

The new Swiss Federal Patent Court – a progress report of the first year measured against interim relief (status April 2013)

Since 1 January 2012, the new Swiss Federal Patent Court has been judging almost all disputes concerning patents in Switzerland. The new court seems to have caught the interest not only of Swiss practitioners, as we regularly also receive enquiries from foreign colleagues about the track record of the new court. We would therefore like to report on our experiences with the court to date, using interim relief as example. It seems that an infringement action (and in regular proceedings also a cancellation action) in Switzerland has become an efficient new weapon in the arsenal of European patent disputes.

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1. Jurisdiction: comprehensive

The Swiss Federal Patent Court has exclusive subject matter jurisdiction for almost all civil patent disputes, in particular for actions concerning the validity of a claim and infringement actions as well as actions for the granting of a patent licence and supplementary protection certificates. It is also responsible for temporary measures before *lis pendens* applies to such actions. Finally, the Patent Court also decides on the enforcement of its decisions.

For "other civil actions with a factual connection to patents", such as replevin actions or licence disputes, the Federal Patent Court is in competition with the cantonal courts. In these cases, the plaintiff can choose the court where it wants to file an action.

The Patent Court has already affirmed an issue which is not settled by the Federal Patent Court Act and ruled that it is also competent to order temporary measures before the institution of main proceedings if the matter concerns questions of patent law for which it does not have exclusive jurisdiction.

In different proceedings the Swiss Federal Tribunal ruled in an appeals procedure that the Patent Court is not competent to judge financial claims against the Swiss Confederation if the alleged pa-

tent-infringing actions of the commonwealth relate to a sovereign function rather than a commercial activity.

What has not yet been decided is to what extent the Patent Court can also rule on other matters together with issues of patent law, such as matters related to unfair competition or antitrust law.

2. Judges of the court: wealth of experience and practical exposure

Dr. Dieter Brändle is the first president of the Patent Court. Thanks to his former position with the Commercial Court of the Canton of Zurich, he has a wealth of experience in judging disputes under patent law. Dr. Tobias Breimi is the second full-time judge. He obtained his doctorate in physical chemistry and boasts wide-ranging experience as a patent attorney, a job which he still does at 50%. Both of them have for many years participated in the exchange of European patent judges and closely follow the latest developments in international patent law.

In addition to these two full-time judges, the Swiss Patent Court is served by 36 part-time judges of which 25 have a technical and 11 a legal educational background. The part-time judges are called up individually on the strength of their specialist expertise. As they are usually only called up after the parties were unable to come to an agreement in the first phase of the proceedings (see below for settlement negotiations), a part-time judge is not always needed. In addition to their activities as judges, the part-time judges all continue to work in their normal professions. Many of them work as patent attorneys or attorneys specialising in patent disputes, such as Dr. Simon Holzer and Dr. Mark Schweizer from our team. The fact that the part-time judges can in one case serve as judge and in another as counsel representing a party or as legal advisor contribute to making the Patent Court's procedures practice-centric and party-oriented.

However, the fact that Dr. Breimi and the part-time judges still work in the private sector in addition to their work as judges, in particular as patent attorneys, also harbours a risk of conflicts of interest. To avert this, the Patent Court has issued its own guidelines on the independence of judges that make provision for a broad catalogue of reasons for recusal based on the specific problems associated with the work of attorneys and patent attorneys. The provisions of Art. 7 of the Statute of the EU's future Unified Patent Court in this regard are in part less strict and also less detailed.

Thanks to the pool of specialist part-time judges, the court has access to considerable know-how. As a result there is usually no need for party expert opinions, which in Switzerland are in any case only deemed to be allegations by the parties, or for court expert opinions. This speeds up the proceedings and also saves on costs.

3. Procedure and duration: three months for preliminary injunction, one year for judgement, only one appellate instance

In 2012, all summary proceedings, which include proceedings for temporary measures (injunction proceedings), were finalised in just less than 100 days on average, and no case had to be carried over to the new year. This means that all injunction proceedings filed in 2012 were finalised in the same year. In proceedings that were also submitted to a German district court, the Swiss Patent Court was usually faster.

The Swiss patent court system has thus changed from a "torpedo" to a "turbo". The average duration of proceedings of just less than 100 days is impressive, in particular if we consider the different steps for injunction proceedings submitted to the Patent Court as well as the fact that, in Switzerland, the validity of the plaintiff's patent rights are also examined during the injunction proceedings.

As the first step in the proceedings, a petition for temporary measures is filed. The opposing party is then allowed to prepare a written reply. The right to be heard before the court is usually also granted even if a petition for a decision without hearing the opposing party is filed (see below).

If the President judges it to be necessary, he orders the exchange of a second set of briefs (reply and rejoinder). Instead of a second set of briefs, the judge conducting the proceedings can also invite the parties to a hearing and give them the opportunity to submit an oral reply and rejoinder.

