Present and Future Issues Regarding I.P Litigation

Presentation by the Honourable Mr Justice Laddie

Ladies and Gentlemen, I am very honoured to have been invited to participate in this conference organised by the Japan Intellectual Property Lawyers Association. I am also very happy to have been invited. In 1994, before I became a judge in England, I visited Japan to see a client – one of your major electronic companies. I have very fond memories of a courteous and cultured people in a beautiful country. I thank you for giving me the opportunity to return.

Although the title of this lecture concerns IP litigation in general, I will concentrate on patent litigation, because is the area where most of the problems exist. In addition, it is an exciting time to be connected with the patent field in the United Kingdom at the moment because patent law and practice is undergoing radical change.

Lawyers tend to be complacent about their own legal system. I suspect this is true in most countries. As lawyers we are brought up to believe that our own system works well and is better than all the alternatives. It has been particularly easy to feel that in the United Kingdom because we are an island State which, until recently, had a large Empire. The surrounding seas insulated us even from our Continental European neighbours and our Empire meant that our legal system was exported to many countries and seemed to grow and work well there. Our isolation from other systems was reinforced by language differences. It was so much easier to talk about legal problems with people from foreign countries who spoke English as their mother-tongue – and that meant, by and large, lawyers from countries who had adopted our legal system. Finally, it has to be admitted that having an Empire makes you arrogant. These are human failings. We are as susceptible to them as anyone else.

For us things have changed dramatically in recent years. There are probably two main reasons for this. First, the world is shrinking. Opportunities are global, threats are global and much business activity is carried out by supra-national companies. Perhaps if you are a country with a thriving economy and a large internal market, you can still avoid learning from others. But for us, that is not possible.

The second factor is our membership of the Common Market. Many of our domestic laws are now based on Common Market legislation. Whether we want it or not, we have been forced to look at our own law and legal systems and to try to find, with our neighbours, common solutions to common problems. So we have had to consider both substantive law and procedural law. It has been and is very exciting. The result is that we have had to re-evaluate our domestic system. Some of it we still think is good.

Some is not so good. Above all, we have realised that there can be more than one effective way to deliver justice.

I would like to discuss with you where we were, where we are and where we are going in the world of IP litigation, and particularly patent litigation, in England.

Patent litigation has been an active area of law in our country for a long time. In fact our longest running set of law reports dedicated to patent litigation was first published in 1884. But even in those days, Patent litigation was causing concern. In 1892, a case called Ungar v Sugg came before our Court of Appeal. One of our great judges, Lord Esher said:

"Well, then, the moment there is a patent case one can see it before the case is opened, or called in the list. How can we see it? We can see it by a pile of books as high as this [holding up the papers] invariably, one set for each Counsel, one set for each Judge, of course, and by the voluminous shorthand notes: we know 'Here is a patent case.'

Now, what is the result of all this? Why that a man had better have his patent infringed, or have anything happen to him in this world, short of losing all his family by influenza, than have a dispute about a patent. His patent is swallowed up, and he is ruined. Whose fault is it? It is really not the fault of the law; it is the fault of the mode of conducting the law in a patent case. That is what causes all this mischief."

Even when I commenced practising as a patent lawyer in England in 1970, it was common for a patent action to take 4 years to come to court and frequently the trial would last for four weeks or more. Why is that?

As many of you know, ours is a system in which the conduct of the case is (or was) largely left in the control of the parties. Historically our judges did not intervene. They acted like referees at a boxing match. If the parties wished to go on fighting until they were both on their knees, that was their choice. It was not for the courts to stop them.

As Lord Esher said, it was the way we conducted patent trial which caused all the problems. Most of you will know something about the procedure we use, but let me give you a quick summary.

First, we have a system of discovery – the obligation on each party to disclose to the other all the documents in its possession which could be relevant to the dispute between them. Our lawyers take this seriously. They ask for any document which they believe may exist and which could be relevant. Some lawyers took this exercise to extremes. Some years ago, in a pharmaceuticals patent dispute, one party had disclosed all its relevant documents to the other. The lawyers for the receiving party went through the documents very carefully. They noted that in the experimental note books which had been disclosed there were frequent references to someone called Fred who had participated in the experiments. But there were no experimental notebooks or any other documents written by Fred. The lawyers believed that

valuable material was being hidden. They wrote a furious letter demanding all of Fred's documents. Fred was a monkey which had been used in the experiments.

