The Patent Lawyer

September/October 2016

GLOBAL REACH, LOCAL KNOWLEDGE

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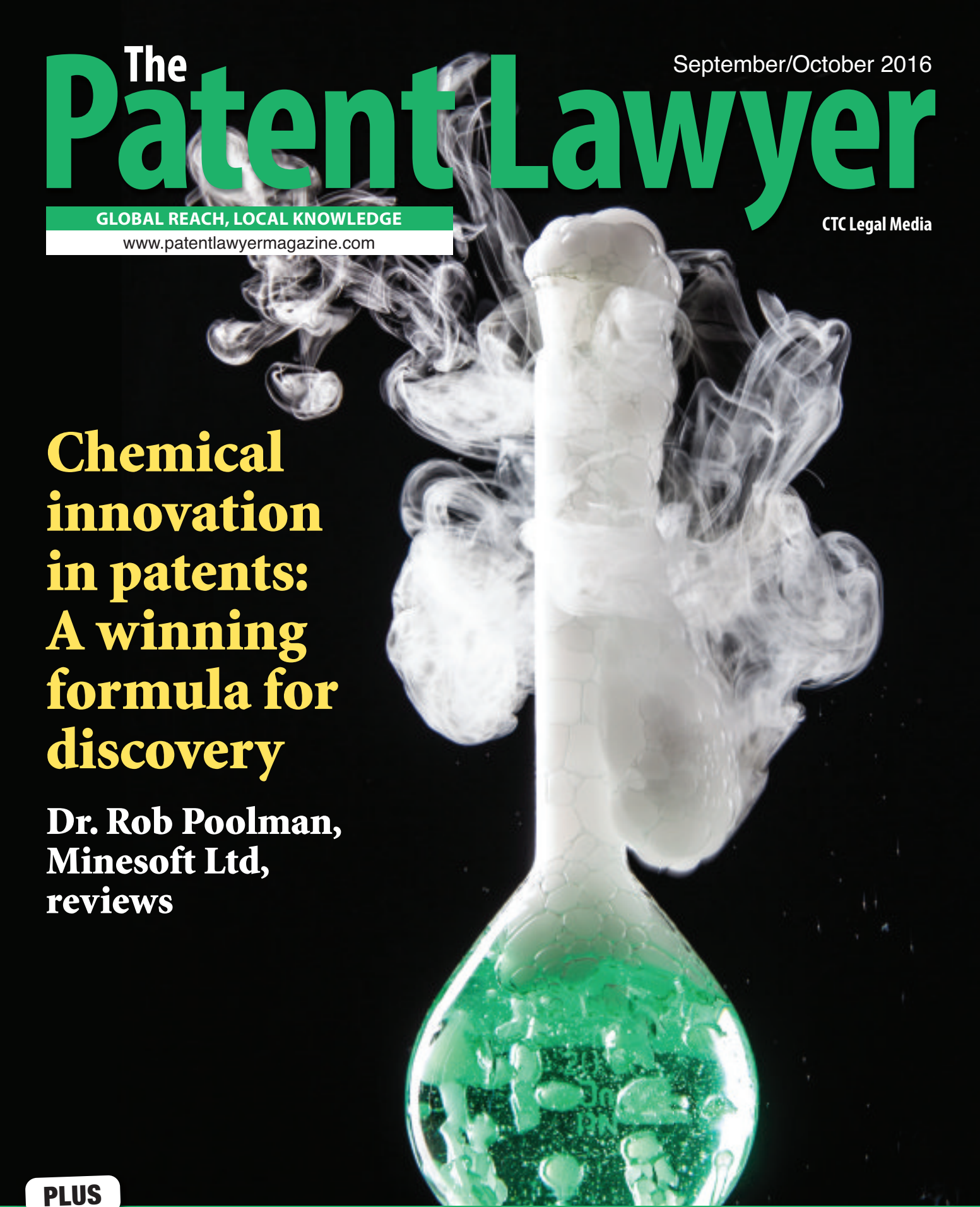
CTC Legal Media



Chemical innovation in patents: A winning formula for discovery

Dr. Rob Poolman, Minesoft Ltd, reviews

PLUS

Sam Bergstrom, counsel for KARL STORZ Imaging, explores techniques for addressing the differences in prosecuting patent applications before the major offices

- Patent filing strategies
- Future of automotive design
- Patent protection in Cambodia
- Russian patent litigation
- Tech transfer pitfalls
- International prosecution strategies


Nikolay Bogdanov

Don't get crushed in a patent dispute

Nikolay Bogdanov, Gorodissky & Partners, explores three key patent disputes in Russia that were resolved uniquely in court, especially in relation to procedural law.

