

## TORPEDOES ARE HERE TO STAY

*Premise.* The article *World-wide Patent Litigation and the Italian Torpedo*<sup>1</sup> gave rise to numerous discussions.<sup>2</sup> It was felt (with some reason) that an excessive application of the rule could jeopardize IP rights. Arguments were developed for overcoming its conclusions. I believe said arguments are not correct. In this article I try to demonstrate why, and suggest how the problem posed by the torpedo can be overcome.

### 1. *The torpedo argument. Two criticisms*

The torpedo argument can be summarized as follows.

- i. The Brussels and Lugano Conventions<sup>3</sup> state that if an action is pending before the Court of a Member State, all other Courts should decline jurisdiction until the Court first seized retains the case.
- ii. Therefore if an action is initiated before a Court of a Member State for ascertaining *infringement* (not simply of a patent registered in that Member State, but also) of patents registered in other Member States, all other Courts do not have jurisdiction.
- iii. The same conclusion has to be drawn if the action is initiated to ascertain *non-infringement* of a (patent or) series of patents registered in other Member States.
- iv. Therefore if an action for non-infringement of foreign patents is initiated before a Court of a Member State where the procedure takes a long time (this action being called a torpedo), the enforcement of intellectual property right for the nominated patents is delayed or jeopardized.

Several criticisms have been expressed against the theory. Legal articles and judicial decisions have rejected the basic assumptions. The approaches have been substantially two:

- a. a first one has denied the principle under ii above, namely that it is possible to adjudge of the infringement (and therefore also of the non-infringement) of patents registered in another Member State,
- b. and the second has denied the principle under iii above, namely that an action for non-infringement has the same legal (procedural) consequence of an action for infringement.

I believe, with all due respect, that the two criticisms are wrong.

### 2. *First criticism.*

The English Court has expressed the first criticism. The English judge has held that it would be inappropriate for him to adjudge of the infringement of foreign patents, which are remote from him, and this because the question of infringement is entangled with the question of validity, which is of course reserved (under art. 16,4 of the Brussels

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<sup>1</sup> **Franzosi**, *World-wide patent litigation and the Italian torpedo*, 19 EIPR 382 (1997).

<sup>2</sup> The article has probably been quoted at least 1000 times in legal writings (publications and abstract of conferences). The torpedo problem has been discussed in connection to the Community patent, the revision of the European Patent System and the negotiations for a world-wide system of international competence. See [www.hcch.net/e/workprog/idgm.html](http://www.hcch.net/e/workprog/idgm.html). This shows that the problem is a real one, that must be solved.

<sup>3</sup> I refer to the old texts of the Conventions, prior to the new regulation 44/2001. The new text makes the matter more clear. See below.

Convention) to national jurisdictions<sup>4</sup>. But it is clear, at least in my mind, that he had himself doubt on this decision (which is contrary to the approach taken in copyright matters)<sup>5</sup>, since he thought it proper to send the matter to the European Court of Justice to obtain a ruling. I suspect that a non-negligible reason for the conclusion was that it did not want the British system to be harassed by excessive complications.<sup>6</sup>

I do not intend to try to demonstrate here that cross border infringement actions are legitimate and proper. This argument has been the object of innumerable discussions, and I would not add anything significant here. Suffice to say that cross-border infringement actions are almost universally (or at least quite widely) accepted in Europe<sup>7</sup>.

Even if cross-border infringement actions are admitted, one could deny the legitimacy of actions for non-infringement. Said actions, it can be said, do not correspond to any real interest.

The answer to this approach is simple. In order to act in court, a plaintiff must have an interest. A real, concrete interest must be present. When the action for declaration of non-infringement is based on such real, concrete (and not hypothetical) interest, the action for non-infringement should be possible<sup>8</sup>.

### 3. *Second criticism*

A frequently followed approach has been to say that, even if actions for non-infringement are possible, they however do not justify the application of art. 5,3 of the Brussels and Lugano Conventions, that make it possible to sue in the place where the tort is committed. It is not possible – it is alleged - to sue in the domicile of the plaintiff (alleged infringer), as if this were the place of the tort. Such place does not exist, at least in the submission of the plaintiff: in fact he denies that he commits a tort. It is not possible to interpret art. 5,3 as encompassing an action for non-infringement. Art. 5,3, which states that the judge where the tort is committed has jurisdiction, is a derogation to the general principle of art. 2, which foresees the domicile of the defendant. Therefore it cannot be applied to actions for non-infringement<sup>9</sup>.