The second feature of our court procedure is the belief that it is for the parties to produce their own expert witnesses and witnesses of fact and for those witnesses to be cross-examined orally in front of the judge. This can be expensive and time consuming. Each party interviews experts until he finds one who agrees with his case. It is not surprising that we end up with the experts saying very different things in their evidence. The process of cross-examination can be very exciting. A lawyer on one side will try to prove that the expert or witness from the other side is either not telling the truth or, more usually, does not have a proper balanced view of the facts or the technology. In a case where the technology is complicated, cross-examination can take a long time. Occasionally an expert may be cross-examined for two days.

The third feature of our system is that we believe in oral argument. We believe that a judge is much more likely to understand any difficult questions of fact or law if he can be addressed personally on it. In many jurisdictions the oral argument is kept to a minimum.

In recent years each of these features has been the subject of criticism. Because they take time, they cost money. It is therefore assumed that they are bad. Of course, each of these procedures can be abused and can result in litigation taking too long. But it is a mistake, in my view, to assume that these procedures are all bad. Each has its benefits. Consider first our procedure of discovery – the disclosure of internal documents by one part to the other. There is no doubt that this can be an enormously expensive and very unproductive procedure. In the United Kingdom it sometimes produces vast amounts of documentation which is copied (at the expense of the client) but hardly referred to in court. If we look across the Atlantic Ocean and the United States of America, a very similar procedure is adopted and it is even more expensive there. However, sometimes this process does help to find really important documents. Where there is a dispute about whether a company has prior used its own invention before applying for a patent, discovery of documents can be a crucial tool in finding the result.

So to with the process of the parties using their own experts. I know that in some jurisdictions it is said that there should only be a court expert. But that can add delay to the proceedings and, more importantly, it does mean that many of the technical issues tend to be decided by an expert who is not selected by either party. Where an invention worth hundreds of millions of dollars is being litigated, the parties normally want to be sure that their point of view is adequately put before the court. Having their own experts gives them the confidence that this is happening. A fair judicial system not only comes to the right decision, it also must convince the parties that they have had a fair opportunity to put their case before the court.

I should add that, we are still fairly strongly attached to the value of cross-examination. If your judicial system allows the parties to rely on evidence from their own witnesses and experts, the ability to challenge those witnesses is an important part of arriving at a correct decision. I have personal experience of how important this can be. Let me tell you about a good example of this. Some 12 years ago, I was acting

as a lawyer for a large pharmaceutical company which was involved in heavy patent litigation in the English courts. We had our experts and the other side had their experts. At the same time as we were conducting the litigation in England, equivalent opposition proceedings were being conducted before the European Patent Office in Munich. My client asked me to attend the hearing in Munich as an observer. I was truly shocked to hear the evidence which was being relied upon. It appeared that the experts said more or less anything which suited their clients. I am sure that they would not have done so in English proceedings because they would have been exposed to the risk of being made to look dishonest by cross-examination.

As for oral argument, I can only speak from personal experience. However, as technology becomes more complicated, I think it has become more necessary to allow the judge to listen to the parties. It is all too easy to read papers and to believe or pretend that you understand when, in reality, you do not.

The problem with our litigation system is that it pursues perfection. Extensive discovery, a lot of witnesses and lengthy cross-examination and oral arguments enable the parties to dispute and analyse every little point in a case. In an enormous action worth hundreds of millions of dollars, that sort of detailed analysis may be acceptable. It is not acceptable for smaller actions. The trouble with our system was that it was only suitable for large cases.

In the last 10 years we have tried to change. Even though we still retain all of the features of our procedure which I have mentioned, we have tried hard to cut down on expense, complexity and delay. We have done this in a number of ways.

