

Patent litigation in the Baltic states. Estonia, Latvia and Lithuania

by Jaak Ostrat, PhD.
IP Agency LASVET (Estonia)

INTRODUCTION

The denomination “the Baltic States” or “the Baltics” is used for referring to the three small countries situated on the eastern coast of the Baltic Sea, from north to south - Estonia, Latvia and Lithuania. The history of these countries is full of sudden and unexpected turns, each turn caused by a sequent decision of the great powers who had determined how and under which foreign banner these countries had to live. The first period of independence for the Baltics began after the World War I as a result of the battles held first against Germany and after that against the Soviet Russia. Having been independent for about twenty years, the World War II broke out and the end of this war transferred the Baltics to the Soviet Union. The restoration of the nationhood in 1991 has given the Baltic states the opportunity to leave behind the socialist past and to start with the rebuilding our countries as European countries, requiring solving of the problems which did not exist in the dominion of the Soviet Union. Among the totally new fields of activity to be started was also the protection of intellectual property.

Bearing in mind the explanations above, the Baltic states can be considered as newcomers in the international community of intellectual property even today. Therefore, prior to diving into the unpredictable waves of patent litigation matters, it seems to be appropriate to present more comprehensive information on this legal and administrative basis as well as on the respective intellectual resources in the Baltics which can be used for deciding the patent litigation disputes.

LEGISLATION

As said before, the Baltic states started the restoration of their statehood in 1991 and currently they all are the full members of the NATO and of the European Union. Consequently, all these countries already have the contemporary legislative and administrative structures as well as the really functioning laws, the laws for protection of intellectual and industrial property, the civil law as well as the legislative acts regulating the functioning of civil and administrative courts included.

All the Baltic states are the members of the Paris Convention as well as of all the most important international treaties in the field of intellectual property. And it should be of interest that Estonia joined the Paris Convention already in 1924 and after the restoration of our independence we just restored our membership in the Convention, the act being rather unprecedented in the history of this agreement. Estonia and Lithuania are the members of the European Patent Convention and Latvia will join us in the very near future. All this has led to very similar patent legislations in the

Baltics, the patent laws of these countries are practically in compliance with the European Patent Convention, i.e. the criteria of patentability of an invention are practically identical in the Baltics. The differences appear in the scope of the patent examination procedure as well as in the kinds of protective documents:

a) in Latvia and Lithuania granting of patents is based on the simple registration procedure, the conformity of the inventions to the criteria of patentability is not subject to the examination in the Patent Office. So the possible patentability check is transferred to an interested party and as a rule will be executed as a stage of a litigation case. The Estonian Patent Act stipulates that all the patent applications filed are subject to the compulsory full examination and only an invention meeting all the criteria of patentability can be protected by patent. Thus, the workload of the patent attorneys in the Baltics is timely shifted - the Estonian patent attorneys are more active while a patent application is processed in the Patent Office, the substantial contribution of Latvian and Lithuanian attorneys is needed after grant of patents, for deciding the patent cancellation and infringement matters;

b) the Latvian and Lithuanian laws have provided only one kind of protective document for the inventions - patent. The Estonian legislator has taken a more liberal position in this matter - in order to facilitate the legal protection of the inventions having value only on the domestic market (first of all, the inventions of SME-s), the institute of so-called small patent (officially - Utility Model) has been legalised in Estonia. The Estonian Patent Office enters a utility model in the registry without substantial examination, the official fees for registration as well as for renewal are essentially lower than for the patents, but "in return" the term of registration is considerably shorter (20 year for a patent, altogether 10 years for a utility model). It should be of interest that as of 2000 in addition to devices also processes and compositions can be registered as utility models.

Such a relatively liberal legal regulation of utility models has made this object of industrial property rather attractive for the Estonian applicants and the number of the applications is growing continuously. Utility models are applied for not only by SME but also by the companies being rather large in our merits. At the same time, in order to be unbiased in this matter, it has to be mentioned that protection of utility models causes also some serious problems for the legal practice, first of all due to the legal uncertainty of a registered utility model resulting from the absence of the substantial examination.

PATENT ATTORNEYS

While putting into operation the industrial property protection system, the Baltic states were facing a common concern - having been away from the international cooperation and the

exchange of the information in this matter for more than 50 years, the situation had to be avoided where the representation of clients before the official bodies in this field might have happened spontaneously. In other words, it had to be excluded that the subjects not having sufficient professional skill could have had the possibility to act as patent attorneys, which might have caused serious and sometimes irrecoverable losses for the applicants, herewith discrediting industrial property system of the Baltics just having restored their independence.

