

Effective Mechanisms for Challenging the Validity of Patents

Walter Holzer¹

S.G.D.G.

Patents are granted with a *presumption* of validity.² A patent examiner simply cannot be aware of all facts and circumstances that may constitute a ground for invalidity after grant, such as public prior use somewhere in the world. Apart from that, different examiners may come up with different pieces of prior art. Therefore, no patent is safe from being challenged and declared invalid (or partially invalid), for example due to lack of novelty. In practise the *challenge* does not come out of the blue. It usually is a *reaction* to an *action* taken or threatened by the patentee, such as an infringement action, or the result of a contractual dispute.

Once a patent has been granted it may *not* be revoked or invalidated by a competent *authority* (patent office, court, appeal body etc) either totally or in part on the ground of non-compliance with *formal requirements*, however, it may be revoked or invalidated on a matter of substance.³ The *effectiveness* of the mechanism depends on the *authority* in question and on the *procedure* available, for example whether invalidity can be *invoked* in the form of a so-called *counter-claim* in the course of an infringement proceedings, if such a measure is allowed under the relevant law. This is one of the more difficult topics we have to deal with in the present context. Furthermore, the availability of *technical judges* and competent *representatives* (such as patent attorneys) plays a decisive role as concerns the *quality* of the procedure.

The SPLT

The invalidity issue has been taken up in the SPLT. The principal aim of the SPLT is to achieve harmonisation of the *substantive* law and practice pertaining to *patentability requirements* and *post-grant validity* on the basis of “*best practice*”, with main differences remaining between European and US law. *Article 14 SPLT* for example states the grounds on which a patent (or a patent claim) shall be revoked or invalidated.

¹ Patent and Trademark Attorney in Vienna

² Article 41(4) Draft EPLA: The Court of First Instance shall treat the European patent as valid unless its validity is contested by the defendant.

³ Article 6 PLT

The following presentation will substantially rely on European practise, because thereby the variety of issues at stake can be demonstrated. The terms “ invalidity” and “ patent” in the present context shall be understood as comprising “partial invalidity” and “patent claim”, respectively.

Why challenge a patent?

The issue as to which *mechanisms* should be provided for in (international) patent laws starts with the question: Why would someone wish to invalidate or revoke a patent or patent claim, and at which point in time?

First of all, someone wishes to take a preventive action. A *competitor* monitors the patenting activity of the patent owner, because he is developing a similar technology or wishes to develop one in the future. The competitor may already have, but at a later point in time, applied for a patent on a similar invention. The competitor is, of course, interested in destroying the earlier patent as soon as possible. In case of a European patent, which we might use here as an example, the first opportunity would arise in the *examination proceedings*, in which novelty impairing facts could be submitted to the patent examiner of the competitor’s application, which however for strategic reasons is rarely done. The second opportunity is the *post-grant opposition and appeal* procedure before the EPO⁴, in order to obtain a *revocation* of the patent. Thereafter, the patent must at present be *invalidated* according to *national* procedures, for example in an infringement situation. When the litigation covers a number of countries, problems arise. In jurisdictions in which infringement procedures before the courts allow for a *counter-claim of invalidity*, this possibility of challenging a patent “*inter partes*” will be preferred to jurisdictions with a split proceedings, which for example is the case in Germany, where invalidity cannot be invoked in an infringement suit and has to be dealt with separately before the Federal Patent Court.

Effective Mechanisms

Let us briefly return to our title and consider what *effective* signifies? To be effective, the *mechanism* must comply with *speed* as well as *legal certainty* (which also comprises *quality*, for example when applying foreign law) and last but not least with *affordability*.

⁴ Articles 99 to 105 EPC

It goes without saying that *speed* is essential. *Article 6 of the Convention for the Protection of Human Rights and Fundamental Freedoms* states: "...everybody is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal...."

To enhance *legal certainty*, the mechanisms should involve *competent authorities* and be based on *clear and objective substantive criteria: novelty, inventive step, prior art, prior rights, the person skilled in the art etc.*

As the proceedings can be brought against the *patent owner* by *any third party*, such as a private person or a small SME, the mechanisms *affordability* is paramount, regardless of the value of the patent. Evidently, the original value of the patent decreases rapidly if invalidity appears likely.