A patent is not a panacea against infringement. Obtaining a patent is only part of the big deal. The real import of a patent becomes clear when the patent holder has to defend his rights. If the claims are drafted properly this task becomes easier. Since protecting patent rights is a private matter, the state does not interfere. The state hands down the laws leaving the patent owner to fend for himself. More often than not the patent owner engages a qualified patent attorney to deal with infringement.

In the review proposed to the reader, we included a number of cases concerning disputes of patent infringement and validity that were examined by courts in 2015-2016. In our opinion, the cases included in the review deserve attention not so much because they solved substantive issues in patents and utility models in a certain way, but because of how the courts resolved certain legal issues including those of the procedural law.

I. The first case covered by this review stemmed from the disagreement of the plaintiff with the decision of the Russian Patent Office (Rospatent) issued to the plaintiff's opposition against a patent to mayonnaise owned by his competitor. It is worth noting that such oppositions are considered specifically by the Russian Patent Office, even if a patent is disputed as a protective measure against an alleged infringement. If the person who filed an opposition (or a patent owner, depending on the circumstances) disagrees with the decision taken by the Russian Patent Office, that person may file a petition with the Court of Intellectual Property Rights (hereinafter referred to as the IP Court), and if the petitioner does not agree with the judgment of that court, the Supreme Court will draw a line under this matter.

The law does not impose limitations on the person who may dispute the validity of a patent by administrative ways (by filing a corresponding opposition with the Russian Patent Office). According to article 1398 of the RF Civil Code, this right is vested in any person. Moreover, no difficulties in disputing resolutions of the Russian Patent Office rendered on a dispute over patent validity have arisen so far. The courts usually did not investigate the issue of interest of the person disputing a patent. Nevertheless, subject to Art. 198 of the Commercial Procedure Code, a person shall be entitled to file a petition with the commercial court seeking invalidation of a resolution of official bodies (in this case resolution of the Russian Patent Office), if the person believes that the disputed decision, first, does not comply with the law or any other regulatory acts, and, second, infringes his rights and lawful interests in the field of entrepreneurial and any other economic activities.

In the case we are commenting on, the IP Court did not study the presence of a lawful interest of the person who disputed the patent (which is a company competitive to the patent owner) but recognized as unlawful the decision of the Russian Patent Office that had maintained the patent and obliged the patent office to cancel the patent. The patent owner, who disagreed with this decision, addressed the Supreme Court that agreed with the opinion of the Russian Patent Office on patentability of the invention protected by the patent and not only disaffirmed the IP Court judgment but also took a stand, which was principally new for such disputes with regard to circumstances to be investigated by courts when considering patent invalidation cases.

In its judgment in this case, the Supreme Court noted that, when resolving disputes of this category, the courts must consider whether a decision taken by the Russian Patent Office complies with the law and, in addition, investigate whether the person contesting a patent is an

Résumé

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Nikolay graduated from the Moscow Institute of Electronical Engineering and also from the Central Institute of Intellectual Property (Moscow). He started his career in the Russian PTO as an examiner, researcher, Deputy Chief of Legal Department, Deputy Chief of Department for International Cooperation and a Deputy General Director of the Russian PTO.

Nikolay contributed to the development of Russian legislative and regulatory acts in the IP area, drafting international agreements in the field of patent harmonisation under WIPO.

Nikolay has also participated in inter-governmental negotiations, including those on Russia joining the WTO. He is a member of AIPPI.