The above-explained concern has helped for the Baltics to choose the uniform scenario for building up the patent attorney profession:

- a) in order to have the right to act as a patent attorney, the candidate shall pass the respective examination for assessing his professional skills and only in the case of the positive result of the examination the candidate will be appointed a patent attorney.;
- b) an official registry of patent attorneys has to be established and only the persons recorded in this registry are authorized to represent the foreign clients before the patent office. The examination and the subsequent registration shall be compulsory for all the patent attorneys irrespective of their field of activity (trademarks or inventions);
- c) as the registry of patent attorneys will have the status of an official one, the examination of candidates and assigning them the professional name and the authorization for acting cannot be the competence of the society of the attorneys themselves. This shall be done by an official body administering the field of industrial property protection. In Latvia and Lithuania the examination of the attorneys is in the competence of the respective Patent Office, in Estonia - of the Ministry of Economic Affairs and Communication.

Thus, the legal framework for the patent attorneys' profession is practically identical in all the three Baltic states - only the patent attorneys are entitled to represent foreign clients before the national patent office, obtaining of the profession either for trademarks or inventions is possible only through an examination and registration in the official registry. If the candidate is willing to obtain the authorization for both the above-mentioned fields, two examinations have to be passed¹.

Some slight differences in the scope of authorization of patent attorneys' in the Baltics appear

¹ sometimes we have been criticised that the above-presented procedure for obtaining the profession is excessively complicated. But when we have asked the accuser whether he is ready to use the services of a person acting as a patent attorney not being convinced about his professional skill, the answer has always been negative. And when we have additionally asked whether the examination passed by a patent attorney and the respective recordal in the official registry can be considered as a certain guaranty of quality, the response of the former critic has been affirmative.

regarding the possibility to represent clients before courts. As the Estonian patent attorneys are entitled to represent the client independently (solely) both in civil and administrative proceedings, then consonant with the information available for us, the same situation should be in Latvia but our Lithuanian colleagues have to involve a lawyer, and both of them being the legal representatives of the client.

PATENT LITIGATION

The general algorithm for solving the disputes in patent litigation matters is the same in all the Baltic states. The legislations of all the Baltic states stipulate that an action against the alleged infringer of patent rights has to be submitted by the plaintiff to a civil court having the jurisdiction over the place of alleged infringement. During the proceeding of the action the defendant has the right to claim before the same court a counter-action stating that the patent on which the exclusive right is based does not have the necessary legal certainty whereas the invention protected by the patent does not meet all the criteria of patentability. Upon receipt this kind of an action, the court has to suspend the processing of the first action and can continue its prosecution only after the second action has been finally decided and the validity of the patent has been maintained. But if the counter-action is decided positively and the patent declared null and void, then after the court decision has come into force and removal of the patent from the patent registry, the action on alleged infringement will be dropped.

It should be evident that the scheme described above hardly differs from the legal regulations of the same matter in other countries. But this is the so-called theoretical side of the problem. If we try to analyse the concrete patent litigation cases decided in the courts of the Baltic states, we have to assert that the number of such cases is surprisingly low. Consonant with the information available for us, within the period from 1994 to 2004 less than ten court cases have been prosecuted in Latvia, in Lithuania at least one and in Estonia about 4 cases.

Of course, we might asseverate that this low number of patent infringement cases results from the sufficient and unambiguous legal regulation in the field of industrial property, the work done by the Baltic patent offices is of high quality and all the entrepreneurship is sufficiently law-abiding. This may be true, but if so, even then it is only a part of the whole truth. The second and a very essential part of the whole truth seems to lie hidden in the current level and structure of the whole Baltic entrepreneurship:

- a) at present we have not yet sufficiently ambitious national industrialists who are ready to develop their business coming very close to this notional border line which in a legal respect may be considered as infringement of patent rights belonging to the foreign

patentees²;

b) the competition between the foreign companies on the Baltic markets seems hardly to cause more or less remarkable patent collisions.

As I am not in detail studied the court cases held in our neighbouring countries, then let me more thoroughly characterize the respective practice in Estonia basing on the experience I have obtained through my personal practice in court matters.

So far I have been involved in processing of three court cases. In all these cases the owner of the exclusive right accused the competitor in unauthorized use of his invention with only this slight difference that the first plaintiff was a patentee and the next two ones - the owners of a utility model registration. The number of cases may seem rather low in the merits of a country where the duration of the industrial property culture can be measured by hundreds of years but in our environment these three cases form an essential part of all the cases and therefore the liberty may be taken to formulate some generalizations which with a certain probability may be expanded also to the respective matters in Latvia and Lithuania.