Existing Mechanisms

At present *mechanisms* for challenging patents can be found at *different levels*:

- a) – in international conventions and treaties
- b) – in national laws of member states

What we must look for here are the *conditions* that ultimately are implemented in an *international agreement or treaty*, that will comprise a large number of countries.

International Conventions and Agreements

In Europe the only *centralised* challenging mechanism is the *post-grant opposition* and *appeal* proceedings pursuant to the EPC. Neither the *Community Patent Regulation*⁵ nor the *European Patent Litigation Agreement*⁶ has so far come into force, although some progress can be reported on the latter. Other attempts have also been made. The *Green Paper*⁷ of the European Commission in 1997 suggested the creation of a new *Revocation Division* within the EPO (with Appeal to the Court of First Instance). This Division should decide exclusively on matters of *nullity*. Such a body could have possibly complied with the requirements of *affordability* and *legal certainty* as well as *quality*, however, according to the experience to date *not* with speed.

⁵ CPC Draft of 2004

⁶ EPLA Draft of 2003

⁷ Green Paper on the Community Patent and the patent system in Europe, COM(97)

As we deal with *substantive* issues, this representation makes no difference between the terms *nullity, invalidity or revocation* proceedings, the latter term normally being used to define proceedings before the patent granting authority.

The proceedings based on substantive grounds do not require evidencing a *legal interest* on the part of the claimant during the lifetime of the patent, and they normally have a *retroactive effect* (effect “*ex tunc*”) ⁸, whereas proceedings of *forfeiture* based on a lack of entitlement, which may also invalidate a patent and for which a legal interest must be shown have an effect “*ex nunc*”.

EPC-Post Grant Opposition and Central Limitation Proceedings

The European Patent Convention has resulted in the harmonisation of the laws of the European Member States, also as concerns *substantive matters*. It moreover provides for *centralised proceedings* concerning the bundle patent, such as *post-grant opposition* proceedings taking effect for all Member States as well as centralised *limitation* proceedings once the EPC 2000 is ratified, which will be the case in about two years time.

Any person may give *written reasoned notice* to the European Patent Office of *opposition* to the granted European patent⁹. The opposition applies to the European patent *in all Contracting States* in which that patent has effect, *regardless of ownership* in the individual countries. The post-grant opposition can be based on the well known grounds contained in *Articles 52 to 57 EPC*.¹⁰ The opposition procedure involves an exchange of briefs and an oral hearing, the appeal procedure is a full review of the case.

An opposition before the EPO effects the *national level*. For example, in *Austria* an invalidity action would be stayed until the termination of the EPO opposition proceedings.¹¹ Likewise an *infringement action* would most probably be stayed. The court can assess any invalidity issue on its own account and it can also ask for an *expertise* from the *Austrian Patent Office*, however, the court must stay the infringement proceedings *if invalidity as likely*.

⁸ An exception may be microorganisms

⁹ Articles 99 to 105 EPC

¹⁰ According to Articles 52 to 57 EPC the patent is *not patentable* or that the patent does not *disclose* the invention in a manner sufficiently *clear and complete* for it to be carried out by a *person skilled in the art*, or that the *subject matter* of the patent *extends beyond the content* of the application as originally filed (Q: would a broadening in the course of a national validation by an extended translation be a valid opposition grounds or could this only be brought before national authorities?).

National Post-Grant Opposition

In a similar manner in which a post-grant opposition may be brought against a European patent before the EPO, a post-grant opposition may be brought against a *national patent* before a National Patent Office (NPO), if such a mechanism is provided for under national law. The mechanism will be effective only if the NPO is one with a *critical mass*, i.e. a sufficient number of competent examiners in all technical fields. Typically, the post-grant opposition is structured in a similar manner as the one before the EPO, including an appeal in which legal and substantive issues can be raised.

