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**THE INTERNATIONAL JURISDICTION OF SPANISH COURTS IN
CASES OF ALLEGED PATENT INFRINGEMENT**

*La competencia judicial internacional de los tribunales españoles en los casos de presunta
infracción de derechos de patente*, Tirant Lo Blanch, Valencia
(forthcoming 2017)

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ABSTRACT: The litigation of patent rights is strongly influenced by the territoriality principle, meaning that patent rights currently need to be litigated in each and every granting State, due to the fact that the granting State has exclusive jurisdiction for determining the validity of patent rights granted in respect of its territory. To identify the impact of such an exclusive jurisdiction, patent infringement cases are analyzed in order to provide for a framework, as they are the most common *causa petendi* in the courts as regards patent rights. The analysis not only focuses on judicial litigation (linked to the traditional courts) but also takes into account the possibility of arbitrating or mediating a dispute on infringement of patent rights.

KEYWORDS: international litigation, patent infringement, patent validity, jurisdiction, arbitrability, mediability.

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1. Relevance of the topic in today's world

Patent rights aim to boost innovation; and innovation is the only way to achieve technological progress, which mainly finds its legal protection through patent rights. Thus, there is a need to set up a patent system that works very well and to put forward more solutions than problems identified for inventors and investors.

The satisfactory protection of inventions is not only needed in substantive terms, but it is also necessary in procedural terms. In particular, it has been observed that the procedural protection of patent rights is troublesome as regards cross-border disputes.¹ Patents protect intangible goods (inventions), which are especially vulnerable in a globalized world. Currently, patent rights are linked to the territory of the granting State. However international trade long ago surpassed state borders. Accordingly, it is submitted that the territoriality inherent to patent law needs to be reconfigured.²

Due to this territorial connection, patent rights currently need to be litigated in each and every granting State. This is an undesirable anachronism not only for plaintiffs and defendants,³ but also for society as a whole. Indeed, the public interest underlying the protection of patent rights is to create a legal framework that attracts progress and innovation.

¹ Palao Moreno, G.: "Propiedad Intelectual y Derecho internacional privado en la Unión Europea", in Esplugues Mota, C. and Palao Moreno, G. (eds.), *Nuevas fronteras del Derecho de la Unión Europea. Liber amicorum José Luis Iglesias Buhigues*, Tirant Lo Blanch, Valencia, 2012, p. 833. The author warns that EU rules on industrial and intellectual property are not systematic and provoke problems in practice.

² Many authors write in this vein. As an example, Dinwoodie, G.B.: "Conflicts and International Copyright Litigation: The Role of International Norms", in Basedow, J.; Drexler, J. *et al.* (eds.): *Intellectual Property in the Conflict of Laws*, Mohr Siebeck, Tübingen, 2005, p. 205. Baratta, R.: "The Unified Patent Court – What is the 'common' trait about?", in Honorati, C. (ed.): *Luci e ombre del nuovo sistema UE di tutela brevettuale*, G. Giappichelli Editore, Turin, 2014, pp. 112-113.

³ Blumer, F.: "Jurisdiction and Recognition in Transatlantic Patent Litigation", *Texas Intellectual Property Law Journal*, vol. 9, 2001, p. 396. Ginsburg, J.: "Jurisdiction and recognition of judgments under the ALI Principles", in Bariatti, S. (ed.): *Litigating Intellectual Property Rights Disputes Cross-border: EU Regulations, ALI Principles, CLIP Project*, CEDAM, Milan, 2010, p. 5.

In line with this territorial factor, the granting State has exclusive jurisdiction for determining the validity of patent rights granted in respect of its territory. This exclusive jurisdiction applies whenever the question of validity is raised, even as a defence.

This causes problems for the international litigation of patent rights, which is strongly influenced by the territoriality principle. This work –summarized here– begins with a critical analysis of the reasons that are put forward for exclusive jurisdiction in this area, pointing out the lack of justification in view of historical precedents, and the granting role of the European Patent Office. Subsequently, the impact of the exclusive jurisdiction rule on the procedural issues of patent infringement disputes is addressed.