Nikolay joined Gorodissky & Partners in 2004 and in 2006 he became a partner. He advises clients on the Russian and foreign IP legislation including international IP treaties, conventions, agreements and peculiarities of their implementation in Russia and provides expert judgment on the legal documents.

interested one. In particular, the Supreme Court stated that: *during the settlement of disputes associated with patent invalidation claims, the courts must determine how the disputed patent may adversely affect rights and activities of a natural person or a legal entity seeking to invalidate the patent.*

Furthermore, the Supreme Court referred to Art. 4 of the Competition Law, (which defines the notion "unfair competition") and noted that the plaintiff (the person who disputed the patent) did not give any arguments to support that maintenance of legal protection of the invention according to the disputed patent would infringe plaintiff's rights or would be against public interests (interests of an indefinite range of persons). Thus, the Supreme Court stated that the plaintiff, who was contesting the patent, was interested solely in the elimination of a competitor from a certain product market, which was not in compliance with the requirements of honesty, reasonableness and fairness applicable to competition among manufacturers.

Imposing additional limitations on a person who may contest in court a decision by the Russian Patent Office on validity of a patent breaks the existing balance between conditions of administrative and judicial contestation of patent validity. Ultimately, this may end up in a situation where the person disputing patent validity administratively (with the Russian Patent Office) will not be able to dispute the decision of the Russian Patent Office in court. Some may consider such a situation as an interference with the right to defense provided for by Article 46 of the RF Constitution.

According to the current practice, contestation of validity of patents for an invention was traditionally considered as an action aimed at correcting mistakes made by the patent office when issuing a patent. Therefore, it was generally accepted that correction of such mistakes served the public interests on the whole, not only the interests of a specific person whose rights and interests were directly affected by the issued patent. For these reasons, when considering disputes of this category, the courts did not study the issue of an interest of the persons disputing decisions of the Russian Patent Office.

The new legal position of the RF Supreme Court radically changes the traditional practice and shifts the established balance of interests between participants of these legal relations (applicants, patent owners, consumers and the public in general) to the benefit of patent owners.

The commented-on resolution was issued by the Chamber of Economic Disputes of the Supreme Court (second cassation instance). This is not the final instance, though.

The plaintiff, who disagreed with this resolution, filed a supervisory appeal to reconsider the case by the Presidium of the Supreme Court. If the case is taken into consideration, it is the Presidium that will draw a line under this case. The Presidium may *inter alia* express its opinion in connection with the obligatory requirement to confirm one's interest in contesting a patent which is discussed in this review. But even if the Supreme Court confirms said view, this will not affect the possibility of disputing patents with the Russian Patent Office, although subsequent contestation of the decision of the Russian Patent Office in court may be somewhat complicated. If the Supreme Court pronounces its position on this issue, we will inform our readers about it.

II. The second case considered by the Moscow Commercial Court is interesting in that it contains a variety of defenses used by the defendant in a case of infringement of a utility model patent. It should be pointed out that utility model patents were granted until recently without examining compliance of a utility model with the conditions of patentability (novelty and industrial applicability), yet the court deemed such a patent as valid in a litigation concerning infringement of the exclusive right. As mentioned above, the validity of a patent, including a utility model patent, may be contested by any person within the entire term of the patent by filing an opposition with the Russian Patent Office.

In the case being commented, the owner of the utility model patent, which protected a pipeline structure, instituted legal proceedings against several legal entities that were laying a city pipeline. As defenses, the defendants in this case chose to file an opposition against the validity of the patent with the Russian Patent Office (they referred to the lack of novelty of the patented structure) and raise counterclaims concerning recognition of the right of prior use, which is stipulated by Art. 1361 of the RF Civil Code. They succeeded in both aspects: the court recognized their right of prior use, because the defendants managed to prove that they had already made necessary arrangements for using an identical solution that had been created independently of the plaintiff - patent owner before the filing date of the utility model application (this automatically meant their right to further use of this solution without consent of the patent owner and

without having to pay any remuneration to the latter, yet without extending the scope of use); and the Russian Patent Office satisfied the invalidation action filed by the defendant and acknowledged that the utility model was not novel. These two circumstances, together and individually, could be and actually became the grounds for the court's dismissal of the patent infringement claim. More to the point, the defendants provided the court with documents that were believed to prove bad faith of the plaintiff. It followed from those documents that the defendants were purchasing structural elements of the pipeline from an entity that had purchased equipment intended for manufacturing precisely such elements from the plaintiff. Thus, the court referred in its judgment to Clauses 3 and 4, Article 1 of the RF Civil Code, according to which participants of relationships under civil law shall act in good faith and shall not benefit from their misconduct; and the court pointed to the presence of misconduct in the plaintiff's actions. The court stated that the plaintiff's misconduct was directed exclusively to impeding other entities' activities.