When the reply and rejoinder have been received, a judge with a technical educational background prepares what is known as the specialist judge's opinion in which he gives his preliminary opinion on the case. The other judges are not bound by the specialist judge's opinion and can express a different opinion.

The parties can state their position to the specialist judge's opinion orally at a hearing or in writing. If the specialist judge's opinion is presented to the parties orally at the hearing, it is subsequently also sent to them in writing so that it can be used abroad, for example.

As a rule, once the parties' comments to the specialist judge's opinion have been submitted, the judgement is issued. As mentioned above, the rest of the court is not bound by the specialist judge's opinion, but in all the proceedings to date the other judges have usually followed the specialist judge's assessment. Nowadays, deviating opinions can also be included in the judgement.

4. Ex parte injunctions: almost never

In Swiss legal terminology, measures that are ordered *ex parte*, i.e. without first hearing the opposing party, are called preliminary injunctions.

Injunctions are hardly ever ordered *ex parte*, primarily for a practical reason: as almost all judgements must be issued by a panel of three judges, a part-time judge must be called up, which takes a few days. This usually leaves enough time to obtain a statement from the party opposing the petition. In addition, in Switzerland the constitutional right to be heard before the court is traditionally given much importance in the practice.

The Patent Court nevertheless recently issued no less than two preliminary injunctions in proceedings that concerned neither an attachment nor a description: with the first decision it instructed the Swiss customs service to continue to retain the presumably patent-infringing generic version of a blockbuster drug at the border until a preliminary decision could be issued in the matter. Under Swiss law, a court must confirm the retention of the goods at the border within 20 days, otherwise the goods must be released. This deadline would be almost impossible to meet without an *ex parte* decision.

With the second *ex parte* decision in the same proceedings, the defendant was temporarily banned from importing generic drugs. Although both parties previously had the opportunity to state their po-

sition on the validity and infringement in writing as well as orally at a hearing, the plaintiff found out after the oral hearing that the defendant is distributing generic drugs in Switzerland which, in the opinion of the specialist judge, infringe the patent and were not retained by the customs service.

5. Protective letter: seldom recommended

Those who worry about an ex parte injunction can file a protective letter with the court. The Patent Court accepts protective letters for a period of six months against payment of a fee of CHF 1,000 to CHF 2,000 and only sends this letter to the other party when the latter files a petition for temporary measures. In 2012, the Patent Court received 31 protective letters. Protective letters can be filed against the current patent holder, possible legal successors and exclusive licensees. Except for the current patent holder, the other parties do not have to be named.

Only those who have reason to suspect that a petition for a preliminary injunction will be filed against them may file a protective letter. In the only decision involving protective letters published to date, the Patent Court held that it is not permitted to file a protective letter in the name of subsidiaries of a specific group of companies that are not identified by name.

However, as practically no decisions are issued in Switzerland without hearing the opposing party, as mentioned before, protective letters mean little in practice.

Filing a protective letter makes sense if the court should be made aware before the beginning of the proceedings that the facts of the case demand an unusual interpretation of the law, such as a right of joint use or prior public use.

Whether and to what extent protective letters can also have negative consequences for the filing party cannot yet be said on the basis of the cases handled by the court. In any case, the court seems to grant the assumed infringer only a short deadline for submitting a reply to the petition if it has already filed a protective letter. It has never happened that the court wholly denied a party the opportunity to file a reply to the petition because it had already filed a protective letter.

6. Motions: geared to the infringement matter

The Patent Court applies strict requirements to the formulation of the motions. According to this practice it is imperative to explain in the motions how each feature of the patent claim is technically implemented in the attacked embodiment.

The background to this requirement is, among other things, that the enforcing judge, who previously had no knowledge whatsoever of patent law, should be able to enforce the judgement ipso jure. However, this argument is no longer convincing, as the Patent Court itself is now entrusted with the enforcement of its judgements.

The Patent Court does not consider a petition or action if the motions are not tailored specifically enough to the infringing embodiment, if they simply repeat the wording of the claims or only mention the name or the trademark of the attacked product. However, a decision of non-admissibility is not taken by the court without giving the plaintiff prior warning and the opportunity to more closely define the motions.

As the strict requirements of the court regarding the formulation of the motions also apply to cases of literal infringement and not only to equivalent infringements, very long motions are often needed to explain in detail how each feature of the claim is technically put into effect in the attacked embodiment – not to mention subsidiary motions for maintaining restricted claims.

7. Urgency and prejudice that is not easy to redress: low hurdles

For temporary measures to be ordered, not only must there be a claim in the main issue, but the rationale for the injunction must also be established, i.e. that the matter is urgent and that the infringement threatens a prejudice that will not be easy to redress that can only be averted by ordering temporary measures.

