators have invariably preferred to choose a conflict rule for each question rather than limit themselves to the rules of one private international law system<sup>694</sup>; and

- iv. Considering all the factors of the case and look for the country with most connecting factors point, and applying the law of that country<sup>695</sup>.

Notwithstanding the conflict-of-law rules that is chosen, in the end, the options for substantive law to govern the merits are the following:

- a. Substantive law of the arbitral seat;
- b. Substantive law of the place where the IPR is registered; or
- c. Miscellaneous of the national laws of the jurisdictions where the IPR in question has been allegedly infringed (*lex loci protectionis*).

If the arbitration is constrained to institutional rules or the UNCITRAL Model Law, the substantive applicable law will be chosen in the following way:

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<sup>693</sup> Luginbühl, S. L. 2009. Uniform interpretation of european patent law with a special view on the creation of a common patent court. Utrecht University: <<http://dspace.library.uu.nl/handle/1874/35246>>. p- 178

<sup>694</sup> Julian Lew, *Applicable Law in International Commercial Arbitration* (Oceana Publications, 1978) p. 300

<sup>695</sup> Julian Lew, *Applicable Law in International Commercial Arbitration* (Oceana Publications, 1978) p. 341

a) In article 59, the **WIPO Arbitration Rules** establish that the tribunal must decide the substance in accordance with the law chosen by the parties. However, if the parties did not choose an applicable law, the tribunal should apply the rules of law that it determines to be appropriate<sup>696</sup>. By appropriate law, the WIPO rules mean the law that is “**most closely connected**” to the issue.

b) The **UNCITRAL Model Law** specifies in article 28, the rules applicable to the substance of the dispute. It also requires that the arbitrators will respect the law chosen by the parties<sup>697</sup>. In article 28(2) it is said that if the parties failed to designate the law, the arbitrators will determine it by the conflict of law rules that they consider applicable. This approach opens the door to many interpretations on what the arbitrators can consider “an applicable conflict-of-law rules”. It is important to note that paragraph 3 determines that the tribunal may decide *ex aequo et bono* or as *amiable compositeur*<sup>698</sup> when the parties authorize them to do so. Finally, paragraph 4 adds that the arbitrators should decide in compliance with the terms of the contract, taking into account the usages of the trade applicable to the transaction.

c) Regarding the AAA International Dispute Resolution Procedures, the institution mirrors the UNCITRAL rules in the sense that they respect the liberty of the parties to decide the applicable law to the dispute. Also article 28(1) stipulates that if the parties failed to agree on

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<sup>696</sup>Alessandro L. Celli and Nicola Benz, *Arbitration and Intellectual Property* (European Business Organization Law Review 3: 593-610, 2002) p.607

<sup>697</sup> It is also specified that the designation by the parties will be construed as referring to the substantive law and not the conflict of laws rules.

<sup>698</sup> Amiable compositeur is “... A tribunal empowered to decide a dispute in accordance with its notions of fairness, ‘ex aequo et bono’ (according to equity) rather than being bound to decide according to the parties’ strict legal rights. The effect of empowering a tribunal in this way differs depending upon the applicable law. For example, under English law it might rule out any possibility of an appeal on a question of law”. In Latham&Watkins 2014. Guide to International Arbitration. available at <<http://www.lw.com/admin/Upload/Documents/Guide-to-International-Arbitration-May-2014.pdf>>.

a substantive law, the tribunal will apply the rules of law that are considered appropriate. On paragraphs 2 and 3, the rules echo the admission of the decision taken as *amiable compositeur* or *ex aequo et bono* when the parties expressly ask, and the instructions to decide in compliance with the usages of trade appropriate to the contract.

d) Article 21 of the ICC Rules of Arbitration contains the same dispositions given by the UNCITRAL rules for applicable law.

If a conflict involves IPRs, and it is derived of the performance of a license, the more widely accepted approach as to which law is the “most closely connected” is the law of the licensee’s place of residence<sup>699</sup>. But what would be the law that it is the ‘most closely connected’ if the issue is derived by a spontaneous infringement, like in the case of Apple vs Samsung, where there was no initial license for the IPRs involved, but an apparent infringement? The following section will analyze the answer to this question, based on doctrinal principles of conflict of laws.

## **2.1 Principles on Conflicts of Laws in Intellectual Property**

There has been an international effort for a consensus for rules on conflict of laws in intellectual property matters, such as the projects hereby analyzed: the Conflicts of Laws in Intellectual Property (**CLIP** project) and the principles governing jurisdiction, choice of law, and judgments in transnational disputes from the American Law Institute (**ALI** principles). It is thought that choice-of-law rules have traditionally commanded little attention in intellectual property circles, mainly because a lot of specialists thought they were

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<sup>699</sup>Alessandro L. Celli and Nicola Benz, *Arbitration and Intellectual Property* (European Business Organization Law Review 3: 593-610, 2002) p.607



irrelevant<sup>700</sup>. There are multilateral agreements, such as the TRIPS agreement, that intend to uniform substantive rules; outside of these bounds, each State has their own legislation, hence it has been assume that States will apply that legislation to the issues emerging in their territories and no further<sup>701</sup>.

### **2.1.1 CLIP Project**

This section will provide a brief description of the Principles on Conflicts of laws (**the CLIP Principles**) that were developed by scholars and experts in the field of intellectual property and private international law, the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP). The group has drafted a set of principles on conflict-of-laws in intellectual property and tends to provide independent advice to European and national law makers. The final text was presented in December 2011.

The CLIP project intended to express general principles of private international law that courts and arbitrators may consider. Once they have been here outlined, they will be contrast with the principles of the American Law Institute (ALI).

First, note that the CLIP Principles consider the basis on which the jurisdiction of a national court should be chosen (See Part 2: Jurisdiction of the Principles). In the case of arbitration, the CLIP Principles state that the parties are the ones that would decide the *arbitral situs*, which probably will be a neutral place. Hence, in Apple vs Samsung it would not be either the United States (Apple) or South Korea (Samsung).

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<sup>700</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 117

<sup>701</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California.

Now the articles of the CLIP Principles that are relevant to an arbitration of an IPR will be analyzed.

**a) Jurisdiction Over Cross-order Actions under the CLIP Principles**

Article 2:701 establishes that when the cause of action is the same and the conflict is between the same parties but the litigation is brought in different State courts, only the first court seized should hear the case. Apple vs Samsung would fit these conditions because: (1) It is the same cause of action for both the infringement of the registered design or the registered patents; (2) It is between the same parties (Apple Inc. based in California, and Samsung based in South Korea); and (3) The litigation was brought in different State Courts, as described in the Chapters I and II of this thesis.

Article 2:702 states that the cases will be considered “related” when they are so closely connected that it would be appropriate to hear and determine them together in order to avoid the risk of inconsistent judgments. Therefore, having only the first court hearing the case will prevent having binding legal effects that are mutually exclusive<sup>702</sup>, as it actually happened in Apple vs Samsung. As we have seen from the discussion of the case above, litigating the same set of facts between the same parties in different national court brings inconsistency in the judgments.

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<sup>702</sup> Mireille van Eechoud/ Alexander Peukert in Conflict of Law in Intellectual Property, the CLIP principles and commentary, 2013 p.195

Talking about infringements of IPRs, the suggestion in principle 2:702 is that the court where the infringement took place should have jurisdiction. However, if the validity is in question, principle 2:401 sides with the disposition in the Brussels I Regulation, because it states that the competent court should be the one where the IPR was registered.

It is important to note that the principles follow the CJEU position in *Gat v Luk*, as they specify that the court of the State of registration will not have to hear of the conflict in those cases where the validity was not the principal claim or counterclaim (second paragraph principle 2:401). In the comments of the CLIP Principles, the argument to support this provision is that it refers to those cases where the validity is brought in defense of infringement procedures. This defense should not mean that the court should be changed to the State of Registration, but it will only mean that the decisions in these cases will only have an *inter partes* effect, without affecting the validity of the IPR<sup>703</sup>.

**b)      Autonomy of the Parties to Determine the Applicable Law under the CLIP Principles**

In section 3, the CLIP principles discuss the applicable law for multijurisdictional conflicts (similar to *Apple vs Samsung*). This section can be summarized by saying that the applicable law will be that of the forum, except when the existence or validity of the IPR is at stake. In that case, the law of the place where the IPR had been registered and in which protection it is sought (*lex protectionis*) will be the applicable one.

On the other hand, the parties to the conflict will be able to choose the applicable law when the following conditions exist:

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<sup>703</sup> Torremans, P. 2013. Section 2: Exclusive Jurisdiction. Conflict of Laws in Intellectual Property, The CLIP Principles and Commentary. p. 141-142

i) **There is a contractual relationship between them** (principle 3:501). Even if the parties did not have a contractual relationship before the conflict arises, if they choose to solve it through arbitration, the agreement for arbitration can substitute for the inexistence of a previous contract. The principle goes on describing when it is allowed for the parties to choose their applicable law, but for the purposes of the study case (a multijurisdictional conflict over the same issue between the same parties) these conditions are not relevant.

ii) **The existence and validity of the consent of the parties must be assessed** (article 3:501). Of course, it is important to avoid a situation in which parties are ruled over by laws that do not bring justice to their case, when their consent to choose such laws has been violated. Article 3:504 points out how important it is that contracts related to the license or transfer of an IPR must be formally valid according to the law of the State in which the parties concluded the contract, or the law of the State where the parties have their habitual residence.

c) **Several Laws Applicable to Solve a Single Multijurisdictional Conflict under the CLIP Principles**

Regarding the freedom of the parties to choose the law applicable to their contract, article 3:501 recognizes that “*where other elements relevant to the situation at the time of the choice are located in a State other than the State whose law has been chosen, the choice of the parties shall not prejudice the application of provisions of the law of that other State which cannot be derogated from by agreement*”. Hence, this proposition opens the possibility that in solving a multijurisdictional conflict, more than one national law may be applicable.

In cross-border conflicts of IPRs, when the validity of the right is at stake (e.g. the design of Apple), it is very likely that the parties would want to be ruled according to the law of the State in which the IPR is registered.

**d) Applicable Law in the Absence of Choice by the Parties under the CLIP**

**Principles**

Assuming that the parties did not achieve an agreement on the applicable law, article 3:502 provides for an option for the decision makers to choose the applicable law. If the conflict is based in a contract, and the parties failed to choose the applicable law for the contract, the law of the State with which the contract is most closely connected to, should apply. This connection will be established by a series of factors related to the trade of the license, and based on the residence of the licensor or the licensee. If the decision proves difficult to make, the recommendation is that the applicable law would be the law of the State in which the creator, transferor or licensor has its habitual residence at the time of conclusion of the contract.

However, if there was no previous contract, and there is a spontaneous infringement, after which the parties agree to arbitrate, article 3:601 suggests that the law of the State in which protection is sought should apply (*lex protectionis*).

Principle 3:603 puts forward that when the dispute concerns an infringement allegedly carried out through ubiquitous media, such as the internet, the State law should be that with the closest connection with the infringement, according to:

- i) The habitual residence of the infringer;

- ii) The principal place of business of infringer;
- iii) The place where substantial activities in furtherance of the infringement in its entirety have been carried out; and
- iv) The place where the harm caused by the infringement is substantial in relation to the infringement.

Finally, principle 3:603 states a rule that would be applicable to the type of multijurisdictional conflicts: the laws of all the territories, except if this leads to inconsistent results, in which case the Court will customize a remedy based in the differences.

**e) Public Policy and Mandatory Rules under the CLIP Principles**

Article 3:902 states that the application of a provision of the law of any State may be refused only in the case that such application is manifestly incompatible with the public policy of the forum.

In the given example case of Apple v Samsung, it is difficult to imagine how matters of a multijurisdictional conflict of a design can be “manifestly incompatible” with the public policy of any forum. Unless it is going against one of the local laws<sup>704</sup>.

The use of patents could imply more issues of public policy in different countries. For example, in the US it would be the so called “Fair-Use” and also the issues involving FRAND policy. The freedom of the arbitrators will have to be definitively limited by those policies. More on this topic can be found in this chapter in the section referring to Applicable law in Multijurisdictional Arbitration of Patents below (page 262).