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<sup>4</sup> *Ford Dodge v. Akzo Nobel*, 20 EIPR D-10 (1998), 29 IIC 927 (1998); *Coin Control Ltd. v. Suzo International (UK) Ltd.*, FSR 1997, 669, 19 EIPR D-187 (1997), 29 IIC 804 (1998).

<sup>5</sup> *Pearce v. Ove Arup Partnership Ltd. (UK)*, 21 EIPR D-68 (1999), 29 IIC 833 (1998).

<sup>6</sup> *Sepracor Inc. v Hoechst Marion Roussel Ltd. (UK)*, Jan. 14, 1999, GRUR Int. 1999, 784 and [www.courtservice.gov.uk/judgements/judg\\_frame.htm](http://www.courtservice.gov.uk/judgements/judg_frame.htm)

<sup>7</sup> The Dutch Courts have initiated this trend (the most remarkable precedent being the Hoge Raad decision *Lincoln v. Interlass*, Nov. 24, 1989, BIE 89 (1991).

Dusseldorf has ruled several times that cross-border actions are possible. The OLG has sent an aspect of the matter to the ECJ. OLG Dusseldorf Sept. 30, 1999, GRUR Int. 2000, 776. See **Grabinski**, *Zur Bedeutung des Europäischen Gerichtsstand- und Vollstreckungsuebereinnkommens (Bruesseler Uebereinnkommens) und Lugano-Uebereinnkommens in Rechtsstreitigkeiten ueber Patentverletzungen*, GRUR 2001, 199.

For France, see *Tieman et BEE v. KGS et Eurosensory*, Tribunal Grande Instance Paris, Aug. 17, 1992, BIE 391 (1994)

For Italy, see *Euomach v. Hiebsch & Peege A.G.*, High Court of Brescia, Nov. 11, 1999, Riv. Dir. Ind., II, 236 (2000) also quoted in **Jandoli**, *The Italian Torpedo*, 31 IIC 783 (2000)

<sup>8</sup> Compare section 70/71 UK Patent Act. See UK High Court, March 7, 2000, *L' Oreal UK Ltd v. Johnson & Johnson Ltd.*, 32 IIC 463 (2001). For Italy: Supreme Court Aug. 8, 1989 n. 3657 (*Ford v. C.I.C.R.A.*), Foro It, 1990, I, 117 e Giur. It. 1989, I, 1, 1479.

<sup>9</sup> In this sense, *Macchine Automatiche v. Windmoeller & Hoelscher*, High Court of Bologna, Sept. 22, 1998, quoted in **Jandoli** at footnote 8, above, and confirmed by the Court of Appeal June 9, 2000; High Court of Lodi, Feb. 1991, 1992 GADI 2759. See also Italian Supreme Court, *Ford etc.* quoted at footnote 8.

In France *General Hospital v. Bracco*, Tribunal Grande Instance Paris, Mar. 28, 2000, GRUR Int, 2001, 173. In Belgium *Rohm vs. Dsm*, Court of Brussels May 12, 2000, GRUR Int 2001, 170.

In Sweden, *Flootek*, Supreme Court, Jun. 14, 2000, 32 IIC 231 (2001)

In my opinion, this criticism is wrong.

Firstly, it is only made when the plaintiff launches a torpedo action (i.e. an action for declaration of non-infringement of foreign patents) in a country, like Italy or Belgium, where the litigation requires a long time (countries that, with due respect, still are considered slow moving). Nobody has so far thought of criticizing actions for non-infringement promoted in Germany or Netherlands<sup>10</sup>.

Secondly, if it is held that art. 5,3 of the Conventions does not justify the jurisdiction of the judge of the domicile of the plaintiff, it is clear that a torpedo in Italy (or Belgium) against an Italian (or Belgian) patentee would be correct (under art. 2 of the Conventions), and would entail the consequence of depriving the jurisdiction of all other European judges. Therefore this objection against the applicability of art. 5,3 can only be made to maintain the jurisdiction of those judges who are seized second and to avoid the judges of not so speedy jurisdictions to be instrumentally utilized to deprive the jurisdiction of their foreign colleagues.