First, we have restricted the right to automatic discovery of documents. Although documents still have to be disclosed, we have introduced rules which severely limit the scope of this. Second, we have introduced a system under which all evidence is given in writing. The witnesses are still cross-examined, but they are cross-examined in relation to their written evidence. This has significantly reduced the length of time it takes to try a case. Third, the courts have now said that they are prepared to limit the duration of cross-examination and oral argument. They can impose time limits on each of these. Fourth, we have now introduced tight timetables for getting a case to trial. It is now possible in most cases to get to a trial within a year of commencing the litigation. I have had a case quite recently where a full patent action was brought to trial within 3 months of the action proceeding.

This, however, is not the end of the story. We have now introduced a new streamlined procedure into our courts. Either the parties can agree or the court can order that much of the case is conducted on paper and it can direct that oral arguments are restricted to a very short period. Just before I flew out to Japan I received what I believe is the first case in which both parties asked for me to decide the issues on the basis of written submissions alone. There will be no oral hearing.

At the beginning of this lecture, I mentioned that these are exciting times to be in the patent field. Nowhere is that excitement more strongly felt than in relation to trial procedures. I told you that our membership of the Common Market has forced us to

look to our neighbours to see how they have coped with problems which we also have faced. This is particularly true in the patent field. As you know, most patents in Europe are applied for through the European Patent Office in Munich ("the EPO"). A single application will be the starting point for the creation of a family or more or less identical patents which are effective as national patents. For example a pharmaceutical company may apply at the EPO for a new patent. He will seek to obtain European Patents in nearly all the member states of the European Union. Furthermore, most of the patent laws of those member states are identical to each other. However, because each European Patent is a national patent, it must be litigated before its own national courts. For this reason, it is not unusual to find that a patentee has commenced patent infringement proceedings in, say, the United Kingdom, Germany, France and Holland at the same time. It is not necessary to be a genius to realise that this is a hopeless waste of time and money. Furthermore, it can inflict considerable injustice. A small patentee may find that he is forced to engage lawyers in many countries to try to stop the activities of an infringer. On the other hand a small company accused of infringing may find itself being sued by a big patentee in a number of countries. The financial strain of doing this becomes an instrument of war. However, because trade is international, litigation in a number of countries becomes almost inevitable.

Some 5 years ago, a number of patent judges from most of the member states of the European Union came together to see if they could find a way out of this litigation nightmare. The meetings were unofficial, in the sense that they were a private informal initiative of the patent judges. They were not sponsored by national Governments. What we wanted to do was to create a blueprint for a legal system which would take away the need to litigate the same patent in many countries. The obvious solution was the creation of an international court, manned by judges from each of the member states, who could hear a single action which would decide the issues for a number of countries.

This was the easy part. What was really challenging was deciding how trials would be conducted before such an international court. A British judge would understand and want to follow English procedure, a French judge would feel the same about French procedure and so on. What we did was to sit down and try to devise a legal system which would take the best features of the various, and very different, legal systems which exist in Europe at the moment. The result of our discussions and meetings was a proposal which is known as the European Patent Litigation Agreement or EPLA. It is a fascinating set of proposals. It consists of two documents, the first is the draft agreement itself. The second is the draft statute of the proposed European Patent court. I strongly suggest that anyone who is interested in improving the patent litigation system to look at these remarkable documents. Since they are lengthy documents, I will confine my comments to only a small number of issues.

First there is the question of who should be the judges of the proposed new court. Needless to say, the EPLA proposes the use of a group of judges from a number of countries. Of more importance is the question of expertise to be expected of the judges. What is being proposed is a court with full time specialist judges. This is a proposal which we in the United Kingdom are very happy with. I know that in many countries there is no specialist patent judiciary. I hope you do not mind if I explain

