Unitary rights and judicial respect in the EU – ‘Bringing cool back’

His Honour Judge Birss QC

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In his Herchel Smith Lecture, HHJ Birss QC examined harmonization in Europe and internationally. The lecture highlights the increasing need for measures to aid such harmonization, including the need to facilitate the sharing of information – a prerequisite to understanding approaches in other countries. It goes on to consider how to read judgments from other countries, in particular the persuasive weight to be attached to them, and highlighted the need for everyone to become students of other legal systems. The lecture goes on to discuss what can be learnt from the existing unitary rights and the risks for forum shopping that already exist as well as those that might arise with the adoption of the unitary patent agreement.

Keywords: *European Union, harmonization, intellectual property rights, unitary rights*

I would like to thank Queen Mary Intellectual Property Research Institute for inviting me to deliver this, the 2012 Herchel Smith Lecture, in this, the John Vane Science Centre. I wonder how many patent cases have involved issues which Sir John’s work related to? They will include cases on aspirin, prostaglandins, angiotensin converting enzyme (ACE) inhibitors and COX-2 selective inhibitors. The patent profession has a lot to be grateful to Sir John Vane for.

When Professor Gibson asked me to speak, I told her that I was very flattered but that I was not sure I had any good ideas for what to speak about. I said that I really felt that I had done my selling the Patents County Court speech to death: including the costs cap, robust case management, limited disclosure, trials in a day or two and so on and so on. So then I made my first mistake – asking the Professor to suggest a topic. This topic was the result and that was when I then made my second mistake. I allowed Professor Gibson to create a title for the lecture without running it past me first. So I will speak to a title of: Unitary rights and judicial respect in the EU. I am going to ignore the subtitle.

I will start by referring to some observations by Jacob LJ. This is what was said in *Grimme v Scott*:¹

Broadly we think the principle in our courts – and indeed that in the courts of other member states – should be to try to follow the reasoning of an important decision in another country. Only if the court of one state is convinced that the reasoning of a court in another member state is erroneous should it depart from a point that has been authoritatively decided there. Increasingly that has become the practice in a number of countries, particularly in the important patent countries of France, Germany, Holland and England and Wales. Nowadays we refer to each other’s decisions with a frequency which would have been hardly imaginable even twenty years ago. And we do try to be consistent where possible.

1. [2010] EWCA Civ 1110, [63 and 64]; this lecture was given before the decision of the Supreme Court in *Schütz v Werit* [2013] UKSC 16.

The Judges of the patent courts of the various countries of Europe have thereby been able to create some degree of uniformity even though the European Commission and the politicians continue to struggle on the long, long road which one day will give Europe a common patent court.

Here the Court of Appeal is describing uniformity in European decisions as a desirable objective even though we only have a harmonized intellectual property rights and do not yet have the fabled unitary rights – at least in the sphere of patents. So in order to reflect on unitary rights and the challenges they throw up for the legal system and for judges, I would like to consider some of the problems arising with the current arrangements with partly harmonized, partly unitary rights. The overall question I want to ask is whether unitary intellectual property rights will or do solve some of the problems arising in our current merely ‘harmonized’ or part harmonized system.

One might think – as indeed the Court of Appeal are implying in *Grimme* – that if only we had a unitary patent, that would fix all the problems of lack of uniformity. There would be no more need to tolerate and deal with different outcomes in different places. I will seek to examine whether that is correct.

DEFINE TERMS

By harmonized or partially harmonized intellectual property rights I mean the systems which exists today in relation to various national rights whereby the applicable law may be supposed to be more or less the same across Europe (or even more widely), but the rights are independent, free standing, intellectual property rights. By unitary intellectual property rights I mean rights such as the Community Trade Mark, Community Registered Design and the proposed unitary patent, in which one piece of property has supranational effect across part or all of the territory of Europe.

HISTORY

Before we had unitary intellectual property rights, we have had greater or lesser attempts at harmonization. They have not been without their problems. The idea of harmonizing intellectual property rights is an old one. Consider the following examples.

The Paris Convention of 1883 (the *International Convention on the Protection of Industrial Property*) provided for a form of harmonization in the states who signed up. The harmonization was in the treatment of persons. The key obligation on a state was to give nationals of other states the same intellectual property rights locally which were available to the locals. It was not much but it was a start. Of course the Paris Convention also set up the international system of priority in patent matters and did a number of other things.