To identify the impact of exclusive jurisdiction, patent infringement cases are analyzed in order to provide for a framework. The reason for focusing on these cases derives from the fact that these are the most common *causa petendi* in the courts as regards patent rights. Moreover, the infringement of patent rights presents an important feature: at least in theory, it is not included within the rule of exclusive jurisdiction to determine the validity of patent rights. Thus, parties may submit their dispute regarding an infringement to the court of their choice (by written agreement or by appearance). They can also choose to litigate in the general *forum* of the defendant's domicile or to make use of special *fora*. Furthermore, they can also arbitrate or mediate their infringement dispute.

However, in practice, the aforementioned options regarding the litigation of infringement cases are very limited, due to the extension of the scope of the exclusive international jurisdiction rule to determine the validity of patent rights.

This exclusive jurisdiction rule does not only cover the validity of patent rights but also extends to the registration of patents. However, in this study, the focus will be only on the validity of these rights, in order to narrow the scope of

the research. This is due to the fact that registration issues in this field have very few dimensions in common with the validity of patent rights.⁴

Recently, the European legislator has adopted several acts of law that will have a strong impact on patent litigation. These new rules that have just entered into force –or which will do so in the near future– make it necessary to rethink the current patent litigation system.

The central text that guides the research summarized here is Regulation (EU) no. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters⁵ (hereinafter, Brussels I recast), which applies from the 10th of January of 2015.⁶ This instrument is analyzed in light of the Convention of 30 June 2005 on Choice of Court Agreements,⁷ (hereinafter, The Hague Convention on Choice of Court Agreements), which entered into force on the 1st of October of 2015,⁸ and of the Agreement on a Unified Patent Court⁹ (hereinafter, UPCA), which is still in the process of ratification.¹⁰ While these two instruments provide for the most flexible approach as regards the questions of jurisdiction for the validity of patent rights, it will be shown that an even broader approach is in reality required.

⁴ The registry records aim to the mere publication of the information. In this vein, some authors point out that this function has a weak link with the granting State and consequently the rule of exclusive jurisdiction lacks justification as regards the registration of intellectual property rights. *Vid.* Chaen, S.; Kono, T.; Yokomizo, D.: “Jurisdiction in Intellectual Property Cases: The Transparency Proposal”, in Basedow, J.; Kono, T.; Metzger, A. (eds.): *Intellectual Property in the Global Arena*, Mohr Siebeck, Tübingen, 2010, pp. 89-90.

⁵ OJ L no. 351 of 20 December 2012.

⁶ According to its Art. 81.

⁷ Convention adopted within the Hague Conference on Private International Law. Text available in: http://www.hcch.net/index_es.php?act=conventions.text&cid=98 (last accessed on 24.11.2016). Up until now, only Mexico and the European Union (except Denmark) have ratified it. See the status of ratifications in: http://www.hcch.net/index_es.php?act=conventions.status&cid=98 (last accessed on 24.11.2016). As regards the ratification of the European Union, see the Council Decision of 4 December 2014 on the approval, on behalf of the European Union, of the Hague Convention of 30 June 2005 on Choice of Court Agreements (OJ L no. 353 of 10 December 2014).

⁸ According to its Art. 31.1.

⁹ OJ C no. 175 of 20 June 2013.

¹⁰ According to its Art. 89.1. See the ratification status in: <http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2013001> (last accessed on 24.11.2016).

In addition, national legislation is taken into account. Coming from a Spanish Law background, special attention is paid to this particular national system. In this respect, the Law 24/2015 of 24 July on Patents¹¹, which has replaced the Law 11/1986 of 20 March on Patents,¹² is especially relevant.

2. Working plan and structure

The work here summarized addresses the impact of the exclusive jurisdiction rule for assessing the validity of patent rights in disputes relating to the infringement of these rights. The analysis follows the structure described below.

1) First, the historical background that led to the inclusion of the rule of international exclusive jurisdiction is examined. This approach –beginning with a historical analysis– is not unjustified; indeed, it is necessary in order to understand the reasons that led to its layout as we know it today.

2) Secondly, the various procedural options available for the parties in order to resolve a case on infringement of patent rights are addressed. Thus, the second chapter of the book is related to the exercise of parties' autonomy to choose the competent court, and the third chapter is devoted to the defendant's domicile *forum* and the special jurisdiction grounds.