why, in my view, this is not satisfactory. We live in a world of ever greater specialisation. Nowhere is this more true than in the legal field. In most countries the only lawyers who take on patent litigation are those who are specialists in the field. Certainly in England, it would be considered very risky for a non-specialist lawyer to try to conduct a patent action. If the clients have learned to expect expertise in the lawyers to advise them on patent matters and to conduct patent litigation, should they be expected to accept less expertise from the judges who hear their cases? I think not. After all, frequently the patent will only have been obtained after a great deal of work and ingenuity. It may well protect an industry worth a large amount of money. Why should the judge who hears such cases, unlike the lawyers, be an amateur in this field? Furthermore, we must remember that there are only two tribunals which have the power to revoke a patent. One is the Patent Office. The other is the court. I believe anyone would consider it very surprising if the Patent Office employed people who were not specialists in this area of law to decide whether a patent is valid or not. We should expect the same expertise in our judges. I should only add that in England we have had specialist patent judges since the creation of our Patents Court in 1949. It is interesting to note that our colleagues in the United States have gone the same way as we have – they have a specialist patents court in the Court of Appeals for the Federal Circuit. Similarly our German colleagues have specialist courts with specialist judges for patent disputes.

This, however, is not the only interesting thing about the proposed judiciary under the EPLA. What is suggested is that each panel of judges – normally three in number – shall include a majority of legally qualified judges and a minority of technically qualified judges. In most countries it has been assumed that only people qualified in law can sit as judges. Germany does not follow that pattern. It has technically qualified judges in some of its patent courts. The EPLA borrows from the German system in this respect. In my view this is the correct path to follow. To resolve a patent dispute it is necessary not only to be familiar with the law but to understand the technical facts. I can see no reason why it is improper to have on the bench judges whose expertise is technical rather than legal. What is particularly interesting is that this proposal was agreed by, I believe, all the judges who participated in the discussions leading to the EPLA, even though the overwhelming majority of them came from countries in which there were no such technical judges.

The second interesting point about the EPLA is the way that it deals with the issue of discovery. I have already said that discovery has proved an expensive procedure in England. It has been found to be even worse in the United States. It might have been expected that the EPLA would reject any concept of discovery. However that is not the case. Although it has been decided that there will not be any automatic discovery – that is to say, that giving discovery will not occur automatically in all cases – the court is to retain the power to order discovery relating to particular issues if it is thought that it will be helpful. For example, were prior use is in issue, it may well be that the court will order discovery in relation to that matter alone. In other words the court will have the power to order discovery when, and to the extent, that if feels it is necessary.

A third interesting point is the approach which the EPLA adopts to the production of evidence. In essence the approach adopted is to allow the parties to produce whatever

evidence they like, including from experts. However the court is to be given strong case management powers. In other words it will be able to curtail the length of hearings and control the way in which the action is run.

There are many other features of the proposed EPLA which are worth considering. As I have said already, they represent the concensus of experienced patent judges from a number of countries.

In fact, at the moment, implementation of the EPLA has been put on hold. It is designed to make it possible to litigate in one place all or most of the national patents granted on a European Patent Convention application. If it works, it will, by an indirect route, produce patent protection in the Common Market which covers the whole of the Common Market. It will, indirectly, turn the national European patents into a quasi-Community wide right. This has met with opposition from a surprising source – the European Commission. It has suggested that the member states of the Common Market do not have the jurisdiction or competence to enter into an agreement like the EPLA. It says that it alone has power to make provision for Community-wide rights. It is pressing for the creation of Community patents and a Community court. In other words, instead of an inventor obtaining 15, nearly identical, European patents – one for each member state of the Common Market (to rise to 25 shortly) – he would be able to obtain from the European Patent Office a single Community Patent which would be litigated in a Community Patent Court. Obviously no one will go for this option if a better service is available under the EPLA and, I suspect, it is for this reason that the European Commission is so anxious to strangle the EPLA. None of this detracts from the value of the EPLA. It is still the only proposal for patent litigation which has had the unrestrained input from so many specialist judges from so many countries.

There is one other feature of the EPLA (and indeed the Community Patent proposal) which I want to refer to now because it is particularly relevant to the future. To some extent you may think that the EPLA is designed to tackle a problem which is specific to the European Union. Whatever the politicians may say, the European Union exhibits many of the features of a federal state. Many of its laws are decided upon centrally. The most senior court for all countries is the European Court of Justice. Many countries have participated in a single European currency. There is an old saying that if something looks like a duck, quacks like a duck and walks like a duck, it is probably a duck. So too, in many respects, the European Union looks and acts like a federal state. Since many of the laws, including the laws of patents, are essentially the same in all the member states of the Union, it does not make much sense if a patent owner has to litigate the same patent infringement in the separate national courts. A single court to apply a single body of law makes better sense and is more efficient. This, of course, is also the thinking behind the proposal for a Community Patent and a Community Patent Court.