The urgency is determined by the date of the petition. Swiss legal practice, however, requires only relative urgency, according to which the matter is urgent for as long as it can be expected that the decision in the injunction proceedings will be issued faster than a judgement in hypothetical regular proceedings if these would have been initiated immediately upon finding out about the infringement and the wrongdoer. As regular proceedings take about a year and injunction proceedings just slightly more than three months, the matter can wait for more than six months. In addition, out-of-court settlement negotiations do not lead to the assumption that the matter is no longer urgent.

The rules are different for petitions for ex parte temporary injunctions, for which "particular urgency" must be established. In one case the Patent Court denied particular urgency, among other things because the applicant waited seven weeks to file the petition from the date on which it warned the opposing party. The court indicated that petitions for preliminary injunctions must usually be filed within one to two weeks from finding out about an infringement.

The condition for a temporary injunction of a prejudice that will not be easy to redress can be established in different circumstances and seldom poses serious problems for the applicant. According to the practice of the Patent Court this condition is already established by the fact that it will presumably be difficult for the applicant to prove its loss in figures if the infringement should continue. Or verbatim: "As far as the prejudice that will not be easy to redress is concerned, this is established purely by the difficulty of proving the loss or damage. Defendant's objection that Plaintiff can easily prove its loss of sales [...] is irrelevant, as Plaintiff would, among other things, have to prove that these losses were caused by the marketing activities of Defendant. This, however, is practically impossible when several manufacturers of generics are active in the market."

8. Establishing the validity of the claim: relatively stringent requirements

In injunction proceedings, the applicant must establish the validity of its claim. The alleged infringer must in particular prove the invalidity of the patent, if this is what it claims.

According to the practice of the Patent Court, a claim has been proved to the satisfaction of the court if the judge is not entirely convinced of the truth of the claim but considers it to be mostly true even though not all doubts have been removed. Just the fact that there is a certain likelihood that the claim is true is not enough.

Foreign court judgements play an important role in establishing prima facie evidence for the validity of a patent. Although the Swiss Patent Court is not bound by such judgements, it does consider them.

Under the Swiss Patent Act, the proceedings can (but do not have to) be suspended if an objection to a patent can still be filed with the European Patent Office or if no final decision has yet been taken about an objection. In proceedings for temporary measures, however, this is the exception, as the suspension of the proceedings contradicts the speed and provisional nature of these proceedings.

In spite of this, the decisions of the opposition divisions and technical boards of appeal of the EPA are granted special importance. If an objection was approved, the patent was revoked and the decision was appealed, the applicant must show why the decision of the opposition division was wrong.

The role of private expert opinions in establishing evidence of a patent infringement is not yet clear. According to the drafting history and court decisions regarding the Swiss Code of Civil Procedure, which was only introduced in 2011, private expert opinions are simply considered to be allegations by the parties. This interpretation is problematic when the parties submit their own laboratory test results which cannot be duplicated independently, even by a specialist judge. If the court should instruct an independent laboratory to duplicate the tests, the injunction proceedings would be unsuitably delayed. The Patent Court has not yet answered the question on how party expert opinions should be judged by the court, in particular if, for example, the measurements done by one of the parties are unquestioned but their legal evaluation is in dispute.

It seems as if the Patent Court has never yet allowed witnesses in injunction proceedings.

9. Settlement negotiations: the end for half of all actions

In injunction proceedings too, the parties regularly agree to settlement negotiations. These usually take place after the exchange of the first set of briefs and are attended by the parties, preferably represented by their CEOs, and their attorneys and patent attorneys.

After a short formal introduction, the actual settlement negotiations are quite informal. The informal part is not minuted and neither the parties nor the court may at a later stage invoke the arguments presented here. The settlement negotiations usually start with a delegation of the court informing the parties of its preliminary assessment of the case. The parties can shortly present their position in this regard, and this is followed by settlement discussions, if both parties want this.

Around 50% of the cases closed by the Patent Court in 2012 were settled, which is in line with the experiences made with patent proceedings before the commercial courts and can be explained by the fact that the primary objective of civil proceedings in Switzerland is to establish legal peace.

A settlement in particular makes sense when things can be settled that cannot be part of the judgement, e.g. whether a changed embodiment on which the alleged infringer falls back is also protected by the disputed patent.

10. Legal remedies: just about pointless in injunction proceedings

The Swiss Federal Tribunal in Lausanne is the only appellate instance for appealing decisions of the Swiss Patent Court. Appeals can also be filed with the Federal Tribunal against decisions regarding temporary measures, but these do not automatically have suspensive effect. Experience has shown that an appeals procedure takes around three to six months, with the decision issued very quickly and the statement of reasons following later.