The problem remains for some patentees and some countries (and at the end for the entire system).

Thirdly, the objection does not solve the problem, until the judge first seized maintains his jurisdiction. In fact, even if wrongly seized, a Court that maintains jurisdiction deprives (or suspends: art. 21 of the Conventions) the jurisdiction of other judges that may have more grounds.

Fourthly, the argument is bad, since it confuses between procedural and substantive aspects. The rule that jurisdiction can be established in the place of the alleged tort does not require that the existence of the tort is affirmed, or even implied. It is a rule of jurisdiction, not of merit. It implies that the action has to be classified as a tort action, and not otherwise. An action for declaration of non-infringement is not an action under contract or quasi-contract, but an action on tort (or quasi-delict)<sup>11</sup>. By the same token, an action based on a contract remains such even if the plaintiff alleges that the contract is null, voidable or utterly non-existent.

#### 4. Art. 5.3 applies to torpedo actions

In the *Tatry* case, the ECJ held that an action seeking to have a party liable for damages is the same cause of action as an action for a declaration that the party in question is not liable<sup>12</sup>. Therefore, according to art. 21 of the Brussels Convention, the action for liability is barred if an action for non-liability is started before.

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<sup>10</sup> Also because one has to say, for sake of honesty, that nobody has thought of initiating a torpedo in the Netherlands or Germany (but see below).

<sup>11</sup> In the *Kalfelis v. Schroeder* case, the ECJ (case 189/87, 1988 ECR 5565) defined the concept of matter relating to tort, delict or quasi-delict as an independent concept covering all actions which seek to establish the liability of a party and which are not related to a contract within the meaning of art. 5.1 of the Convention.

<sup>12</sup> *The Owners of the Cargo Laden on Board the Ship Tatry v. The Owners of the Ship Maciej Rataj*, Case C-406/92, ECR 1994 I-5439. The damaged party argued that the action for a negative declaration steered the procedural advantages that a damaged party should have. The Court refused the argument. It is worth quoting the reasoning of the Advocate General:

“ The bringing of a proceeding to obtain a negative finding, which is generally allowed under the various national procedural laws and is entirely legitimate in every respect, is an appropriate way of dealing with genuine needs on the part of the person who brings them” At point 23.

See also **Dicey-Morris**, *The Conflict of Law*, London 1993, 361.

See also *Sisro v. Ampersand II*, Dutch Hoge Raad Nov. 10, 1995, BIE 1996, 86

Said statement of the ECJ is controlling and prevails over possible different approaches that national courts may take. It confirms the legitimacy of actions for declaration of non-infringement. A party who believes he (or she) can be harassed by industrial property rights of another cannot simply wait for an attack of the patentee. Said party must have the right to give certainty to his or her initiative, make plans, invest and hire personnel. It would not be economical (not to say unjust) to deprive said party of the right to obtain clarity. Said action for non-infringement is properly brought before the Court where the alleged infringer (plaintiff) resides. This place is justified under art. 5.3, and does not contradict art. 2. In fact it is generally true that art. 5.3 is an exception to art. 2, and that art. 2 is the expression of a general principle. But there is a general principle even broader, encompassing the rationale of art. 2. Such is the principle that the jurisdiction should be given to the party who is the weakest, namely to the defendant *on the merit*. He who is or may be attacked by a creditor is the weakest party. The defendant on the merit is compelled to follow the fixed and frequently strict timetable of the trial. The creditor is free from said constraints. He can prepare his case for years; his only limit being the statute of limitation. He can review timelessly the evidence, disregard bad things and arguments, and choose documents and witnesses. Protection of the weakest party is an essential objective of the Convention<sup>13</sup>.

Therefore, according to this rationale, it is only logic that the plaintiff in an action for declaration of non-infringement should choose, as proper forum, the place of his or her domicile. This is the place of the domicile of the defendant in the substance, where the patentee would sue; this is the place where the patentee would allege that the harmful event occurs. The situation should not be altered because the alleged infringer, and not the patentee, has initiated the suit.