A post-grant opposition before the EPO or an NPO therefore may be an *effective mechanism* for blocking or staying a (threatened) national infringement action. There are subtleties as regards *preliminary injunctions*, which *may* be granted, for example on a security deposit for later damages should the patent be declared invalid. (It is, however, unlikely that in a clear-cut case of invalidity an interim measure would be granted.)

The *advantage* of any post-grant opposition taking place before the EPO or an NPO rests in that the *examining and granting authority* avails itself of *technical senates* hearing the case. The procedure is moreover relatively *cost efficient*¹¹ and that *patent attorneys* can represent the parties. The *problem* with post-grant opposition and appeal today is that the final decision may take a rather long *time*, in particular in the EPO due to the rather extensive procedure which practically allows bringing forward new arguments until the end of the proceedings, which in return means that a great number of infringement actions may have to be stayed. To cite an example: In *France* staying of an infringement action would be compulsory if the EP patent designates France, and it may be possible if the EP patent does not designate France.

The aim therefore should clearly be to speed up the opposition proceedings by imposing *stricter time limits*, not only as concerns the term for filing the opposition, but also as concerns the procedure on the merits, e.g. for the exchange of briefs and the submission of evidence. Likewise, stricter rules of procedure could be applied to the appeal.

¹¹ Article 115a Austrian Patents Act

¹² In Austria, for example, the parties have to bear the costs of a post-grant opposition themselves

National Invalidity Proceedings

Once the time limit for filing a post-grant opposition has expired, the only way to challenge a patent today is *national invalidity proceedings*^{13, 14} or proceedings for a *declaration of non-infringement*.

The effectiveness of national invalidation mechanisms depends on the individual national laws and procedures, which are not coherent. It should be mentioned that *cross border measures* are not available in validity disputes and that in principle judges are not bound by foreign judges' decisions invalidating a corresponding patent. A *French* judge, for example, is not bound by a decision of the EPO Board of Appeal upholding a European patent; rather he is free to invalidate the French national part, although his ruling will be influenced by the EPO's decision.

The Procedures

For the effectiveness of the proceedings, in particular as concerns *legal certainty* and *quality* of the decision, it is of importance that the authorities or courts are *competent* and that the panels comprise *technical judges*. These are normally provided for by Patent Office panels and certain specialised national courts, such as the *German Federal Patent Court*.¹⁵ The *split national proceedings* are thus *effective* as concerns the *quality* and *legal certainty* of the decisions.

As to the *procedural* rules, it is essential that the *patent proprietor* is heard and has the chance to put forward his *opinion* (an oral hearing should be held if one of the parties so demands). Furthermore, the patent owner should have the chance to *amend* the patent. The invalidity action before an NPO or national court can in some countries, such as Germany, not be brought while an opposition is pending before the EPO.

¹³ According to Article 138 EPC the European patent can be revoked or declared invalid under the law of a *Contracting State*, with effect for that *Contracting State*:

- a) if the subject matter of the European patent is not patentable within the terms of according to Articles 52 to 57
- b) if the patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art
- c) if the subject matter of the European patent extends beyond the content of the application as filed or, if the patent was granted on a divisional application or on a new application filed in accordance with Article 61, beyond the content of the application as filed;
- d) if the protection conferred by the European patent has been extended;
- e) if the proprietor of the European patent is not entitled under Article 60 (1);

¹⁵ The first instance panel comprises two legal and three technical judges

To cite an *example*, in *Austria* or *Germany* the invalidity action in the first instance is brought before the Nullity Division of the Austrian Patent Office or the German Federal Patent Court which hear the case in panels of five, with two legal and three technical members each. The appeal is heard in Austria by the Supreme Patents and Trademarks Senate which also sits in panels of five of which three members are legally trained judges and the other two members are technically trained, whereas in Germany the appeal goes to the Federal High Court the panel being composed of legally trained judges only. The procedural rules are governed by the respective civil law. In both instances oral hearings are held. The parties have the full right of disposal. The authority may continue to examine facts of its own motion¹⁶. Austrian and German Patent Attorneys have a full right of representation. The costs of the representation and of the proceedings are governed by a *sum in dispute*. The authorities in Austria also hear actions for a *declaration of non-infringement*.

