

PRESENTATION:

**EXTRATERRITORIAL ENFORCEMENT:
PRACTICAL CONSIDERATIONS
FOR LAWYERS**

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It's nice to be here at the university. I'll give you just a little bit of my background. I work for Chiron Corporation, and I'm also an adjunct faculty member at Boalt. So I've got a foot in the academic area, and I do a fair amount of work at the Industry and Trade Association, so I'm sort of a client too. I'm trying to meld these together, but perhaps more pertinent to today's discussion is that, for better than a decade, I've been doing pan-national enforcement in Europe.

We just heard reference to some of the pan-European injunctions granted by the District Court of The Hague. We obtained some of the first ones granted, and perhaps the broadest that were ever issued. For those of you who know what Belgian and Italian "torpedoes" are, I have launched them and I have dodged them. So we have quite a bit of real world experience, not just an academic interest.

So, my reaction to this proposal, to cut to the conclusion, is similar. From the client side, it's: "Oh my gosh, this is going to make it even worse." As a practitioner who knows how to play this game, my reaction is "ch-ching!" This is going to be great. This is even more work that I can do.

There's an old joke, probably first told in the common market about the European Union, which I wouldn't tell if we were over there, but since we're in the center of the Pan-Pacific economy... maybe you haven't heard this one. It's a review of the benefits of bringing all the countries together there: heaven would be where the chefs were the French, the Italians were the lovers, the Germans ran the trains, and the British were the policemen. Hell is where the British the chefs.... You get the rest of it, I'm sure.

From an industry perspective on this treaty, it's like that heaven and hell. If you have an innovative company that has a new technology patented around the world, you're trying to break into an oligopolistic market controlled by multinationals who need your technology, so there's a substantial amount of infringement going on.

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My heaven would be to take my worldwide patent portfolio to The Hague, and in three months, they're off the market. We have some serious questions and discussions. My hell would be that before I can get to file first, they bring the equivalent of a declaratory judgment action on the Dutch patent in the U.S., and the Luxembourg patent in Australia, and suddenly I'm faced with \$20 million in legal fees, and years of fighting to protect a market that's worth \$2 million. Then I am tied up, and I'm subjected to the risk of collateral estoppel, and fact-findings out of Australia, etc.

So there's a real problem, I think, in expanding what has been going on in Europe to the rest of the world.

Let's talk a little about what's been going on in Europe, from the perspective of both offense and defense. When you're on the offense, your first stop used to be the Dutch courts, because they were quite expansive in exercising pan-European injunction jurisdiction under the Brussels Convention. They have now pulled back, but you could go in and get a very fast summary proceeding. You had to make a strong showing on validity and infringement, but if you could do that, and you had the right evidence, it was a cheap and fast result, and usually put an end to further litigation, at least in Europe.

Now, if you are on the defensive side, you're the alleged infringer, what you try to do before the patentee can come after you, is run for those "torpedoes" I mentioned. That is, you go into a court in Belgium or Italy and request declaration of non-infringement across Europe. These courts do not have such jurisdiction, but it's going to take five years to get a final ruling dismissing the suit. Now you're *lis pendens*, and nobody can bring an infringement suit against you in another country.

Beyond Europe, this game is played in other ways. If you are on the defensive side, you might consider going to a country like Australia, and launching a lawsuit there. It's very expensive because they have discovery, but it's a very small market. The population is slightly larger than the San Francisco Bay area.

Another thing, if you are on either the offensive or defensive, is to consider some of the factors when you see litigation on the horizon and you're selecting a country. If I went to Mr. Al-Salaam and asked him what country I should litigate in, I'll bet you he's going to talk about which U.S. district court to choose. He's not going to talk about which country he's going to go to. We find this issue around the world: the expert litigators in each country all tend to advise you to litigate there.

So you have to be an extremely educated client—stand back, and understand there are a number of factors as to where you should file, and for what reasons. For example, the first thing you want to know is the local courts' attitude on pan-national jurisdiction. Another factor we look at is speed. How long does it take to receive substantive results? Fast is not good when you're on the defense.

Another factor you look at is the overall quality of the bar. By this I mean, is there substantial experience in intellectual property matters? There might be only one good patent litigator in that country, so if you get to him or her first it is a tremendous advantage.

Another factor: Is discovery available? Maybe you want a country without discovery, to minimize cost. On the other hand, maybe it's the type of process you cannot prove further without discovery. What are the rules of evidence in that country? For example, there are some countries where, if you had a claim to the product of the process, and a claim on the process, you don't have discovery for that. You can actually shift the burden to the alleged infringer on the method claim to prove that they're not practicing the method, because there's an inference that they are practicing if they're selling the product. Such a rule of evidence can obviate the need for discovery.