However, the Paris Convention also has an interesting anti-harmonization measure, at least in relation to patents. Article 4*bis* provides as follows:

1. Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not.
2. The foregoing provision is to be understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for nullity and forfeiture, and as regards their normal duration.

The effect of this provision is that a decision to revoke a patent in one state does not mean the patent in another state is invalid. The Convention did not have the same provision for other intellectual property rights. Article 4*bis* reflects the idea that traditionally intellectual property rights are local pieces of property and woe betide anyone who says otherwise.

The Paris Convention was not really an attempt to harmonize substantive intellectual property law but there have been many attempts to harmonize substantive intellectual property rights. To mention but a few: the *Berne Convention for the Protection of Literary and Artistic Works* (originally 1885) is a long-standing treaty and represents a significant degree of harmonization in copyright. In patents the *European Patent Convention* in the 1970s created the centralized granting organization of the European Patent Office (EPO), but did so at the same time as creating a bundle of national patents, with a harmonized law of validity of all patents in Europe. While, more recently, the TRIPS treaty (*Agreement on Trade Related Aspects of Intellectual Property Rights* made on April 1994) seeks to harmonize a number of areas of intellectual property law including copyright, trade marks and patents.

There have been various steps towards harmonization at a European level via EU legislation. In trade marks there was the Trade Marks Directive.² Of course there was also the Community Trade Mark Regulation³ and the creation of OHIM, but the Community Trade Mark is a unitary right and I will come back to that. In patents there are supplementary protection certificates.⁴ These act by bolting an EU-wide partly-harmonized system onto unharmonized national law for patent infringement. One can see some of the difficulties which that creates from the current spate of references about combination cases (see eg *Medeva v The Comptroller*⁵ and the other cases on the issue). Another example is the Biotech Directive.⁶ Here one can see harmonization of substantive patent law at the European level and there are now decisions on the application of this law such as the *Brüstle* decision⁷ on stem cells and the *Monsanto* decision⁸ about herbicide-resistant soya beans, which held that the Biotech Directive is retrospective. In copyright one can see the harmonizing effects of the Information Society directive⁹ in the judgments of the Court of Justice of the EU in *Infopaq*¹⁰ and *Painer*.¹¹

In addition to harmonization, the EU clearly exercises the power to create unitary intellectual property rights. It has done so for Community Trade Marks and Community Registered Designs and is doing so in patents.

READING OTHER PEOPLE'S JUDGMENTS

One of the problems with all these attempts at harmonization is an obvious one: if we are all supposed to be applying the same law, why is it that we get different answers to

2. Originally, Council Directive 89/104/EEC, now Directive 2008/95/EC.

3. Originally, Council Regulation (EC) No. 40/94, now Regulation (EC) No. 207/2009.

4. For medicinal products originally, Council Regulation (EEC) No 1768/92, now Regulation (EC) No. 469/2009.

5. [2012] EWCA Civ 523.

6. Council Directive 94/44/EC.

7. C-34/10 *Brüstle v Greenpeace* [2012] 1 CMLR 41.

8. C-428/08 *Monsanto v Cefetra* [2012] 3 CMLR 7.

9. Directive 2001/29/EC.

10. C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2010] FSR 20.

11. C-145/10 *Painer v Standard Verlags GmbH* [2010] ECDR 6.

what appears to be the same question in different countries? I wonder if part of the problem is that we all – and I mean the practicing lawyers as well as the judges, in all countries dealing with intellectual property cases, are guilty of a lack of humility. It is very hard not to look at what happens elsewhere and think: ‘well we do things the right way here and they are all wrong’ or ‘they do things in too much detail and get lost’, or perhaps: ‘they do things in too little detail and are superficial’, ‘they have no cross-examination’, ‘they have too much cross-examination’, etc., etc., etc. It all comes down to the view that ‘I know I am right so you must be wrong’. It is a form of parochialism.

How should we minimize the risk of a parochial approach to other people’s judgments? Here are a few suggestions.

First, we minimize that risk by sharing and exchanging information; after all you cannot follow your colleagues if you do not know what they are doing.

It is a curious feeling as a writer of judgments in the English language. English is spoken everywhere now and so many people read judgments written in English. The position is not the same for writers of judgments in other languages. Let me give you an example.

