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Conference Report: Zurich IP Retreat 2019 – Nationalism vs. Globalization in IP

I. Topic and introduction

The third international IP Retreat organized by INGRES and the ETH Zurich was held on 13 and 14 September 2019 on the inspiring shores of Lake Zurich. It brought together IP specialists from all over the world – including academics, judges, litigators and in-house attorneys – to discuss the impact on IP systems of the rise of nationalism around the globe. The main topic of the conference was the current tension between globalization and a growing focus on national interests in IP.

Michael Ritscher (President of INGRES, attorney-at-law, Zurich) and Tobias Breml (Second permanent judge, Swiss Federal Patent Court) opened the conference by emphasizing the luxury of having the time and opportunity to exchange views on substantive issues and to learn and develop through such discussions. The participants were called on to keep in mind both the global view of IP, and the differences between individual countries, their territories and national interests.

II. The history

The first panel was moderated by Michael Ritscher and examined the conflict between nationalism and globalization in IP from a historical perspective.

Professor Alexander Peukert from the Goethe University in Frankfurt opened the working part of the conference with a presentation on different national IP policies in the past and today. Economic nationalism plays out in various protectionist practices. Inherently, it implies self-determination and independence as ends in themselves. This approach promotes the national economic interest at the expense of foreign interests. On the other hand, globalism denotes a network of connections that span multi-continental distances and is characterized by a belief in world sharing and global welfare as the ultimate ends of politics. Professor Peukert provided a comparative analysis between national IP policies in the past and today, categorizing the same in three groups: catch-up (implying a weak IP policy), the globalization of IPRs in an outward-looking manner, and the policy of strong IP for locals only (with its two variations of outward and inward directions). Examples of each category were presented. The globalization of IPRs was enforced in the past by colonial empires in the late nineteenth century, and today through US/EU bilaterals or the country club adoption of the Geneva Act of the Lisbon Agreement in the

area of geographical indications. The second category, ‘strong IP for locals only’, is also practiced today as seen in the examples of German copyright law and its exclusion of outsiders of the global IP system (as an outward looking policy), or the protection of press publishers with an establishment in the EU under Art. 15 of the Digital Single Market Directive (as an inward-looking policy). The conclusion following the comparative analyses is that national IP policies are still present, and that it is difficult to imagine that they would disappear in the future.

Professor Tobias Straumann (University of Zurich) provided a historical perspective to the process of globalization, presenting on the causes and consequences of the Great Depression and drawing some conclusions. He elaborated on three causes summarized as the Triplet Crisis – involving the financial crisis of 1873, the transition to the gold standard (with exemption of China and Indonesia) and the ‘grain invasion’. Professor Straumann reminded the audience that it is possible to make corresponding historical parallels with the events our society has recently faced, and that there had been important economic consequences from these crises. The grain invasion caused an explosion of US imports into Europe which led to downward price trends in agriculture; the financial crisis resulted in the high volatility of business cycles; while the prevailing gold standard led to the increase of real debt. These crises caused political reactions which also stand in some correlation with the acts of political players of today. For example, in Europe the increase of imports resulted in agricultural protectionism (as opposed to the US which reacted with industrial protectionism). Furthermore, reaction in the US also included restrictions on immigration and campaigns against the gold standard.

Professor Straumann expressed his optimism regarding developments on the world scene in the near future. The wave of globalization has led to political reactions, but it has continued to advance despite all protectionist measures, he said. In the end, elites should do what they can to maintain support for globalization.

III. Globalization in IP through international investment protection treaties

The second panel, moderated by Michael Ritscher, focused on the influence of international investment law to IP and its development.

Simon Klopschinski (attorney-at-law, Düsseldorf) shared some thoughts on the treatment of IP in the context of international investment law. There are now more than 3,300 bilateral and plurilateral international

