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Update on patent litigation in Switzerland

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Update on patent litigation in Switzerland

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In operation since 2012, the Federal Patent Court (FPC) is now the first-instance court for all civil law disputes involving patents. The FPC is exclusively competent for patent infringement and patent validity cases. It also oversees other civil actions relating to patents (eg, civil actions regarding patent licensing agreements). Not only is the FPC itself relatively young; proceedings before it are also governed by the new Civil Procedure Code, which was enacted in 2011. FPC case law has already helped practitioners to understand and use the newly established patent litigation system. Nevertheless, it remains crucial to keep track of the practice of the court regarding:

- its material assessment of individual cases;
- procedural matters; and
- costs.

This chapter provides an update on recent decisions from all three perspectives.

Material assessment

Equivalence

Following a 2013 FPC decision in summary proceedings (S2013_001), infringement under the doctrine of equivalents is assessed in Switzerland based on the following criteria:

- Do the replacing features objectively fulfil the same function?
- Are the replaced features and their objectively identical function rendered obvious by the teaching of the patent to a person who is skilled in the art?
- With due consideration of the claim wording in view of the description, would a person skilled in the art have taken the replacing features into account as being an equivalent solution?

A recent decision (O2014_002) highlighted the second question, commonly referred to as the ‘accessibility test’. The FPC clarified that the assessment of accessibility must not be confused with the assessment of inventiveness. The starting point for the assessment of accessibility is not the general state of the art, but the patent in suit. Therefore, the assessment should focus not on whether the replaced features are inventive in view of the state of the art, but rather on whether – starting from the teaching of the patent in suit – it is evident to a skilled person that the replaced features have the same effect.

A three-step questionnaire is also applied elsewhere in Europe – for example, in Germany (*Schneidmesser* questions) and the United Kingdom (*Improver* questions). The recent FPC decision is more aligned with the UK approach to assessment of the second question. An appeal is pending and the Supreme Court will ultimately have its say on the merits of the case.

Implicit confidentiality

In this infringement case (O2012_043), the defendant successfully established the lack of novelty of the patent in suit, based on an email exchange between the defendant and two competitors. It was undisputed that all features of the patent were disclosed in the emails and that the emails had actually been exchanged; the plaintiff contested only the claim that the email exchange was public. Although the initial email contained an explicit confidentiality notice for a specific attachment, the relevant reply contained no confidentiality notice and the overall circumstances of the email exchange stressed the non-confidential character of the reply. The FPC

therefore held that the relevant email content was to be considered public.

Up to the hilt, beyond reasonable doubt

In this nullity case (O2013_006), the patent was maintained in limited form in view of public prior use established by the plaintiff. The FPC held that it is generally up to the plaintiff to establish what exactly has been made available to whom and under what circumstances. Absolute certainty is not required. Rather, it is sufficient that no reasonable doubt remains or any such doubt appears negligible. The FPC clarified that it is insufficient to argue based on hypothetical possibilities of what else could have happened, without providing an actual indication that the alleged prior use actually has not occurred as claimed by the plaintiff. Rather, the onus is on the defendant to cast concrete doubt on the public

availability of the specific technical embodiment. This decision is in line with recent case law of the European Patent Office (EPO) Boards of Appeal (T2451/13).

Patent exhaustion

Even though Switzerland is not part of the European Economic Area (EEA), Article 9a of the Patent Act states that if a patent owner has placed or consented to the placing of patent-protected goods on the market within the EEA, these goods may be imported and used or resold commercially in Switzerland (regional exhaustion). If the goods are placed on the market outside the EEA, the situation is different – and less clear. The goods may then be imported commercially into Switzerland, but only if the patent protection is of subordinate importance to the functional characteristics of the goods (international



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exhaustion). Not only is the law itself vague; it also codifies that subordinate importance is presumed unless the patent owner provides *prima facie* evidence to the contrary.

In a recent case (S2016_006), the FPC decided on a case of international exhaustion for the first time. The plaintiff argued that the patent-protected feature was very important to the functional characteristics of the goods, and that the risks would be severe in the absence of the feature. In the plaintiff's view, this feature must not be considered to be of only subordinate importance. The FPC took a strict approach and assessed the importance of the feature along the lines of the patent itself. Only a 'nice to have' effect was mentioned in the patent (noise reduction), but none of the severe risks. In the absence of further convincing proof, the FPC thus

held that no more than a subordinate importance was credible and that patent protection was thus exhausted. A single case does not yet establish practice, but patentees would be well advised not to underestimate the burden to overcome the codified assumption of subordinate importance of the patented feature.

Procedural aspects

Separation of proceedings

In this case (O2016_03), two plaintiffs jointly filed an infringement action based on four patents. The FPC held that the individual cases would be ready for decision at very different points of time, in view of the status of EPO proceedings regarding the four patents involved. To simplify matters, the FPC separated proceedings as follows:

- One patent for which proceedings before the EPO were definitely closed would be dealt with in the first proceedings;
- Proceedings based on patents for which opposition proceedings were still ongoing would be dealt with in the second proceedings; and
- The third proceedings would pertain to a patent which had been granted only recently and for which the opposition deadline had not yet expired.