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<sup>704</sup> For instance, against the dispositions in Rome II.

### **2.1.2 The American Law Institute Project (ALI)**

The American Law Institute (ALI) published a set of principles governing jurisdiction, choice of law and judgments in transnational disputes<sup>705</sup> (**the ALI Principles**). They were to try and address the difficulties in enforcing intellectual property rights and defending them given the technological developments, cultural transformations and changes in the way business is conducted<sup>706</sup>.

For the purposes of this section, only the ALI Principles that could potentially apply to the cases of cross-border conflicts, will be analyzed. The order in which the principles are portrayed corresponds to the analysis of the CLIP project in the section above.

#### **a) Jurisdiction Over Cross-border Actions under the ALI Principles**

Principle 221(1) of the ALI Principles states that when the parties are the same, involved in actions with the same transactions (or facts) going on in different States, those parties “may” move the actions to have them coordinated by means of cooperation or consolidation. It is important to note that the principles provide for liberty to the parties to submit a motion asking for coordination of the actions, a characteristic that we did not observe before in the CLIP principles.

If the court first seized finds out that some or all of the claims in actions risen before other courts involve the same facts, then the court should proclaim itself the coordinator

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<sup>705</sup> The American, L. I. 2008. Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. In T. A. L. Institute (ed): [http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf).

<sup>706</sup> Institute, T. A. L. 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, USA. p.8

authority<sup>707</sup>. It is also relevant that the coordination role is assigned to the court first seized with the action, hence it can be said that the principles also build on the *lis pendens* doctrine<sup>708</sup>. Unlike the correspondent CLIP principle (2:701), which also relates to the *lis pendens* doctrine, as stated above, the ALI principles give the liberty to the parties to ask for coordination of the actions, and it is stated that this measure coincides with the freedom that arbitration gives to the parties.

If the court first seized decides that consolidation is appropriate, it will either retain jurisdiction or suspend proceedings in favor of another court (principle 222 (4)). It will require a determination that the actions are sufficiently related and hence should be brought together to simplify and reduce the cost of the multi-territorial intellectual property litigation<sup>709</sup>. Disputes over intellectual property rights concerning the same creative product work or material should be regarded as arising from the same series of occurrences<sup>710</sup>.

It is important to note that this principle might be not the most adequate to have a proper control over cross-border litigation, because it has been demonstrated that it promotes that litigators will race to get to the Court that is more convenient for them. Hence, it is advised that the decisions on coordination are made by another body<sup>711</sup>.

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The American, L. I. 2007. Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. In T. A. L. Institute (ed):

<[http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf)>. principle 221(2)

<sup>708</sup> Institute, T. A. L. 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, USA. p. 93

<sup>709</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 92

<sup>710</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. P. 93

<sup>711</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 97



If cooperation is chosen, that means that each court will keep its part of the case. But, if the court opts for consolidation, the designated court will have the discretion to find a court well suited to resolve the entire dispute<sup>712</sup>.

It is interesting to note that if the ALI Principles were adopted internationally, there could be the possibility that in cases involving patents, EU national courts would concede to the UPC to hear about the case, on the grounds that the UPC is a more expert and technical court.

Finally, when the validity of an IPR is at stake, and the court is deciding it under the laws of another country, the decision will only have effect *inter partes* (principles 211(2) and 212 (4)). This principle coincides with the idea developed in this thesis that the objection to arbitrability of disputes involving the validity of IPRs, can be overtaken by restricting the effect of the award only between the parties of the conflict<sup>713</sup>.

**b) Autonomy of the Parties to Determine Applicable Law under the ALI Principles**

Principle 302, states that the parties may agree to designate a law that will govern their dispute in part or as a whole. The Principles therefore grant the parties autonomy to choose a third legal order, not being that of the grantor or of the recipient, even when the chosen law lacks any relationship to the parties, to the right, or to the territory of use<sup>714</sup>. The notes on the ALI Principles recognize that this freedom goes together with the freedom to select an arbitral tribunal sitting in a third State and instructed by the parties to apply the law chosen by them<sup>715</sup>.

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<sup>712</sup> Institute, T. A. L. 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, USA. p. 93

<sup>713</sup> See Chapter V, section 1 of this thesis.

<sup>714</sup> The American, L. I. 2008. Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. In T. A. L. Institute (ed): <[http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf)>. p.214

<sup>715</sup> The American, L. I. 2008. Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. In T. A. L. Institute (ed): <[http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf)>.

It is important to point that the ALI Principles recognize the parties' freedom to choose the law "at any time, including after a dispute arises" (302(1)). Regarding this liberty, it can be said that the choice for law doesn't necessarily have to come out of a contractual relationship. Hence, ALI principles coincide with the principles of arbitration and the choice for law can be done by the parties, even when the conflict does not derive from a contractual relationship. Even after litigation begins, the ALI Principles state that the parties should also have "**the ability to enter into contracts that simplify the resolution of their dispute and make outcomes more predictable**<sup>716</sup>". This provision corresponds to the statement on this thesis, that the parties to a multijurisdictional conflict involving IPRs, should be able to pact an arbitration agreement, as it simplifies the resolution of the conflict.

However, the ALI Principles do impose some limitations to the freedom of the parties, and those are:

- (a) the validity and maintenance of registered rights;
- (b) the existence, attributes, transferability, and duration of rights, whether or not registered;
- (c) formal requirements for recordation of assignments and licenses.

These exceptions derive from the idea that not all of the questions in a dispute involving IP can be determined by a law that the parties would choose. This is because there are considerations of public-law aspects of IP that need to be assessed according to the law that where the rights were originated<sup>717</sup>. According to the commentary on the principle, the public law aspects are related to the existence, the specific content, transferability and duration of

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<sup>716</sup> The American, L. I. 2008. Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. In T. A. L. Institute (ed): [http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf).

<sup>717</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 130

rights, because these acts imply questions that are of administrative nature. Furthermore, if there are portions of the dispute that are not appropriate for resolution under the law chosen by the parties, the court should nevertheless give effect to that choice, but only for the issues in which the law may be applicable<sup>718</sup>.

On the reporter's notes it is emphasized that the principles do allow the choice of law in case of infringement, and that this fact differs from the position of the Rome II Regulation in this respect<sup>719</sup>. This is due to the belief that efficiency interests are better served by allowing the parties to agree among themselves on the law that will determine what will usually be the monetary consequences of their conduct<sup>720</sup>. This argument is consistent with the one in the thesis that states that if the parties are able to choose the means to solve their conflict, and the law in which the decision will be made, they are more likely to compel with it.

**c) Several Laws Applicable to a Single Multijurisdictional Conflict under the ALI Principles**

Principle 321 gives the liberty to the court deciding on the case to choose the law of the State that has a close connection to the dispute, when there is an infringement that is ubiquitous, and the laws of several States can be applicable. This is also applicable to issues of existence, validity, duration, attributes and infringement of the IPR. The second paragraph acknowledges that the solution provided by the law of the State chosen may differ from the chosen law to apply to the case as a whole, hence it gives the opportunity for the parties to

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<sup>718</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 130

<sup>719</sup> See page 36

<sup>720</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 133

prove the inconsistency, so that the court will have to take into account the differences and fashion the remedy<sup>721</sup>.

The normal rule for a cross-border conflict would require the court to apply the laws of each of the affected States to that portion of the infringement occurring within each State's borders. The designation of the law of the place of impact of the wrongful act may yield multiple applicable laws, particularly given the ubiquity of IPRs and transnational conflicts<sup>722</sup>. The greater the number of affected countries, the greater the challenge to the traditional conflict-of-law method.

In words of the reporter's notes, the ALI Principles attempt that the territoriality and single-law approaches meet halfway. On one hand they seek the simplification advantages of the single-law approach, by finding the States that are most closely connected to the controversy, but on the other hand, they also want to respect the sovereignty of the States<sup>723</sup>. This feature is given by suggesting that the courts should fashion the remedy in situations where the parties prove the differences in the applicable law<sup>724</sup>.

The principles interpret 'close connection', as those places that have the most significant connection to the dispute. In regards to IPRs the States most closely connected to them, are

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<sup>721</sup> The American, L. I. 2007. Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. In T. A. L. Institute (ed):

<[http://www.ali.org/doc/2007\\_intellectualproperty.pdf](http://www.ali.org/doc/2007_intellectualproperty.pdf)>. pple. 321(2)

<sup>722</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.155

<sup>723</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.155

<sup>724</sup> For example, a court would not provide monetary or injunctive relief with respect to a State in which the alleged activity is not infringing, even if the same activity is unlawful in all the other States concerned. American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California.

those of the domicile of the parties, given that the objective of IPRs is to motivate innovation, hence, the residence of the party is where they made their investment decision<sup>725</sup>.

**d) Applicable Law in Absence of the Parties' Agreement under the ALI Principles**

Under principle 301 it is established that the law applicable to determine the existence, validity, duration, attributes, and infringement of IPRs will be the law of the State of registration, and for non-registered rights, the law of each State for which protection is sought (*lex protectionis*).

The ALI Principles follow a territorial approach when they instruct the courts to apply *lex protectionis*. They intend to distinguish and disqualify the application of the forum's law when the sole basis for applying forum law is the bringing of the lawsuit there<sup>726</sup>. This approach can be described as market-oriented, they correspond to the markets that the plaintiff seeks to protect from infringements occurring in those territories<sup>727</sup>.

**e) Public Policy and Mandatory Rules under the ALI Principles**

Principle 322 states that foreign rules will be excluded when they lead to a result opposite to public policy. The official comment on this principle recognizes that "public policy" is difficult to define, nevertheless, it points that in international cases it will cover the most basic principles of civilized nations: matters of public welfare, preservation of fundamental rights and freedoms. This is a different standard from a mere inconsistency with national

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<sup>725</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.154

<sup>726</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.123

<sup>727</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.123

law<sup>728</sup>. It is submitted that in multijurisdictional IPRs the ALI principles are right, and the standard should not be as low as “being consistent with a national law”, but it rather should attend to basic fundamental (more global) rights.

Stereotypically, courts impose the public policy exception when application of foreign law would result in incompatibility with the forum’s norms<sup>729</sup>. Hence, the principles stand up for applying the doctrine of public policy in such a way that it does not obstruct the development of commercial practices<sup>730</sup>.

Nevertheless, the principles recognize that there will be laws that will have a mandatory effect, and allows the court to give effect to those (principle 323).

In the private international law sense, the mandatory rules apply irrespective of other applicable laws. The question on whether there are certain mandatory rules that have to be applicable, is likely to arise when the parties had made a choice of law. In these cases, the court should assess what would be the applicable law of the case, if the parties would not have made the choice<sup>731</sup>. Hence, the court should consider the law of the forum and the laws of States closely connected to the controversy<sup>732</sup>.

Nevertheless, as it was exposed in Chapter II of this thesis, in respect to the study of Patents and Designs, the applicable laws in different States seems to be highly harmonized. But in

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<sup>728</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p. 157

<sup>729</sup> Some examples of precepts that could be significant principles of ordre public include: the no prejudice to third party rights; prohibition of racially discriminatory and spoliatory measures; prohibition of expropriation without compensation; protection of fundamental human rights American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.158-159

<sup>730</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.159

<sup>731</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.159

<sup>732</sup> American Law Institute 2008. Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes: San Francisco, California. p.160

those cases where the mandatory rules of several countries could be in conflict, the principles advocate that the court must weigh the relative interests of each State<sup>733</sup>.

The application of the mandatory rules of third countries can be seen as a way of making sure that the laws of different jurisdictions are working in harmony, up until the extend that it is needed due to the interdependency of commercial law<sup>734</sup>.

### ***2.1.3 Principles on Conflict of Law in the European Union***

So far, this chapter has presented doctrinal approaches to conflicts-of-law rules regarding multijurisdictional IP disputes. Those are considered to be guiding principles but they are not mandatory for any court in the world. However, in the EU, there are regulations that provide guidance over the applicable law in contractual (Rome I) and non-contractual (Rome II) obligations. Given the nature of the dispute that has been studied (*Apple v Samsung*)<sup>735</sup> the Regulation No 864/2007 for non-contractual obligations (Rome II) is the relevant Regulation for our discussions.

