A view from the outside: Bifurcated patent procedure and the right to a fair trial

Léon Dijkman | European University Institute
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Trial by combat; Augsburg, 1409 (Wikipedia)
1. Some statistics to set the scene

A brief analysis of NL + EN patent decisions in 2020
Share of invalidated patents (2020)
Source: Darts-IP, excluding PI (NL) and IPEC (EN) decisions

The Netherlands (n=10)
- Patent invalidated: 1
- Patent upheld: 9

England (n=10)
- Patent invalidated: 4
- Patent upheld: 5
- Patent partially upheld: 1
- No decision on validity: 0
Grounds for invalidity (2020)

Source: Darts-IP, excluding PI (NL) and IPEC (EN) decisions

Reported numbers exceed n because of decisions w/ multiple grounds

The Netherlands (n=10)

- Novelty: 3
- Inventive step: 3
- Added matter: 2
- Insufficiency: 4
- N/A: 0

England (n=10)

- Novelty: 4
- Inventive step: 3
- Added matter: 2
- Insufficiency: 9
- N/A: 0
Conclusions

- In England, 50% of patents was at least partially invalidated; in the Netherlands, the patent was invalidated in 9 out of 10 cases (!)
- Inventive step is the most common ground invoked; added matter argued in 20% of cases; in England, insufficiency was argued in 40% of cases.
2. Bifurcated patent litigation: fair trial analysis

Some legal objections to the bifurcated system
Problematic aspects of bifurcation

- Bifurcation severely limits infringer’s chance to comment on validity of the enforced patent
  - Patent invalidity often important and sometimes only (FRAND, pharma) defence of infringer
  - Chance that a patent is invalid is substantial
  - Problem: potential for injunction gap
In spite of the available procedures in Germany ... in theory the injunction gap problem in Germany is capable of producing some very unfair results.

Mellor J. in *Abbott v. Dexcom* [2021] EWHC 2246 (Pat)
Article 6 ECHR

- Parties should be given “a reasonable opportunity to comment on all relevant aspects of a case”
  - ECtHR, 26 July 2009, App No 33307/02 Galich v Russia [25]
- Must be “under conditions that do not place them at a substantial disadvantage vis-a-vis opponent”
  - ECtHR, 27 October 1993, App No 14448/88 Dombo Beheer B.V. v The Netherlands [33]
- Closer scrutiny where outcome may have serious consequences
  - ECtHR, 14 February 2012, App No 13469/06 D.D. v Lithuania [119]
- But: practical considerations make ECtHR ruling unlikely
Article 47 EU Charter (i) – relevance

- Incorporates and extends the safeguards of A6 ECHR
- Applies to all claims arising from EU law, including claims ex Enforcement Directive 2004/48
  - ECJ 18 January 2017, C-427/15 NEW WAVE v. Alltoys [25]; patentee’s right ex A17(2) must be balanced against safeguards of A47: ECJ 28 October 2020, C-637/19 BY v CX [32]
- May be limited, but only (i) if essence respected and (ii) if limitation satisfies proportionality test
  - Ad (i): ECJ 6 October 2020, C-245, 246/19 Luxemburg v. B [66]
  - Ad (ii): ECJ 31 May 2018, C-483/16 Sziber v. Erste Bank [51]
- A47 applies directly; courts can make preliminary reference
  - ECJ 17 April 2018, C-414/16 Egenberger [78]
Article 47 EU Charter (ii) - general

- Court must be able to “consider all the issues of fact and law that are relevant to resolving the case before it”
  - ECJ 6 October 2020, C-245, 246/19 Luxemburg v. B [66]; and see, in the context of reliance on administrative decisions, ECJ 14 May 2020, C-924, 925/19 [128]
- Appointment of specialized courts allowable, but may not result “in less advantageous conditions” for some classes of plaintiffs as compared to others
  - ECJ 27 June 2013, C-93/12 ET Agroconsulting [61]
Article 47 EU Charter (iii) – trip to Spain

