

PRESENTATION:

MOVING TOWARDS REGIONAL PATENT SYSTEMS

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Thank you for inviting me. I'm an enforcer, too, like Judge Cohn. But I'm a little bit different. I'm also an enforcee. That is, I have the wonderful task of being responsible for Baxter's patent litigation worldwide. So, what I'm going to have to say may come from a little different perspective than you're used to hearing.

Let me start off by saying that I'm going to agree a lot with what Judge Rader has talked about, because the present system simply needs correction. If you look at my paper, I put a little meat on the bones of Judge Rader's example of what it's like to enforce, or to go through a global patent problem for just a small international company—what the costs are, and what a chief executive officer of such a corporation faces.

You're easily into the millions of dollars trying to enforce a patent globally, and you face a lot of different procedural questions and timelines. From a businessman's perspective, that's simply intolerable. It's also intolerable from a solo inventor's perspective or a small entrepreneur's perspective. The concept that I have to go around spending \$10 million on a set of lawyers, all over the globe, to enforce a patent is crazy. But I have a very simple answer for the question of whether you want your foreign patent enforced in a United States court, and its corollary of whether you want your United States patent enforced in a foreign court: No way!

Why do I have such a simple, negative answer? Let me try to explain by making a little paradigm shift. It comes from the very nature of the question. Consider its nationalistic premise: United States versus foreign. If I ask that question of my Japanese colleague, he translates that to Japanese versus foreign. If I ask that question of one of my colleagues in Europe, even one with a portfolio of patents called "granted under a European patent convention by the EPC," he's going to think "German vs. foreign, French vs. foreign, Italian vs. foreign, U.K. vs. foreign"... the list goes on and on.

That is a basic problem, that everybody addresses it in a nationalistic sense. Think about some of the comments you've heard: "extraterritorial enforcement." I'm thinking about my own territory. But I don't have a U.S.

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patent problem. I don't have a Japanese patent problem. I have a global patent problem. Now, even if we got rid of some of those extraterritorial issues with constitutions and treaties to deal with enforcement of anyone's country's patent in another jurisdiction, think about some of the other substantive and procedural issues that you would have to face. This assumes that I can have more than one patent enforced in more than one forum.

Now, let's look at validity. Do we apply United States rules regarding obviousness to the U.S. patent, but United Kingdom rules regarding inventive step to the U.K. patent? For those who are fond of the jury system, what exactly do you tell the jury to decide? Do they even decide? Do they hear the question on the U.K. patent, or just the U.S. patent?

Think about some procedural issues. Do we apply the full panoply of discovery to the United States patent, but exclude that costly exercise with regard to the Japanese patent? Does the answer change depending on what country I'm in? Do I not get discovery if I'm in Japan? If the forum country happens to be Germany, does my German patent follow the normal course of having validity decided in the *Bundespatentgericht* in Munich, and infringement decided in one of the *Laudericht* courts, let us say Dusseldorf? Then what happens with my United States patent? Do I split it, the way the Germans do, or does one of those courts decide both validity and infringement?

If I had a dispute in Japan with a Japanese patent and a United Kingdom patent, does my Japanese patent follow the normal course of proceeding in Tokyo or Osaka, where I have a series of briefs that extend over a year-and-a-half to two-year period, with no substantive oral hearing at all? It's all on a paper record; but then for the U.K. patent, I'm allowed a British-style cross examination of experts in an hour or two long hearing. (Well, one could possibly extend for several days.)

Other people on the panel would have different answers. What do you want to say in this circumstance about issues of forum shopping? I think it was Larry who was absolutely correct: we are going to forum shop to get the best deal we can.

I think Judge Rader was fundamentally correct in the need for change. It largely stems from the fact that business and technology move on a global basis. I don't think anybody will ever disagree with that.

I think a much more interesting question might be whether you would want a unitary global patent enforced in a specialized global judicial system under a unified set of substantive or procedural rules. I have a very simple answer to that one as well. Yes. That's the ideal. The problem with that ideal is that it is too utopian. I couldn't get this group of people to agree on a unitary system if it took 15 or 20 years.

But I think there are some things that we can do, short of that, with the global patent system in mind. I think you can realize this by taking a look at what's happened with global harmonization of patent laws, and the experience in Europe in overcoming national boundaries. I think the premise I'm

suggesting is that we do not expect to have extraterritorial enforcement of patents. Rather, we should move to have regionalized patent systems that issue patents across national boundaries, with unified enforcement within that regional system. We face a couple of hurdles, but we can move towards a system of a unitary global patent system by first moving to regionalized patent systems.