Counter-Claims of Invalidity

Invalidity counter-claims are an important means of challenging a patent in the course of an *infringement proceedings*. The main idea is to deal with infringement and validity in one and the same action. This measure is not provided for in all jurisdictions at present. In *France*, for example, validity and infringement actions are heard before one and the same court, which however is composed of three legally trained judges. On the other hand, it is not possible in *Germany* to invoke invalidity of a patent in infringement proceedings due to the *principle of separation*. While the principle of separating infringement and invalidity proceedings may have the advantage of enhanced *quality and legal certainty*, effective counter-claim provisions could shorten the infringement proceedings, thus complying with the requirement of *speed*, provided *technical judges* sit on the court panels. Split proceedings may delay a court infringement action for many years.

The possibility of a direct invalidity action as well as an invalidity counter-claim would also be provided for, for example, in the CPR,¹⁷ however without a *technical judge* in the panel, which might render the Community patent court proceedings less effective. The EPLA on the other hand would provide for a direct invalidity action as well as an invalidity counter-claim and for experienced court panels with technical judges. If the counterclaim is brought in a legal action to which the proprietor of the patent is not already a party, he shall be informed

¹⁶ cf Article 114 EPC

¹⁷ Article 32 CPR

thereof and may be joined as a party to the action. The effect of the decision will be *inter partes* only, and for the member states for which the decision has been applied for.

Options for the Future: CPR, EPLA?

The Community Patent Regulation (CPR)

Centralised infringement and invalidity proceedings are not yet available in Europe. The Community patent, which would basically be a European patent, according to *Article 28 CPR* can be (partially) invalidated¹⁸ if the subject matter is *not patentable* according to *Articles 52 to 57 EPC* mentioned above. Another ground for invalidity is given if the proprietor of the patent is *not entitled* under *Article 4(1) and (2)* of the Regulation. Moreover, the subject matter of the patent may not be new having regard to the content of a *national application* or of a national patent made public in the Member State on the date of filing or later but with a filing date before that date. A procedure before a Community patent court would thus have advantage that also *entitlement* can be challenged. Due to the lack of a technical judge in the panel, which the foreseen *Assistant Rapporteur* cannot replace, direct invalidity or invalidity counter-claims will be more difficult to address, even if European Patent Attorneys have a right to be heard. In an invalidating proceedings the *holder* of the patent shall be entitled to *limit* the patent by *modifying the claims*¹⁹. The limited patent shall then be the basis for the proceedings.

As already mentioned, invalidity has *retroactive* effect, although this does not effect infringement decisions which have acquired *res iudicata* and been enforced, or any contract concluded prior to the invalidating decision. *Invalidity actions* may be brought before the Community patent court even if *opposition* may still be filed or is pending before the EPO, and after the Community patent has lapsed. It remains to be seen how these provisions are going to work in practise.

The European Patent Litigation Agreement (EPLA)

The Agreement looms at the horizon. Renewed interest has been shown recently, also by the European Commission. The EPLA could constitute a centralised *infringement and validity* tribunal for a growing number of European patents.²⁰ If it comes into existence, a later

¹⁸ Article 30 CPR

¹⁹ Article 29a CPR

²⁰ Articles 41 to 43 EPLA pertain to jurisdiction in respect of validity, decisions on validity, effect of decisions²⁰ Article 42 EPLA: (1) Where the *validity* of a European patent has been contested, the European Patent Court shall (a) revoke the patent if at least one ground for revocation under Article 138(1) EPC²⁰ prejudices its

merging with a Community patent court, if that comes into existence, is not completely out of the question. The EPLA could prove to be an effective mechanism for challenging European patents, simultaneously for a number of Member States. The *effect* of the invalidity decisions of the EPLA court, which is regarded as a decision of the national court of that state, is still in debate, i.e. as to whether only for the states for which the claim has been brought or in all states.²¹ The EPLA would comprise competent courts with *technical judges* and a system of *direct invalidation* as well as *invalidity counter-claims* in infringement proceedings.