I commend to you the judgment of the Landgericht in Düsseldorf on 1 March 2012.¹² I am grateful to my friend Tobias Hahn for drawing it to my attention. This was a case concerning an application for an injunction to restrain infringement of a Community Design for the packaging of a pudding. It turned out to be a battle between the claimant’s cow called Paula and the defendant’s cow called Flecki. The cow called Paula is a bold stylized cow with sunglasses licking the pudding. Whereas Flecki is an unremarkable skinny white cow with a cowbell around its neck and a flower in its mouth. The injunction was dismissed. Why? Because the Düsseldorf court held that whereas Flecki did not, Paula had ‘*einen ruhigen und “coolen” Gesamteindruck erweckt*’. In other words Paula conveyed a calm and cool overall impression. Flecki did not. So there is nothing new under the sun and I can defer to the courts in Düsseldorf for bringing the concept of coolness into European design law.

Second I suggest we need to be careful about precedent. It may seem obvious, but a binding precedent is not the same as a persuasive authority. Here in England we have a system of binding precedent whereas in most of the rest of Europe the system is different. In our system of binding precedent, the Supreme Court is binding on everyone, the Court of Appeal is bound by the Supreme Court but binds the High Court and the county courts. The High Court is bound by the appellate courts but binds the county courts. And the county courts are bound by everyone.

But mutual judicial respect is a different thing. When one is not bound by a judgment, it is harder to know how much weight should be given to it. Now of course judges should and do respect one another, but it is much easier to respect someone you know. This leads to my third suggestion: getting out and meeting people. You may not be aware of it but there are quite a number of opportunities for European intellectual property judges to meet. The EPO do sterling work to arrange meetings of European patents judges, OHIM also does a great job organizing meetings of European judges in trade marks and designs, and there are other forms of contact between European judges as well.

These meetings are useful, indeed I would venture to say they are important. At least at a human level, they make it much easier to feel comfortable following a decision from a brother or sister judge elsewhere. Of course meeting fellow judges

12. 14c O 302/11 on 1st March 2012.

is time off from sitting in court but provided it does not take away too much time, I suggest these contacts are important.

The fourth point is a development of the third: in the intellectual property sphere we have to become students of each other's legal systems. If one simply reads a judgment it is not necessarily obvious whether it is a preliminary injunction, which is not binding at all, or a final judgment on the merits, but it may be important to know. When counsel cite these cases in court, they need to be ready to explain what sort of decisions they are citing. This is not always done.

In a similar vein one should consider the position of the EPO. The one thing the European Patent Convention did not do was create a final arbiter of the harmonized European patent laws. Now the EPO has been a positive force in European patents and a major success. It has weaknesses, it is slow. But of more significance is that as a place which is the nearest thing to a final arbiter of European patent law, its perspective has a key limitation. The EPO only hears and deals with validity. It never deals with infringement. I suggest that this is a serious limitation. Speaking as a judge having heard cases on all sorts of intellectual property rights, as a matter of personal experience, it is a good thing to have both issues before you, in order to see the consequences of your decisions. Whereas the EPO is a granting body. It can always give the benefit of doubt to the patentee because there is always the possibility of national revocation. This explains doctrines like the idea of proof ‘to the hilt’ in cases of prior use.

I suggest that when one is reading a judgment from another court, it bears emphasis that there is a need to remember and understand at least in general terms the legal context in which the other court is operating.

My fifth suggestion is to beware of nationalism. It is tempting to focus on a few key countries, from the perspective of the United Kingdom, perhaps to focus on France, Germany and the Netherlands. And of course the decisions of the courts in these countries are indeed worthy of respect and consideration, but there are important judgments from other states as well. At this point I will mention the Swiss patent court. It is a tribunal worthy of real respect. Being Swiss, it is not in the EU, but as part of the EPC Swiss patent law is the same as the patent law in the rest of Europe. It is a court to watch.

Also I would like to take this opportunity to mark the respect I have for a particular European judge many of you may not know. Her work is mentioned, but not by name, in my *Red Bus* decision¹³ when I referred to what the Austrian Supreme court had said in a case about photographic copyright. In that judgment I referred only to the Court itself since I gather that is the correct thing to do in accordance with Austrian legal traditions. I hope she will forgive me for naming a judge in person now I am speaking extra-judicially. The learned judge is Judge Irmgard Griss, then President of Austrian Supreme Court.

Finally, we need to beware of the difference between mere outcomes and differences on issues of principle. If the facts or evidence are different then it is no surprise the outcome is not the same. In a harmonized system (but not in a unitary system) the facts and evidence before one court are very likely to be different. I venture to suggest this accounts for a good number of the differences in many cases.