The first and most obvious objection to moving beyond national systems is that of differing substantive laws and procedural laws. I would suggest that the extent of harmonized substantive patent law around the world that we want is not very much farther to go. Twenty or thirty years ago, if you were in my position you would have seen a lot greater differences in substantive law than you do today.

You even have judges around the world starting to make very similar sounding substantive decisions. Consider the Japanese Supreme Court decision back in 1998, *Seiko v. THK*,¹ on the doctrine of equivalents. If you're fortunate enough to get a translation of that opinion, you're going to end up, if you're a U.S. attorney, seeing a lot of things that look very familiar about the application of the doctrine of equivalents under Japanese law, and the concept of applying file wrapper estoppel.

Take a look at the House of Lords decision in *Biogen* from 1996.² It is very unusual for a U.K. case to go all the way up to the House of Lords. There, Lord Hoffman cites and relies on the United States Supreme Court decision in *O'Reilly v. Morse*³—all the way back to 1854—and actually quotes Professor Chisum's view on "that old chestnut."

Now, it is not limited to foreign courts looking to other jurisdictions' laws, but it recently happened, just this June, in the Federal Circuit decision, *Rotec Industries*,⁴ where one of your colleagues happened to review a foreign decision in *Gerber Garment v. Lectra*,⁵ decided just a few years ago in the United Kingdom. Let me suggest that, as judges around the world are looking to other judges' decisions on substantive law, we are starting to see a convergence on substantive law. It does not involve a great hurdle in moving into a regional system, or to a global system, because that convergence is simply going to continue over time.

Another very natural barrier, where everybody wants to keep his or her own national systems, is what I call the language battle. Everybody wants it done in his or her own language. But I would suggest that this hurdle is not

¹ *Tsubakimoto Seiko v. THK K.K.*, 1630 Hanrei Jiho 32 (Sup. Ct. 1998).

² [1997] RPC 1.

³ 56 U.S. 62 (1853).

⁴ *Rotec Industries Inc. v. Mitsubishi Corp.*, 215 F.3d 1246 (Fed.Cir. 2000).

⁵ *Gerber Garment Tech Inc. v. Lectra Systems Ltd.*, 13 RPC 383 (United Kingdom Patent Courts 1995).

that high. Consider our colleagues in Europe. There are some eleven official languages among the current members in the European Union. Nevertheless, for a patent procurement system, in the 1970's they agreed to come up with the EPC Convention, and you have proceedings going on in only three official languages: English, German and French. If you happen to go to the EPC and are engaged in an opposition proceeding, they have excellent translations. If you're fluent in one of those three languages, you can certainly participate and understand what's going on in a very complicated patent case. My suggestion is, if patent procurement can go on for three decades in Europe with only three official languages, then we ought to be able to do enforcement with a similarly reduced set of languages on a regional or global basis. This is particularly true when you consider how much business, science and technology are proceeding in fewer and fewer languages than the eighty or however many we have on the globe.

Having been involved in litigation in multiple jurisdictions, I think there is another issue that is a little more subtle and harder for United States practitioners to understand, because we come from a common law jurisdiction. That is, the difference between common law and civil law systems. There are some very subtle differences in how people proceed under each of those systems—the common law tradition of reported decisions, and building on decisions, versus looking at a code and deciding how things go under that code. But again, let me suggest that if our English and German colleagues can get over that type of difference, then that can be expected for the rest of us.

Let me suggest a regional patent system. I think it's only a question of time—and political will—until we get that in Europe. They already have had a system for three decades, a unified patent procurement system. As more countries desire to add themselves to the EU and that system, we'll continue having the same kind of pressure to come up with a unified enforcement. Judge Rader alluded to it, concerning some of the efforts in the Dutch courts in recent years. People have tried to enforce European patents, in a Pan-European style in The Hague. I would submit that if you take a look at those cases, you see some of the problems inherent in trying to say: "I've got a national set of patents, but I want treaties and personal jurisdiction issues to be decided in one court that's going to decide all the issues of that national bundle of patent rights." I think that's ultimately going to force the Europeans into a true European patent system. I believe that in the last week or two the EC Commission published some draft regulations for reviving a true enforcement mechanism with jurisdiction in a specialized set of district courts at the European Court of Justice, but I haven't seen anything yet on the court of appeals.

I'd also suggest that in the United States, we would have an opportunity to follow and expand outside of our own U.S. boundaries by considering a North American patent system that could involve Mexico as well as

Canada. We would certainly face fewer problems than the Europeans have faced in that regard.

Overall, I would suggest that you could do the planet with six regionalized patent systems that are enforceable, with one agency granting the patent within each region, and an enforcement system within each region, with seven courts that have jurisdiction outside national boundaries.

Thank you.