Substantive Criteria for Challenging Patents

The substantive *patentability* and vice versa *invalidity* criteria will not be discussed in detail here, as they are a topic elsewhere in this Forum. To be *effective*, the challenging mechanisms must involve *definite, objective and absolute* concepts, such as lack of novelty, inventive activity, sufficiency of disclosure and other prior rights. These concepts have to be assessed by the *agent* of the patent system, the virtual *person skilled in the art* who is the yard stick for disclosure and patentability. Although the concept of this person is developed by jurisdiction, a sound *definition* could be adopted, as in *Rule 2 Draft Regulation SPLT*: “A *person skilled in the art* means a hypothetical person with general knowledge and ordinary skill in the relevant field of the art at the relevant date.”

Lack of Novelty – Disclosure to the Public

Article 8(1) draft SPLT provides for an *objective* world wide novelty standard. The *concept of novelty* encompasses *prior art* consisting of all information made *available to the public* anywhere in the world in *any form* before the priority date (by means of a written or oral description, by use, or in any other way). It should be recalled that one of the key elements of the patent system is the *disclosure to the public*. Nothing remains secret, everything is published sooner or later, ideally after 18 months, and what is in the public domain creates prior art. Consistent and searchable novelty requirements that can be handled by the examiner are fulfilled by the *first-to-file system* only.

maintenance;...(b) limit the patent by a corresponding amendment of the claims and revoke the patent in part if the grounds for revocation under Article 138(1) EPC affect the patent only in part.

²¹ Article 43 EPLA (1) Decisions of the European Patent Court shall be regarded, in any Contracting State, as decisions of a national court of that State. (2) Decisions of the European Patent Court revoking a European patent or maintaining it as amended shall take effect in any Contracting State for which revocation has been requested and pronounced (or: in all Contracting States). (3) The European Patent shall be deemed not to have had, from the outset, the effects specified in Article 33 and 34 to the extent that the patent has been revoked. (4) If the validity of a European patent has been contested in proceedings initiated by the holder of an exclusive license under this patent in which the proprietor of the patent did not take part, the decision of the European Patent Court shall only take effect between the parties of those proceedings.

In other words, what is not disclosed to the world wide public cannot form prior art. *Prior public use* of the invention is relevant for the *novelty requirement*. Any *loss of rights* provision based on, for example *secret commercial use* by the inventor, would be in contradiction with the fundamental principle of *availability* to the public and should not be adopted, because any *fictive prior art* would decrease legal certainty.²² The prior art effect of *earlier applications* is still in debate. In general, it is acknowledged that a patent application (or patent) in the same country published after the filing or effective priority date of another patent application (or patent) but having an earlier filing or effective priority date shall affect patentability (and thus constitute an invalidity ground) of the second application only as far as the requirements of *novelty* are concerned. Whether pursuant to *Article 8(2) SPLT PCT-applications* could constitute prior rights in the *international phase* already, is an open question. Lack of *industrial applicability* does not play a decisive role in invalidity issues. It is in fact discussed as a patentability criterion mainly in the context of the *private use* of inventions, and it could be replaced altogether by more effective criteria. Lack of *adequate disclosure* of the invention of a European patent, for example, can be brought forward by thirds in a European opposition or a national invalidity proceedings as well as the *inadmissible broadening* of the subject matter of a European patent.^{23 24}

Other Possible Invalidity Criteria in Discussion²⁵

Should there be *socio-economic*, scientific and technological development considerations as *exceptions* from the patent system, and vice versa, should they constitute a source for *invalidating* a granted patent if the need arises? In other words, should non-compliance with for example security interests, protection of genetic resources, biological diversities, traditional knowledge, public health, nutrition, environment or any others constitute grounds for invalidity? In the author's view the answer definitely is: No. The patent system is not apt for examining and assessing these issues, which instead should have their *own systems of protection*. Such invalidity grounds would decrease legal certainty and provoke litigation.

It would be the wrong signal to declare patents void (in particular *ex tunc!*) on *socio-economic grounds*, as these might change over the lifetime of a patent and the incentive for further

²² US position: Loss of rights provision; a prior secret commercial use by an inventor which did not make the invention available to the public would be novelty impairing.