Now it can be helpful to try and say what accounts for differences but this risks turning into a need for longer and longer judgments explaining why you disagree with another court. But I think if there is a judgment on the same point and one does disagree, then it is only polite to say why.

13. *Temple Island v New English Teas* [2012] EWPCC 1.

WHY ARE SOME PEOPLE AFRAID OF UNITARY RIGHTS?

Having regard to some of the current discussion about the unitary patent, perhaps harmonization is enough. One might ask why go to the trouble of creating unitary rights.

An obvious risk in a unitary system is that once a party has lost once, that is the end of the matter and this applies as much to a client who is a rights holder as it does to an alleged infringer. Compare this with various examples of patent litigation over the years, in which the same dispute has been fought all over the world. The outcomes did not always go the same way in every state and certainly not at the same time. This can be seen in the Viagra patent litigation in the early 2000s and in the recent spate of telecoms cases more recently. So perhaps industry prefers to reduce the risk by not having all their eggs in a single basket? However, one can then consider the EPO. For many valuable patents all the 'eggs' are in that single basket and industry seems to be very comfortable with the EPO.

Is it just that some lawyers do not like unitary rights? Across Europe and the world, different local lawyers charge the same client for fighting the same case. One only has to pause for a moment to think how odd that is, but I should not be hypocritical. When I was at the Bar we had many meetings to discuss the impact elsewhere of how we wanted to present a case in England and vice versa, the impact on the case in England of how it was that colleagues abroad wanted to present the case in their local courts. But is this really a good reason to oppose unitary rights? Of course not.

It is sometimes said that a system with separate rights in different countries creates forum shopping but I question whether this is really correct. Until recently the view has been that one could not decide on other people's intellectual property rights in different countries. If one could then it might start a spate of forum shopping. There was a time when this was seen with the courts in the Netherlands deciding patent cases for Europe as a whole, and now one might wonder if we are starting to see the same thing in the United Kingdom with the recent decision of Arnold J in *Actavis v Lilly*¹⁴ in which infringement of an EP patent in four European states was to be decided in one English trial.

Now despite these questions, unitary intellectual property rights have been put in place and are growing in importance, so how are unitary intellectual property rights working? What lessons can be learned from the existing ones for the next phase in the development of unitary intellectual property rights? I will consider some problems thrown up by unitary European trade marks and registered designs.

Until the Community Trade Mark system, there were no unitary EU intellectual property rights. The CTM model for creating unitary rights worked in the following way. Courts in member states became CTM courts. This involved a measure of respect for each other's courts and the system seems to work. If it has a drawback, perhaps the mass of cases before the General Court and before the CJEU are an indication that we need to be careful. Now a particular problem with unitary trade marks is that what may be confusingly similar to an English speaker may not be confusing to a Spanish speaker and in the end the answer has to be *Chronopost*.¹⁵ At some level we have to have a series of adjudications, perhaps mini trials. Since the facts are not same across the EU, one cannot assume that they are. But presumably this is a problem specific to trade marks. One might express the hope that we will not

14. [2012] EWHC 3316 (Pat).

15. C-235/09 *DHL Express France SAS v Chronopost SA* [2011] FSR 38.

see arguments in design cases that the ‘overall impression’ to a British informed user of a design is somehow different from the overall impression to an Italian.

The problem of parallel cases in the Community Trade Mark system does not appear to be a major concern, perhaps because although there are disputes between large corporations in trade mark matters, they are usually relatively sedate and take place to a large extent in the trade mark offices, both national and supra-national.

The copyright model involves harmonization without bothering with a new legal system. With the combination of the Information Society directive, the recent judgments of the CJEU in copyright and the *Lucasfilm* decision of the UK Supreme Court,¹⁶ one might ask when forum shopping in copyright is going to start.

The Community designs model for unitary rights is the same as the Community trade mark model. I am struck by the number of Community registered design trials I have heard in recent months: four in seven months, three in the Patents County Court and one in the High Court. This might suggest that unitary designs are something people want. I will mention *Samsung v Apple*¹⁷ but not to comment on the judgments themselves but to draw attention to what light that case may shed on the manner in which litigation over unitary rights may evolve in future. First, the unitary Community registered design has not cut down the number of actions in different EU states. There were a number of preliminary injunction proceedings across the EU, in Germany, Spain and the Netherlands as well as proceedings in OHIM, leaving aside entirely proceedings elsewhere in the world. In a harmonized system some litigants have always thought it was worth racing to a judgment in one state in order to export it around Europe and here perhaps we see a risk of the same thing in the sphere of unitary rights.