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investment agreements (IIAs), which guarantee that investors and investments of one contracting state are treated in the territory of the other contracting state according to certain standards of treatment, e.g. fair and equitable treatment or the requirement of prompt, adequate and effective compensation in case of direct or indirect expropriation. IP rights are among the investments commonly protected by IIAs. In case the foreign investor is of the opinion that the host state has denied the foreign investor treatment in accordance with the standards of treatment of a relevant IIA, most modern IIAs provide a so-called ‘investor-state dispute settlement’ (ISDS) mechanism. According to the UNCTAD World Investment Report for 2019, there will be more than a thousand such disputes by the end of 2019. Only recently have companies started using IIAs to defend their IP rights against host state interventions. Until now there are five arbitrations, which deal with the protection of IP under IIAs: *Philip Morris v Uruguay* (trademarks), *Philip Morris v Australia* (trademarks), *Eli Lilly v Canada* (patents), *Bridgestone v Panama* (trademarks), and *Einarsson (Geophysical Service Inc.) v Canada* (copyright). Whereas the arbitral proceedings *Philip Morris v Uruguay* were directed against anti-smoking legislation in Uruguay, which curtailed the trademark rights of tobacco companies, the *Einarsson* case deals with the infringement of copyright in marine seismic data allegedly committed by the Canadian government. In *Eli Lilly v Canada* the US pharmaceutical company Eli Lilly sued Canada before an international investment tribunal because Canadian courts had, *inter alia*, revoked the Canadian olanzapine patent of Eli Lilly. At the end of his presentation Mr. Klopschinski gave a brief overview on IIAs concluded by the EU and its Member States, in particular the investment chapter of the Comprehensive Economic and Trade Agreement (CETA) with Canada. Now a Canadian investor can, for instance, initiate arbitral proceedings against the EU on the basis of the investment chapter of CETA if the Canadian investor believes that its EU trademarks or Community designs have not been treated by the EUIPO in accordance with the standards of treatment of the CETA investment chapter. Mr. Klopschinski also shared his thoughts on the possibility to use IIAs for challenging decisions of the European Patent Office (EPO) and the future Unified Patent Court (UPC). In his final remarks Mr. Klopschinski concluded that IIAs can be relevant to the protection of IP. However, at the moment it is still too early to conclusively assess the significance of IIAs for IP rights. Only the future will show whether the number of arbitrations concerning trademarks, patents or copyright will continue to increase and in which direction the arbitration practice will develop.

Professor Peter Yu from Texas A&M University continued the session with a presentation on the investment dispute settlement mechanisms of the World Trade Organization (WTO) and the International Centre for Settlement of Investment Disputes (ICSID). As advantages of the WTO he pointed out its potential to actually change the law; the broad effect of other countries following and adjusting their systems in line with rulings; shifting the (very high) enforcement costs from the private sector to governments; and the capacity of the WTO to enforce the rulings. Professor Yu then looked at some of the drawbacks, which he said include a dependence on

the interest of the government to initiate the proceeding; some strange determinations of claims (which he said are sometimes academic or distant from the actual issue); the long duration of proceedings; and different claims (the so-called ‘cut the baby in the half’ phenomenon). As far as proceedings before ICSID are concerned, there is no dependence on the interest of the government to initiate cases as they can be initiated by an investor controlling the claims to be defined. Furthermore, it helps investors to avoid any issues of corruption in developing countries, and the sovereign immunity bar. There is also a possibility to claim damages, and – as with proceedings before the WTO – the outcome could be an actual change of the law which could also have a significant effect in other countries. However, the proceeding is expensive – this time without transfer of costs – and so is not available to small businesses; and investors usually do not prevail. In conclusion Professor Yu said that a difference should be made between investment law and intellectual property, and the costs necessary for its protection. Finally, a new proposal on combined membership of the appellate body of the WTO was suggested, which would include two members from both developed and developing countries, in addition to two former WTO panelists. This should enable cross fertilization and thus an optimal mixture of necessary experience and knowledge.

IV. Globalization in IP through trade agreements

The third panel was headed by Michael Ritscher and discussed the impact trade agreements had on the process of IP globalization.

Professor Thomas Cottier (University of Bern) started by emphasizing the paramount importance of IP for knowledge-based economics, as well as the challenge for emerging economies and developing countries with regard to the transfer of technology and growth based on imitation. He further elaborated on the main current and future legal challenges, such as balancing harmonization with decentralization and regulatory competition. The genesis of IP in trade agreements can be traced back to the Paris and Bern Conventions, a process that continued with GATT and the EEC Agreement, and on to TRIPS and TRIPS-Plus. TRIPS integrated standards in international trade law, introduced dispute settlement mechanisms, principles of non-discrimination, and minimum and maximum standards on the enforcement of intellectual property rights.

Special focus was placed on examples of TRIPS-Plus Template Agreements, such as the China-Switzerland Free Trade Agreement (2013), where Professor Cottier pointed out that TRIPS offers a fair balance of interests which TRIPS-Plus provisions partly disturb. There is, he said, a call for ceilings and gradation of obligations commensurate with levels of social and economic development, and there is also a risk of erosion in the process of implementing and enforcing rights. As opposed to IP, investment protection is subject to its own track of dispute resolution. Professor Cottier further elaborated on the impact of WTO law, and warned about nullification and impairment of benefits, as well as the issue of non-violation complaints. The extension of WTO jurisdiction to TRIPS Plus Agreements should now be expected, he said. Despite international agreements, domestic patterns

of IP law based on territoriality remain strong. Further efforts are necessary in order to integrate IP, trade, investment and competition law in the next generation of rules.