In dividing the jointly filed action into individual proceedings, the court also separated the proceedings for patents belonging to one proprietor. However, this does not necessarily mean that proceedings for different patents owned by a single plaintiff will similarly be separated (ie, if there is no jointly filed action).

Information on accounting

An infringement action is typically dealt with in stages. First, the infringement is decided on; once infringement has been established, the financial compensation is decided on. However, when bringing an infringement suit, the plaintiff is seldom in a position to quantify the compensation.

The plaintiff in this case (O2013_008) provided no further reasoning or evidence regarding the financial compensation sought. The defendant argued that only the quantification – not the whole burden of proof as to the further legal requirements for financial compensation – should be deferred to the second stage of the proceedings. For instance, the plaintiff had presented no allegations as to the bad faith of the defendant (a requirement for recovery of profits). With respect to damages for lost profits, the plaintiff had neither



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“The assessment of accessibility must not be confused with the assessment of inventiveness. The starting point for the assessment of accessibility is not the general state of the art, but the patent in suit”

argued nor substantiated that it made any profit with the products that made use of the patent.

The FPC clarified that once infringement has been established, the defendant’s substantive duty of disclosure and accounting is directly based on the Patent Act. At the first stage of the proceedings, the plaintiff is thus not obliged to establish the further legal requirements for recovery of the defendant’s profits or damages.

Writ in revocation action served to patentee directly

This decision (O2015_007) concerned a nullity suit against the Swiss part of a European patent. The writ had been served directly on the patentee in the United States via diplomatic channels, not on the representative of the patent at the Federal Institute of Intellectual Property.

The patentee failed to take up the fight and no representative was appointed before the court. Any further communication by the court was published only in the *Official Gazette of Commerce*. The patent was revoked in its entirety; an appeal is pending.

Patentees that have been served with a writ should immediately seek legal advice, in order not to lose an important patent unintentionally while still having to bear procedural costs.

Address of service in patent register no ground for refusal of judge

The board of judges is staffed case by case from a pool of non-permanent judges. These non-permanent judges either have a background in law or have trained as patent attorneys; by far the most work in private practice. It was doubtful whether – for example – the mere representation of the Swiss part of a European patent would require a judge to recuse for reasons of the potential appearance of bias.

In a recent decision (O2014_013) the FPC ruled this out in cases where no work on the merits has been done and representation is limited to the mere provision of a Swiss address for service

(eg, for notification of loss of rights). A nullity suit is not served on the representative on file at the Federal Institute of Intellectual Property, but rather directly on the patentee.

Further, a party that wants a judge to recuse must act quickly: the FPC held that parties must act within 10 days of becoming aware, or being reasonably expected to have become aware when handling the matter with all due care, of the grounds for recusal. The parties are expected immediately to check the official registers for any involvement of the respective judge or his or her firm. A guideline on conducting such searches is available on the FPC website.

Wording of requests for injunctive relief

For injunctive relief to be granted, the FPC requires (among other things) that:

- the request contain a detailed description of the attacked embodiment;
- the defendant actually use the attacked embodiment; and
- the attacked embodiment be covered by the scope of the patent, either literally or under the doctrine of equivalents.

For a description to comply with the first criterion, it must be so specific that a purely factual examination is enough to determine whether an act is prohibited. It is established case law of the Supreme Court that a wording is insufficient when it still requires legal qualification or the interpretation of ambiguous technical expressions. In a recent case (O2015_001), the FPC held that the feature ‘every capsule’ complied with this criterion, as it had a plain and ordinary meaning. There was no room for interpretation of ‘every’; it allows for no exception. It could be argued – as the claimant did – that ‘every’ does not really mean ‘each and every’; but the lesson of this decision is that the intended meaning must then be included in the request. Otherwise, the plain and ordinary meaning is decisive (which was not fulfilled here).

Costs

Costs are a major issue in patent litigation, even for the successful party. A successful party will have at least some of its actual costs awarded. The compensation for professional legal representation is generally governed by the value in dispute. It is calculated within the ranges defined in the Regulations on Litigation Costs, according to the significance, complexity and extent of the dispute and the attorneys' time spent on the services rendered. For example, a value in dispute of Sfr1 million results in compensation for legal representation ranging from Sfr40,000 to Sfr70,000.

The following will help parties to properly assess their cost risk.

Costs of internal patent counsel

In this case (O2014_009), the FPC held that the costs of an in-house patent counsel cannot be considered as necessary expenses, irrespective of whether such counsel is employed by a party to the proceedings or a connected undertaking thereof. A prevailing party is thus not entitled to reimbursement of such costs under the guise of 'necessary expenses'.

Costs of patent attorney

The costs of patent attorneys are not formally capped in accordance with the value in dispute; rather, they are dealt with as 'necessary expenses'. In this case (O2012_043), the FPC held that

these expenses were not to exceed the range of the costs for legal representation (as explained above). Otherwise, if virtually any amount would be refundable as 'necessary expenses', it would be impossible for the FPC to estimate the costs in advance – which is a prerequisite of the Civil Procedure Code.

Upfront payment of expected court fees reduced by half

The FPC recently noted that plaintiffs must pay an advance of only half of the expected court fees, corresponding to the expected court costs up to and including the instructional hearing. This lowers the financial bar for initiating proceedings and reflects the high share of cases that are settled by compromise (84% of main proceedings in 2015). *iam*



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