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Higher Regional Court Dusseldorf on the Admissibility of Exclusive Licensee's Patent Infringement Action against a "Swedish Torpedo" under Article 27 BR

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The Higher Regional Court Dusseldorf decided on 26 April 2012 ([docket I-2 U 18/12](#)) that the admissibility (under Article 27 BR) of exclusive licensee's patent infringement action despite pending NDA proceedings against patentee in another Member State depends on whether the declaratory judgment will have the force of res judicata against licensee. This must be decided according to the law of the court first seized.

The court ordered an expert opinion on Swedish law and decided after separation of proceedings against four defendants who obviously will not be influenced by the force res judicata of the NDA under Swedish law. When deciding, in addition to pending proceedings in Sweden, the court had to consider pending proceedings at the Regional Court Mannheim under national lis pendens rules.

1. Background

A negative declaratory action in patent matters in a European country is a forceful procedural tool as it can block enforcement of the patent in other European countries pursuant to the lis pendens rules, i.e. Article 27, 28 of the Brussels Regulation (EC/44/2001). However, the court subsequently seized in the infringement matter must dismiss the case only if the court first seized has established jurisdiction in proceedings involving "the same cause of action" and if "the same parties" are involved (Article 27 BR).

The court may stay proceedings to prevent irreconcilable decisions, if the actions are "related" (Article 28 BR).

One option for the patentee to enforce the patent against the plaintiff in a negative declaratory action is, for instance, to file a provisional injunction since interim measures do not fall under the lis pendens rules.

If this option is not available, another strategy is to grant an exclusive license for the relevant market. The exclusive licensee will then have to file an infringement action.

However, if the exclusive licensee files an infringement action while NDA proceedings are pending against its licensor, the question will arise of whether the licensee and patentee must be considered as "same parties" pursuant to Article 27 BR. Article 27 BR must be interpreted

autonomously under consideration of ECJ decisions. According to the ECJ decision “Drouot v. CMI” (C-351/96) the “same party” can be different legal entities pursuant to Article 27 BR and this will depend on whether the interests of the entities are “identical and indissociable”. This is to be assumed if a judgment rendered against one has the force of *res judicata* against the other.

The Higher Regional Court Dusseldorf had to decide on an exclusive licensee’s patent infringement action not only after an NDA against the patentee was pending in Sweden, but also after another infringement action that had been filed by the patentee and which was pending at the Regional Court Mannheim. It therefore had to investigate *lis pendens* rules under the Brussels Regulation and under German law.

2. Facts

Company group M having its main seat in Sweden and company group B having its main seat in Germany are both global medicinal device companies and are competitors in the field of *inter alia* wound care. The Swedish company M AB is the owner of European Patent 855 921 protecting a wound bandage.

On 27 March 2008, B GmbH and its European subsidiaries B (UK), B (BE), B (FR) B (IT) and B (ES) filed a negative declaratory action against M AB at the Stockholm District Court (Docket No. T-4333-08) with regard to the respective countries designated in EP 855 921. B GmbH et al. requested the court to declare that the product as described in enclosure 3 does not infringe M AB’s patent. Later, B GmbH added a sample to the action. (It is in dispute between the parties whether the product as described or the product as submitted is the subject matter of the Swedish proceedings, but this aspect of the case will not be investigated here).

Sweden:



In spring 2009, B company group commenced marketing the allegedly patent infringing products.

On 4 November 2009, M AB filed a patent infringement action against B GmbH and its four managing directors at the Regional Court Mannheim (Docket No. 2 O 234/09). The four managing directors were not party to the Swedish proceedings.

Mannheim:



During pending proceedings, M AB and its German subsidiary M (DE) signed on 14 July 2010 an exclusive license agreement. M filed a request at the Regional Court Mannheim to declare those claims for damages and information as finally resolved as of 15 July 2010.

On 26 October 2010, the Regional Court Mannheim dismissed the action against B GmbH based on Art. 27 BR since identical parallel proceedings were filed earlier at the Stockholm District Court. With regard to the four managing directors, the court stayed the proceedings according to Art. 28 BR. M AB appealed the decision at the Higher Regional Court Karlsruhe (Docket No. 6 U 172/10). The proceedings are pending.