It should be observed that subject to the Civil Code, in the event that misuse of rights has been found in actions of the plaintiff, the court shall be entitled to deny protection of the right owned by the plaintiff. Although this provision was not taken as a basis for the court judgment in the case under discussion, the courts have started scrutinizing the good faith issue in the actions of litigants lately. Therefore, the argument regarding plaintiff's bad faith and abuse of his rights may be used (and is used) as a defense in a patent infringement case.

III. The third case included in the review is also associated with a patent infringement dispute. A natural reaction (response) of the defendant in such disputes is an attempt of contesting the validity of a patent. The defendant tries to delay settlement of a patent infringement dispute until the defendant has managed to have the patent recognized as invalid. At the same time, the defendant attempts to resort to the provisions of Article 146 of the Commercial Procedure Code that obliges the court to suspend proceedings if it is impossible to consider the case before another case considered by any court has been decided. As mentioned above, a specific feature of these disputes is that validity of a patent is contested in the Russian Patent Office, and not in court, hence the fact of considering a patent validity dispute in the Russian Patent Office is not formally a basis for suspending the consideration of a patent infringement dispute. However, as soon as the dispute passes on to the IP Court, where decisions of the Russian Patent Office concerning the validity of a patent are disputed, there appear at least formal grounds for applying the regulation on suspending legal proceedings to a patent infringement case.

The court considered the third case upon an action filed by the owner of a pharmaceutical patent against the manufacturer and the seller of a generic drug. As a counter argument, the defendant filed an opposition to the patent with the Russian Patent Office and then, having disagreed with the decision of the Russian Patent Office to maintain the patent, went to the IP Court. The defendant simultaneously filed a petition to suspend the consideration of the action on patent infringement prior to completion of the consideration of the case with the IP Court. The court dismissed the petition for suspension and motivated such dismissal as follows.

What is studied in the case under consideration by the IP Court is lawfulness or unlawfulness of the decision of the Russian Patent Office that rejected the defendant's opposition to issuance of a patent. The validity of the plaintiff's patent is not the matter at issue in such a dispute. It is worth noting that consideration of a case with the IP Court does not mean that a patent infringement case cannot be considered, because a resolution of the Russian Patent Office concerning validity of a patent takes effect upon its adoption, and consequently, only in case the Patent Office recognizes the patent invalid and the Office's decision is appealed to the Court, it becomes impossible to establish the circumstance essential for the case, i.e whether the plaintiff has the exclusive right. Since the Russian Patent Office confirmed the validity of the patent for an invention, there are no obstacles for the court to consider the case of patent infringement.

The court has noted that even if the IP Court cancels the decision of the Russian Patent Office, this will not necessarily result in invalidation of the patent. When canceling the Office's decision, the IP Court may oblige the Patent Office to correct infraction of the rules admitted during taking the decision and reconsider the invalidation action filed against the patent. In addition, the court took into account the fact that the law does not limit the number of invalidation actions that may be filed against a patent, including by the same person. Thus, if consideration of a patent infringement case is suspended every time when the dispute concerning the validity of a patent is considered by the IP Court, it may give rise to constant and endless motions to suspend the proceedings on the case.

The court also stated that if the defendant's action to invalid the patent is finally satisfied, the defendant may apply to the court that was in charge of considering the case for patent infringement and request reconsideration of the case upon discovery of new facts.

In our opinion, the position of the court regarding the suspension issue is fully motivated and maintains the balance of interests of the disputants.

In general, it may be pointed out that the number of court cases involving patents in Russia is not as large as in the USA or Europe. Nevertheless, especially with the advent of a specialized court dealing with intellectual property disputes, the depth of judicial analysis of facts of the case grows, and the quality of judgments becomes higher.