Professor Keith E. Maskus, from the University of Colorado at Boulder, provided some further insights on intellectual property-related preferential trade agreements and the composition of trade. He introduced the topic by asking the same questions which were asked twenty years ago – are the TRIPS-Plus requirements trade-related, and do these negotiations have any impact? Several examples of trade agreements regulating IPRs in the past were presented, including the US-Israel FTA from 1985 and the US-Jordan FTA from 2001. There are more than 400 currently existing IP-related preferential trade agreements, and they could be considered as a recent phenomenon with complex international implied linkages. As of 2015, there are 50 PTAs having IP chapters of varying complexity, and these mostly involve a developed country partner. Several questions were raised as interesting for further research: Does IP matter beyond the effects of TRIPS? Are there impacts on trade, foreign direct investment (FDI), licensing and innovation? Are there interactions between IPRs and tariff cutting in PTAs or any other regulatory elements of PTAs? As far as trade effects are concerned, the links between IPRs and the volume and composition of trade are inherently empirical. Professor Maskus further elaborated on the identification approach applied in the research of effects of TRIPS and IP-related PTAs on imports and exports (broken down into high-IP and low-IP goods). The results of the research were presented through various charts which were explained in detail by Professor Maskus. He said that the analyses found evidence of a sorting effect of IPAs – exports fall in low-IP goods but rise in high-IP goods. There are notable effects in specific high-IP sectors, and thus it was found that IPRs are trade-related in a limited but important context.

V. Territoriality: theory and political reality

This panel was moderated by Michael Ritscher who introduced the topic and emphasized the importance of having both perspectives in mind.

Professor Felix Addor (Swiss Federal Institute of Intellectual Property/University of Bern) opened the panel by sharing some thoughts on the theory of territoriality. He pointed out the importance of differentiation between the harmonization of IP rights and harmonization of IP rules. The latter plays more a beneficial role as it enables increased predictability for right holders as well as increased enforcement in other jurisdictions. In his opinion, the culmination of harmonization of IP rules was the TRIPS Agreement with its, rather disputable, fundamental concept of ‘one size fits all’. In the late 1990s the pendulum started to swing back in favor of the anti-harmonization movement, which is based on various reasons such as IP becoming trade and development relevant and consequently politicized. On the face of it, it is about affordable access to medicines, food for the poor, or free access to information on the internet. In the background, the struggle is about competitiveness issues between generic and R&D pharma or between big internet service and content providers.

He elaborated on five trends he is observing for the future developments of IP: (1) the so-called ‘Rien-ne-va-plus’

(e.g. nothing works anymore) on the international level; (2) a growing number of multilateral and bilateral negotiations; (3) the rise of nationalism; (4) the implementation of national solutions abroad; and (5) the rise of trade wars. Bearing in mind the weakening of international organizations and multilateral harmonization efforts, there is a significant risk of uncontrolled escalation and difficulty to recompense disadvantages of the IP system. It is thus important to strike a balance between too much insistence on the principle of territoriality and over-ambitious attempts to harmonize IP systems. As an acceptable way forward, Professor Addor proposed a gradual harmonization of IP rules with both soft-law recommendations and mandatory obligations balanced in accordance with economic development of the addressees. He suggested basing the liability on the rules with objective legitimacy such as the UNDP’s Human Development Index and the World Bank’s World Development Indicators.

Professor Peter Picht (University of Zurich) presented on the transactional side of IP, including the enforcement of IP claims. He focused his presentation on aspects from pertinent case law. The first case he referred to was *Conversant v Huawei* where the UK court affirmed its jurisdiction to (also) decide on a royalty for China. The second case was *Nokia v Continental*, considered before a court in Germany where the issue of an anti-suit injunction was raised. The court found that the request for an anti-suit injunction in the USA would be unlawful as it was intended to deprive a defendant of its right to enforce his claims in Germany, thereby jeopardizing the rule of law and the proper course of justice. Both cases show well how courts defend their domestic jurisdiction while also taking into consideration the right of IP holders to litigate in other countries. Professor Picht made three concluding remarks. First, the case law shows that things somehow function, although territoriality hampers the functioning of IP markets in a globalized economy. Second, territoriality causes deadweight losses, not only due to different levels of protection but also due to parallel proceedings and parallel registration requirements. On the other hand, far-reaching harmonization may lead to the loss of benefits from competition between jurisdictions. Third, innovative approaches in international private and procedural law should consider not only the existing law but also academic proposals such as the ones generated by the CLIP project.