On 16 July 2010, i.e. two days after grant of the exclusive license, M (DE) filed against B GmbH

and B GmbH's four managing directors patent infringement proceedings at the Regional Court Dusseldorf (docket No. 4a O 153/10) with basically identical claims as before the Regional Court Mannheim, but claiming damages as of 15 July 2010.

Dusseldorf:



On 19 April 2011, the Regional Court Dusseldorf dismissed M (DE)'s action against B GmbH according to Art. 27 Brussels Regulation and stayed the action against the four managing directors pursuant to Article 28 BR.

Both parties appealed. The defendant is in particular of the opinion that since M (DE) is a legal successor of M AB, the action at the Regional Court Dusseldorf must be dismissed entirely under national *lis pendens* rules.

The Higher Regional Court Dusseldorf separated the proceedings with regard to B GmbH and B GmbH's four managing directors. Its decision of 26 April 2012 pertains to B GmbH's managing directors only.

3. Decision of the Higher Regional Court Dusseldorf

a. Art. 27 Brussels Regulation

The Higher Regional Court Dusseldorf in its decision of 26 April 2012 denied "same parties" with regard to the four managing directors pursuant to Article 27 BR.

The Higher Regional Court referred to the ECJ decision "Drouot" according to which the "same parties" pursuant to Article 27 BR can be different legal entities and that this depends on whether the interests of the entities are identical and indissociable. This is to be assumed if a judgment rendered against one has the force of *res judicata* against the other.

It must be decided according to the law of the court first seized whether the parties have identical and indissociable interests.

B GmbH's managing directors are not party to the Swedish proceedings. Further, B GmbH's managing directors cannot be considered as the "same party" since the interests of B GmbH and B GmbH's managing directors may not be considered as identical and indissociable from each other. In particular, under Swedish law, there is no binding legal effect of a court decision against a company on its managing directors. Rather, Swedish law permits the filing of complaints against the company and its managing directors independently from each other.

b. The *lis pendens* Rule under German Law

The court then turned to the most intensively discussed legal argument of this case, i.e. whether the action must be dismissed due to earlier proceedings before the Regional Court Mannheim pursuant to the German *lis pendens* rule, since plaintiff must be considered as legal successor of the plaintiff of the Regional Court Mannheim proceedings (Sec. 261 and Secs. 265, 325 CCP). Plaintiff is of the opinion that the legal situation of patentee and exclusive licensee is identical to the one of an assignor and assignee in which assignee receives all rights from assignor.

The court did not follow defendant's arguments but decided that M (DE) must not to be considered as M AB's legal successor with regard to all rights to the patent since certain rights remain with patentee. It based its opinion on recent decisions of the FCJ, i.e. "Tintenpatrone" (Docket No. X-ZR 180/05) and "Cinch Stecker" (Docket No. X-ZR 86/10, see Kluwer IP cases). According to those FCJ decisions, if both the exclusive licensee and the patentee suffer economic damage owing to the infringing acts, they may file patent infringement proceedings independently from each other and even at different courts in the German territory.

If the patentee has granted the exclusive license during pending proceedings, patentee's claims will be reduced to the economic impact to him caused by the infringing acts.

Defendant has appealed the decision of the Higher Regional Court Dusseldorf to the Federal Court of Justice so as to defend its view that M (DE) must be considered as legal successor of M AB and is therefore precluded by German *lis pendens* rules from filing the action at the Regional Court Dusseldorf.

With regard to the separated proceedings against B GmbH, the Higher Regional Court is presently waiting for an expert opinion on Swedish law, i.e. whether a court decision of the Stockholm District Court against M AB will have a legal binding effect on B GmbH. Should this be the case (and another expert opinion has already affirmed this) the court might dismiss the action against B GmbH pursuant to Article 27 BR.

4. Comments

Different to case law of the Regional Court Dusseldorf so far (docket 4b O 218/08 GRUR-RR 2009, 402 "Italienischer Torpedo"), the Higher Regional Court Dusseldorf decided on 26 April 2012 that in patent infringement proceedings filed by an exclusive licensee while an NDA against the patentee is pending in another Member State, the possible force of *res judicata* of the NDA decision against the licensee must be decided according to the law of the court first seized, i.e. Swedish law.