In order to continue with the same order of issues discussed above, this section first is going to discuss jurisdiction in cross-border actions. Then Rome II Regulation will be explained in the context of the choice-of-law.

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<sup>733</sup> American Law Institute 2008. *Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes*: San Francisco, California. p.160

<sup>734</sup> See *F. Hoffman La Roche Ltd v Empagragran S.A.*, 542 U.S. 155, 164-165 (2005)

<sup>735</sup> Defined as a spontaneous infringement of IPRs, without having a previous contract between the parties.

**a) Jurisdiction over Cross-border Conflicts in the European Union**

It is important to note that neither the Brussels I regulation, nor the future 1215/2012 Regulation, are applicable to matters of arbitration. In Chapter III of this thesis there was already a more extensive analysis of the jurisdiction rules in the EU, hence, in this part, the focus will be on criticisms done to the cases studied, that the arbitrators could potentially take into account.

*Comments on GAT v LuK*

The *GAT v LuK* case that was studied in Chapter III, puts forward the argument that there is a territorial link that each patent office and each court will apply with their own national law. And while it holds true that all Member States still have their own national patent acts, Torremans is of the idea that on the crucial validity points of a patent, such as novelty and inventive step “there is no room any more for difference in legislation”<sup>736</sup>. In this line of thought, Kur had said that the national patent laws should mirror the provisions granted by the European Patent Office<sup>737</sup>. It is stated that a strict territorial link is no longer essential in the vast majority of the cases: maintaining a territorial link that risks getting different decisions in the national courts, cannot be longer justified on the basis of the interests of the administration of justice.<sup>738</sup>

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<sup>736</sup> Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck.

<sup>737</sup> Kur, A. 2006 A Farewell to Cross-Border Injunctions? The ECJ Decisions *GAT v. LuK and Roche Nederland v. Primus and Goldenberg*. *International Review of Intellectual Property and Competition Law* 37(7), 844-855.

<sup>738</sup> See Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck.



There is sound reasoning behind the argument that, due to the extensive harmonization of patent law on the relevant points, there is no longer space for the reasoning that “national judges know their own and different national laws best”. Torremans elaborates further in this line, saying that in order to decide over the validity of parallel patents,<sup>739</sup> it is necessary that there is more than one judge from the different Member States involved<sup>740</sup>. This is precisely the approach of the UPC system, and of the arbitrators in a tribunal.

### *Comments on Actavis vs Lilly*

As a very brief summary of the facts of this case, Actavis is a pharmaceutical company that was looking for a non-infringement declaration of a patent owned by Lilly. The company asked a court in London to declare jurisdiction over France, Spain, Germany and Italy. For the purposes of this section, it will be only analyzed the reasoning of the (English) judge to declare jurisdiction over the foreign territories.

The judge in *Actavis vs Lilly* established that English law changed with the case *Lucasfilm v Ainsworth* [2011] UKSC 39, where it was stated that disputes related to the infringement of foreign copyright, could be solved in English courts. In *Lucasfilm* article 22(4) of the Brussels I Regulation was interpreted as not been applicable to copyright. This article allocates exclusive jurisdiction only for those cases where validity of registered rights are in question. On this basis, Justice Arnold in *Actavis vs Lilly* held that as long as the validity of the patent in foreign countries was not contended, then the claims over the French, German, Italian and Spanish patents were justiciable in the English Court.

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<sup>739</sup> Understanding the results of a single application that has been examined for novelty and inventive step under a single set of harmonized provisions.

<sup>740</sup> Torremans, P. L. C. 2009. The way forward for cross-border intellectual property litigation: Why GAT cannot be the answer. In S. Leible and A. Ohly (eds), *Intellectual Property and Private International Law*. Mohr Siebeck.

This case is considered of importance for the purposes of this Chapter, as it reveals an aperture of a national Court, to rule over claims in foreign jurisdictions, hence going beyond the typical barrier of territoriality of IPRs.

**b)      Autonomy of the Parties in the European Union**

Article 14 of the Rome II Regulation establishes the freedom of the parties to submit their non-contractual obligations to the law of their choice. However, it is very important to note that this principle is specifically excluded from conflicts that imply questions of IPRs (article 8(3)). Initially, the effect of this article would mean that in the EU, the parties to an arbitration would not be free to choose the applicable law in a dispute involving IPRs.

It may be suggested that this principle of Rome II comes across as outdated vis-à-vis the principles of international arbitration.

**c)      Several Laws Applicable in Cross-border Conflicts**

In the case of *Actavis vs Lilly*, the judge followed a mosaic approach for the applicable law. The law was interpreted as requiring that, since the aim of the Rome II Regulation was to ensure uniformity and also to avoid forum-shopping, it is due to the court to ensure uniformity of the outcome irrespective of the countries in which is trying the claim (*Actavis vs Lilly* paragraph 222).

**d)      Applicable Law in Absence of Agreement by the Parties in the European Union**

In theory, there is no indication that the dispositions of the Rome Regulations (I or II) should not be applicable to international arbitration. According to its article 1, Rome II should apply

to situations involving conflict of laws of non-contractual obligation in commercial matters. This would seem to expressly apply to in the case of Apple vs Samsung (i.e. the conflict of Apple and Samsung arose without the parties having a previous license contract). Article 8 is dedicated to the case of infringement of IPRs, where it is stated that the applicable law in case of Infringement should be the law of the country where protection is claimed (*lex loci protectionis*). However, if the infringement is over a Community IPR and the question of law is not covered by the law that governs the Community right, then it will be the law of the country where the infringement occurred (article 8(2)).

Hence, according to the Regulation, parties in the EU are not free to choose the law when the dispute arises from an infringement. It is contended that this disposition is out of date: is a tendency of our times that parties should have the freedom to choose the law in which their conflict will be solved, as it can be seen from doctrines such as the CLIP Principles<sup>741</sup>.

**e) Public Policy in the European Union**

It is an obvious statement that the determination of laws must be in accordance with the principles of public policy. But this section will add a comment from *Actavis vs Lilly*. Before this case, in the judgment of *Plastus Kreativ AB v Minnesota Mining and Manufacturing Co* [1995] RPC 438 at 447, it was stated that even though patent actions appeared to be procedures before the parties, they actually concerned the public. This is due to the idea that to find an infringement represents enforcing a monopoly granted by the State<sup>742</sup>. Hence, the judge in *Actavis* supported the idea that patents are indeed distinguishable from other forms of IPRs on the grounds that they imply matters of public policy<sup>743</sup>.

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<sup>741</sup> See page 232

<sup>742</sup> 2012. *Actavis v Lilly*. *EWHC 3316*. (Pat). para. 86

<sup>743</sup> 2012. *Actavis v Lilly*. *EWHC 3316*. (Pat). para. 92

### 2.1.2 Comparison of the applicable law rules

Issue	CLIP	ALI	European Law (Brussels and Rome Regulations)
<p>Jurisdiction over <b>cross-border</b> actions.</p> <p>Jurisdiction in <b>INFRINGEMENT</b></p> <p>Jurisdiction in <b>VALIDITY</b></p>	<p>2:701 Only the first seized court will hear the case (<i>lis pendens</i> rule)</p> <p>2: 202 Where the infringement took place.</p> <p>2:401 When validity is in question, the court in the State of registration. But this will not apply when the validity was not the principal claim or counterclaim.</p>	<p>Parties can promote coordination. Court first seized can decide whether to coordinate actions or consolidate them.</p> <p>If the laws of another State are considered to determine validity of the right, the effect will be only <i>inter partes</i> (211).</p>	<p><b>Brussels I</b> (art 27 to 30): Only the first seized Court (<i>lis pendens</i>). Stay proceeding until first sized court decides jurisdiction. BUT: Italian Torpedo</p> <p><b>INFRINGEMENT</b>: Where the infringement took place. And same as above. Except for <i>Primus v Roche</i> principle, 6(1) does not apply to Companies having domicile in various states, because they are a bundle of (European) patents</p> <p><b>VALIDITY</b>: 16 (4) when it is at stake: <i>locus delicti</i>, the Court where the right is registered <i>Gat v Luk</i> principle is that this article prevails in multijurisdictional conflicts, hence the <i>lis pendens</i> principle doesn't apply.</p>
<p><b>Autonomy of the parties to determine applicable law</b></p>	<p>Section 3: Applicable law is the law of the forum. 3:501 Parties can decide the law that governs contractual relationships</p>	<p>Principle 302: Parties can decide the law, at any time (after dispute arises).</p> <p>LIMITATIONS: validity of registered right</p>	<p>Rome I: applicable law to contractual obligations. Parties are free to decide.</p> <p>Rome II: conflict of law rules for non-contractual obligations. In matters involving IPRs, the parties cannot agree the applicable law</p>

	EXCEPT: when the validity of the IPRs is at stake, then it will be <i>lex protectionis</i> .		
<b>Issue</b>	<b>CLIP</b>	<b>ALI</b>	<b>European Law</b> (Brussels and Rome Regulations)
<b>Applicable law Cross-border conflicts</b>	3:501 Even if parties chose the applicable law, other provisions may be applicable (e.g. in validity) Hence, several laws are possible.	Apply the law of each of the States affected to the portion of the infringement.	<i>Actavis vs Lilly</i> . In this case, the law of all of the countries that were involved in the dispute (Mosaic Approach).
<b>Applicable law in the absence of choice by the parties</b>	INFRINGEMENT: Residence or place of business of infringer. Place where infringement occurred	<i>Lex protectionis</i> or law where the right is registered.  <i>Lex forum</i> : not applicable unless is the closest connected.	Rome I: In the absence, conflict of law procedure based on domicile, unless more closely related.  Rome II: The law of the country where protection is claimed. If the conflict involves a Community right: the law that protects it, if not the law of the place where the infringement occurred.
<b>Public Policy and mandatory rules</b>	3:902 Any provision will be refused only if is incompatible with public policy of the forum.	Principle 322: foreign law will be excluded when the application goes against public policy. The standard should be high to avoid evolution of commercial practice.	*Here since is the same law of the European Union applicable in the signatory countries, it is understood that it would not violate public policy

## 2.2 Substantive Applicable Law in Arbitration of Multijurisdictional Patent disputes

As studied above, it is submitted that patents, have a repercussion in public policy. Taking this characteristic into account, it may be suggested that in an arbitration of cross-border conflicts involving patents, the applicable laws will have to be the domestic laws of all of the jurisdictions that the arbitration is trying to include. This approach is known as a ‘mosaic of national laws’. It resembles the approach taken in *Actavis vs Lilly* where the judge from a single jurisdiction, took into account the national laws of all of the jurisdictions involved<sup>744</sup>.

Another issue that can be presented while dealing with cross-border conflicts of patents, is the fact that the patent can be declared a SEP, in which case the licenses should involve FRAND issues. As studied in Chapter II and III of this thesis, the litigation of SEPs involve matters of competition law. At the outset, it would seem that this factor would prevent the parties from going to arbitration, nevertheless, it should be reminded that the EU Commission in the decision studied in Chapter III (section 2), encouraged Samsung to solve the conflicts by means of arbitration. Therefore, it may be suggested that this represents a permission from the Commission that an arbitral tribunal rules over SEPs licenses, taking into account FRAND terms as part of the applicable law.

Advocating for the freedom of the parties to choose the applicable law, it can be stated that given the increasing harmonization of national IP laws through multilateral agreements it may be fair and reasonable for the court or the arbitral tribunal to presume that the relevant States’ norms are indeed similar<sup>745</sup>.

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<sup>744</sup> See, the decision on the merits 2014. *Actavis v Lilly. EWHC 1511. (Pat)*.

<sup>745</sup> American Law Institute 2008. *Intellectual Property, principles governing jurisdiction, choice of law, and judgments in transnational disputes*: San Francisco, California. p.155

### **2.3 Substantive Applicable Law Arbitration of Multijurisdictional Design Conflicts**

This section will be focused on a conflict involving a registered design that has been allegedly infringed in several jurisdictions by the same party. If the parties to such a conflict decide to submit the conflict to a single arbitration procedure, which will be the applicable law under which the conflict will be decided?