²³ Articles 138, 139, 123 (2),(3) EPC

²⁴ Lit.: GRUR 1993, p.334,335, GRUR INT. 1989, p.686, GRUR 1986, p.803,804 (Formstein)

²⁵ Article 14(2) SPLT

development would be lost. In principle, *any technical teaching* should be patentable (TRIPS), regardless of its content, which means that only the *effect* of the patent could be open to challenge by applying (other) *socio-economic laws* or *compulsory licenses* provisions. In Austria, for example, the use of nuclear energy has been curbed by law. Nevertheless, patents on nuclear technology are filed and granted, and infringement as well as validity issues could arise if a third party offers technology on the marketplace. In five years from now the political attitude could very well change, for example in view of exorbitant oil prices. The main argument against the aforementioned invalidity grounds is that they would not comply with *legal certainty*. No patent owner would be safe from changes in political and social behaviour. A patent is not only a means of monopolistic enforcement and due diligence appraisals. It is first of all a *reward* for the creative mind that has disclosed the invention to the public, thereby contributing to further development and research.

Lack of Entitlement

There are other effective mechanisms for challenging a patent, for example in a national invalidity or *forfeiture proceedings* based on the assumption that the owner was not entitled to the patent.²⁶ If at the end of such a procedure the patent is forfeited and a transfer not requested, the patent becomes void “*ex nunc*”. A patent can be forfeited for example if an employee has been granted a patent that in fact belongs to the employer. Entitlement and ownership issues are up to now heard under *national law*.

Declarations of Non-Infringement

These proceedings constitute an *effective means* for challenging the validity of patents or patent claims *inter partes*. In such proceedings which can be conducted before Patent Offices or courts of Member States²⁷, claimants can submit *prior art* material with their claim, which for example in Austria must be taken into consideration by the panel when assessing the *scope of protection* of the patent. If very pertinent prior art is presented, which renders the scope of protection nearly zero, this in turn means that the petition will have to be granted. As this is a proceedings *inter partes*, the *virtual invalidity* would not affect third parties. If conducted before Patent Offices the mechanism has the advantage that a senate with technical skills deals with the matter and that patent attorneys can represent.

Arbitration proceedings

²⁶ Article 138 EPC

The validity of a patent cannot normally be challenged in an arbitration proceedings. It can however, be challenged in an indirect way between the parties, if one takes into account⁵ substantive invalidity arguments when assessing the *scope of protection*, as explained above.

Conclusions

- **Effective mechanisms for challenging the validity of patents must comply with speed, quality, legal certainty and affordability.**
- **Patents may be challenged in whole or in part from the point of time of grant, while the post-grant opposition proceedings is still pending or has not yet commenced, until after the patent has expired.**
- **The challenging proceedings should be based on the (substantive) patentability requirements and on entitlement.**
- **In any invalidity action the patent owner must be heard and must have the right to amend the patent.**
- **Post-grant opposition and appeal proceedings should be provided for by (national, regional, international) Patent Offices carrying out substantive examination.**
- **The time limit for filing a post-grant opposition should not be too extensive and the procedural time limits restricted, as otherwise the speed requirement is not complied with.**
- **National invalidity proceedings should be provided for by national authorities (patent offices, courts) for challenging national patents.**
- **Invalidity proceedings should be provided for in any centralised international patent court procedures.**
- **In patent courts hearing both infringement and invalidity claims, invalidity counter-claims should be provided for.**
- **In Europe, work on the Community patent should continue; the EPLA should be adopted and implemented in the meantime.**
- **Post-grant invalidity grounds based on socio-economic considerations or fictive prior art should not be adopted, rather the effects of a patent be open to challenge as to its industrial use, if necessary.**
- **Fundamentally, the patent system is not a complicated system. It rests on a few prerequisites: a technical invention, novelty and inventive step (industrial applicability**

²⁷ Article 41 EPLA: The court of First Instance shall have civil jurisdiction in respect of any action...for a declaration of non-infringement of a European patent effective in one or more of the Contracting States.

plays a very limited role and could be replaced by a more effective criterion). Let us keep the patent system simple for the sake of legal certainty.