The Higher Regional Court Dusseldorf derived the applicability of the law of the court first seized from Article 33 BR according to which a foreign judgment which has been recognized under the Brussels Regulation must in principle have the same effect in the state in which enforcement is sought as it does in the state in which judgment was given.

This approach is supported by the Higher Regional Court Karlsruhe in a copyright matter (BeckRS 2008,12712) and generally by literature, for instance by Schack, a leading German scholar in international civil procedure law (*Internationales Verfahrensrecht*, 5th Ed., 2010, para. 1012).

Schack points out that if the force of *res judicata* must be examined in a case of legal succession, the *lex causae* decides on the question on who has become a legal successor (Schack, *ibid*, para. 1012). The question is here, whether this rule also exists under Swedish international private law (or whether legal succession is considered as a procedural question to be answered by Swedish civil procedural law) and, if yes, which law is *lex causae* to determine whether the exclusive licensee is legal successor of the patentee – is it German law which is to apply on the question of non-infringement of the German part of the EP or the law applicable on the license agreement? Should German law be applicable the expert has to decide on a difficult unresolved legal question subject to pending FCJ proceedings.

After clarification whether the exclusive licensee has become legal successor of the patentee, it can then be decided whether the court decision provides *res judicata* against licensee according to the law of the deciding court (Schack, *ibid.*, note 1012), i.e. according to Swedish law. The expert's opinion on Swedish law mandated by the Higher Regional Court Dusseldorf will surely be of high interest.

As a result, pursuant to this new decision of the Higher Regional Court Dusseldorf, if an exclusive licensee plans to enforce the patent right in Germany after a NDA has been filed in another country against the patentee, he will have to examine whether under the law of the court first seized the judgment against the patentee will have a *res judicata* effect on the exclusive licensee. This includes the decision under the private international law of the court first seized whether the exclusive licensee has become a legal successor of a patentee.

Legal uncertainty and a certain delay of the licensee's infringement proceedings due to the investigation of foreign law cannot be prevented.

Is there no force of *res judicata* of the decision against the patentee, the Regional Court Dusseldorf will probably proceed with infringement proceedings. A stay of proceedings due to "related matters" under Article 28 has, so far, been rejected by earlier decisions in similar cases, since the licensee is pursuing the enforcement of his own rights (e.g. Regional Court Dusseldorf, GRUR Int 2008, 756).

In parallel patent infringement proceedings filed in September 2009 at the UK High Court by M AB and M AB's exclusive licensee M (UK) against B (UK) and B GmbH, things were a bit less complicated. The court interpreted that the defendant in the Swedish proceedings (patentee) and plaintiff in UK proceedings (exclusive licensee by grant of license at the date of filing) are not the "same parties" under Article 27 BR ([docket \[2009\] EWHC 3370 \(Pat\)](#)). Different to the decision of the Higher Regional Court Dusseldorf, the question on legal succession and the force of *res judicata* was decided according to UK law. The UK High Court decided that M (UK) has been granted a specific right which is additional to the right which M AB continues to hold. This is not a case that is similar to "Kolden" [2008] EWCA Civ. 10, where a party acquired the whole of the benefit of a contract leaving the assignor with nothing. The appeal against the refusal to stay proceedings was dismissed ([docket \[2010\] EWCA Civ 988](#)). In particular a stay pursuant to Article 28 was rejected since the subject matter of the proceedings is different. A hearing in main proceedings is scheduled for 8 October 2012.

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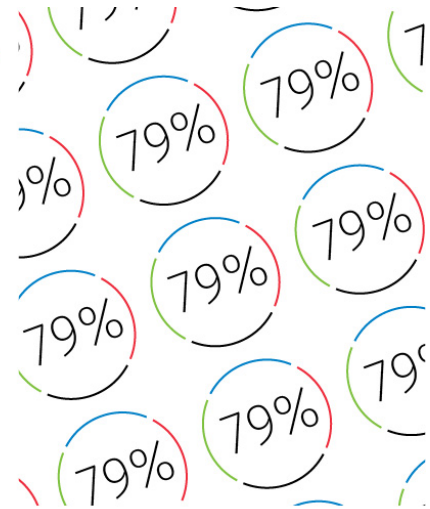
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