3) The fourth chapter focuses on the study of the interim measures. It is different from the rest, as the use of interim measures is not a way to settle disputes definitively, but rather provisionally –in the sense that provisional measures are used to protect the rights claimed, until the judge decides– in a final manner. Interim measures have been included in the scope of the research due to the relevance of interim protection in patent infringement cases. This relevance can be explained due to two factors: 1) the adoption of precautionary measures is, in many cases, of essential utility given the characteristics of the protected

¹¹ BOE no. 177 of 25 July 2015.

¹² BOE no. 73 of 26 March 1986.

intangible property; and 2) in some cases, after the interim ruling, the parties will settle their dispute.¹³

5) Finally, the fifth chapter is devoted to arbitration and mediation as an additional option for the parties to bring their dispute to an end. Notwithstanding that alternative dispute resolution means differ from the traditional judicial system, their influence on the latter cannot be ignored.

As a result, in all of these fields in which the research is divided, the influence of the exclusive jurisdiction rule to determine the validity of patent rights has been observed. This influence is so deep that it is possible to state that disputes relating to the infringement of patent rights also fall within the scope of the exclusive jurisdiction rule. Therefore, the position taken in this work is to defend the softening of the exclusive jurisdiction rule in respect of disputes concerning the validity of patent rights.

3. Main findings

The research conducted leads to the conclusion that the exclusive jurisdiction rule to determine the validity of patent rights should be interpreted in a more flexible way today.

At the very least, it is submitted that the exclusivity of that jurisdiction rule should be abandoned when the issue of the validity is raised incidentally. That is to say, if the question of validity of the patent right arises as a preliminary matter in a case in which the main issue in dispute is the infringement of patent rights, the competent court for the main question may rule on such validity. The judgment would affect the parties involved in the dispute, without changing the corresponding entry in the registry. All of these considerations hold true in respect of both national and European patents.

¹³ This trend has been observed in The Netherlands, *vid.* Pertegás Sender, M.: *Cross-Border Enforcement of Patent Rights*, Oxford University Press, New York, 2002, p. 133.

The main conclusion pointed out here derives from the analysis that has been conducted within the chapters that are developed in this monograph. Thus, the results that have been identified in each chapter lead to the assertion that the exclusive jurisdiction rule for ruling on the validity of patent rights –which corresponds to the granting State– is the cause of the majority of the procedural problems of today’s European patent litigation. Those results identified are the following:

I. The lack of justification for the exclusivity of the international jurisdiction on the validity of patent rights

In the first chapter of the monograph, it is shown that at the time when the Brussels Convention of 1968 was concluded, five out of six of the negotiating States applied the rule of exclusive jurisdiction in matters relating to the validity of patent rights. The reasons that led to its inclusion in that Convention hinged on the discretion that the State of registry had for granting patent rights.

Later, in 1977, the European Patent Office began granting European patents. These European patents are considered to be national patents in those States designated by the applicant. As such, from that moment on, the discretion exercised by the granting State was no longer to it; rather, an institution –with independent legal personality from sovereign States– grants patents with effect in the territory of those States. This institution, namely the European Patent Office, has been granting patent rights following a patentability test, based on the novelty and technical features of the invention.

Currently, only Germany applies such a test for granting its national patents. So, only one State out of the six negotiators of the Brussels Convention observes the technical requirements for the patentability of inventions. However, despite the thoroughness of that test, it should be noted that it is not an infallible method for identifying patentable inventions. To this extent, it should be taken into consideration that the object of patent rights is comprised of intangible

creations of the human intellect with industrial use, and the patent system seeks to identify them in order to protect them.

Nowadays, the majority of the States grant national patent rights by merely verifying the satisfaction of formal requirements. This means that during the administrative process for granting those rights, the technical patentability test is virtually non-existent. Rather, the technical test is applied afterwards by the courts. However, the courts will apply it only when an action – in which it is claimed that a patent right is invalid – is brought before it. Only in this scenario will the novelty, the inventive step and the industrial use of the invention be checked. It is therefore a system that only scrutinizes the patentability requisites at the individuals' request, and not *ex officio*. As a result, the public interest underpinning the patent system is only guaranteed as regards the patent rights which have been the object of a dispute between private parties.

