

# Think Locally, Act Globally: A Strategy for IP Litigation

By Timothy J. Malloy and Gregory J. Vogler

*To defend U.S. patent interests, medtech executives should be prepared to leverage—and defend against—related foreign patent proceedings.*

Medical device manufacturers risk millions of dollars in research and development—and plunge millions more into manufacturing facilities for new products—in the hope of, first, developing proprietary technology and, second, obtaining a healthy return on their investment through sales based on such technology. It therefore comes as no surprise that, after incurring such risk, innovative developers do not take lightly infringement of their intellectual property rights by followers in the market. Often, patent litigation ensues.

U.S. manufacturers may find that domestic patent rights are easier to defend if they have first concluded—or even initiated—patent litigation outside the country. This article considers the pros and cons of litigating patent rights abroad before or concurrently with the pursuit of favorable legal judgment in the United States. It also discusses what to do if confronted in a U.S. patent litigation by an opponent who has itself pursued such a strategy.

## Litigation Abroad

As just suggested, a litigant in an anticipated U.S. patent case—patent owner or accused infringer—might consider whether to first attempt to litigate corresponding foreign rights before entering into U.S. litigation and then try to use the evidence of this foreign activity in the U.S. case. There could be numerous reasons for the litigant at least to entertain this option.

A number of jurisdictions in Western Europe are noted for distinctive tendencies in their treatment of patents and patent litigants. Notwithstanding the European Patent Convention and its call for harmonization, many commentators believe that Germany continues to adhere to its traditional pro-patent holder policy of regarding claims as “broad guidelines” while the U.K. system emphasizes the “literal meaning” of patent claims.<sup>1</sup> Meanwhile, French patents did not contain claims until 1968. The construction of patent claims in France tends to be broad, although French courts do not construe claims as broadly as German courts sometimes do.<sup>2</sup> To make matters even more complicated, procedural differences can be enormous. For example, most continental European countries do not normally allow documentary discovery.

A perfect example of jurisdictional differences was provided by the Improver Corp. litigation in Europe in 1989–1990. This case often is adduced to support the argument that the English test of patent infringement is less likely to be favorable to patentees than the test in other jurisdictions.<sup>2</sup> In *Improver*, the Remington Products device alleged to infringe was the same in all European contracting states. However, the English and German courts reached opposite decisions in parallel litigation. In cases pitting Improver against Remington, the German court held that the patent was infringed,<sup>3</sup> whereas the English Court held that it was not.<sup>4</sup>

## A Case of Classic Courtroom Strategy

Now, even if a company chooses such a strategy, apart from the direct beneficial effects of the victory abroad, it remains to be seen whether a European determination will be admissible

in a U.S. court. In the *Eli Lilly v. Medtronic* lawsuit (see sidebar, page 00), Medtronic was successful in obtaining admissibility of such a proceeding in a U.S. court and discussing the decision before the jury. The benefits of such a tactic remain difficult to define, however. In the Medtronic case, the results of the foreign patent office proceeding went one way and yet the U.S. jury verdict went just the opposite way.<sup>5</sup>

The procedural battle in the Medtronic case involving the admissibility of foreign patent office determinations in U.S. litigation is interesting but little known. Prior to trial, the German patent office had determined that a corresponding foreign patent was invalid on the grounds of obviousness. The accused infringer, Medtronic, sought to introduce this decision of the German patent office, presumably to bolster its allegation of obviousness in the present case.

The plaintiff took exception to this evidence under Federal Rule of Evidence 403, expressly applicable to “misleading the jury.” Eli Lilly argued that the jury would be confused by this decision of a foreign patent office. It was not directly relevant to the liability issue of obviousness under U.S. patent laws. It could unintentionally undermine the statutory presumption of validity of issued patents. The two patent offices had different standards, the company contended. They proceeded under different languages and a different, albeit somewhat related, set of laws. Eli Lilly concluded: The relevant claims were not identical—even when translated into the same language.

