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International Intellectual Property Litigation in the Next Millenium

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Last year my friend, Judge Randall Rader, chose the topic “The Coming Decades of World Intellectual Property Law”—a big subject.¹ I was also asked to choose a big picture topic. Randy will obviously have covered all that can be said about substantive world intellectual property law. So I have been left with what I would have chosen anyway, what is so often seen as the Cinderella of the law—courts and legal procedure.

Many of you are students. It is the way of most law teaching to concentrate on the basic rules of law; procedure is seen as mere machinery. In fact, as you get into practice, you will discover that procedure dominates all. Substantive law is the skeleton; procedure is the flesh, blood and nervous system of the law—it is that which gives it life. This great practical truth is almost universally ignored by civil servants and legislators, often leaving judges and litigants with what we in England call a shambles. My theme is that we have managed to achieve a shambles in international intellectual property litigation, that very probably things are going to get worse before, well into the next Millennium, things get better.

Let us first take stock of where we are. In the last century each country began to develop its own intellectual property laws. You in the United States put the right to a patent into your Constitution,² and copyright laws began to develop (though in the United States you remained essentially international pirates as Dickens and others complained bitterly³). Each nation-state went its own way. At the end of the century, the great international treaties of Paris and Berne came into

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¹ Of the Patents Court of England and Wales, Chancery Supervising Judge for Birmingham, Bristol and Cardiff.
³ “Persons in the position of the Defendants, that is, of agents for an American publisher, must be taken to know that Americans are in the habit of printing and exporting piratical works . . . .” Cooper v. Whittingham, 15 Ch. D. 501, 505 (Ch. 1880).
These did not seek to bring laws into line; they set forth the principles of equality of treatment (so that in each nation-state foreigners got the same rights as citizens) and the principles of recognition of dates of filing. From then on, for most of the century things proceeded on a nation-state basis. If you wanted to complain about an intellectual property violation in a particular country, you went to the courts of that country and nowhere else. In theory, this was untidy and could lead to multiple litigation, but in practice it really was not that bad. People seldom litigated in more than two or three countries. After all, who better to judge whether the patent governed by the law of a particular state was infringed than the courts of that state? Also, if a court was to say that a violation was to stop, could it really be right that a court from some other country should say stop? In concrete terms, would it be politically acceptable, for example, for a court in Düsseldorf or Tokyo to order a factory in Cleveland or Detroit to close because of a violation of a U.S. patent? So, with very limited exceptions, all the courts of the world regarded it as none of their business to deal with violations of foreign intellectual property rights.

Things began to change, almost imperceptibly at first, sometime after the creation of the Common Market in 1957 with just six countries. The first real change began when the European Court of Justice began to create the concept of European exhaustion of intellectual property rights, starting with Deutsche-Grammophon v. Metro and culminating in Merck v. Stephar. It was becoming apparent that intellectual property laws, as purely local rights, were becoming inappropriate for single markets that crossed national borders. Even by 1980, however, the perceived view and

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5 You in the United States persisted (as you do today) with the individualistic first-to-invent rule which is perceived by the naïve as helping small inventors but which in practice costs many Americans proper protection outside the United States because, relying on the rule, they prior publish themselves thus making their own publication prior art in the rest of the world (first-to-file) countries. See generally Sean T. Carnathan, Patent Priority Disputes – A Proposed Re-Definition of “First-to-Invent”, 49 ALA. L. REV. 755, 757-61 (1998) (describing the development of the first-to-invent rule in the United States).


actual practice remained that national intellectual property rights had to be litigated in the nation concerned. No one who practiced in intellectual property had noticed the “European Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters” — the Brussels Convention. This convention (to which the United Kingdom acceded in 1982 and other, non-European Union countries have also joined via the Lugano convention) is basically about where you litigate a single dispute, typically a contract or tort claim. For example, there was a case where someone in Germany allowed a poisonous discharge to get into the Rhine causing damage in Holland. Could the plaintiff sue in Holland? The draftsmen of the Convention knew virtually nothing about intellectual property and did not bother to ask industry.