All of these considerations lead us to advance that since 1977, the exclusive jurisdiction rule on the validity of patent rights is unjustified. This is mainly due to the role of the European Patent Office in granting patents; the international consensus reached in the Munich Convention on the patentability requisites, based on novelty, the inventive step and the industrial application of the invention, and the lack of *ex officio* checking of the patentability test. Moreover, and as a parallel effect, this exclusive jurisdiction rule is the focus of many of the procedural problems observed in the current system of patent law.

II. The limited effectiveness of choice-of-court agreements for disputes concerning the infringement of patent rights

In the second chapter of the book it is shown that the parties in a dispute can rarely use choice-of-court agreements for disputes concerning the infringement of patent rights. The reason for this is the scope of application of the exclusive jurisdiction rule for the validity of patent rights, which extends to the question of validity even when raised as a defence. Consequently, the party who does not want to pursue the agreement, or who is willing to extend the

proceedings with *mala fide*, only has to claim that the patent is invalid. In this situation, the granting State will decide on the validity issue and the proceedings will be either stayed until the judgment on validity is issued or wholly conducted in the courts of the granting State.

As a consequence, the choice-of-court agreement concluded by the parties can easily be rendered inapplicable in this area. This means that the European Union remains behind the trend of the latest legal texts passed, which is particularly regrettable taking into consideration that the Brussels I Regulation was amended in 2014. The new trend observed allows the parties to conclude choice-of-court agreements for patent infringement disputes, even when the question of validity is raised as a preliminary question. This is the rule stated in The Hague Convention on Choice of Court Agreements. Moreover, the UPC Agreement allows the parties to bring the action before the Division of their choice, even if the main question is one of validity.

The rigidity of the position adopted by the European Union not only reduces significantly the use of choice-of-court agreements (or indeed, of submission by appearance) regarding disputes concerning patent infringement, but also raises problems of coordination with the Convention on Choice of Court Agreements and the UPCA. As a result, this will have an impact on the choice of EU countries as competent *fora* to deal with matters relating to the infringement of patent rights.

III. The limited scope of the general forum and special fora in cases of infringement of patent rights

The impact of the exclusive jurisdiction rule to determine the validity of patent rights also affects the use of the general forum and special *fora* for disputes relating to the infringement of patent rights. Indeed, the third chapter shows that the use of the defendant's domicile forum and the special *fora* –both for contractual matters and torts– is limited.

Regarding the general forum of the defendant's domicile, the impact of the exclusive jurisdiction rule is twofold: 1) its use is limited for situations with a plurality of defendants (*ex art. 8.1 Brussels I recast*); and 2) its use is blocked when a torpedo action is brought. This is due to the rigid application of the exclusive jurisdiction rule, even when the question of validity arises as a defence.

In both scenarios, the possibility that the claimant can file a suit in the defendant's domicile is blocked. In the first case (plurality of defendants), it is not possible to bring an action against all defendants in the State of domicile of one of them, in cases of infringement of a European patent validated in several States or cases of infringement of several national patents on the same invention. In the second situation ("torpedo" actions), a claim on the nullity of the patent can block the action brought in the defendant's domicile by the *bona fide* patent holder.

The same is true in respect of the use of the special *fora* for patent infringement cases. On the one hand, the proceedings will be, at least, stayed when the forum of jurisdiction used is the special one for contractual obligations or the special one for torts. On the other hand, as regards the special forum for torts, the distinction between the place of the event giving rise to the damage (with jurisdiction to award damages for all of the harm caused) and the place where the damage occurs (with jurisdiction to rule solely in respect of the harm caused in the State of the court seised) is blurred. Given the uncertainty of the powers of the court of the place giving rise to the damage to award damages for all the harm caused (as a consequence of the territoriality principle), it seems that the safest option for the success of the action is to bring it before the court where the damage occurs. This court will be a court of the granting State.

IV. The flexibility adopted to approach the question of patent validity in the precautionary process

Unexpectedly and against all odds, the ECJ has provided for an exception to the rule of exclusive jurisdiction for the validity of patents in respect of the adoption of interim measures. In this respect, it agreed to the fact that a court

without exclusive jurisdiction could rule on the question of validity, given the provisional nature of the interim judgment and its *inter partes* effect. This conclusion brought a certain flexibility compared to the rigidity derived from the previous case law.