Professor Jacques de Werra (University of Geneva) shared some thoughts on the challenges raised by the digital/online environment. He started by emphasizing two main features of the digital/online environment: globality and privatization. The latter relates to the private norm-setting and private adjudication/enforcement mechanisms by internet platforms. The relevance of traditional IP principles (specifically territoriality) is challenged in the digital environment. Professor de Werra mentioned the global applicability of national substantive IP laws (such as the US DCMA, which has become a global standard for notice and take down systems for online copyright infringement), challenges of private international law (including the issue of jurisdiction for online IP infringement activities/‘targeting test’), as well as the role of traditional legal institutions in the face of automated ‘robot justice’ rendered by online platforms. Three aspects should be

taken into account in order to address the challenges of IP dispute resolution in the digital world. The first is the conceptualization of ecosystems for digital online IP disputes, whereby the model of the Uniform Domain Name Dispute Resolution Policy (UDRP) could be relevant. The second is the concern to ensure policy coherence by avoiding substantive and geographical fragmentation of regulations (the law of internet platforms is not only about IP but also about other important issues, including hate speech, privacy, etc.). And the third is the importance of self-regulation given that the states may not fully claim back the power exercised by the platforms so that innovative regulation models should be adopted including by self-regulation.

Clive Thorne (attorney-at-law, UK) concluded the session with some remarks on the importance of IP and its implications for trade. He identified two issues as crucial – the constant battle between free and restricted trade, and the enforcement of IP rights (bearing in mind the nature of remedies). Several examples of conflict between nationalism and internationalism in IP were presented, such as the application of national laws in former-colonial countries – UK copyright law in Singapore – or the practice of a Chinese court which ordered a claimant in a recent patent infringement case to provide expert evidence on regulation from foreign jurisdictions. Reciprocity is another issue which reveals the mentioned tension. There are national requirements to which IP should pay attention, including political needs, and the matter of legitimacy and economic commercial needs, with the latter ones being the most important.

VI. The applicable law: principles

The first panel on the second day of the conference was led by Professor Stefan Bechtold (ETH Zurich, Switzerland) and dealt with the matter of applicable law in IP disputes. The panelists provided different views on the issue of principles for its determination.

Professor Rochelle C. Dreyfuss from the New York University School of Law presented on the American Law Institute (ALI) project, Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes. The project was motivated by the need for more efficient resolution of global disputes and the perception that efficiency is impeded by questions concerning the justiciability of foreign claims, personal jurisdiction, and determination of the applicable law. As a basic rule, the ALI project recognizes the principle of territoriality for the main issues such as existence of an IP right, infringement, scope and remedies. However, there are several exceptions: choice of law agreements are permitted (for a limited scope of issues) and the law of the state or states with the closest connection can be used for ubiquitous infringing activities, but not when the outcome would be repugnant to forum public policy. As far as the matter of ownership is concerned, initial title depends on the law of the country of registration (for non-registered marks, the law of the country where the mark acts as a symbol of origin) and, for other rights such as copyright, the law of the creator's habitual residence when the work was created. There are exceptions for works created pursuant to a relationship and for law chosen in a contract. For rights that do not exist in the place otherwise referenced, the

law applicable is that of the place of first exploitation. As to transferability, the law of each state for which the rights are exercised should be applied; transfer itself is regulated by the law chosen in a contract or the law of the state most closely connected to the contract. The ALI Principles do not cover the matter of transfers by operation of law other than the intellectual property law, or the issues of perfection, priority and enforcement of security interests. The ALI Principles also do not cover trade secrets in depth. However, going forward, choice of law for trade secrets will grow in importance. This is particularly true because the Hague Judgments Convention, which will facilitate enforcement of foreign judgements, is intended to cover judgments in trade secret cases, but it excludes most judgments in intellectual property disputes. Thus, creators may try to fashion their claims as involving trade secrets.