It is important to note that regulation 44/2001<sup>14</sup> has codified the legitimacy of actions for declaration of non-infringement and the forum of the alleged infringer (plaintiff suing for declaration of non-infringement). In fact the present wording of art. 5,3 is:

*A person domiciled in a Member State may, in another Member State, be sued:*

*3. in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur”<sup>15</sup>.*

## 5. *Wrong proposals against the torpedoes*

Torpedo actions, even if legitimate, may create difficulties. Unjustified actions can be brought, so as to create procedural difficulties and paralyze the enforcement of IP rights for a long time.

A host of suggestions has been made to cope with the difficulty. These suggestions can be summarized as follows:

- i. to eliminate the possibility of declaratory actions;
- ii. to institute a single centralized court where all IP (or patent) cases, whether positive or negative, are brought;

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<sup>13</sup> *Ivenel v. Schwab*, Case 133/81, 1982 ECR 1891, point 16: “The rules on jurisdiction... are inspired by concern to afford proper protection to the party to the contract who is the weaker from the social point of view”.

For a discussion see **Lundstedt**, *Jurisdiction and the Principle of Territoriality in Intellectual Property Law: Has the Pendulum Swung Too Far in the Other Direction?*, 32 IIC 124 (2001), more prudent on this conclusion.

<sup>14</sup> Community legislation in force [www.europa.eu.int/eur-lex/en/lif/dat/2001/en\\_301R0044.html](http://www.europa.eu.int/eur-lex/en/lif/dat/2001/en_301R0044.html).

<sup>15</sup> The draft regulation of the Community patent expressly foresees at art. 34 the possibility of actions for declaration of non-infringement. [www.europa.eu.int/](http://www.europa.eu.int/)

iii. to give priority to the action for declaration of infringement over the action for declaration of non-infringement even if prior.

I believe these proposals should not be followed.

The first one seems to be contrary to the common legal principles of the Member States, not to mention the fundamental principles of European civilization. The regulation 44/2001 rejects this approach.

The second deprives the defendant, and generally the parties, of the benefit of obtaining justice from the judge who is close to the situation, and can appreciate the interests at stake. It is a principle that seems fundamental to me. In Italy, it is a constitutional right: everybody has to be judged by his “natural judge” (*giudice naturale*). The Brussels and Lugano Conventions are permeated by this principle. In addition, intellectual property rights may be used to the benefit of the powerful and skilled against the less powerful and skilled. A concentration of the action in a single Court enhances the difficulty for the weaker party.<sup>16</sup> (This question – single Court v. national Courts - is much broader than the one dealt with in here, and will become crucial in the imminent future in connection with the discussions on European (or Community) patent Courts (or Court). Therefore, I will not treat it here).

The third suggestion (that adopts a solution similar to the German one) seems to me unjustified. If the Court of the action for non-infringement is (as it is usually the case) the Court where the alleged infringer has domicile, why should this Court yield to a Court chosen by the patentee, that may have a less stringent connection with the case? And in any event, if the first Court has jurisdiction, why should it yield to the second seized Court? Such a duplication of actions would be a waste of judicial activity, not to mention the loss of credibility of the system.

## 6. Suggested solutions: a) abusive torpedoes

The solution to the problem may be twofold:

- a) on the one hand, to eliminate the abusive actions for non-infringement;
- b) on the other hand, to streamline and harmonize the work of the national Courts (or of the Community patent Courts located in the various nations), so that it should not be possible to distinguish between slow-moving and fast-moving Courts.

Under a) Are there ways to distinguish good (justified) and bad (abusive) actions for non-infringement? And therefore, is there a way to accept only legitimate non-infringement actions and refuse the bad torpedoes?

The European Court of Justice has adjudged in the *Foglia / Novello*<sup>17</sup> case that a simulated process, brought only for the purpose of submitting to the Court the examination of a national law, is inadmissible. In *Autoteile / Malhe*,<sup>18</sup> the Court rejected the attempt to introduce before a German Court through a counterclaim a claim that was already rejected by said Court for lack of jurisdiction. From these decision one could draw the principle that an abusive action does not produce effects.

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<sup>16</sup> On the intimidating effect of IP rights, see **Kingston**, *A Spectre is Haunting the World. The Spectre of Global Capitalism*, 10 *Journal of Evolutionary Economic* 83 (2000).