This point of view of the Court is welcomed in a field such as the infringement of patent rights, which often requires the adoption of interim measures. The judgment refers only to the scenario where the question of validity is raised as an incidental one. However, it is difficult to imagine a situation in which the question of validity is raised as a main issue in a precautionary process, asking for a modification of the entry in the registry. On the contrary, in reality, it seems that the most common practice in such situations is to raise the question of validity incidentally.

This position adopted by the ECJ leads to a greater flexibility in the precautionary process, as compared to the main proceedings. For example, the “torpedo of nullity” strategy has been rooted out in the precautionary process, notwithstanding the coordination problems among precautionary proceedings or between an interim process and a main one. Moreover, as developed in the fifth chapter of this work, there are no obstacles for the adoption of *ex parte* and *ante causam* interim measures to address allegedly infringing behavior.

This shows that by softening the exclusive jurisdiction for the validity of patent rights, most of the problems that arise in the current infringement litigation would disappear. While the solution advanced by the ECJ is only valid when the question of validity of patent rights arises incidentally and moreover, is limited to the parties in the dispute, it constitutes already a significant step in improving the current procedural system. Nevertheless, the system that continues to operate today is not yet perfect and is still problematic as regards interim proceedings. Those problems deserve solutions that should be detached from the exclusive jurisdiction rule, in line with the ECJ’s judgment.

V. The reduced arbitrability and mediability of the disputes concerning the infringement of patent rights

In the last chapter of the monograph, it is shown that there are also problems as regards the use of arbitration and mediation as a means for resolving infringement disputes. If the question of validity arises, the recourse to arbitration or mediation is problematic. It seems then that the reasons for designing the exclusive jurisdiction rule in respect of the validity of patent rights have an impact on the rules governing the use of arbitration and mediation in this field. As a consequence, the recourse to arbitration and mediation for assessing the validity of a patent right is even expressly prohibited in some legal instruments, such as the UPCA or the Spanish Patent Act.

This solution, however, is paradoxical in light of the powers conferred to the holder of the patent to revoke his or her right. This revocation becomes effective via the modification of the entry in the registry and has *erga omnes* effects. Consequently, the right holder can voluntarily and unilaterally ask for the revocation of his or her patent right but cannot agree to use arbitration or mediation to settle a dispute over the validity of the right, even if the effects would be limited to the parties to the dispute.

Based on the different treatment of the powers conferred on the right holder, the limitation of the use of arbitration and mediation is not justified, taking into consideration that such a use could be limited to the parties in the dispute. As regards the reasons concerning public policy as a cause for refusing the recognition and enforcement of arbitral awards, the question of who assesses the validity does not affect those standards of public policy; rather the question of how they are assessed should be the important point for the public policy underpinning the patent system. To this extent, the correct application of the patentability requisites is not threatened by the use of arbitration or mediation.

VI. Suggested proposal

The *results* summarized here show the great influence that the question of the validity of patent rights has on patent infringement cases. Validity and infringement could therefore be described as two closely linked fields. In order to advance the infringement of a patent right, it is necessary to firstly assume that the patent right is valid. In practice, it can happen that the question of validity is not challenged, but even in such a scenario, the notion of validity will play an important role, as validity will be assumed as a starting point. It is therefore a matter that cannot remain neutral in a patent infringement case.

The hypothesis advanced is that the exclusive jurisdiction rule for assessing the validity of patent rights should be softened. This position is based on two main arguments: 1) the need to improve the current patent litigation system and its options, which might help to attract investors and boost innovation in the European market and 2) the lack of justification for maintaining the exclusive jurisdiction rule for the validity of patent rights.

Consequently, the *proposal* suggested is that the court without exclusive jurisdiction, which deals with a patent infringement case, can rule on the validity of that patent. At least, this option should be considered when the question of validity is raised as a defence, in which the ruling will have an *inter partes* effect. The ideal solution would be one in which we cease to consider the courts of the granting State as being exclusively competent for the assessment of the question of validity. The jurisdiction of the State of registration to assess the validity of patent rights could be classified as a special ground of jurisdiction, allowing the concurrent jurisdiction of other courts, and even recourse to arbitration and mediation. Moreover, this approach would be respectful to the current criteria for the justification of procedural rules, giving up approaches from the past.