Going further, Professor Christian Heinze (Leibniz University, Hannover) talked about the principles of applicable law with special reference to the Principles on Conflict of Laws in Intellectual Property (CLIP) from 2011/12. He started by elaborating on the principle of *lex protectionis* as established today in Rome II and its limits, such as party autonomy, extraterritorial application of IP law or cross-border effects of injunctions. He then proceeded by presenting the general approach of the CLIP Principles that were characterized as being rather evolutionary than revolutionary in nature. In particular, the CLIP Principles try to balance the application of the *lex protectionis* with countervailing interests by allowing for choice of law, accessory application of an otherwise governing law and *de minimis* limitations. Professor Heinze further presented recent developments in the context of unitary rights and FRAND litigation. In the context of unitary rights, a concentration on a single applicable law could be the result of the *Nintendo* decision that focused on application of the law at the place of the initial act of infringement at the origin of the infringing conduct. In FRAND litigation, new forms of extraterritoriality may be observed which could ultimately lead to national courts trying to police conduct abroad, with the potential effect of anti-suit injunctions, a race to the courthouse and possibly even a non-recognition of foreign judgments. In concluding, Professor Heinze proposed to revisit the exclusion of choice of law for intellectual property infringements in Art. 8(3) Rome II and to permit the choice of a single law for remedies at least for intra-EU disputes where substantive law is harmonized to a considerable extent. Finally, he stressed that litigation in national courts and the Art. 267 TFEU procedure should remain the backbone of IP litigation in Europe.

Lord Arnold (Judge, High Court of England and Wales) presented on the law applicable to intellectual property claims in European and UK Law. He pointed out some of the main rules from the Rome II Regulation governing the matter of law applicable to intellectual property rights infringements. The Regulation applies in situations involving conflict of laws to non-contractual obligations in civil and commercial matters. Article 1(3) excludes the application of the Regulation to evidence and procedure. Article 8 regulates the law applicable to a non-contractual obligation arising out of IP infringement and establishes two principles – *lex loci protectionis* and the law of the country where the act of infringement of a unitary right was committed.

Particular reference was made to the two ‘get outs’ prescribed by Arts. 16 and 26 – overriding mandatory provisions and public policy of the forum. Sir Richard moved on to *Nintendo Co Ltd v BigBen Interactive Co Ltd*, where the matter of law applicable to remedies was considered and where the CJEU held that the country where the event giving rise to the damage occurred in Art. 8(2) is to be interpreted as the place where the initial act of infringement at the origin of that conduct was committed or threatened by the defendant. Furthermore, he elaborated on three cases decided by UK courts. In *Lucasfilm Ltd v Ainsworth* the Supreme Court held that a claim for infringement of foreign copyrights was justiciable in England, for multiple reasons further elaborated, and that the applicable law is the *lex loci protectionis*. It seems probable that the same is true of claims for infringement of registered rights where validity is not in issue. In *Actavis UK Ltd v Eli Lilly & Co*, the Court of Appeal held that the conditions for obtaining a declaration of non-infringement were matters of procedure, and therefore governed by the *lex fori*, as opposed to the substantive question of whether the proposed acts are to be considered infringing. In *Chugai Pharmaceutical Co Ltd v UCB Pharma SA*, it was held that an argument about the scope of patent claims was covered by an exclusive jurisdiction clause in a patent license.

Professor Mary-Rose McGuire from the University of Osnabrück provided some insights into the complexity of the matter of applicable law in IP disputes. In her experience, a frequent source of mistakes is whether an issue is governed by contract or patent law. However, it is not actually always the either/or dilemma; sometimes both bodies of law are applicable next to each other. If this issue is overlooked in the first instance and only rectified on appeal, this leads to a significant delay of proceedings and procedural costs. License agreements deserve special attention due to the complexity of the issues arising therefrom. This was the situation in a recent case before Mannheim court. The case involves a mother company from Italy and a daughter company from Austria, who used each other’s patents without explicit agreement. After both companies went bankrupt, their patents were assigned to different companies which found themselves as competitors in the German market. The central issue was which law regulates two main questions – the validity of the license, and its transfer along with the patent. In order to solve this issue it is important to differentiate between contract – form and validity – and patent law – scope and third-party effect of license. The take home message was that it is advisable to carefully look into the issue of applicable law at first instance and to keep in mind that first, sometimes the laws of different countries may apply in a single case, and second that the respective national patent law may inform the interpretation under contract law, as parties may not have envisaged that the patent law issues will be governed by foreign law.

VII. The right of priority

The second panel was moderated by Michael Ritscher and it looked at the right of priority and different open issues arising from it.

Lukas Bühler (Member of the Boards of Appeal, EPO) held the presentation on the entitlement to priority right from the EPC perspective. He introduced the topic by

pointing out the main features of the EPO and its work in comparison with national authorities, where he emphasized in particular partial harmonization and the lack of comprehensive rules on the conflict of laws. It is recognized that the right of priority could be transferred independently from the corresponding application to a third person. Reference was made to the cases (T 239/16 and T 844/18) where the interpretation of Art. 87(1) EPC was challenged. Mr Bühler presented on the development and the change of the approaches to the question of the EPO’s power to examine entitlement to the right of priority. He then elaborated on the terminological perspective with the reference to Art. 60 EPC using the terms inventor and applicant, as opposed to the provision regulating the right to priority. The second issue considered was the ownership and the lack of harmonized law, where conclusions on the lack of jurisdiction on the side of the EPC were more closely elaborated. Given that there is no guidance or conflict-of-law provisions for determining requirements for the transfer of the priority right, the judges face the challenge of filling the gap in the law. The statute law should provide judges with reference points, even if they are incomplete.