To answer this question, the present section has been divided in to two possible answers. The first one is a mosaic of applicable substantive law, and the second will deal with a *sui generis* solution for the arbitration.

#### **a) Mosaic of National Laws**

This option will create an award that will be specific for each country. Hence, it will derive in a study of all of the national laws where the parties want their award to be valid. It would work in the same way that it was suggested in the Patent section (2.2 above) regarding the case *Actavis v Lilly*.

#### **b) Sui Generis**

At the outset, the parties to an arbitration are allowed to choose the substantive law governing the procedure. Under this premise, they can choose that the arbitrators apply a *sui generis*<sup>746</sup> law. An example on how the arbitrators may form a *sui generis* law is the following: the comparison of applicable law and approaches done in Chapter II, regarding the design case of Apple vs Samsung between the US and the UK Courts, found concepts rather similar<sup>747</sup> between the jurisdictions. Hence, it might be suggested that an arbitration court that would encountered such case (involving both jurisdictions) would be able to

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<sup>746</sup> The application of *sui generis* law in international arbitration has been largely discussed, See Born, G. 2009. International Commercial Arbitration. Kluwer Law International: The Hague. And Lew, J. D. M., Mistelis, L. A. and Kröll, S. 2003. Comparative International Commercial Arbitration. Wolters Kluwer.

<sup>747</sup> See table on page 100

apply a combination of the concepts for the evaluation of the infringement of the rights in both national laws. Therefore, the arbitrators would be applying a *sui generis* law. This idea will be further explored below.

Taking into account the factors that were studied in Chapter II, regarding the decisions in the design case between Apple and Samsung it can be observed that a *sui generis* law can be drawn from the similarities and differences presented:

i) **The Intellectual Property Right.** In the US it is called the “design patent”<sup>748</sup> while in the UK it was the Community Design<sup>749</sup>. In general, it is clear that the protection of a design covers the ornamental, rather than the useful aspects of a product, and should be new and non-obvious. This is also why, in Apple vs Samsung, the same design was protected in both jurisdictions, in the US and the European Community as they both recognized the iPad as a protectable design.

ii) **The test applied.** In the US the test it is called “the ordinary observer” test, while in the UK it is called the “informed user”. In the US, the test of the ordinary observer consisted in the fact that there would be an infringement if in the eye of the ordinary observer, giving such attention as a purchaser would usually give, two designs are substantially the same<sup>750</sup>, conducted in view of the prior art<sup>751</sup>. On the other hand, Community Design Rights considered that the test should be on the eyes of an “informed user”, understood as lying somewhere between the average consumer that don’t need to

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<sup>748</sup> Article 1502 of the Manual of Patent examining procedure of the US defines design as “... *the design for an article consist of the visual characteristics embodied in or applied to an article. Since the design is manifested in appearance, the subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation.*” 2012. Manual of Patent Examining Procedure. In T. U. S. P. a. T. Office (ed) *Section 1502*. <<http://www.uspto.gov/web/offices/pac/mpep/s1502.html>>.

<sup>749</sup> A design in the EU is defined as “*the appearance of the whole or a part of a product resulting on the features of, in particular the lines contours, colours, shape, texture and or materials of the product itself or its ornamentation.*” Article 3 Council Regulation (EC) No 6/2002 on Community Designs. *OJ EC No L 3 of 5.1.2002*.

<sup>750</sup> *Gorham Co. v. White* 81 U.S. 511 (1871)

<sup>751</sup> *Egyptian Goddess v. Swisa Fd. C.* (2008)



have any specific knowledge and who, as a rule, makes no direct comparison between the designs in conflict; and the sectorial expert, who is an expert with detailed technical expertise<sup>752</sup>. Hence, it should be a user who is particularly observant either because of his personal experience or his extensive knowledge of the sector in question. While in the US, the test must be analyzed in view of the “prior art”, this corresponds with the concept in the UK of the existing design corpus.

### **3. Preliminary Injunctions in Multijurisdictional Arbitration**

In this section it will be analyzed the different dispositions for preliminary injunctions, that in terms of international arbitration translate in interim measures, of the principal arbitration rules that have been studied in this thesis: WIPO, UNCITRAL, AAA and ICC.

a) WIPO. The rules for arbitration of WIPO will apply to the parties that have entered an arbitration agreement, they provide for a procedure of emergency relief, prior to the establishment of the arbitral tribunal (article 49). The rules provided for an expedited procedure, since it is stated that in the following 2 days after receiving the request for emergency relief, the Arbitration Center will appoint an arbitrator<sup>753</sup>, which will conduct proceedings as necessary, and may order interim measures given that the requesting party has provided an appropriate security. It is important to note, that the said article provides that formal arbitration proceedings should start 30 days after the commencement of the emergency relief proceedings. Article 48 of the rules, provides that if a party addresses a judicial authority regarding the subject matter of the interim measure, this will not be taken as incompatible with the arbitration agreement.

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<sup>752</sup> This definition was lay out by the CJEU in the case *Grupo Promer Mon Graphic SA v OHIM*.

<sup>753</sup> The arbitrator’s power will cease once the arbitration tribunal is established. 2014. Arbitration Rules. In W. I. P. Organization (ed): <<http://www.wipo.int/amc/en/arbitration/rules/#comp2>>.

b) UNCITRAL rules. The main difference of the rules for interim measures of the UNCITRAL, in comparison to the WIPO rules of arbitration, is that the procedures under the former rules, will apply at any time between the constitution of the arbitral tribunal and before the pronouncement of the award (article 26). Furthermore, the UNCITRAL rules provide that the interim measure will be modified or even finished by request of the parties. Finally it is important to note that the rules provide that if the parties would address a judicial authority regarding the interim measure, this would not be considered discordant with the arbitration agreement (same disposition as WIPO rules).

c) The AAA international dispute resolution procedures, provide in article 21 that the arbitral tribunal may grant interim measures, at the request of any party, including injunctive relief for the protection of property<sup>754</sup>. The article also specifies that if, instead of requesting the measure to the arbitral award, one of the parties addresses a judicial authority, it will not be considered to be discordant with the agreement to arbitrate. If one of the parties requires an injunctive relief before the constitution of the tribunal is done, the AAA provides for the possibility of appointing an emergency arbitrator that can rule over the measures (article 37). It is important to note that, even though the measure for injunctive relief is provided in an arbitration procedure, the AAA rules also leave the parties the choice to secure or preserve property before the courts.

d) The ICC Rules of Arbitration, in article 29, provide for a procedure for an emergency arbitrator. The party that needs urgent or conservatory measures is able to apply for them. The process implies submitting an application for emergency measures to the Secretariat<sup>755</sup>.

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<sup>754</sup>American Arbitration Association 2010. International Dispute Resolution Procedures.  
<[http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG\\_002037&revision=latestreleased](http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG_002037&revision=latestreleased)>.

<sup>755</sup>Appendix V of the Commerce, I. C. o. 2012. ICC Rules of Arbitration.  
<<http://www.iccwbo.org/products-and-services/arbitration-and-adr/arbitration/icc-rules-of-arbitration/>>.

It is noteworthy the relationship between the interim measures in arbitration and the preliminary injunctions in judicial procedures. In the procedures regarding the merits of the conflict, the arbitration and the court proceeding cannot coexist, this is different with the preliminary injunctions. It is observed a general approach to allow the parties to attend judicial proceedings in this regards, without leaving aside the arbitration on the merits of the dispute.

Finally, it is important to note that in regards to the UPC scheme, at the moment of writing, the proceeding rules of the arbitration of the UPC have not been drafted. Nevertheless, in the current rules of the Court proceedings it is stated that an award (and presumably the decisions for interim relief) made by the UPC Arbitration Centre will be enforceable *mutatis mutandis* according to the enforcement rules of the decisions of the Court. Moreover, regarding injunctions, article 83.2 establishes that

*“[w]here appropriate, the enforcement of a decision may be subject to the provision of security or an equivalent assurance to ensure compensation for any damage suffered, in particular in the case of injunctions.”*

Hence, this provision will facilitate the enforcement of an interim award if the parties decide to submit their dispute to the UPC Arbitration Centre. But there are several factors regarding the enforcement of awards in the UPC system that need to be taken into consideration and they are studied in the following section.

#### **4. Enforcement of the Arbitration of Multijurisdictional IP disputes**

This section has been divided in the study of enforcement of international arbitration awards concerning IPRs, and the enforcement of the awards rendered by the UPC arbitration Centre. The former will be applicable for multijurisdictional conflicts of

designs, and those patents that are not part of UPC scheme. At the end of the section it will be possible to make a comparison regarding the enforcement of awards in different arbitration procedures.

#### ***4.1 Enforcement of an International Arbitration Award Concerning IPRs***

##### **4.1.1 The International Arbitration Award**

This section will discuss the enforcement of the final award in an international multijurisdictional arbitration. First, it is important to state that “final award” is understood as the award which marks the end of the proceedings and settles all claims between the parties<sup>756</sup>.

If the parties do not voluntarily comply with an arbitral award, once it is rendered, the award will have to be enforced to become effective<sup>757</sup>. An award that is final and binding will have the presumption that it is enforceable, but it might be challenged through a procedure before the national court<sup>758</sup>. The possible reasons for such a challenge are analyzed in section 4.1.2. that refers to setting aside and annulling awards.

Some institutions provide in their rules a scrutiny of the awards to ensure that the formal requirements are fully complied and will not be easily challenged<sup>759</sup>.

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<sup>756</sup> Several Arbitration rules agree with this description, such as UNCITRAL Model Law, article 32(1), WIPO Arbitration rules Art 63, ICC Rules of arbitration Art. 27

<sup>757</sup> Calame, T. and Aebi, M. 2012. Enforceability. In T. Halket (ed) Arbitration of International Intellectual Property Disputes. JurisNet LLC: New York. p.513

<sup>758</sup> Lew, J. D. M., Mistelis, L. A. and Kröll, S. 2003. Comparative International Commercial Arbitration. Wolters Kluwer. p. 632

<sup>759</sup> For instance, article 62 of WIPO arbitration rules says that ‘The tribunal may consult the Center with regard to matters of form, particularly to ensure enforceability of the award’. Also article 33 of the ICC Rules reads: ‘Before signing any award, the arbitral tribunal shall submit it in draft form to the Court. The Court may lay down modification as to the form of the award and, without affecting the arbitral tribunal’s liberty of decision, may also draw its attention to points of substance...’

It is assumed that the arbitration will have the potential of reaching a universal solution to an issue that relates to multiple jurisdictions through one proceeding. Hence when it has been conducted with the understanding that it is a resolution that will be adopted in multiple jurisdictions, the award will be enforced in all of the jurisdictions described.

The New York Convention on the Recognition and Enforcement of Arbitral Awards (the NYC) has been ratified by over 149 countries and, subject only to a few limited exceptions, requires signatory States to recognize arbitral awards rendered in other countries. This is the instrument that will assure that the “foreign arbitral awards” are enforced in the territory of a State other than the one where the award was rendered<sup>760</sup>. It would be important that, from the moment the parties decide to submit their dispute to an arbitration procedure, they make sure that the countries where they want the award to be valid are signatories of the NYC.

#### **4.1.2 Setting Aside or Annulment of Arbitral Awards**

The NYC sets the grounds for refusing enforcement of the award in its article V, these grounds are defined in part 1 as: (a) the parties to the agreement were under an incapacity or the agreement –for arbitration- is not valid; (b) a party was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was not able to present its case; (c) the award deals with a matter outside the terms of the submission to arbitration; (d) the composition of the arbitral authority or the procedure was not in accordance with the agreement of the parties; (e) the award has not yet become binding<sup>761</sup>.

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<sup>760</sup> It has been said that cross-border recognition and enforcement of arbitral awards is in many cases easier than judgments rendered by national Courts, between the European States. Luginbühl, S. L. 2009. Uniform interpretation of european patent law with a special view on the creation of a common patent court. Utrecht University: <<http://dspace.library.uu.nl/handle/1874/35246>>. p.172

<sup>761</sup> United Nations Conference on International Commercial Arbitration 1958. Convention on the Recognition and Enforcement of Foreign Arbitral Awards. <[http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII\\_1\\_e.pdf](http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII_1_e.pdf)>.