Recognizing this dilemma, Medtronic argued that the decision was also relevant to its good-faith belief of invalidity and thus to the nonwillfulness of its conduct. When the court agreed with this theory, Eli Lilly sought to mitigate its losses. It requested and received an instruction along the following lines: “This exhibit is not relevant in any way to the issue of obviousness of the patent at issue here. It is relevant, if at all, solely to the issue of the alleged willfulness of Medtronic's conduct.”

Eli Lilly received permission to have the court read this instruction to the jury during the evidence on each occasion that Medtronic referred to the exhibit. Apparently, the jury was able to sort out the wheat from the chaff. It found the patent valid and willfully infringed.

## **Precedent and Admissibility**

Several legal cases are pertinent to the argument for inadmissibility. They include:

- *Medtronic Inc. v. Daig Corp.*<sup>6</sup> The prior decision of a German tribunal as to the obviousness of the counterpart German patent did not preclude the issue of obviousness in a case involving the U.S. patent.
- *In re Yarn Processing Patent Validity Litigation.*<sup>7</sup> The issue in the United States of the date of “reduction to practice” was not the same as the issue of “date of invention” decided in a previous Canadian case.
- *Ditto Inc. v. Minnesota Mining & Manufacturing Co.*<sup>8</sup> The prior finding by a West German federal patent court that a German counterpart patent was invalid was not controlling.

As these decisions suggest, many courts have been reluctant to admit foreign determinations. Thus, the strategy of arguing invalidity, even if successful abroad, may fall on deaf ears in a U.S. court.

Several other cases, however, have granted admissibility for a variety of reasons. In particular, these decisions indicate a willingness to admit foreign findings of pure fact, as opposed to mixed findings of fact and law. Two are worth discussion.

*Northlake Marketing & Supply Inc.*<sup>9</sup> Preceding *Northlake*, there had been litigation in Belgium between the same parties on a corresponding patent. The Belgian court's finding that a document was in a private library and, therefore, not available to the public so as to constitute prior art under Belgian law created issue preclusion as to the accused infringer's position that the document was a printed publication under U.S. patent law. The court stated:

It is of course true that as between a Belgian court and this District Court the same full faith and credit that is applicable to the rulings of other courts in this country under the Constitution and 28 U.S.C. Section 1738 does not apply. But the case law from our own Court of Appeals teaches that the same result is still called for here, because proceedings in a Belgian tribunal are considered fundamentally fair and [the accused infringer] has posed no quarrel in that respect. And although the standard of law applied by the Belgian tribunal is not the same as ours, the just-recited factual findings of the Belgian court, which [the accused infringer] is not entitled to relitigate or dispute in this action, conclusively demonstrate that the document is not a "printed publication" under the United States patent laws (35 U.S.C. Section 102(b)) either.

*Vas-Cath Inc. v. Mahurkar.*<sup>10</sup> In *Vas-Cath*, Judge Easterbrook, sitting by designation, recognized the judgment of a federal court of Canada on a Canadian catheter patent by precluding litigation of issues decided in the Canadian litigation. The judge recognized that "although a court may not say 'Canadian '508 is valid and infringed, therefore U.S. '968 is valid and infringed,' it is commonplace for courts in the United States to employ issue preclusion (collateral estoppel) even when claim preclusion is unavailable." Judge Easterbrook emphasized judicial efficiency, and interpreted federal circuit court precedent as not imposing an absolute bar on issue preclusion, stating:

I do not read the Federal Circuit's cases as compelling courts of the United States to ignore informed decisions rendered abroad; the judges of that distinguished court are not xenophobes. Decisions from the Federal Circuit instead reflect the legitimate concern that, when considering what the first case settled, courts not disregard differences in law. If a foreign court renders judgment on a question of fact with significance in each system of law, there is no reason not to take over that decision. . . . I propose to do just that: to examine the Canadian judgments, to learn what has been decided, and to apply those decisions to this litigation to the extent—and only to the extent—they are legally relevant, and the findings are free of the influence of legal differences.