In injunction proceedings, however, the jurisdiction of the Federal Tribunal is restricted to examining the infringement of constitutional rights, and in particular the unlawfulness of arbitrary rule. A decision is not arbitrary when a different solution would have been preferred, but only if it blatantly violates established jurisprudence or legal principles. As a result, appeals against decisions in injunction proceedings are seldom successful. Appeals against violations of the constitutional right to be heard before the court are more likely to be successful, e.g. if the Patent Court made procedural errors.

In regular proceedings the Federal Tribunal has full jurisdiction, but only for questions of law, not for questions of fact. The duration is the same as an appeal in injunction proceedings, and here too, an appeal is not automatically granted suspensive effect.

11. Security: until now only ordered with restraint

Under the Swiss Code of Civil Procedure, a court can require the applicant to provide security before issuing an order for temporary measures if such an order threatens to prejudice the opposing party. The amount of security required is determined by the damage that may potentially be caused by unfair temporary measures. In a pharmaceutical process with an amount in dispute of CHF 1 million, the Patent Court requested payment of security of CHF 250,000 as a condition for upholding an order for temporary measures issued without hearing the opposing party.

The court must release the security that was paid as soon as it is clear that no action for damages based on unfair temporary measures will be filed. If there is uncertainty about whether such an action will be filed, the court can set a deadline for the filing of the claim.

12. Costs: slightly higher than in Germany

Under the Swiss Code of Civil Procedure, the losing party must pay the costs of the proceedings. These include the court costs and party costs, including a fee for the patent attorneys that had to be involved in the matter. The party costs are based on a fixed rate and hardly ever cover the actual costs incurred by the prevailing party.

The amount of the court costs and party costs depends on the amount in dispute, which can mostly only be estimated roughly. Discussions about this have occurred only seldom to date. It should be noted that the Patent Court must finance itself with the court fees.

The court fees range from CHF 1,000 to CHF 150,000, depending on the amount in dispute. In summary proceedings, the court fee can be reduced by as much as 50%. In proceedings for an order for temporary measures with an estimated amount in dispute of CHF 1 million, the court costs will usually amount to approx. CHF 30,000 to CHF 40,000.

The party costs range from CHF 2,000 to CHF 300,000. If there is an obvious imbalance between the amount in dispute and the time invested by the attorneys, the court can deviate from the rate. In proceedings for temporary measures with an amount in dispute of CHF 1 million, the party costs amount to approx. CHF 50,000.

If the parties are represented by patent attorneys, the fee is based on the rate for attorneys. If patent attorneys act as counsel, the prevailing party can claim its expenses as necessary expenditure, which is included in the party costs. The court reduces fee invoices that it deems to be excessive.

13. Regular proceedings: primarily for damages

In regular proceedings, actions are mostly filed by stages. Initially an application for a cease and desist order (injunction) combined with a claim for payment of an unspecified amount is filed. If the claim is valid, the defendant is ordered to provide information and account statements for its sales. Only when the account statements have been submitted must the plaintiff decide whether it wants to claim damages, loss of profits or recovery of the infringer's profit.

In regular proceedings, the exchange of the first set of briefs is usually followed by what is termed the instruction hearing. If the defendant files a counter-action in its statement of defence or pleads the invalidity of the patent, the plaintiff is usually required to submit its arguments on the validity of the patent before the instruction hearing. The instruction hearing usually also includes settlement negotiations.

14. Presentation of evidence prior to the proceedings: restrained practice

Under the Swiss Code of Civil Procedure, the court can take evidence before pending proceedings. This helps, among other things, to establish the chances of success of the litigation, and not only for the traditional reason of securing endangered evidence. The Patent Act's description of presumably patent-infringing processes or devices constitutes a special case of the precautionary presentation of evidence.

Although not dictated by the decisions of the Federal Tribunal, the Patent Court applies a relatively strict benchmark to the precautionary presentation of evidence and descriptions, presumably because it is afraid of unacceptable fishing expeditions. This means that the precautionary presentation of evidence is only approved if the applicant can prove to the satisfaction of the court that at least the majority of the features of the claim are present in the attacked embodiment.

For the description, the Swiss Patent Court applies the "Düsseldorf practice". As a result, the attorneys and patent attorneys may attend the description, but not the parties themselves. Information which the party representatives obtain at the local meeting may only be passed on to the client if it is contained in the description prepared by the court.

15. Conclusion: good and fast

The Federal Patent Court got off to an encouraging start. In spite of its sometimes strict practice regarding procedural questions and the precautionary presentation of evidence, the news is mostly good for the patent law community. In interim relief proceedings, the system with full-time and part-time judges has so far guaranteed sensible and fast decisions.

16. Any questions?

If you have any questions, you can contact our closely collaborating patent process team:

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