Lord Arnold shared some experiences with the right of priority in UK law. The UK legislative framework on the issue gives effect to Art. 4 of the Paris Convention. Six cases where this matter was considered were reviewed. In the first case, *Edward Lifesciences AG v Cook Biotech Inc*, the court found that a person can claim priority from an earlier application only if he is an applicant or successor in title, and that reliance could not be placed on acquisition of title to the invention after the filing of the later application. In a case where several applicants filed the first application, right of priority has to be obtained from each of the applicants. In the second case, *KCI Licensing Inc v Smith & Nephew plc* Arnold J opined that it was sufficient for this purpose for the successor in title to have equitable title to the invention by virtue of an agreement to assign the invention even if it did not have legal title at the relevant date. In *HTC Corp v Gemalto SA* Birss J held that the later applicant had acquired equitable title to the invention at the relevant date and that was sufficient. In *Idenix Pharmaceuticals Inc v Gilead Sciences Inc*, the Court of Appeal expressed the provisional view that it was sufficient for the purpose of priority that an agreement was effective to transfer equitable title to the invention, but did not reach a final conclusion. In *Fujifilm v AbbView* Henry Carr J agreed that equitable title was sufficient. In *Accord Healthcare Ltd v Research Corporation Technologies Inc* Birss J held that the later applicant had acquired full title to the invention by assignment even though the assignor only had bare legal title, and not equitable title, because the assignee was a bona fide purchaser for value without notice of any possible conflicting interest.

Professor McGuire then elaborated on the problem of applicable law with particular reference to the right of priority. Whilst the matter is straightforward when the applicant of the first and second application is the same entity, the situation is not that clear when the latter applicant is a different entity coming from a different country. A currently discussed issue is which law governs the succession in title if the purported successor files an application with the EPO. Although there are several arguments

in favor of the EPC, Professor McGuire argued that the rules of international private law should be followed as they assure predictability and prevention of irreconcilable judgments. As there are no specific rules regulating the law applicable to the right of priority in particular, the general rules of international private law should be applied. This requires a qualification of the issue at stake. Several solutions have been offered, namely (a) to qualify the right of priority as an integral part of the right to the invention, (b) as a part of the rights attributed by the first application, or (c) a privilege granted by the country of second application. Current cases before the EPO and European courts show that this is of particular interest for US patents filed in the US before the America Invents Act. The problem arises if an EP application claiming priority from a prior US application was filed in the name of an employee as a formal applicant and then granted to the employing company, thus naming different applicants in the US and Europe. Professor McGuire claims that the right of priority consists of two different components, which are governed by different laws: the right to rely on the first application and the right to invoke the priority in the second application. The law of original application should govern the nature of the ‘right of priority’, entitlement, transferability and the formal requirements of transfer, whilst the law of the second application governs the (procedural) requirements of claiming priority. Thus, the common quest determining the law applicable to the right of priority as such must fail. Instead the distinct questions, who is entitled to claim priority and how can priority be invoked, must be treated separately.

Klaus Grabinski (Judiciary, Federal Court of Justice, Germany) concluded the session by presenting the recent case law of the BGH on right of priority. The first case discussed was *Vehicle pane* (2013) which involved the issue of validity of a priority claimed from the German application by the EP one. The applicant of the latter EP application was a different company from the owner of prior German application, thus it was necessary that the right to claim priority was assigned validly and before filing the subsequent application. The BGH applied the Introductory Act to the German Civil Law and found that the validity of the assignment is to be assessed through German law (being the law of the first application), which does not require the transfer of priority right to be in writing or any other form. Thus, the BGH ruled in favor of valid priority right, finding that the information made by the prior applicant to the subsequent one is to be considered as an accepted offer to assign the application. The other case was *Wireless communication network* (2013), which concerned the validity of priority claimed by EP from US provisional application. This case was filed by three inventors employed by companies belonging to the same multinational group. One of inventors was employed by the group’s German company, which claimed the invention upon his notice on the invention (the invention was thus transferred not by contract but by law, which had special implications on the matter). The BGH held that the assignability itself, and the obligation to assign the priority, are separate questions governed by different laws (the first by US law as the law governing the right of priority, and the second by German law as the law governing the obligation). The BGH also held that – according to German law – the inventor validly

assigned the priority right to his employer. The priority right was also found to be validly transferred from the German company to the subsequent applicant, resulting in the case being resolved in favor of valid priority claimed.