Part 2 of the same article provides that the competent authority in the country where enforcement is sought can refuse recognition in the case that: (a) the subject matter of the dispute was not capable of settlement by arbitration under the law of that country; (b) the recognition or enforcement of the award would be contrary to the public policy of that country<sup>762</sup>.

The grounds for refusal stated in part 1 of the article V, have to be examined given the circumstances of the particular case in arbitration, hence they are not going to be part of the discussion in this thesis. The dispositions in part 2 are, on the other hand, relevant to the study in order to assess whether the award deciding over infringement and or validity of an IPR would be enforceable. The issue related to section 2.a has been already considered in this thesis, in section 1 of this chapter, concerning the arbitrability of the cross-border conflicts of the IPRs. Next it will be analyzed the ground of refusal of section 2.b referent to the public policy of the place where enforcement is being sought.

### ***Public Policy (article V.2.b. NYC)***

Section 1 of this Chapter explained the obligation that the arbitrators have to ensure that the subject matter is arbitrable, hence that it would potentially comply with public policy. It was also explained, that in the case of cross-border conflicts of designs and patents, the approach towards the arbitrability depends on whether the action is regarding an infringement or if it also implies a question of validity of the IPR. In this respect, it was learned that there is more reluctance to allow the arbitration over the validity of the IPR. The doctrinal opinions were divided<sup>763</sup>, but nevertheless, the procedural rules still expressly forbid the arbitration of validity of the awards. Hence, under these

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<sup>762</sup> United Nations Conference on International Commercial Arbitration 1958. Convention on the Recognition and Enforcement of Foreign Arbitral Awards.  
<[http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII\\_1\\_e.pdf](http://www.uncitral.org/pdf/english/texts/arbitration/NY-conv/XXII_1_e.pdf)>.

<sup>763</sup> See section 1 talking about arbitrability of IPRs disputes and their validity in this Chapter.

circumstances, it can be said that an award that involves a decision over the validity of a IPR, would probably be refused enforcement on the grounds that it goes against the public policy of the country where enforcement is sought.

Nevertheless, and as stated also in section 1, some courts in a number of jurisdictions, including the US<sup>764</sup> and the UK<sup>765</sup> have confirmed that issues of validity may be resolved by arbitration, and do not require individual domestic court proceedings<sup>766</sup>. According to Cook and Garcia, in the light of the effect of arbitral awards, IPRs disputes, even if they involve issues of validity, in the great majority of cases do not give rise to meritorious public policy concerns<sup>767</sup>.

An example of this approach is the decision of the Seoul High Court in the case 94Na11868, rendered on 14<sup>th</sup> of March of 1995. The dispute was between a company based in California and a company based in Korea over a software license that included an arbitration agreement. When the Korean company failed to fulfill its obligations under the license, the US Company started an arbitration procedure before the AAA. The tribunal rendered an award in favor of the US Company. At the moment of the enforcement, before the Korean court, the defendant alleged that the award had to be set aside on the grounds of article V.2.b. of the NYC, given that the license agreement constituted a violation to the Korean Trade Act. Nevertheless, the court decided that the grounds to refuse the enforcement of an arbitration award should be interpreted in a

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<sup>764</sup> **35 U.S. Code** § 294 refers to Voluntary arbitration and subsection (a) states: “A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract. In the absence of such provision, the parties to an existing patent validity or infringement dispute may agree in writing to settle such dispute by arbitration...”

<sup>765</sup> The Patents Act specifies that the arbitration of patents is available in limited cases, and the validity when is arbitrated will only bind the parties. Intellectual Property Office The Patents Act (1977). In I. v. J. 2014 (ed): <<http://www.ipo.gov.uk/patentsact1977.pdf>>.

<sup>766</sup> Blaikie, H. June 19, 2013. Rethinking IP disputes - a useful role for international arbitration. *Lexology*. <<http://www.lexology.com/library/detail.aspx?g=03ba12e5-b89d-4e38-bc66-1b30b3bc1903>>.

<sup>767</sup> The validity declarations in an arbitration procedure should only have an inter partes effect, hence it will be like the arbitrator is only determining who will hold which right in the conflict that it's been analysed. Cook, T. and Garcia, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands. p 70 and 309

restrictive manner, and should consider the stability of the international trade order. Indeed, even though the license agreement would violate the Korean law, it was actually valid under Californian laws<sup>768</sup>, and hence the award prevailed, not regarding that it could violate a local law.

It is submitted that this is the type of approach that should prevail in the enforcement of awards dealing with cross-border conflicts of IPRs. When the parties submit their dispute to arbitration, and this is conducted based on the rightful rules of applicable law, there should not be any reason for deny its enforcement. It is noted that perhaps a way to ensure a correct process, is if the parties choose one of the experienced arbitration institutions for this task.

#### **4.1.3 Enforcement of Arbitral Award**

In order to obtain recognition and enforcement of an international arbitral award, it is necessary that the agreement to arbitrate and the award exists<sup>769</sup>. The NYC establishes the formal proof of the existence of the foreign awards, in its Article IV:

*“A party seeking recognition and enforcement of an award must supply (a) the duly authenticated original of the award or a duly certified copy thereof, and (b) the original arbitration agreement or a duly certified copy thereof”.*

The fulfillment of this requirement will constitute, *prima facie*, the evidence of the entitlement of the applicant to the enforcement of the award<sup>770</sup>.

As stated before, there will be no need to start an enforcement procedure if the parties comply with the award voluntarily. However, if they don't, the interested party will have

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<sup>768</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p.112

<sup>769</sup> Calame, T. and Aebi, M. 2012. Enforceability. In T. Halket (ed) *Arbitration of International Intellectual Property Disputes*. JurisNet LLC: New York. p. 518

<sup>770</sup> Calame, T. and Aebi, M. 2012. Enforceability. In T. Halket (ed) *Arbitration of International Intellectual Property Disputes*. JurisNet LLC: New York. P.518



to go to a national court to ask for enforcement. The location of assets in a territory may be sufficient basis to establish jurisdiction of the national court seized with an enforcement for an arbitration award<sup>771</sup>. It is important to note that the procedure of recognition and enforcement of the award will be dealt according to each of the national court's practices.

### ***In the US***

The US Code in its title 35 establishes that arbitration awards are considered to be final and binding between the parties to the arbitration, however they will not be binding nor have effect against any other person<sup>772</sup>. Nevertheless, in case the patent in question is later on declared invalid or unenforceable by the competent court, the parties can ask the Court to modify the award accordingly. The modifications then will have an impact on the rights and obligations between the parties from the date of modification<sup>773</sup>. Finally, the US Code makes it mandatory for the parties to give notice of the award to the Director of the USPTO.

### ***In the UK***

Part III of the *Arbitration Act 1996* deals with the recognition and enforcement of foreign awards in the UK, in particular those that are enforced under the Geneva and NY Conventions.

According to section 101 of the *Arbitration Act 1996*, the arbitral awards can be enforced with the court's permission, as if they were a court judgment.

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<sup>771</sup> Cook, T. and García, A. I. 2010. *International Intellectual Property Arbitration*. Wolters Kluwer: The Netherlands.

<sup>772</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp. <<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>. section 294

<sup>773</sup> 35 US Code - Patents. *Chapter 29 - Remedies for infringement of patent and other actions*. pp. <<http://www.law.cornell.edu/uscode/text/35/part-III/chapter-29>>. Section 294

In the EU, the procedure to enforce a foreign award is very similar to the procedure to enforce a settlement approved by the Court<sup>774</sup>. It is not the aim of the thesis to compare step by step both enforcement procedures, however it is important to note that both outcomes (the arbitration award and the settlement) should have the same enforceability.

#### ***4.2. Enforcement of an Arbitration Award under the UPC system***

As described earlier in this chapter, the article 35 of the UPC Agreement provides for the formation of a Patent Mediation and Arbitration Centre, and paragraph 2 states that:

*“... Article 82 shall apply mutatis mutandis to any settlement reached through the use of the facilities of the Centre, including through mediation...”*

The provisions of article 82 apply for the enforcement of decisions and orders of the Court. Hence, it can be inferred that either the settlement outcome from a mediation, or the arbitral award, will be enforced in the same way as formal decisions rendered by the Unitary Patent Court<sup>775</sup>, meaning that it will be labeled with the status of a sentence, and will achieve the character of *res judicata*. It is submitted that this would be a clear advantage of the arbitration over the court procedure, as there will be no appeal, and hence the procedure would potentially be faster.

However it is noticeable, regarding the wording of article 35 that it only talks about “settlement” and not specifically about “award”. The decision in the arbitration is not a settlement per se, it is a decision taken by a third party (arbitrator). It can be wondered whether the intention of the legislator is that the parties go to the UPC Centre exclusively to reach an agreement, and this is why the word “settlement” is continuously used. It may be suggested that this will potentially cause confusion at the moment of the enforcement of an award rendered by the Centre in the future. In this respect, the ICC rules in their

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<sup>774</sup> See “Recognition and enforcement of judgments” at the European Commission website <[www.ec.europa.eu/justice/civil/commercial/judgements/index\\_en.htm](http://www.ec.europa.eu/justice/civil/commercial/judgements/index_en.htm)>

<sup>775</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p.120

article 32 recognize that if the parties reach a settlement and they transmitted<sup>776</sup> it to the arbitral tribunal, then this settlement will be recorded in the form of an award made, if the parties so wish. Therefore, it is visible from the experience of other arbitration institutions that it is possible to convert a settlement in to an arbitration award. The advantage of converting a settlement into an award is that, if in the future one of the parties refuses to comply their part, the other part can make the award enforceable.

According to De Werra, the provision in article 35 of the UPC Agreement leaves the question open on whether the parties will be able to submit a dispute about a Unified Patent to another arbitration service provider. Even though this is an issue that will have to be clarified to ensure the successful implementation of the ADR methods used for solving European patent disputes, De Werra is of the idea that the parties will be free to choose the arbitration institution they prefer<sup>777</sup>. The base of the arbitration is given by the consent of the parties, so they should be able to choose the institution that will be more convenient for them.

Given this scenario, if the parties choose another institution different to the UPC Centre, the enforcement of arbitral award begs the question: are the parties going to be able to enforce the award according to the dispositions of the UPC Agreement?

We depart from the assumption that the award is dealing with a patent registered in the European Union, either a European Patent or a European patent with unitary effect. It is

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<sup>776</sup> The transmission of the settlement has to pass by the Secretariat of the ICC, according to article 16 of the same rules. This is just part of the administrative procedures of the ICC.

<sup>777</sup> Lee, G., Ahn, K.-H. and De Werra, J. 2014 Euro-Korean perspectives on the use of arbitration and ADR mechanisms for solving Intellectual Property disputes. *Arbitration International* 30. p.121

also important to remember that during the transitional period, the parties can opt out of the scheme of the UPC and choose the forum where they want their action to be heard<sup>778</sup>.

If the contended patent is a European Patent without unitary effect, and the owner opted out of the UPC system, the answer to the question is straight forward, as the parties will just have to take their award to each of the countries where they want to enforce it, based on the NYC. It is important to point out that the opt-out of the scheme should be entered into the Registry, and it is understood that the opt out will become effective on the day the notification is received in the Registry<sup>779</sup>.

Nevertheless, taking into account article 83.1 of the UPC Agreement<sup>780</sup>, during the transitional period the actions may be brought before the national courts. Hence, it can be concluded that, if the parties so wish, they can use the national courts to enforce the arbitration awards, regardless of whether the patent had been opted out of the UPC or not.

It remains in question whether an award not rendered at the UPC Centre would be enforceable under the UPC rules? In order to answer this, the following will be analyzed: article 82 of the UPC Agreement, and enforcement-related articles at the current draft for Rules of Procedure.

