

Focus Arbitration

Case study – arbitration dealing with US and EU patents and validity and infringement

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22 May 2015

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Agenda

- Disadvantages of litigation before national courts
- Advantages of arbitration
- When is arbitration not appropriate?
- Real World WIPO arbitration example

Disadvantages of litigation before national Courts (1)

- Multiple, separate litigations in individual countries with different timing and duration
- Can be slow, costly, uncertain, inconsistent
- Requires coordination and management of counsel in multiple individual countries
 - Can be burdensome in global litigation
- Some countries require separate court cases for separate asserted patents and utility models and separate cases for infringement and validity issues (bifurcation - no “squeeze”)
- No finality and international enforceability

Disadvantages of litigation before national Courts (2)

- European Patent Office (EPO) deals with patent examination / grant / oppositions / post-grant limitation, not with construction and infringement
- EPO decisions not binding on national (validity) Courts; national Courts do not necessarily follow EPO and EPO case law
- Separate patent infringement actions in individual countries where the European patent is validated
 - No or limited cross-border jurisdiction
 - No centralized European court
- Variable results among various countries
 - Different substantive and procedural law
 - Different approaches to claim construction, use of prosecution file and infringement by equivalence
- UPC does not resolve this

Advantages of arbitration (1)

- Single procedure
 - All issues (infringement, validity, damages) decided in a single procedure
 - All patents/utility models
 - All countries
 - Before a single tribunal with experienced Arbitrators with relevant patent, legal and technical expertise in the field
- Party autonomy
 - Inherent flexibility of Arbitration and Rules fit for purpose
- Efficiency
 - Timing
 - Duration
 - Costs / cost containment

Advantages of arbitration (2)

- **Neutrality**
 - Neutral arbitrators screened for relevant patent, legal and technical expertise (no "home court advantage")
- **Confidentiality**
 - Confidentiality and protection of "trade secrets"
 - Even existence of arbitration can be confidential
- **Evidence**
 - Discovery and disclosure under Rules of Arbitration vs. complicated preliminary evidentiary seizure ("*saisie*") and disclosure actions before national Courts
- **Finality**
 - Binding award, sometimes no appeal
- **Enforceability**
 - Awards internationally enforceable under the New York Convention.

When is Arbitration not the appropriate solution for resolving a dispute?

- Non-arbitrable disputes
 - Questions concerning the "absolute character of protection"
 - Arbitration award cannot determine the validity of a patent with *erga omnes* effect (exclusive domain of national administrations and/or courts)
 - Parties may, however, agree on determination with *inter partes* effect
 - Art. 22 of the Brussels I Regulation (EC No 44/2001):

"The following courts shall have exclusive jurisdiction, regardless of domicile: [...]

4. in *proceedings concerned with the registration or validity of patents*, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place."
- Public policy issues

Real World WIPO arbitration example in the life sciences field

- WIPO arbitration clause in earlier settlement agreement to resolve future disputes
- WIPO arbitration
 - 2 US patents
 - 1 European patent (validated in Belgium, Ireland, Italy, France, Germany, Great Britain and the Netherlands)
 - Same family but different claim limitations among various patents
 - 1 Accused product – hundreds of millions of dollars in annual sales
 - Tribunal: 1 US Arbitrator and 1 EU Arbitrator

Timing and duration

		Scheduled Date	Actual Date
(1) Preliminaries	Claimant's Request for Arbitration	n/a	February 20, 2006
	Respondent's Answer	n/a	March 22, 2006
	Arbitrator Selection	n/a	September 19, 2006
(2) Formal Pleadings	Claimant's Statement of Claim	December 19, 2006 <i>(extended from initial due date of November 4, 2006)</i>	December 19, 2006
	Respondent's Statement of Defense	January 18, 2007	January 26, 2007
	Claimant's Reply	February 14, 2007	February 21, 2007
	Respondent's Sur-Reply	March 2, 2007	March 19, 2007
(3) Discovery		March 30, 2007	Document Production Completed by March 30, 2007
(4) Testimony & Hearing Period (Fact & Expert)	Fact Witness Statements	April 27, 2007	June 28, 2007
	Completion of Fact Witness Depositions	May 25, 2007	May 16, 2007 – June 12, 2007 (Multiple fact witnesses deposed)
	Expert Witness Statements (Claimant's infringement and Respondent's invalidity)	June 22, 2007	July 9, 2007

Timing and duration (2)

		Scheduled Date	Actual Date
(4) Testimony & Hearing Period (Fact & Expert) (continued)	Rebuttal Expert Witness Statements (Claimant's validity and Respondent's non-infringement)	July 20, 2007	August 3, 2007
	Completion of Expert Witness Depositions	August 10, 2007	August 15, 2007
	Five-Day Hearing	September 17-21, 2007	September 17-21, 2007
(5) Post Trial Briefing Post-Hearing Submission	Claimant's Post-Hearing Submission	October 22, 2007	October 22, 2007
	Respondent's Post-Hearing Submission	November 21, 2007	November 28, 2007
	Claimant's Reply	December 6, 2007	December 20, 2007
	Respondent's Sur-Reply	December 21, 2007	January 11, 2008
	Claimant's Reply to Sur-Reply (submitted by mutual agreement)	n/a	January 22, 2008
(6) Award	U.S. & EP Award	n/a	May 2, 2008
	WIPO Final Accounting	n/a	May 30, 2008

Motions, Procedural Orders and Preparatory Hearings

- Case management conferences followed by procedural orders issued by WIPO Center to streamline procedure throughout
 - Some initiated by Tribunal and others by WIPO case manager
 - Examples: (i) confirm “ground rules”, (ii) schedule, (iii) issues and procedure, etc.
- Preparatory hearings
 - Scheduling, further procedures, etc.
- Substantive motions
 - Filings and arguments facilitated by WIPO case manager
 - Examples: (i) motion to dismiss a patent from case (denied); (ii) motion to dismiss for collateral estoppel (denied); (iii) motion to exclude certain testimony, etc.

One claim construction hearing

- Exchanged terms, whose meanings were disputed
 - Support (intrinsic/extrinsic) for meaning
- Exchange detailed briefs
- Full-day hearing for claim construction
 - To construe US and EU patents and all disputed terms of each patent
- Preliminary claim construction ruling for US and EU patents

WIPO arbitration case study - conclusions

- Experienced, efficient arbitrators with expertise in relevant technical field
- Efficient WIPO case manager
- Front-loaded procedure with case management conferences and procedural orders to streamline procedure
- One claim construction hearing to construe US en EU patents
- Five day testimony and hearing dealing with infringement and validity
- Timing, duration, costs

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