VIII. Cross-border infringements, injunctions and taking of evidence

The last session was moderated by Mark Schweizer (President, Swiss Federal Patent Court) and was dedicated to enforcement-related topics. The panelists provided an overview of current issues arising in IP disputes involving international elements.

Vittorio Cerulli Irelli (attorney-at-law, Italy) elaborated on court adjudicated global FRAND licenses and their implications. He started by emphasizing the contradiction between the territoriality of patent rights and the inherent global nature of SEP disputes, which are global in scope (standards are set by SDOs on a worldwide level, implementers operate mostly on a global scale, and SEP holders hold portfolios having a global reach) and law (SEP holders are subject to territorially unlimited contractual obligations deriving from the FRAND undertaking and from the antitrust laws applicable in multiple jurisdictions). There are two basic approaches when it comes to resolving FRAND license disputes. The first is the traditional, country-by-country approach, limiting the FRAND-setting jurisdiction to the litigated patents or national portfolios. In that respect, Mr. Cerulli Irelli referred to the EU Commission validation of the German *Orange Book* approach in the *Motorola* case, as well as the currently adopted approach by US courts (see e.g. *Optis Wireless Tech., LLC v Huawei Techs. Co.*, E.D. Tex. 2018) and the one followed by the UK until recently (*Vringo v ZTE* [2015] EWHC 214 (Pat)). The other approach is a somewhat unintended consequence of the *Huawei v ZTE* case where the well-known ‘Huawei etiquette’ was established. The judgment affirmed the centrality of ‘recognized commercial practices in the field’ in shaping the obligation. If recognized commercial practices are based on global FRAND licenses, it is held that the same principle should apply to court adjudicated FRAND licenses. The rise of global FRAND determination was argued before the High Court of England and Wales in *Unwired Planet v Huawei* (setting the rule that if a FRAND license is global, global is to be the corresponding court adjudicated FRAND license), and confirmed by the Court of Appeals in *Unwired Planet v Huawei* (finding that global FRAND rate setting does not imply any alteration of territorially limited scope of patents or any jurisdictional expansionism as well as that it is necessary to avoid a non-FRAND outcome) and *Conversant v Huawei and ZTE* (extending the findings of *Unwired Planet* to a situation where national sales of implementers are a fraction of its global sales). This ‘global’ approach to FRAND determination, whilst logically compelling, raises questions. The first one is that, once the precedent is set, other jurisdictions will follow, which could cause (and is already causing) the risk of conflicts between jurisdictions seized with overlapping claims – this in turn risks generating a *race to the court* situation. Another problem which may further exacerbate this race to the court, is the lack of harmonization on multiple issues on FRAND licenses, such as

valuation (*ex ante* or *ex post*, SSPPU or EMVR, what role for the ‘ND’ prong of FRAND etc.), rate setting (national or global) and the like. Further, a reduction in the incentive to scrutinize SEP value is to be feared (global FRAND licenses equate to tying licenses over national SEPs adjudicated to be valid and infringed with licenses over other, mostly foreign, SEPs of uncertain validity and essentiality). Last, under the Brussels regime, an increase of jurisdictional challenges in pan-European SEP litigation should be expected.

Lord Arnold said he believed that testing the infringement and validity of each patent within portfolio in national countries where they are valid is madness, and that imposing mandatory global arbitration would be the only rational solution. Vittorio Cerulli Irelli raised the concern that such approach could lead to a purely economic value setting environment, with again limited scrutiny to the true value of portfolios, and Klaus Grabinski added that it is uncertain whether the validity test could also be covered by such arbitration.

Klaus Grabinski presented three cases on direct and indirect patent infringement treatment in Germany. The first case (*Radio Clock I*, 2002) regarded the contribution infringement made by the defendant, who shipped radio clocks from Hong Kong to Germany knowing that the clocks improperly made use of a valid patent. The decision was important as the BGH emphasized that the contributors may be held liable for negligently contributing to an infringement, including insufficient precautions to prevent it. The second case (*Sealing system*, 2017) involved direct infringement made by two actions – the delivery of the infringing products from a defendant in Italy to Germany and also by delivery of the infringing products by the buyer from Italy (supplied by defendant in Italy) to Germany. The latter action was subject of a disagreement between the Court of Appeal and the BGH, which ruled that, although not being required to control without any cause the actions of its buyer, the defendant should do the same when there are indications that the patent infringing product is being forwarded to Germany. The BGH further elaborated conditions implying such indications, establishing the obligation on the part of a defendant to verify the actions of its buyer. The third case included the establishment of an indirect infringement where the defendant in China supplied another company in China with a device which was suitable to perform a method protected by a patent (which protected a process of transmitting digitized audio signals, including steps to encode and decode the signals), knowing that it would be exported to Germany where the patent was protected.