Article 82 specifies that the decisions (in this case, the award) shall be enforceable in any Member State. This would mean that basically the UPC courts will only make decisions,

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<sup>778</sup> Article 83(1) states that: "During a transitional period of seven years after the date of entry into force of this Agreement, an action for infringement or revocation of a European patent... may still be brought before national courts or other competent national authorities." As it reads on 20.6.2013. Agreement on a Unified Patent Court. In O. J. o. t. E. Union (ed) (2013/C 175/01). <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:175:0001:0040:EN:PDF>>.

<sup>779</sup> Opt-out Scheme, Unified Patent Court. <<http://www.unified-patent-court.org/about-the-upc/17-category-d?limitstart=0>>. consulted on 28.03.2014

<sup>780</sup> See supra 778

but will not have jurisdiction to enforce their decisions. Hence our question becomes more pertinent in regards to the following: is it possible that an award that deals with a Unified Patent be enforced like a decision of the UPC court? Given that the award was not rendered by a UPC institution (i.e. the UPC Arbitration Center)?

Rule 354 of the draft for rules of procedure reads<sup>781</sup>:

*“Subject to Rule 118.9 and Rule 352 decisions and orders of the Court shall be directly enforceable from their date of delivery in each Contracting Member State in accordance with the enforcement procedures and conditions governed by the law of the particular Contracting Member State when enforcement takes place.”*

On the other hand, if the parties have an award of the UPC Centre, can they enforce it outside of the EU? It is submitted that if the award was rendered by the UPC Centre, but the parties wish to enforce it outside of the EU, the fact that the Centre has dealt with the arbitration would be taken as if any other arbitration institution had administered it (i.e. ICC, WIPO). Hence, the award will be enforced as well by virtue of the NYC. Initially, the seat of those arbitrations would be either Portugal (Lisbon) or Slovenia (Ljubljana) and both of the countries are part of the NYC<sup>782</sup>.

Regarding the type of award that can be enforced, it is important to note that NYC does not make a distinction between monetary and non-monetary awards. Moreover, there is no available information on the difficulties that non-monetary awards face at the enforcement stage<sup>783</sup>, and it was not part of the aim of this thesis to research on this issue.

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<sup>781</sup> UPC, P. C. 06.03.2014. 16th Draft of Rules of Procedure. <<http://www.unified-patent-court.org/images/documents/revised-draft-rules-of-procedure.pdf>>.

<sup>782</sup> New York Convention Countries. *New York Arbitration Convention*. <<http://www.newyorkconvention.org/contracting-states/list-of-contracting-states>>.

in<sup>783</sup> The statistics available concerning compliance with arbitral awards suggest that most arbitral awards are in fact carried out voluntarily. Redfern, A. and Hunter, M. 2004. *Law and Practice of International Commercial Arbitration*. Sweet and Maxwell. para. 11.02

Nevertheless it is important to state what the types of non-monetary award and some basic issues that must be taken into account in the enforcement of these awards.

There are three types of non-monetary awards: the ones that require a performance (awards that require the losing party to perform or abstain from some action), declaratory awards (where the arbitrators are asked to clarify unclear contractual terms) and formative remedies (they deal with the formation or termination of a business relationship)<sup>784</sup>.

The English Arbitration Act, in section 48 provides that the arbitral tribunal will have the same powers as the Court to order a party to do or refrain from doing anything (performance award). This regulation is rather unusual, however it seems to be that in countries with common law tradition, the national arbitration laws describe in similar terms the powers of an arbitration tribunal<sup>785</sup>. However this is not exclusive of the common law systems, the opinion of Arbitration experts is that every remedy that is available in litigation, should be also available in arbitration<sup>786</sup>.

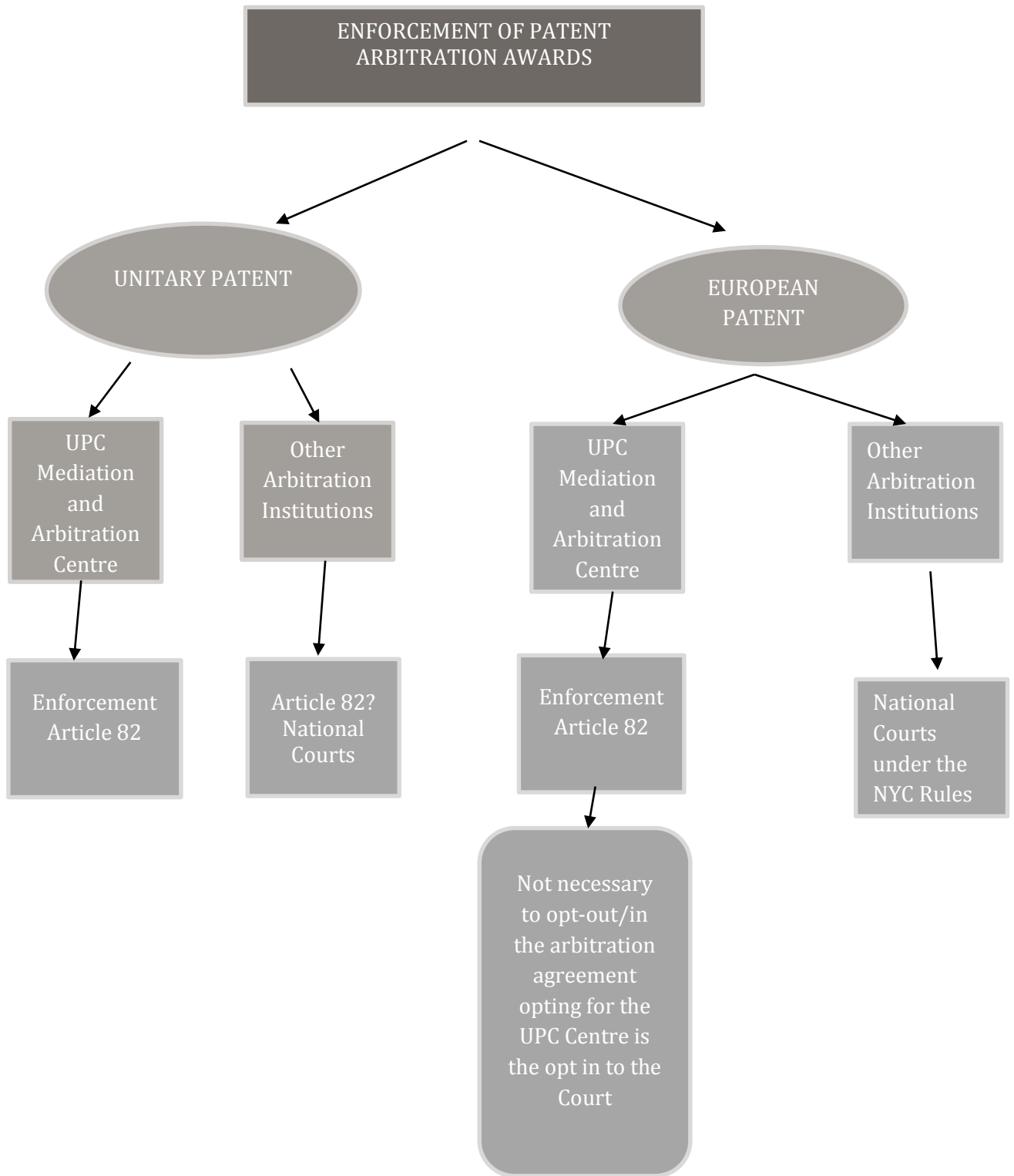
To make a further analysis of the enforcement of non-monetary awards, one would have to research different national laws and courts, and this study goes beyond the scope of this thesis. In the following page, there is a diagram that summarizes the enforcement of awards involving patents under both the UPC and the current system.

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<sup>784</sup> Giovannini, T. May 6, 2013. Remedies and Enforcement options in International Arbitration. *Columbia International Arbitration Conference*. Columbia Law School: New York, USA.

<sup>785</sup> Schneider, M. E. 2011. Non-monetary Relief in International Arbitration: Principles and Arbitration Practice. In JurisNet (ed) *ASA Performance as a Remedy*. p. 12

<sup>786</sup> Lew, J. D. M., Mistelis, L. A. and Kröll, S. 2003. *Comparative International Commercial Arbitration*. Wolters Kluwer. pp 24-70



## 5. Conclusions on the Arbitration of Multijurisdictional Conflicts of IPRs

Chapter five moved forward to analyze the substantive aspects of the arbitration of the cross-border disputes. The first factor analyzed was the arbitrability of the disputes. This has been widely discussed because of the different effects of arbitration as an *inter partes* procedure and the *erga omnes* effect of the IPRs. It was concluded that the biggest problem concerning the arbitrability of the IPRs is related to adjudicating on the validity of the rights in a “private” procedure. On one hand, it is believed that as long as the arbitrators are considered experts, there is no reason why their decision would be any less appropriate than the courts’ decisions. However, for the arbitration award to be enforceable it would have to comply with the public policy of the respective country; many of which state that the validity of IPRs cannot be arbitrated. In order to avoid this result, one option is to leave the effect of the award exclusively between the parties so that they keep their right against third parties. This solution is considered to be better than risking the loss of important assets in a court procedure.

Then the substantive analysis moved forward to the applicable law. Here, two different proposals were analyzed - the CLIP and the ALI projects. - In terms of jurisdiction for the cross-border disputes, the autonomy of the parties, the fact of using several laws in order to decide the conflict, what to do in case the parties could not agree on applicable law and issues related to public policy. These principles were contrasted with the current European laws in regards to Community rights. These are conflict-of-law principles that the arbitrators can take into account in order to decide what is the applicable law of their case. Those principles were then situated in the specific instance of having a multijurisdictional dispute of patents and designs. In general, I offered two solutions: one is that the arbitrators can make up a *sui generis* law that involves different practices of the different jurisdictions involved and the other one is that the arbitrators apply a mosaic



approach; whereby they take into account all of the applicable laws that are relevant and decide under each of the laws the different decisions of the conflict. An example of this approach is seen in the *Actavis* case. If it is possible to do this in litigation, the practice is also viable for arbitration.

Regarding the Preliminary Injunctions procedures in arbitration it is stated that the parties should not discard immediately the use of this method. This is particularly the case when the parties had a previous contract where they agree to arbitrate the disputes regarding IPRs because the arbitral tribunal can help in rendering an express award if it is considered to have found an infringement.

Regarding the enforcement of international arbitration awards this could be either a setting aside or an actual enforcement. I recognized that the reasons for setting aside an award are related to the public policy of the country where the award is going to be enforced. I agreed with the case of a procedure before the AAA, where the U.S court said that the interpretation of the New York Convention should not be done restrictively in regards to the dismissal of the award on the ground of public policy. The Court stated that the stability of international trade order should be considered and hence the award remained valid. This is linked with the ideas set out in this thesis which related to the international trade and that abusing the national court system to deal with cross-border conflicts it is simply prejudicial to justice.

Finally, I studied the way the arbitration awards are enforced under the NYC and how this will differ from the enforcement under the new UPC.

## Chapter VI. Conclusions

The statement of this thesis is that cross-border conflicts of patents and designs need to be resolved in a single procedure, rather than in parallel litigation procedures. This was considered to be an important study, after observing the case of Apple v Samsung, where we can see two global companies disputing over the same IPRs, based on the same facts, in multiple jurisdictions. Despite the law being generally homogenized, the outcomes in the different courts changed from one another, attracted large media coverage and did not in fact allow the parties to enforce their rights in a uniform way.

The study sought to answer these questions:

1. Can and should a cross-border dispute of a single design and patent be solved through a single dispute resolution procedure?
2. If so, what would be the circumstances surrounding such a procedure in terms of applicable law, preliminary injunctions and enforcement of the decision?
3. Is an international arbitration procedure suited for the task, taking into account arbitration agreements and arbitrability of the infringement and validity of designs and patents?

In order to answer those questions, it was studied the litigation in the US and UK, with a brief reference to key factors of the German and Dutch courts in the case Apple vs Samsung. Then, the problems identified were analyzed from the perspective of the litigation in the EU communitarian protection of patents and designs, and finally from the perspective of an international arbitration.