- Spain has a bifurcated procedure for mortgage enforcement. When a debtor defaults, the bank may enforce the mortgage against the debtor in mortgage enforcement proceedings.
- The debtor wishing to challenge the validity of the mortgage, the amount of the debt, unfairness of the clauses, etc. must bring separate proceedings.
- However: the enforcement court moves much faster so house may be sold by the time parallel proceedings end.
Article 47 EU Charter (iv) – trip to Spain

- Debtor is placed “in a clearly less advantageous position” compared with bank → no equality of arms

- Guarantees afforded to debtor under EU law ineffective if mortgage enforcement proceedings cannot be stayed to ensure full effect of decision on debtor’s objections
  - ECJ 14 November 2013, C-537/12 and C-116/13 Banco Popular v. Quichimbo [55]

- Monetary compensation for debtor “incomplete and insufficient protection” because house already sold
Article 47 EU Charter (v) – other examples

- Narrow jurisdiction for court determining salaries, discrimination claims must be brought in separate proceedings \(\Rightarrow\) breach
  - ECJ 8 May 2019, C-396/17 Leitner v. Landespolizeidirektion Tirol [63-64]

- Court in payment order proceedings that cannot verify fairness of contract terms, even if issue can be raised in adm. proc. \(\Rightarrow\) breach

- Tax court that cannot verify all matters of fact and law on which decision of tax authorities is based \(\Rightarrow\) breach
  - ECJ 16 October 2019, C-189/18 Glencore [67]

- Various measures to “unblock courts” \(\Rightarrow\) allowed, provided they don’t go beyond what’s necessary to achieve goal or cause undue delays
  - ECJ 31 May 2018, C-483/16 Sziber v ERSTE Bank [51], ECJ 27 September 2017, C-73/16 Pulsar [70]
Conclusion

- Bifurcation of patent proceedings curtails the essential principle that courts must be able to consider all facts relevant to the outcome of the proceedings.
- If the practical outcome thereof is that infringers are placed in less advantageous position vis-à-vis patentees, may breach principle of equality of arms.
- Particular reason for concern if damage suffered by infringer cannot be adequately compensated if the patent is later revoked by BPatG.
3. Potential solutions & a look to the future

What can be done now and what can we expect?
Potential solutions

- Option #1: Qualified opinion ex §83 BPatG
- Option #2: Stay of infringement proceedings ex §148 ZPO

Current practice: stays granted in ~10-20% of cases

What is the correct standard?

- Traditionally: “in hohem Maße wahrscheinlich”
  Kühnen (2013), ‘The bifurcation system in German practice’, OJ EPO Sep 2013, at 67

- Since 2014: “überwiegend wahrscheinlich”
  BGH X ZR 61/13, [2014] GRUR 1237, 1238—Kurznachrichten

- Particularly difficult to obtain a stay if invalidity based on inventive step / added matter / sufficiency / technicality
The threshold for a stay

- Onus on defendant to show revocation is likely

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Decision</th>
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<tbody>
<tr>
<td>No prior decision on validity of patent</td>
<td><strong>Balance of probabilities; stay if more likely than not that patent will be (partially) invalidated</strong></td>
</tr>
<tr>
<td>Decision by opposition division or foreign court</td>
<td><strong>Balance of probabilities, though decision may influence outcome if persuasive</strong></td>
</tr>
<tr>
<td>Decision by BPatG or TBA</td>
<td><strong>Follow decision barring exceptional circumstances</strong></td>
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- Drawbacks: trial-within-a-trial, delays, costs..?
A look ahead at the Unified Patent Court

- Art. 33(3) UPCA: a local division has the discretion to bifurcate proceedings
- Expectation is that this possibility will hardly be used
  - Responses to public consultation to Rules of Procedure (2013): “It is to be expected that the divisions in Germany will to a large extent” hear the infringement + validity claims locally
  - Judge Zigann (2015): “Unified Patent Courts will hardly bifurcate proceedings”; “In Germany we have bifurcation because it is in our legislation, not because we aren’t used to looking at the validity of patents”
- No desire to bifurcate so long as there is sufficient technical expertise on the bench?
Thank you!

Any questions?

Please stay in touch: leon.dijkman@eui.eu

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