At the time of the Brussels Convention, European intellectual property laws were not at all harmonised; the position was still that each country had its own patent offices and own laws and own courts. In the 1970s, under pressure from industry, the European Patent Convention came into being. This set up the European Patent Office, granting a bundle of patents in identical terms for all the countries designated by the patentee. At the same time, the parties to the Convention were required to bring their substantive patent laws into line with the Convention. It was now beginning to be rather silly to have exactly parallel patents, subject to exactly parallel laws, litigated in different courts. An attempt was made in 1975 to provide for a litigation system for the Community, but for two main reasons (translation costs and judicial arrangements) it

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12 See id.
15 See id. arts. 10-25, 52-74.
16 See id. arts. 1-2.
was not acceptable to the users, nor was a later 1989 revision any more acceptable.\textsuperscript{18} It was the Dutch intellectual property lawyers who actually decided to read the Brussels Convention. Its provisions opened up the possibility of trying to litigate parallel rights in just one court. As I shall show, however, it does not work at all well. I turn to the Convention. The basic rule is that a defendant is to be sued in his home country — his country of domicile.\textsuperscript{19} There are exceptions, however. Under Art. 5(3), in the case of tort, delict, and quasi-delict, a defendant can be sued in the courts of the country where the harmful event occurred.\textsuperscript{20} Most significantly, if there are a number of defendants, they can all be sued in the country of domicile of any one of them.\textsuperscript{21}

It is these basic provisions which enable the right holder to turn the Convention on its head. The reason is that anyone who sells or deals in goods covered by the right is in law an infringer. This is true for the whole range of intellectual property rights, not only patents. So you can, in general, find a seller and hence an infringer in any country of the common market, and once you have got a seller in the country where you want to sue, you can not only sue him but also join in his supplier and ultimately the manufacturer who is generally the real defendant. Under the philosophy of the Brussels Convention, he would normally expect to be sued at home,\textsuperscript{22} but he finds himself playing away instead. One reason for this is that the Convention has set its face against any doctrine of “forum conveniens” — there is no room for jurisdiction being conferred on the country with the most connection with the alleged infringement.

Of course, defendants do not like this, so they have been taking evasive steps by way of seeking declarations of non-infringement and bringing revocation proceedings in the country of their choice. Instead of waiting to be sued, they start the litigation. Of course, generally speaking a potential defendant can always do this: he knows what he is proposing to do before the plaintiff can ever start proceedings against him. Once he has started these proceedings in the country of his choice, he invokes Article 21 of the Convention, which says that where there is a “lis pendens” in the courts of one country, the courts of all other countries must stay the action.\textsuperscript{23}

\textsuperscript{19} See Brussels Convention, supra note 9, art. 2.
\textsuperscript{20} See id. art. 5(3).
\textsuperscript{21} See id. art. 6.
\textsuperscript{22} See id. arts. 2-6.
\textsuperscript{23} See id. art. 21.
There is another kind of evasive action in the market place. We have seen it happen in Holland where, at least in the early days of the pan-European injunction, some companies simply took special care to ensure that they did not start any new activities in Holland. That was the advice that the Chief Patent Agent of Akzo gave to his company — advice which at the time was startling.

A particular form of exploitation of the "lis pendens" rule has been described as the "Italian or Belgian torpedo." The idea is to get the case well away from any country that might grant a pan-European injunction and to bog it down. If you sue for a declaration for non-infringement in a court which is very slow, you may well achieve this. A recent example of the firing of a Belgian torpedo by a potential defendant is Sepracor v Hoechst Marion Roussel. My brother Judge, Mr. Justice Hugh Laddie, acidly observed of the current position that "a less sensible system could not have been dreamt up by Kafka." His judgement is well worth a read. You can find it on the Patents Court website.

What has also been put into practice is early attacks on the validity of the patent. Before saying more about such tactics it is necessary to go back to the Brussels Convention. This has not thought out intellectual property rights well. Some are registered and some are not — patents on the one hand and copyright on the other are examples. In some cases the rights are closely allied, for instance registered trademarks and unfair competition rules. Under the Convention, in the only place where intellectual property rights are considered, question of validity of registered rights is the subject of the exclusive jurisdiction of the country concerned.

What then of a patent action in which validity is contested? Does Article 16(4) mean that it can only be fought in the country of the patent? Under Article 19, a court shall of its own motion declare that it has no jurisdiction over a matter which the courts of another State have exclusive jurisdiction. Invalidity of a patent is often a major defence to a claim. In many cases, it is really the only defence. The English courts have said that where validity is contested then, by a combination of

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25 See id.
26 See id. 14.
27 See id.
28 See Brussels Convention, supra note 9, art. 16(4).
29 See id. art. 33.
Articles 16 and 19, the English court has exclusive jurisdiction. The Dutch courts thus far have said that is wrong: the court forms a view as to whether or not the challenge to validity is likely to succeed.

The European Court of Justice will have to decide, but no solution is satisfactory. On the one hand, the purely national position means, in principle, multiple litigation on exactly parallel rights and laws. Yet the Dutch solution, coupled with Italian torpedoes and national applications for revocation, is inherently unstable and gives the whip hand to those who are best advised. If the position is truly that the courts of any country can order that factories in other countries close down, many would say that there is a breach of comity; and as a practical matter you are finding more and more unseemly scrambles between parties for getting the litigation in the forum of their choice.