Another example: service of process can be determinative of which country you deal with. Let's say your client will be forced to settle if its competitor launches a torpedo and ties them up for five years. You have picked a fast jurisdiction in a significant market. There's going to be a race to the courthouse. Even if you filed first in country "X" you may find yourself blocked by a later-filed torpedo, because under X's procedural rules, the suit does not commence until it is served. Under X's procedure, however, you, the party, cannot control service. After you've filed, a court official will in a few days mail the complaint to the defendant, giving the competitor ample time to launch a torpedo elsewhere. But, hypothetically, did you know that there's also something equivalent of the probate court in that country, which does have jurisdiction over patent cases? If you file there, you actually get a filing date, and then they just transfer it to the right court later. So, little things like this, you need to know. Choice of jurisdiction can be outcome determinative at the procedural, substantive or remedy stage.

In looking at this issue of multinational enforcement and multinational patent portfolios, maybe we should be thinking that, instead of trying to harmonize or extend jurisdiction—and we already have made substantial steps toward harmonizing substantive patent law—what we really ought to be working on is harmonizing procedure so that there are not these discontinuities, these diseconomies if you will, that can be exploited by choice of forum.

Now, if I had to pick a legal system that is the most fair, from both an offensive and defensive view, I'd say it's the German system. The courts consider infringement. Getting validity out of, for example, our federal district courts and into an expert tribunal like the patent office, as is done in Germany, would greatly improve predictability of outcome, and reduce the cost. Since you're talking about the infringement stage, you're talking about an individual private right that's now finally being enforced. I think that's an appropriate area for the federal district courts. So, adapting the system to the United States, you would join them all together at the appellate level of the

Federal Circuit, and really end that type of discontinuity. There is in fact a *de facto* expert patent infringement court in Germany, in the Dusseldorf district court—which argues greatly for an expert court here in the United States.

Justice Robin Jacob of the High Court in the U.K. used to tease me about the U.S. system. He was my barrister in his last case. It was a very complex case. Three Nobel Laureates were expert witnesses. The guy who discovered the genetic code was the court's expert. We spent months and months on technical details, educating the barristers on the technology. At one point in preparing for this, Robin leaned over to me and said: "You know Robert, this is terribly complicated stuff. Too bad we're not in America where a retired mailman could make the decision." Later, I saw a newspaper account of a jury selection in the Oklahoma bombing case—did you see the juror who was held in contempt because she insisted on wearing her Star Trek uniform to court? I couldn't resist—I cut that out and sent it to Robin with a little note that said: "Sometimes a retired mailman is not so bad."

Anyway, the German system is low cost and only takes eighteen months to resolution. The shortcoming? No discovery is probably the biggest shortcoming. So if you have a patent where you need discovery, it seems to me that could be a very small procedural fix, particularly if you look at how some countries like the U.K. which have done discovery on a more limited basis. It's much cheaper and gets to a fair result.

If there's a scary ending to this thought, perhaps we've been approaching this problem in a way that may not be expansive enough. It is as if something is wrong with you, and you go to a surgeon and ask: "Well, what should we do?" And of course, the odds are that they're going to suggest surgery. But people other than lawyers are looking at this problem. I participated at a program in the National Academy of Sciences, which is looking at the scope, substance, and the procedural aspects of the intellectual property regime. They are asking some pretty basic questions.

I'll tell you something that happened to me that should scare all us lawyers, about whether we'll keep control of this process. In the early 80's, I went to work for an agricultural lab tech company, writing plant molecular biology patents. We acquired a small traditional seed company to give us an income stream to support the advanced research. We did a site visit and found out that they had been filing for plant variety protections on their own, without telling us. I thought, boy this ought to be in the patent department's jurisdiction, so I asked them, "What do you do to get a patent?" "Well, we fill out this form and it's got a description of the patent." "Who checks it over?" "Well, the fellow at the USDA we send it to." "What if you make a mistake? You know, what if you describe the flower as pink, and it's really mauve?" "Well, we just correct it." I said, "It's not a fatal problem affecting your filing date? You don't have a loss of rights?" He said, "No."

That system worked, without any lawyers involved. It was protecting intellectual property in a very efficient, timely, predictable way, with none of the procedural pitfalls we've created that keep us employed and the costs high. In that simplified system, the issue was almost only the merits of the technology. We better hope it never occurs to the makers of industrial policy that there might be a much better and cheaper way to patent inventions.

So, I think we have to step back from this entire issue and ask whether we are working on the "right part of the elephant" on this problem. Should we not be looking for efficient dispute resolution, certainty, timeliness and lower cost for the real-world people who are our clients? So that when the head of R&D comes to you and asks, "Can I develop the drug for this indication?" you can answer the question yes or no. That's what we ought to be doing.

Thank you.