As an overall impression, it may be said that in Estonia the court cases in patent litigation matters, at least so far, have been very cumbersome and time-consuming and the main reasons for this might be worded as follows:

a) the holy view of a party (or both parties) that patent litigation cases can be prosecuted without using the services of patent attorneys, only with the help of a lawyer. Unfortunately, regardless of the presumably high skill in procedural law and in some branches of the material law, the Estonian lawyers, as a rule, do not have sufficient knowledge in industrial property laws, especially in patent matters and as a result, sometimes a patent infringement case handled without a patent attorney may acquire a rather peculiar character;

b) due to littleness of Estonia, our court system has neither any specific court for industrial property actions nor do we have the judges specialised in the industrial property field. Our procedural law provides that the actions against an alleged infringer of patent rights are processed in common order by the judges of common competence, therefore the insufficient competence of judges and uncertainty resulting from this also complicates the proceedings;

² it should be mentioned that in the Baltics at least 90 per cent of all patents recorded in the respective state registry belong to the foreign patentees

c) the total lack of precedents. This deficiency, multiplied by already mentioned insufficient professional skill of judges in industrial property matters, causes very serious complications in the situations where a party of the prosecution has to rely on the rules being well - known and accepted for practice but not included *expressis verbis* in the wording of the law³. This circumstance is also an effective tool for a party willing to create obstructions for dawdling the court prosecution.

One more circumstance which seems to become a rule at least in our country - in the majority of court cases both the plaintiff and the defendant are somehow reluctant as regards achieving of the verdict on the essence. If all the substantial circumstances relevant to the case are defined, the parties for some reason or other will prefer to close the case by concluding a non-judicial agreement. Unfortunately, it is rather difficult to find out the reasons for this kind - when it is evident that the potential loser is not interested in receiving the court verdict, then why the potential winner refuses the judicial perpetuating of his victory? For conforming of the above-explained I will give a short review about my two court cases which I myself estimate as very important milestones in my litigation practice.

In the first case where the owner of a utility model registration accused the competitor of having infringed his exclusive right, the lawyer of the defendant applied for my attendance only in the middle of the process when it was already highly probable that the case will shortly be decided in favour of the plaintiff. Whereas the plaintiff's team had used the services of a patent attorney already since preparing the court action, then while studying the case documentation it became expressively apparent how the plaintiff had very cleverly stressed the circumstances useful for him and how he in every way had tried to avoid the matters weakening his position. In other words - the work of the plaintiff's patent attorney had been on a good level. But using the matters not highlighted by the plaintiff, the result of the efforts of our team was a counter - action requiring the cancellation of the respective utility model registration whereas the subject invention did not meet the requirement of novelty, after which the parties concluded a non-judicial agreement and the case was dropped. We cannot explain why our client switched in the

³ the key problem of all patent infringement cases is whether or not the invention protected by patent is really used in the contrafactual production, in other words - what from the legal point of view is the use of an invention? The Estonian law does not include *expressis verbis* any provision in this respect and it is sometimes practically extremely arduous to explain to a distrustful judge that the international practice has in this respect not only drawn up but even "polished" the respective rules which, albeit not included in the law, nevertheless are in legal proceedings equally acceptable along with the written law. If so, then there is not very far the possibility of a complete impasse when it is necessary to additionally implement also the doctrine of equivalents. But, nevertheless, we believe that we already see a bit of light in the other end of the tunnel - since 1 May 2004 the European Law is extended to the Baltics and we do hope that the European case law, although rather meagre in patent matters at present, will be complemented and will serve as an effective tool for processing patent infringement cases in Estonia and in other Baltic states.

back stroke in the situation which was indisputably favourable for him. We assume that it was his strategical decision whereas it would have been rather difficult further to do business in the field where also your legally humiliated competitor is active.

In the next process where the patentee accused his competitor of the illegal use of his invention, the plaintiff changed the lawyer several times but categorically refused to use the professional help of a patent attorney. Only when the plaintiff finally found a competent lawyer who was ready to represent the client only on the condition that a patent attorney would be involved, I was included in the plaintiff's team. And I consider it as a really serious achievement of our team that we managed to finish this court case by concluding an extrajudicial agreement, otherwise no efforts would have saved the plaintiff - there were the sufficiently essential differences between the invention and the devices produced by the defendant, even a skilful equilibration with the equivalents would have been useless. Of course, the question remains why the defendant refused to celebrate his triumph, probably the reasons were analogous to the ones stated above.

SUMMARY

The Baltic states restored their industrial property protection system in 1991-1992. The understanding on the importance of industrial property reached the national entrepreneurship first in trademark matters. The active registration of national trademarks began in about 1996, the first collisions between the national and foreign companies began to appear and at present, in 2005, the active competition on the market of trademarks through the actions for cancellation of trademark registrations as well as for accusing the potential infringers of trademark rights is taking place.

The opportunity for applying for a patent in Estonia became real in 1994 and bearing in mind the place and importance of protected inventions in the industrial property portfolio of an undertaker on the one hand and the still embryonic level of the national R&D as well as the structure of economy and industry in Estonia on the other hand, it may be concluded that my country has not entered the period of active patent battles yet. Obviously this will happen in our near or farther future.