Judge Easterbrook went on to give issue-preclusive effect to the Canadian court's findings that a third party was not an inventor and that a certain reference did not anticipate, finding that they were decisions of fact not dependent on any characteristics of Canadian or U.S. patent law. However, he ultimately granted summary judgment based on other issues. The federal circuit's reversal of his decision did not address issue preclusion. Thus, the judge's otherwise broad statements asserting the admissibility of foreign findings of fact were never fully tested.

## Conclusion

A company that might attempt to utilize related foreign judgments to make its case in patent litigation should be aware of the limited bases on which courts in the United States have admitted such foreign determinations. On the other hand, should the company be confronted by an opponent seeking to admit an adverse foreign decision, it would be advised to consider not only objecting in totality but also offering as a backup position a limiting instruction to the jury to be given during the evidence.

This timing is important. If such an instruction is to have teeth, it should be issued during the evidence and not simply at the end of the case when its impact may be diminished. At the end of trial the court commonly reads as much as an hour or more of closing instructions on the law to the jury. No one can say to what extent such instructions are actually absorbed by the jury in any given court case. However, it goes without saying that a single instruction given in isolation during the evidence will carry far more powerful effect than the same instruction sandwiched among tens, and perhaps hundreds, of others during an hour-long reading at the close of proceedings. This is especially true when the instruction expressly singles out the specific piece of evidence to which it relates.

When all is said and done, however, the best strategy may often be the simplest. That is to choose as counsel someone with substantial experience in medical device patent litigation who can find the weakest spot in the opposition's case.

## References

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3. *Improver Corp. v. Remington Prods. Inc.*, 21 IIC 572 (1990), 24 IIC 838 (1993), [1993] GRUR Int. 242 (F.R.G.).
4. *Improver Corp. v. Remington Consumer Prods. Ltd.*, [1990] F.S.R. 181 (Eng. Ch., 1989).
5. *Eli Lilly and Co. v. Medtronic Inc.*, 696 F. Supp. 1033 (E.D. PA, 1988); *Eli Lilly and Co. v. Medtronic Inc.*, 7 U.S.P.Q.2d 1439 (E.D. PA, 1988).
6. *Medtronic Inc. v. Daig Corp.*, 789 F.2d 903, 907-908 (Fed. Cir.).
7. *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 278-285 (5th Cir., 1974).
8. *Ditto Inc. v. Minnesota Mining & Manufacturing Co.*, 336 F.2d 67, 70-71 (8th Cir., 1964).
9. *Northlake Marketing & Supply Inc.*, 958 F. Supp. 373, 379 (N.D. IL, 1997).
10. *Vas-Cath Inc. v. Mahurkar*, 745 F. Supp. 517, 524-528 (N.D. IL, 1990); reversed on other grounds, 935 F.2d 1555 (Fed. Cir., 1991).

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[SIDEBAR ARTICLE]

***Lilly v. Medtronic***

In 1988, Eli Lilly and Co. brought suit against Medtronic Inc., alleging infringement by Medtronic of two U.S. patents for the automatic implantable defibrillator. Medtronic, which had once been the owner of these patent rights, asserted invalidity, and the case was tried before a jury in Philadelphia. Ultimately, the jury found the patent valid and that Medtronic willfully infringed, and awarded \$26 million in up-front royalties and a 40% running royalty. The court held the patent enforceable and entered an injunction prohibiting further infringement. The injunction remained in place for 18 months.

On appeal, the defendant Medtronic argued that, claim scope and validity notwithstanding, the injunction ought be removed on the grounds that its clinical sales of the infringing product were immunized under the safe harbor provisions of Section 271(e)(1) of the Patent Act referring specifically to “a federal law regulating *drugs*.”

In a divided decision (6–2), the Supreme Court agreed and reversed the determination of infringement on the grounds that the device was still in clinical tests before FDA (*Eli Lilly and Co. v. Medtronic Inc.*, 496 U.S. 661 [1990]). This decision stands as a landmark ruling, allowing all medical devices a safe harbor from patent infringement during tests for FDA approval.