Rik Lambers (attorney-at-law, Netherlands) shared some thoughts on the Dutch perspective on cross-border patent disputes. He introduced the case where a cross-border injunction was granted against an MA holder based in Netherlands for facilitating infringement abroad by permitting its distributors to use its MA to distribute the infringing product in the UK, Germany and France. This was considered a tort. Dutch courts are generally open to cross-border injunction claims, in particular in preliminary injunction proceedings. This is confirmed in several cases mentioned (*Carl Zeiss/VSY*, *DSM/Novozymes*, *Fast&Fluid/Santint*, *Sisvel/Xiaomi*). Dutch courts are also open to taking of evidence ‘abroad’ (i.e. evidence on servers outside the Netherlands which are

accessible in the Netherlands). Mr Lambers further elaborated on a phenomenon called the EPO torpedo, recently litigated before the Dutch courts. These cases in particular concerned the suspension of EP application grant proceedings by filing and notifying the EPO of a pending entitlement action in a national court. The complexity of the issue comes from multiple jurisdictions and systems involved. Such a suspension can present abuse of procedural law if the entitlement action is without any merits. Furthermore, the *locus actus* and *locus damni* were discussed for establishing jurisdiction of a national court in an EPO *torpedo* case. One of the legal issues in the discussed cases concerned the argument that a national measure to order the suspension at the EPO being lifted would come down to an anti-suit injunction, cf. the CJEU in *Turner/Grovit*. The Dutch Court of Appeal considered that the EPC contains a legal process for lifting the suspension of the grant procedure which provides for sufficient procedural guarantees, and thus there should be no interference with the allocation of powers contained in the EPC. At the end, Mr Lambers referred to the conclusion made by Court of Appeal (denying the jurisdiction of Dutch courts) that the EPO torpedoes should be dismantled by EPO.

Ralf Urich (Counsel, Google, Germany) closed the session with his presentation on the taking of evidence abroad, focusing in particular on legal regimes in the US and Germany. He introduced the topic by emphasizing that the matter is treated on the international, regional and national levels. The latter was commented with particular reference to 28 U.S.C. Sec. 1782 regulating the assistance to foreign and international tribunals and to litigants before such tribunals. The three statutory requirements for discovery enable its broad applicability in patent disputes, such as for establishing the functionalities of an accused embodiment, existing licenses, authentication of prior art, proving the applicant’s awareness of prior art and the like. Mr. Urich further elaborated on the landmark case *Intel v Advanced Micro Devices*, 542 US 241 (2004) in which the US Supreme Court clarified that there is no foreign discoverability requirement and further set four discretionary factors to be taken into consideration when ruling on the request. There are different approaches when it comes to the applicability of the rule in arbitration proceedings, as recently decided in *Children’s Investment Fund* and *Hanwei Guo*. There are also opposing opinions on the possibility of taking the evidence from US outside counsel, as shown in *Kiobel v Cravath, Swaine & Moore* and *Biomet Orthopaedics Switzerland*.

The German approach is different bearing in mind its treatment of confidentiality – there are no protective orders or classification for ‘attorneys’ eyes only’/‘external eyes only’. Furthermore, although non-public hearings and confidentiality orders are possible, confidentiality clubs are generally not available. Mr. Urich presented the recent case *Qualcomm v Apple*, as considered by Munich Regional Court in 2018 and Munich Court of Appeal in 2019. The dispute concerns an infringement based on a teardown report which was disputed by the defendant, however, with no evidence provided due to confidentiality reasons. The plaintiff had obtained evidence in the US but refrained from submitting the same in proceeding before the German

court. Two important questions were discussed in the case. The first one was about the plaintiff being obliged to obtain evidence abroad through Sec. 1782, where the Regional Court ruled in the negative and the Court of Appeal treated the question as irrelevant. The second question regarded the existence of an obligation to introduce evidence in the proceeding once it is obtained abroad.

At the end, all participants had an opportunity to share their impressions and concluding thoughts. The dynamic two-day exchange encouraged all to bear in mind the global perspective of IP protection and its potential limits. The participants re-iterated their determination to work on issues related to the mutual, global interest in harmonizing IP protection. The next Zurich IP Retreat will take place in November 2020.