A good example of the latter occurred in England. A man sued three defendants, namely a firm of Dutch architects, their client the town Council of Rotterdam, and the consulting engineers who happened to be British. The claim was that the architects had infringed the plaintiff's copyright in architectural plans when designing the new town hall of Rotterdam. So, apart from the fact that the consulting engineers were domiciled in the United Kingdom, the whole case was based on what happened in Holland. Why did the plaintiff sue in England? The answer is twofold — first, he wanted to play "at home" and, more significantly, he could get legal aid if he did so. I think this case is a vivid example of what is not right under the Brussels Convention.

There are other problems that arise while litigating foreign intellectual property right infringements in other countries. For instance what is the position about damages? Does the court award these on the basis of its own principles or the principles of each of the countries the subject of the litigation? Is it necessary that there is a home patent or other intellectual property right at all? What about the principles of provisional relief provided for by Article 24? For example, in England comparatively short periods of delay will result in denial of an interlocutory injunction; Holland is more relaxed. Can it really be right that a party in England can be made the subject of a Dutch temporary

30 See, e.g., Coin Controls, Ltd. v. Suzo International (UK) Ltd., 3 All E.R. 45, 61 (Ch. 1997).
33 See id. at 772.
34 Brussels Convention, supra note 9, art. 24.
restraining order (or the alternative, a Kort Geding) when he could not be subject to such an order in his home country?

You may well think from what I have told you that we have made rather a mess of things in Europe. Now why am I telling you in the United States all this? The answer is not merely that as intellectual property lawyers you have to know what is going on in other industrial countries and regions. There is more. Quite unbelievably, there is currently an international negotiation going on intended to lead to a treaty which will impose a similar shambles on the world, including the USA. Let me tell you about. The proposed Convention is called the Hague Convention. Its latest proposals for intellectual property are modeled on Brussels.

Under Article 3 of the Hague Convention, the basic rule is similar to that of Article 2 of the Brussels Convention, except wider, giving the plaintiff a range of choices based on the idea of suing the defendant “at home.” Article 9 widens the choice considerably – to any place where a “branch, agency or any other establishment of the defendant.” That may include, I suppose, subsidiary companies. Article 10 is similar to Article 5 of the Brussels Convention. Article 10(3), however, may limit the power to seek worldwide relief save where the plaintiff has its habitual residence or seat in that State. This seems to allow the plaintiff to get worldwide jurisdiction in the courts of its seat, provided it can get jurisdiction over the defendant – a job that may not be too difficult in many situations. Otherwise the rule does help, effectively preventing claims for worldwide relief in cases where the basis for jurisdiction is the place of the damage.

Article 13 provides for exclusive jurisdiction. Registered intellectual property rights are dealt with in Article 16(4), copied from the Brussels Convention. The same problem as exists under Brussels is in the draft: what if the defendant counterclaims for invalidity? Can the infringement action still go in a country other than the country of the registered right? Unlike Brussels, however, there is no unifying court for this proposed Treaty, so courts in different countries can come to different results with no one to say one is right and one is wrong. Article 23 contains the “lis pendens” rule, which corresponds to Article 21 of the

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36 See id. art. 3.
37 Id. art. 9.
38 See id. art. 10; Brussels Convention, supra note 9, art. 5.
39 See Hague Convention, supra note 35, art. 10(3).
40 See id. art. 13.
41 See id. art. 16(4).
Brussels Convention and gives rise, within Europe, to the Italian torpedo.\(^{42}\) If we enact this Treaty as it stands, the search will be on by potential defendants for the slowest jurisdiction in the world in which the potential plaintiff can be sued.

The proposed Hague Treaty may not quite go so far as to include a provision corresponding to Article 6 of the Brussels Convention — the article which, until recently, the Dutch courts thought enabled them to get pan-European jurisdiction if an infringing product was on the market in Holland: at present the question of multiplicity of defendants remains to be considered.\(^{43}\) The game in Holland, as I have told you, was to sue the seller and then use Article 6 to join in the manufacturer. The Dutch Court of Appeal has recently qualified this on the "spider in the web" theory — you can only sue for pan-European relief if the infringement was organised from Holland.\(^{44}\) No one knows whether that rule will withstand further appeal or will be approved by the European Court of Justice. What they will put into Hague concerning multiple defendants could be important if it ultimately applies all or some intellectual property rights.