Of course, it is not simply a question of cost and inconvenience. It is more a question of difficulty to defend his own rights before a judge who, even if European, remains alien to small entities.

<sup>17</sup> *Foglia v. Novello*, ECJ Mar 11, 1980 (I), Dec. 16, 1981 (II)

<sup>18</sup> *Autoteile v. Mahlnè*, Jul. 4, 1986, 220/84, Riv. Dir. Int Priv. Proc. 1986, 714

These ruling of the European Court of Justice are controlling and prevails over possible different approaches that national courts may take. So that it should not be necessary to see what the solutions are under the various national laws.

In any event, in Germany numerous decisions have held that an abusive action, brought only for the purpose of creating jurisdiction, does not have effect.<sup>19</sup> The solution under Swiss<sup>20</sup> and Austrian<sup>21</sup> law is similar.

Under British law the judge has the possibility of “striking out” briefs or acts that may be considered abusive. A rule in the new Civil procedure rules<sup>22</sup> states that:

“The court may strike out a statement of case if it appears to the court.. b)that the statement of case is an abuse of the court’s process...”

The British Courts have applied this principle consistently (both before and after the new codified rule).<sup>23</sup>

Also in cases of patent litigation, some court has ruled that abusive actions should not be accepted. For instance in Belgium *Medtronic vs. Therex*<sup>24</sup> and *Rohm/Abitec/Roal vs. Dsm/Basf*<sup>25</sup> and in Italy *Macchine automatiche vs. Windmoller*<sup>26</sup>.

The abusiveness of an action should not only be a ground for a judge, seized with an abusive action, to decline jurisdiction. It should also be a ground for a judge, whose jurisdiction seems to be impaired by the proposition of a prior abusive action, to affirm his or her jurisdiction. In other words, since an abusive action should be considered incapable of obtaining the effects typical of said action, a prior abusive action should be considered non-existent, so that the exception of *lis pendens* cannot be validly raised against the second action.

### 7. b) *Streamlining of the Court procedure.*

Under b). But now, if some torpedoes are correct and proper, how to solve the problem that a slow court may hinder the enforcement of I.P. rights in Europe?

In my opinion, there is only one correct solution. And this is not to segregate some jurisdiction, or to find arguments to consider that all kind of action brought before said court is abusive, simply because brought before that court. But this is to make this court well performing (in term of speediness, not of quality. I suppose nobody has remarks in term of quality). If the project of a centralized Community Court with national branches, or of few national Community Courts in the various countries, is implemented, this would be the solution. And it would be the only acceptable solution, from a legal and political point of view.

### 8. *What is the room for torpedoes?*

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<sup>19</sup> See **Zeiss**, *Die arglistige Prozesspartei*, 1967; **Rosenberg/Schwab/Gottwald**, *Lehrbuch des Zivilprozessrechts*, 1993, 65, VII, **Zoeller/Vollkommer**, *Kommentar zur Zivilprozessordnung*, 1999, Anm 57.

<sup>20</sup> BGH, Amtliche Sammlung 1983, II, 346.

<sup>21</sup> **Fasching**, *Zivilprozessrecht*, 1990, Rn 136

<sup>22</sup> Code of Civil Procedure, part 3 rule 4 (2).

<sup>23</sup> *Lonrho Plc. v. Al Fayed* WLR 1993, 1502; *Turner v. Grovit et al.* WLR 1994, 794; *Ashmorec v. British Coal Corp.* (1994), 2 QB 338; *Yang Tung Invest. Co. Ltd. v. Dao Jung Bank Ltd.* (1976), A.C. 681; *Unilever Pcc. v. Procter & Gamble Co.*, WRL 1999, 630. Also the anti-suit injunction is an expression of the same principle *Continental Bank v. Aeokos*, WRL 1984, 588

<sup>24</sup> Court of First Instance of Brussels Aug. 6, 2000.

<sup>25</sup> Court of First Instance of Brussels May 12 2000.

<sup>26</sup> *Macchine Automatiche*, Court of Appeal of Bologna, quoted at footnote 9.