The analysis of the National litigation of Cross-Border disputes of Patents and Designs draw the following aspects:

a) **The applicable law** protecting the subject matter of the IPRs in question presented a high degree of similarity<sup>787</sup> between the jurisdictions studied. Nevertheless, the different courts have developed case law that brings to different approaches regarding assessment of validity and infringement. The procedure to analyze the validity and infringement of the IPRs was found to be different in each of the national courts.

In the case of the **patents** in the US, it was found that the claims can be amended after the granting of the patent, up until the point that there is an infringement action<sup>788</sup>, and in that case, the patents will be delimited in a preliminary hearing after which they will not be amended anymore<sup>789</sup>. By contrast, in the UK, if during the litigation procedure a claim of the patent is declared invalid, the patentee will be allowed to rely on a previous claim. Although this practice has been changing to delimit the claims in an initial meeting, in order to make the case more manageable.

Regarding the study of the issues of infringement and validity of the patent, in the US both validity and infringement are decided in one single procedure before the same court<sup>790</sup>. The same holds true for the UK procedure, and the Netherlands, where encountered the validity of the patent is contested, it will be decided in the same procedure as the infringement<sup>791</sup>.

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<sup>787</sup> In terms of patents: The “Consolidated Patents Law” of the US, in Chapter II Applicable Law in the United States, and regarding the UK, in the same chapter, section 2.2.1 Applicable Law in the United Kingdom. With respect to Designs a table of comparison can be seen in page 98

<sup>788</sup> This is a disposition given by the America Invents Act, see Chapter II, section 2.1.2. US Approach to Patent Law

<sup>789</sup> See regarding the Markman hearing in (b) The construction of a patent claim in Chapter II section 2.1.1 Applicable Law in the United States

<sup>790</sup> Chapter II, section 2.1.1 Applicable Law in the US

<sup>791</sup> See in Chapter II, section 2.3.2 Netherlands

However this was found to be different in the case of Germany, since the courts would bifurcate or divide the case in to two procedures, one assessing the infringement and another one the validity<sup>792</sup>.

It was observed a link between procedure of bifurcation and the advantage of getting an expert in the field as part of the judges that would determine validity of the patent<sup>793</sup>. Even though it is found to be more practical having a single procedure deciding over both infringement and validity of the patent the technical expertise as part of the decision makers is favorable for the decision over the validity of the patents. Hence, this characteristic of the bifurcation system is going to be kept into account in the assessment of the single procedure for cross-border conflicts of patents.

Regarding the study of **designs**, in respect to the US, it was found that the validity is assessed based on the novelty of the design<sup>794</sup>: the analysis is done seeing the alleged infringement under the eyes of the ordinary observer, and taking into account prior art on the basis of the drawings registered.

In the UK, the validity of the design rights is assessed also taking into account the novelty and individual character. After deciding over validation the court decides over infringement using the test under the eyes of an informed user, taking into account the overall impression taking into account design corpus (prior art) on the basis of the products (and not the drawings of registration of design).

It is submitted that although the test of ‘ordinary observer’ in the US, creates a different impression than the test of the ‘informed user’ in the UK, the addition of the consideration

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<sup>792</sup> See in Chapter II, section 2.3.1 Germany

<sup>793</sup> In this regard, see the “validity” section of Chapter II, heading 2.3.1 Germany

<sup>794</sup> See in Chapter II section 3.1.2 US Approach in Apple v Samsung

of the prior art<sup>795</sup> in the former jurisdiction, has the effect of getting these two approaches closer.

Hence, it may be suggested that if a questions of infringement of design including both jurisdictions was brought before a single procedure, there would be the possibility of homogenize the tests and render a single decision that would be valid in both countries. This will be further analyzed in the conclusions extracted from the arbitration (part B) of the thesis.

On another note regarding applicable law in matters of design, there were found inconsistencies in the European courts regarding the study of the ‘design corpus’. While in the UK the judge considered the appearance of the products (protected design and design corpus), in Germany, the test of infringement takes into consideration the drawings in the registration of the Community Design Right. Hence, a consistency in the comparison is needed.

In matters of design, it was also found that in the courts of the EU, the validity can only be brought before a designated Community Design Court, as a counterclaim of an infringement action. Hence, the questions of design in the EU are highly linked to the community aspect.

Overall, in the studied jurisdictions, the decision of the validity of the IPRs were found to be valid only in the jurisdiction of the State where the case was brought.

**b) Preliminary injunctions.** It was found that despite the speediness that is needed, in the case of Apple vs Samsung the companies did not secure the withdrawal of the allegedly infringing products from the market.

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<sup>795</sup> An addition that was given in the case of the *Egyptian Goddess Inc. v Swisa Inc*, Chapter II section 3.1.1.

Specifically, regarding the preliminary injunction of the patents, this was due in part, to the fact that the 3G patents ended up overlapping matters of competition law, which were beyond the scope of the Patent Courts.

**c) Effects of the Decision.** Overall, the effects of the decisions in Apple vs Samsung were found to be purely domestic, without having an implication in other court's decisions<sup>796</sup>.

Other important aspects taken from the different national courts' judgments in the case Apple vs Samsung are the following:

### **1. Patents**

In the US, Samsung withdrew from the litigation procedure the patent of the 3G. Nevertheless, the case continued on the basis of Competition Law before the relevant authority (USITC). Hence it is submitted that the implications of this specific patent were more important in the competition area rather than in the analysis before the patent court. In the UK, the 3G patents were held to be invalid, and hence the infringement done by the competitor was irrelevant. It is noticeable that the effect of this decision was restricted to the territory of the UK. But, similar to the case in the US, the controversy of these patents in the EU was ultimately decided by a competition authority.

### **2. Designs**

In the US, the design case was ultimately not pursued (Apple withdrew the design from the claim). In the UK, the court took into account the prior decisions rendered in Germany and the Netherlands, but did not consider them relevant because they referred to

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<sup>796</sup> See Chapter II, section 2.2.3

injunction actions and not the substance matter (infringement) of the dispute. In the UK, Samsung obtained a declaration of non-infringement over Apple's design.

In short, answering the question portrayed in the introduction of Part A 'why is the current cross-border litigation of patents and designs considered to be problematic?' the findings that the national litigation analysis drew are the following:

- 1) Because there is a need to have experts making the decision, especially regarding validity of the IPRs.
- 2) Because, despite having a similar law in the definition and protection of the IPRs, the approach of the courts to such laws was different. Also, the analysis of the multijurisdictional conflict spotted an overlap of the system of patents with Competition Law.
- 3) Because the preliminary injunction urgency factor was not fulfilled in the case of cross-border conflicts. The mechanism of appeal did not allow the decisions to be enforced in a speedy way.
- 4) Because, in terms of enforcement of the court decisions, they only had effect in the jurisdictions of the Courts that rendered the judgments.

Overall, it can be said that the case of Apple vs Samsung aid in highlighting the problems with the current system of national litigation. After spending 4 years in parallel litigation procedures, they could not get an outcome that would allow them to effectively enforce their IPRs against each other. Nevertheless, it is important to note that the parties achieved a settlement in August 2014, for all except for the cases in the US, a settlement that was reached outside of all the court proceedings.

### ***The European Community system of IPRs***

The specific problems identified in Chapter II are then analyzed Chapter III from the perspective of the Community system of patents and designs. In Chapter III, it was first laid out in general terms the rules the cross-border litigation of IPRs in the EU. In addition to the aspects found before, given the communitarian effect of the IPRs in the EU, it was found necessary to add to the study, the examination of the jurisdiction of the courts.

Having already analyzed the European approach to Apple vs Samsung in Chapter II, we then made an analysis of the rules of procedure, particularly in the context of the introduction of UPC in the European Patent scheme. The relevant aspects studied were as follows:

a) **Expertise of decision makers.**

In regards to the UPC, if the dispute involves a decision on the validity of the patent, it is ensured that the court will be composed of a panel of 3 decision makers, and one of them will be a technical expert in the field of the contended patent<sup>797</sup>. It is submitted that this is one advantage of the new system that will ensure a balance of law and technical expertise in deciding over the validity of a patent.

In regards to the Community design, it is found that the Community has selected design courts around the Member States that are presided by experienced judges specialized in the areas of IPRs<sup>798</sup>.

b) **Jurisdiction.**

In this respect a study of the current system with the Brussels I Regulation was undertaken which, in matters concerning patents and designs, gives exclusive jurisdiction to the

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<sup>797</sup> See Chapter III, section 2.2.2 The Unified Patent Court, in the Bifurcation explanation.

<sup>798</sup> In Chapter III, section 3.2 The Applicable Law of a Community Design Litigation (Apple vs Samsung Case)



courts where such rights were registered, but in case of parallel conflicts (such as the case of study) gives the jurisdiction to the first seized court<sup>799</sup>. Having these as the general rules, it was analyzed rules of jurisdiction of the current patent system (EPC), the upcoming one (UPC) and the rules for the Community Design Rights.

1. **Patents under the EPC.** The first seized' rule was found to be problematic (due to the Italian Torpedo effect in patent actions)<sup>800</sup>. The seminal case that narrowed down the interpretation of the Brussels system (*GAT v LuK*) was studied, in which the CJEU extended the exclusive jurisdiction to the national court where the patents have been registered. This decision has been criticized as contributing to the risk of divergent judgments<sup>801</sup> and it is suggested in this thesis that a clear example that this risk is real is demonstrated with the different judgments of *Apple vs Samsung* in Europe.

Nevertheless, it was found that the situation can be different for the cases where the parties do not involve (at any point) a challenge of validity. This was demonstrated with the declaration of non-infringement action promoted by *Actavis*, a very recent case that was analyzed in the arbitration chapter<sup>802</sup>. In which the English court was declared competent to rule over a declaration of non-infringement in other European jurisdictions. The jurisdiction of this case is based on national (English) case law, and if it creates precedent it may be suggested that future questions of cross-border infringement of EU Patents are going to be able to be brought before English courts. Hence creating a single judgment that will be valid for all of the jurisdictions that the claimant has asked for. This could potentially answer the research question of this thesis, nevertheless it has to be

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<sup>799</sup> In Chapter III section 1.1 Jurisdiction Over Cross-border Conflicts

<sup>800</sup> In Chapter III section 1.1 Jurisdiction Over Cross-border Conflicts

<sup>801</sup> Ibid

<sup>802</sup> See Chapter V., Section 0 2.1 Principles on Conflicts of Laws in Intellectual Property in the subsection c)

taken into account that the Patent system is about to change to a Unified Court so the effect of this judgment might be limited by the new scheme.

2. Regarding **jurisdiction in the UPC**, it is important to note that the Brussels I Regulation will be substituted by the 1215/2012 Regulation, in January 2015. As it stands at the moment of writing, the Regulation advocates for the jurisdiction of the place of registration for validity issues. Hence, in regards to patents, it will be all of the signatory members of the UPC<sup>803</sup>. This thesis submits that this may bring back the practice of forum shopping, and it is agreed that there must be a determination that helps to prevent it, for instance with the addition of a clause for the most closely connected rule<sup>804</sup>.

Finally, it is worth to note that the UPC will allow the parties to enter into a jurisdiction agreement. Patent experts expressed their disbelief that the parties could agree on this<sup>805</sup>. However, given that (a) the substantive applicable law will be harmonized in the UPC, and (b) the judges will be pulled from a list of judges in such a way that it would not be possible to predict their nationality; it is submitted that the parties will be able to decide on the forum based on geographical convenience, without worrying about the cultural aspects influencing the procedure (i.e. if the procedure is in Germany the patent culture leans to bifurcation).

3. Regarding **jurisdiction in designs** (CDRs), the rules of the Community Design Regulation will apply. It is important to note that the validity of a design can only be brought as an action before OHIM, and not in national courts, which will only hear of matters of validity if raised as a counterclaim<sup>806</sup>. Hence, it is submitted that in terms of

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<sup>803</sup> See Chapter III, section 2.2.3, subsection Jurisdiction of the Courts of the UPC (Forum)

<sup>804</sup> In relation to this, see the proposal of article 19Bis on Chapter III, section 2.2.3, subsection Jurisdiction of the Courts of the UPC (Forum)

<sup>805</sup> See for instance, Veron in page 135

<sup>806</sup> See Chapter III, sub section i. Jurisdiction

validity of a CDR, the EU system is unified, given that the decisions taken by OHIM will have an impact in the EU Community as a whole.