I hope you will agree with me that the proposed Hague agreement is extremely badly thought out so far as intellectual property laws are concerned. Why is this? Well, I am reminded of a quote often attributed to Otto von Bismarck: "If you like laws and sausages, you should never watch either one being made."\(^{45}\)

So far as I can see, there has been no debate about and no consultation concerning the Hague proposals. There is no discussion in the intellectual property journals. The whole thing has been thought up by academics and civil servants. I hope the users will wake up and be heard soon. I expect they will want Hague to leave enforcement of their registered intellectual property rights (at least patents designs and trademarks) alone for instance by adding to Article 13 infringement as being a matter for exclusive jurisdiction.

Attempts to give jurisdiction to the courts of any particular country for worldwide infringements of related but not identical intellectual property rights will not work. The Hague or Brussels solutions often

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\(^{42}\) See id. art. 23; Brussels Convention, \textit{supra} note 9, art. 21.


produce more problems than they solve — problems of scrambles for jurisdiction, Italian torpedoes and, above all, general uncertainty.

What then, do I see as an answer in the next Millennium? I will begin within Europe. Here we have harmonized intellectual property laws a lot (particularly patents and trademarks) and will harmonize more. Thus, they are truly parallel rights. Also, we have the embryonic beginnings of a Federal State — for example, European law is superior to national law in any area where they conflict. Moreover we have two European courts, the European Court of Justice (for the European Union) and the European Court of Human Rights. On top of that we have the concept, increasingly becoming a reality, of a common market. A common market requires common intellectual property laws (which as I say are increasingly becoming so) and the logic of the whole thing is slowly and inexorably a common court. There is discussion of the problem of “judicial arrangements” (as the Commission calls the problem) now. It is unfocussed and incomplete — the current suggestion is along the lines of trial at national court level and appeal to a common court. That will not work — the users have said so unanimously. They will not apply for Community Patents if that is the judicial system. For trademarks, they are willing to put up with the idea — but then they will also keep their trademarks registered in national offices until they see how things go. For patents, they ask questions of this sort: how can you have an appellate court working on a trial record of a French, Greek or Swedish trial system? Some countries do not even have a proper record and allow all sorts of new material on appeal — a different concept from a common law appeal. Even in the United States, I have heard it said that the Federal Courts of Appeal find things

46 See generally Bender, supra note 13, at 49-82 (discussing patent harmonisation in Europe).
49 See Janis, supra note 18, at 198.
50 See Coletti, supra note 44, at 373.
51 See Bender, supra note 13, at 60.
52 See id. See generally Coletti, supra note 44, at 351-71 (discussing the difficulties due to the lack of uniformity in the application of patents issued by the European Patent Office).
53 See Coletti, supra note 44, at 373, n.124.
unsatisfactory because of regional differences. Yet the Federal Courts are supposed to operate using a common set of procedural rules — the Federal Rules of Civil Procedure. This problem would be much bigger in Europe. Potential users ask about the expertise of the court or how it is to deal with expert evidence. They want nothing of the delays inherent in many national systems. You can go on and on as to why you cannot use national courts for European patents.

I think the only real way forward will be the creation of a true European Court of First Instance and Appeal. It will come to pass in patents, I believe fairly soon in the next Millennium — despite all the problems of language and cost. European patent judges meet regularly; we have the manpower and the experience. It is the way forward. Once it works for patents (perhaps by 2020), other rights may be treated the same way.

What about the world position? I do not see the Hague Convention providing any useful answer by way of a single litigation forum. It would do much better to keep intellectual property (or at least major intellectual property, such as patents and trademarks) out of its system and leave the nation-state litigation systems in place. I think that is what will happen even if governments sign up to a Brussels-type variant — the users will complain so much that the agreement will not come into force. The way forward for the world will be twofold. First, some major companies who cannot wait for governments will form quasi-arbitration agreements. By this, I mean they will agree amongst themselves that if there is a patent dispute they will not litigate in multiple countries but will either go to a true arbitrations, or will use the courts of some country they respect and abide by the result for the world. I hear tell that some companies have agreed to such a system already — promoted by Proctor & Gamble.

As time goes on, however, it may be that, if the European solution works out as I suggest it may, the world will realize that at least for intellectual property the days of the nation-state are over and truly international courts will be created. This is not without growing precedent — the tribunals of the World Trade Organization and the increasing number of war-crimes tribunals are but a part of globalisation from which intellectual property will not be able to stand apart.

Well, you asked for a big picture. If I am right, you who are students are all going to need passports and doubtless many of you will succeed and, at the same time, enjoy yourselves. When, towards the end of your careers, you look back, I hope you will do as David Deioma has done. He came to visit me in London this summer. I asked him why he had founded this series of lectures. He said he wanted to put back something for all the pleasure and interest intellectual property had given him. Remember that when you have seen intellectual property into the next Millennium.