I think it would be a mistake, however, to think of this as only as a European solution for a European problem. The Common Market represents, in some respects, what is happening on a less formal basis in the rest of the world. I have talked already about the international nature of much of the world's trade. You here in Japan are leaders in

this. It is therefore no longer sensible to think of laws which have a dramatic effect on commerce as being of only national significance.

This is of direct significance to patents and patent litigation. At the very beginning of this lecture I mentioned how I had visited a client here in Japan in 1994. It was and is a large electronics company. It was involved in litigation designed to stop the manufacture and sale of replacement cartridges for some of its laser printers. The litigation was being conducted in Hong Kong (at that time still a British colony). The cartridges were made, at least in part, in the People's Republic of China. So, here was litigation conducted by a Japanese company against a product made in China which was supplied to a foreign market (Honk Kong) and the lawyers used to fight the action were English. The fact is that most companies must now consider enforcing their patents in different markets around the world. This throws up, on a much larger scale, the problems which we have been trying to address in the Common Market. It is an enormous drain on the resources of patent owners to have to litigate in many countries. Again, there is pressure from industry to put in place a system which will enable patent protection to be obtained and enforced less expensively. Already this has resulted in international treaties which have tried to make the substantive patent laws of different countries much more similar. But that is not the subject of this lecture. Of more relevance have been the attempts to put in place an international system for litigating patents.

As many of you may know, quite recently there were moves to create an international convention – the Hague Convention – which would have made it possible to litigate all patent disputes in front of a single national court. For example the Japanese owner of patents in numerous countries finds that those patents are infringed by a product circulating in the USA, England, France, Germany, Australia and Korea. Under present procedures, it would need to bring infringement in all those countries unless it could find one country which was the source of the products and could sue successfully there. The idea behind the proposed Hague Convention was to allow, say, the United States or English courts to determine the issue of infringement of the American, British, French, German, Australian and Korean patents. The proposal was ambitious and, in the end, failed. It failed, in my view, for very practical reasons. For example we in the United Kingdom did not want the issue of whether a product for sale in our territory infringed a British patent to be decided by, say, an American jury in Alabama. The same reluctance was felt by many other countries. The United States was not anxious to have the issue of whether or not a factory in, say, Ohio was infringing an American patent determined by a court in, say, France. Although some of the objections were, I suspect, based on an unwillingness to accept that foreign courts are as good as our own, the major obstacle was that the laws and procedures in different countries were so very different. Americans who believed in the importance of discovery and cross examination were not enthusiastic about litigating the question of infringement of an American patent before courts which did not accept either of these procedures. Similarly, European countries which did not have, and had no desire to adopt, discovery and cross examination and who also believed that all patent trials should be held in front of an experienced patent court, were not enthusiastic about having important rights determined by American juries. These are just examples of the type of objections which were raised during discussions.

However, it must be realised that these sensible practical objections to the proposed Hague Convention emphasised a problem with current patent litigation. There is no doubt that the users of patents would much prefer to be able to litigate cheaply, fairly and with confidence, in as few courts as possible. The Hague Convention proposals were intended to make that possible. The problem is the enormous differences between the ways in which courts handle patent litigation. The differences in the substantive law, although present, were not the major problem. In the end all of us, and particularly those in the developed world, must address this problem. It is in our common interest to have a system of patent litigation in place which enables closer co-operation between courts and legal systems. In the end a system which works well in, say, Japan should work just as well in all other countries in the world. The users demand that we should work towards a system in which the differences between our national enforcement procedures are minimised or reduced. If it is good for them, it should be good for us. For these reasons, the sort of negotiations and discussions which lay behind the drafting of the EPLA should be reproduced on a much larger scale. None of us has all the answers to the problems of patent enforcement and all of us have something to contribute to the debate. International discussion can only benefit us all.

Thank you.