PRIVIES AND PARTIES

Some of you may remember a previous attempt at exporting judgments: *Kirin-Amgen v Boehringer Mannheim*.¹⁸ That was an attempt to export the findings of a US court into UK patent proceedings under the doctrine of issue estoppel. The Court of Appeal said in terms that there *was* a place for issue estoppel in patent cases, but judging by the sight of it since then in any intellectual property case, the place for it seems to have been outside the courtroom.

One of the real difficulties exposed by the Court of Appeal’s judgment in *Kirin-Amgen* is the issue of privity. This depends on the identities of the parties to the judgment in the United States and their relationship to the parties to the English case. Under English law, issue estoppels are only binding if there is privity between parties. I wonder if we are going to see this issue raise its head in relation to unitary rights? So far the Court of Appeal here has been robust on the subject. In *Samsung v Apple* the Court of Appeal held that the Samsung group of companies were all one undertaking.¹⁹ A similar point arose in the recent judgment of Arnold J in *Actavis v Eli Lilly*. One argument in that case was whether the acceptance of service of proceedings which had been given included accepting service of proceedings by other companies in the group. Arnold J held as follows: ‘Accordingly, I conclude that Lilly consented to the service of proceedings by the parent operating company of the Actavis group and its relevant

16. *Lucasfilm v Ainsworth* [2011] UKSC 39.

17. [2012] EWCA Civ 1334.

18. [1997] FSR 289.

19. *Samsung v Apple* [2012] EWCA Civ 1334, [60].

national subsidiaries and that Actavis Group is covered by that consent'. I venture to suggest we have not seen the last of this point.

THE UNITARY PATENT

Now if the unified patent proposal had adopted the Community Trade Mark or Community Design model, every state would have a unified patent court. Interestingly we are prepared to trust a Community trade mark court in any other state, call it 'Ruritania', to decide on the validity of a Community trade mark for the whole EU in a counterclaim for revocation,²⁰ and the same goes for Community registered designs. However, we will not trust every state to have a Community patent court on the same basis. So the Unified Patent Court (UPC) proposals have a series of local divisions and a central division. Did this suggest a lack of judicial respect by someone for courts in other EU countries?

I worry that there is now an even bigger risk of forum shopping in the UPC. The patentee will choose which court they like best, whereas in the past the patentee did not really have much choice, given the locality of the infringements. As I understand current draft, there is the possibility of parallel proceedings in actions on the same patent, as long as there are different parties, and so the issue of privity and the problem of corporate groups and the like will surely arise.

I cannot leave a discussion of unitary rights without considering bifurcation. Arguments about patents often invoke the metaphor of Scylla and Charybdis. Will the patentee argue in favour of a wide construction and risk sinking his ship in the whirlpool of invalidity or will he argue in favour of too narrow a construction, sailing too close to the rocks of non-infringement, only to be eaten by the monster? It is an impressive feat to think that the UPC now gives the patentee the answer: always bifurcate – sail straight for the monster and let your small or medium-sized opponent, the SME, get eaten in the meantime. Then, once there are no survivors around to complain that the patent is invalid, slam on the brakes and change course, sailing elegantly past with flying colours and no competition.

CONCLUSION

To answer the question posed at the beginning, unitary intellectual property rights are unlikely to be a panacea for all the ills of a partly harmonized system of intellectual property rights. Even though you might think unitary intellectual property rights, as compared to a system of parallel more or less harmonized intellectual property rights, should cut down on the number of parallel versions of the same case fighting in different countries, in practice it is not that simple. Moreover, while the recent *Actavis v Lilly* decision in the Patents Court shows that it is not just the Dutch who can look for ways in a non-unitary system of reducing the number of parallel cases which have to be fought, nevertheless it is plain that unitary intellectual property rights are here to stay in trade marks and designs and presumably we will see a unitary patent system sometime soon.

Now the level of mutual respect and recognition between the European judges handling intellectual property matters is significant already, thanks to the efforts of

20. Regulation (EC) No. 209/2007, art 96(d).

various people and organizations, some of which have been working on this for a considerable period, but a system of unitary intellectual property rights in Europe will only increase the need to work to enhance that mutual judicial respect even further. A knowledge and understanding of each other's systems is becoming an important part of the knowledge needed to practise intellectual property law in Europe today. I suggest that understanding may be the only way to really achieve uniformity in the application of European intellectual property law. That is what we should all work to achieve.

Thank you very much