On the other hand, in regards to parallel infringements procedures, the jurisdiction rule is that only the first court seized will keep jurisdiction in order to avoid conflictive decisions.

It is also submitted the CDR system is semi-bifurcated, given the division between the jurisdiction on matters of validity and infringement.

**c) Applicable Law.**

The Regulations Rome I and II establish the conflict-of-law rules in order to determine the substantive applicable law. At the outset, they advocate for the freedom of the parties to determine the law. If the parties could not agree on the applicable law, it will be the law of the place of domicile and the most closely connected to contract<sup>807</sup>.

In the context of the new UPC, the applicable law will be a substantive law unified in the States that are signatory to the new scheme. Hence, it is submitted that in regards to patents, the dispositions of these Regulations are only going to be relevant for those countries who are not going to be part of the UPC system.

On the other hand, in relation to **designs**, the applicable law is the one laid down by the Community Design Right Regulation, and what it is not prescribed there, will be dealt with the domestic law of the court. It is submitted this disposition will hinder harmonization in the interpretation of Community Design, and hence it would be advisable to extend the substantive law applicable to CDRs.

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<sup>807</sup> See Chapter III, section 1.2 Conflict of Law Procedures and Applicable law

**d) Preliminary injunctions.**

The lack of speediness of injunctions observed in the national procedures continues with pan-European injunctions<sup>808</sup>. It is submitted that this is due to the lack of definition of the power of the national courts in rendering pan-European injunctions. On the other hand, it was also observed that in the case of patents, the overlap of the matter with issues of Competition Law did not allow Samsung to get an injunction.

In relation to the decision of the competition authority in the case of Samsung and Apple, it is worth noting that the Commission suggested the parties use alternative dispute resolution mechanism. This openness to ADR procedures may be generally understood as an authority approval of the use of these means.

In regards to the preliminary injunctions of designs, the European disposition is considered to be more advanced than the one of the EPC, given that the Community Design Courts are already authorized to dictate a pan-European injunction if they find an infringement. This could not be studied in the case of Apple vs Samsung, because the Appeal National Court revoked the decision of the German Design Court<sup>809</sup>.

**e) Enforcement.**

The upcoming 1215/2012 Regulation carries on with the Brussels I provision that the courts may refuse the enforcement when the subject matter affects the public policy of the national country. This characteristic is rather similar to that of the NYC to refuse the recognition of arbitral awards in article V.2.b<sup>810</sup>.

It is submitted that this particular disposition of the 1215/2012 Regulation, will not be applicable for judgments rendered by the UPC, given that those decisions will include an execution order. I consider this to be an advantage of the UPC decisions over the

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<sup>808</sup> See Chapter III, section 3.3. Pan-European Injunction

<sup>809</sup> See Chapter III, section 3.3. Pan-European Injunction

<sup>810</sup> This article is explained in Chapter V, section 4.1.2

arbitration awards, since the enforcement of the award requires recognition from the national court<sup>811</sup>.

In respect to Designs under the Regulation, it is noteworthy that the effect of the judgement over infringement actions will be only held in the territory of the jurisdiction of the court.

Part A of this thesis, highlights specific problems about the cross-border litigation of patents and designs, when they are concurrent in different national courts. Some of these issues are resolved when the litigation is based to the EU Community rights. In fact, the first question of this thesis, finds an answer in relation to patents, with the upcoming system of the UPC, because it represents a single dispute resolution procedure that will deal cross-border disputes of patents. A system that will harmonize the courts, the proceedings and the applicable law, and that includes technical experts as part of the decision makers when encountering questions of validity. Nevertheless, this scheme does not provide a global answer for conflicts that go beyond the scope of the signatory parties of the UPC.

Regarding the Community design, the first question of the thesis is considered to be partially answered, given that it provides for a unified decision in terms of validity of the right, but it does not give consistency for the decisions over infringement of the CDR. Moreover, even though the forum shopping should be avoided based on the jurisdiction rules, it was exposed through the case of Apple and Samsung, that there is still lack of harmonization between the Design Courts of the EU.

Therefore, there are still some loose ends in regards of the questions of the thesis, and they were further explored in the arbitration part (B).

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<sup>811</sup> For the enforcement of arbitral awards see Chapter V section 4.

**Part B** of this thesis dealt with the question of how arbitration can help with the problems spotted with cross-border disputes of patents and designs. First, it was necessary to lay out the procedural factors of international arbitration and the way they could apply to a cross-border conflict of patents and designs.

It was identified that the first step to get into arbitration is to have an **agreement**<sup>812</sup>. It was discovered that there is a propensity from some national courts to invite the parties to solve their IPRs conflicts via arbitration. However this was countered by the fear of ‘risking’ IPRs in a private procedure. This thesis submits, in this regard, that the cultural perception can be changed by the encouragement of the courts to use ADR instead of litigation. Nevertheless, it is important to choose the type of cases suitable for this as not all of the conflicts involving IPRs will be suitable for ADR, which is why the analysis in this thesis has focused on disputes similar to those in Apple vs Samsung. Also, it is important not to move all of the IPRs conflicts to the realm of ADR, because the cases solved in national courts help the law to develop.

An analysis of the ICANN conflict resolution procedure, revealed that getting the owner of the right to agree for ADR in case that a third party has a conflict with its right, could be a dynamic that may be adopted for other IPRs<sup>813</sup>. The owners would preserve their right to take infringement claims before the Courts.

It was considered important to analyze a manner to encourage the parties, beyond the threshold of parties’ will to get into arbitration when the conflict involved cross-border IPRs, especially given the way that the conflict between Apple and Samsung ended in the European Union. As stated above, the companies signed a settlement that cancelled the litigation procedures. One might think that the original intention (strategy) of the

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<sup>812</sup> See Chapter IV. Section 1. Arbitration Agreement

<sup>813</sup> See Chapter IV. Section 1.2. The Case of Domain Name Disputes

companies, by starting demands in multiple jurisdictions was just to push for a better deal in the settlement they knew all along was going to happen. Hence, it is submitted that if they would have been taken to arbitration from the beginning, a lot of Court resources and time could have been saved.

In regards to the **decision makers**, it was found that the parties in arbitration can choose the combination of experts and lawyers that they prefer, to act as the decision makers of their dispute (the exception to this is when the arbitration is conducted by an institution, in which case the decision makers will be chosen by the institution). In this respect, it is submitted that arbitration has an advantage over the litigation system, by allowing the parties to choose the people that, according to the parties, are best equipped to solve the dispute.

Regarding the **forum** of the arbitration, it is exposed that the principal rule is that the parties are able to choose the place of arbitration. And if the parties cannot agree on it, the institutional arbitration will decide for them, based on its rules of procedure. One way or the other, it is submitted that these options offer the parties more legal certainty, opposite to the forum shopping practice existing in litigation.

**Confidentiality** of proceedings was also identified as an important factor in international arbitration. The confidentiality which comes with arbitration undoubtedly is an advantage for parties which do not wish to have attention from the media to their conflict. However, the confidentiality was also found to present a downside for the owner of the patent or design: even if they were successful in protect their rights in arbitration, this procedure will remain confidential and the award is only enforceable *inter partes*. Hence, it is submitted that if they need to enforce their IPR against other third parties, they would

have to start from scratch. Therefore, it may generally be suggested that arbitration is of particular advantage for companies that want to continue doing business together.

Then, the research moves to analyze the substantive aspects of the Arbitration procedure. First and foremost, the possibility of taking the conflicts of patents and designs to arbitration was assessed. The analysis was divided between deciding over the arbitrability in the validity and the arbitrability of infringement causes. It was concluded that, if two parties want to question the validity of either patents or designs to an arbitral tribunal, they would have to admit that the award will have effect only between them (*inter partes*). On the other hand, the references to infringements of IPRs are considered to be arbitrable.

Regarding the **applicable law** in arbitration, the analysis looked at two different doctrines, one European (with the CLIP project) and the other one from the US (the ALI project). It is highlighted that the principles emphasize the autonomy of the parties to determine the applicable law, except, and both coincide in this, with regards to validity, in which case it should be the law of the place where the right is registered.

In respect to the UPC, this principle would not have effect, given that the law would be homogenized. Nevertheless for an arbitration taking into account jurisdictions other than the EU, this thesis suggests the use of a mosaic approach, which implies taking into account the different national (or communitarian) laws of the jurisdictions which may apply in the award. An example of the mosaic applicable law approach in patents was given in the *Actavis* case<sup>814</sup>. The judge took into account the substantive laws of all of the different jurisdictions included in the judgment. It is submitted that having only one judge deciding over all of the interpretations of the different jurisdictions seems too

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<sup>814</sup> Although the case does not refer to validity of the patent but to a declaration of non-infringement.



overwhelming. By contrast, an arbitration procedure and the UPC would offer a panel of three people.

In respect to the **applicable law of designs**, it is suggested that it would suit arbitration if the decision makers can form a *sui generis* law, taking into account the different substantive laws of the different jurisdictions analyzed. As was portrayed in Apple vs Samsung in Chapter II, the substantive applicable law to design seems already homogenized, hence the principles for founding the decisions would be more less the same.

A final note in regards to the applicable law in arbitration is the fact that whatever is the choice of law (either decided by the parties or the arbitral tribunal) it has to comply with public policy and mandatory rules, and this is supported by the doctrines studied<sup>815</sup>.

Regarding the **preliminary injunction** procedures in arbitration, it is argued that the parties to arbitration still have these means at their disposal. The arbitral tribunal can help in rendering an express award if it finds an infringement, especially when the parties had a previous contract where they agree to arbitrate disputes regarding IPRs.

**The award** can be denied enforcement on the grounds that it is against public policy. A potential conflict with this is in the case that the parties agreed to arbitrate the validity of the IPR. If the award is not fulfilled voluntarily, when one of the parties tries to enforce it, the national court might refuse to do so on the basis that the validity is not arbitrable. Nevertheless, this thesis argues that, given the evidence presented of the national court

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<sup>815</sup> Principle 3:902 of CLIP project and principle 322 of ALI project

regimes in support of arbitration, the courts would likely proceed with the enforcement of such award.

Finally, the question of whether the NYC would have a role in the enforcement of the UPC arbitration award was examined. Inside the UPC signatory parties, the award of the UPC will have a direct enforcement, based on article 82 of the UPC agreement. Nevertheless, the question remains whether awards rendered in the UPC Arbitration Centre will be considered as arbitration awards rendered in the same way as any other arbitration institution (such as the ICC or the WIPO), i.e. under the NYC umbrella. But if the parties so wish and agree to submit to this type of arbitration in other jurisdictions outside of the UPC, then they should be able to do so. To make this possible, it is submitted that a disposition in the Rules of the UPC Arbitration Centre is necessary.

### ***Recommendations for Future Research***

In order to generate a more extensive assessment of the topic, it would be necessary to explore in depth the implications of Competition Law. While this thesis encountered an overlap with Competition Law in the study of cross-border dispute of patents, this was not explored in detail.

Furthermore, once the UPC system is running, it would be necessary to build up from this research, according to how the system develops. It would be also important to analyze the rules of the UPC Arbitration Centre.

After considering the *Actavis* case, another idea remains pending of research: whether the actions for declarations of non-infringements in several jurisdictions could potentially substitute the invalidity actions.

This thesis has offered a comparative perspective of different substantive problems encountered in parallel litigation procedures. The study searched for an alternative first in the Community IPRs system, followed by a study of arbitration.

It is worth mentioning that, in relation to the case that was studied in the litigation part (Apple v Samsung), before the litigation started, the companies had a failed attempt to generate a licensing contract. Furthermore, all of the disputes (except the ones before the US courts) actually ended in a settlement of a license contract (August, 2014), and it appears that litigation was only used as a strategy of the companies, to get a better deal in the settlement. The outcome supports the adage that it is better to encourage the parties to go to arbitration than to fight in litigation.

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