The above considerations under b) will eliminate annoying torpedoes in the future; under a) eliminate the ones that are clearly abusive. The room which remains for the (good) torpedo is still very large.

To start with Italy, an Italian torpedo is justified in two cases:<sup>27</sup>

- i) when an Italian entity (i.e. an individual or a company domiciled or resident in Italy, or having a sufficient connection with Italy) asks for a declaration of non-infringement., In this case jurisdiction is based on art. 5.3 of the Convention (place where the alleged tort occurs);
- ii). when a non-Italian entity joins an Italian entity in such action for non-infringement, and there are sufficient reasons to justify or make it convenient to handle the cases jointly. In this case jurisdiction is based on art. 6.1 of the Convention (jurisdiction valid for the plaintiff as point i) above and extended to a co-plaintiff)

Belgian, Greek, French, German torpedoes are justified under equivalent circumstances. It should be noted, however, that Belgian Courts seems to be reluctant to accept actions for declaration of non-infringement, unless they are clearly justified by the presence in Belgium of the entity accused of infringement. In other words, the “spider in the web” (to use the classic expression coined by the Dutch Court)<sup>28</sup> has to be Belgian. So jurisdiction is accepted under art. 5.3, and less easily under art. 6.1. Italian court seem to require a connection also under art. 6.1, but not at all so tight.

The Italian Supreme Court with a decision of April, 3 2000<sup>29</sup> has stated that a connection that justifies application of art. 6.1 exists not only when the action against the principal co-defendant is grounded, but also when there is a justifiable cause of action, even if with the decision on the merit the claim against the principal co-defendant is rejected. Under the same rationale a non-Italian entity can join (as a co-plaintiff) an Italian entity (principal plaintiff), provided that

- c) the Italian plaintiff has an arguable case, and provided that
  - d) there are sufficient reasons to justify or make it convenient a joint dealing of the case, and provided that
  - e) said action (of the Italian plaintiff and/or of the non-Italian co-plaintiff) is not abusive.
- The second condition deserves a comment, which cannot be but short. Regulation 44/2001 has introduced<sup>30</sup>, in connection with art. 6.1 of the Convention, the principle of *forum conveniens*. According to said article, when the plaintiff sues two defendants, and the jurisdiction is based for one on them on art. 2 or on art. 5.3, while on the other defendant on art. 6.1, the judge may retain jurisdiction for the second defendant when the joint dealing of the case is in the interest of the administration of justice.

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<sup>27</sup> The Supreme Court went so far as to affirm that the rule of art. 6.1 of the Brussels Convention is *lex specialis*, that prevails, as such, over the *lex generalis* of art. 2. In the *Kalfelis v. Schroeder* case the ECJ went the opposite way, and stated that “ art. 6.1 is an exception to the general principle (of the jurisdiction of the judge of the residence of the defendant according to art. 2) so that it has to be interpreted in a manner such that the existence of the principle is not put in discussion” Sep. 27, 1988 189/96, Riv. Dir. Int. Priv. Proc 1989, 927.

<sup>28</sup> *Expandable Grafts v. Boston*, The Hague Court of Appeal Apr. 23, 1998, FSR 1999, 352

<sup>29</sup> *Barking and Havering Health Authority vs. Chiarelli*, Cass. S.U. Apr. 3, 2000, Giust. Civ. Mass. 2000, 680.

<sup>30</sup> Art. 6.1 of the Regulation 44/2001 states:

*A person domiciled in a Member State may also be sued:*

*1. where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.*

This is a profound modification to continental European legal principles. So the connection according to art. 6.1 is not automatic, nor it is such as to prevail over any other consideration, but has to be evaluated by reason of convenience.

But it is clear that, until the judge non-abusively seized of the case of a joint defendant according to art. 6.1 retains his or her jurisdiction, no other judge can take it.

To make an example,

- if an Italian entity initiates an action for declaration of non-infringement of the Italian and French fraction of the same European patent, or even for non violation of the national patents (and in this event the jurisdiction is based on art. 5.3),

- and a French entity joins the action as a co-plaintiff for non violation of the French patent of fraction, plus also of the German fraction or patent,

- the German judge subsequently seized cannot retain the case, unless the Italian judge declines (which should not be normally correct, in my opinion, when the German patent is simply a fraction of the same European patent).

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