

Italian System Works Well To Resolve Disputes



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Case history of how 50-year-old system helps and encourages parties to resolve patent litigation

Manfredi wanted the rest of Europe to know that Italian patents were strong so that high-technology companies in Europe would introduce their technology into Italy. He also believed that a strong Italian patent would encourage domestic inventions to raise the level of technology in Italy.

The key was to introduce a patent system that would enable a patentee to effectively prove infringement. This system not only achieved the objective, but defined a model that today, more than 50 years later, sets a standard that other patent systems could emulate. We recently conducted patent litigation in Italy, and the history of this litigation provides a good vehicle for discussing the Italian patent system.

Discovery is the key in litigation. In the United States, discovery is a very difficult and time-consuming process that can cost hundreds of thousands of dollars. In Germany, discovery is not available. The heart of the Italian patent system is a unique discovery process.

A patentee in Italy can, before commencing litigation, file a petition for a search at the defendant's site so that the plaintiff can establish the details of the defendant's device and decide whether that device infringes the plaintiff's patent. This petition will request that the search of the defendant's premises be in part conducted without notice to the defendant.

The petition will include an affidavit asserting a belief that the defendant is infringing the plaintiff's Italian patent. The affidavit should bring together whatever information the patentee has con-

cerning the defendant's device, but when dissemination is missing the patentee has the right to express his opinion that a specific claim element is present in the infringing device.

The petition is filed with the local court where the defendant is located. The judge, to demonstrate that Italian patents are strong, very often authorizes the plaintiff search and sets a specific date for the search that can take several days.

A technical report is appointed to assist the court in this search. On the date set for the search, the judge sits in the technical expert and issues a summons granting to the technical expert the authority to immediately undertake the search with the help of the plaintiff. The summons will include a list, presented to the judge by the plaintiff, of items that the plaintiff wants to see during the search. The search will take place without notice as soon as the clerk can personally deliver the judge's order to the defendant.

• "Invasion Force" •

In our case, the plaintiff was represented by Italian, U.S. and U.K. patent attorneys, an Italian trial lawyer, a technical expert from the United States, and two technicians from the plaintiff's sister Italian company. There were sufficient people for the judge to describe the group as an "invasion force." Before issuing the summons, the judge invited all of the members of the "invasion force" into his chambers so that we could all be introduced.

The order will normally be presented to the receptionist, who will routinely turn it to the highest ranking officer of the company. Time of arrival can have an impact on the processing. We arrived when man-

agement was at lunch. The highest ranking person in the facility was an accountant. He was summoned, and being completely intimidated by the complaint, accompanied by indicating where the facility floor was and directing us, unresisted, to it.

It is common for the technical expert to be a professor at one of Italy's technical universities, Milano and Torino have famous technical universities that are often compared to MIT and Cal Tech. When the technical expert enters the defendant's building, his only knowledge about the patented product is what he can learn from the affidavit that was the basis of the petition. He naturally carries with a camera and a note pad.

The clerk will instruct the defendant's employees in the activities to be required. Things may be opened up, taken apart, cycled, disconnected, etc. Repairs may be made to produce dissemination.

In our case, the product was packed for shipment. The clerk instructed an employee of the defendant to unpack the product and connect it to its host so that it could be operated.

We were interested in turning several tests, but we needed to know where certain connections were so that wires could be disconnected and an oscilloscope hooked up. The clerk ordered that wiring diagrams be provided and that personnel be made available so that the test could be run.

Photos were taken by the court-appointed technical expert and ample time was available for our Ital-

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ian patent attorney to explain to him the nature of the device and how it operated.

At the conclusion of the session our Italian patent attorney dictated to the clerk a summary of the search. This summary was initiated by everyone. Shortly thereafter, the court-appointed technical expert filed a summary of the evidence, which included photographs taken and the exhibits created during the inspection. Also included in the summary was a list of defendant's documentation that was removed from the site and that was to be produced.

■ Stated Objective ■

The stated objective of this on-site inspection is to enable the plaintiff to complete the collection of evidence that will define the allegedly infringing structure so that the plaintiff can decide whether the defendant's device infringes plaintiff's patent.

A second objective is to provide the court-appointed expert with an introduction to the technology. This is the only occasion when the plaintiff will have the undivided attention of the court-appointed technical expert.

Under these circumstances, preparation is paramount. There will be differences between the patented device and defendant's device. It is very beneficial to explain on the spot why one structural component of the patented device is equivalent to a similarly structured component of the defendant's product. Accordingly, the better prepared one is, the easier it will be to achieve these objectives. This on-site search is not the end of discovery. It is supposed to approach the end of discovery, but an on-site inspection will come, in due course, as the event litigation follows.

At this point, the plaintiff has a very short period of time to decide whether patent infringement litigation should be filed (there is still an open question under the new Code of Civil Procedure as to whether the time for serving the summons is 8 or 20 days following the search).

If the plaintiff concludes that the defendant's device infringes the

patent, the plaintiff can start litigation with a summons and Petition for Preliminary Injunction and Seizure. This petition expands upon the original petition and draws on the discovered facts to establish a prima facie case of infringement. At this point, since the judge is not comfortable with the technology, he usually appoints the technical expert as a Magistrate.

In that case, the court-appointed technical expert is given a charter by the judge to examine the patent and the allegedly infringing product and to prepare a report for the judge concerning the validity of the patent and whether the product infringes the patent. This is what happened in our lawsuit.

■ Protective Order ■

The original search is conducted under a protective order and the defendant has the right to continue this order by asserting that the search documentation comprises confidential business records. The defendant answers the summons and may immediately file a *Pro Veritate* opinion prepared by defendant's technical expert arguing that the patent is invalid and not infringed by defendant's product.

The court-appointed technical expert will then set a date for both parties to address the issues raised in the petition and in the *Pro Veritate* opinion. An interesting thing about Italian practice in this area is that when one party is to submit a memorandum, the other party will simultaneously submit a corresponding memorandum.

Simultaneously filed memoranda follow simultaneously filed memoranda. In our case, each side submitted five memoranda. The evidence collected prior to the complaint and as a result of the search, puts great pressure on the defendant.

The defendant, facing a prima facie case of infringement, must get more and more detailed in an attempt to distinguish his product from the patented product. The process of filing multiple memoranda not only serves as a discovery tool, but additionally provides the plaintiff with the opportunity to

serve its message.

The plaintiff's message can be repeated many times but has been effectively handled and can be ignored and additional time can be spent on trying to get the court-appointed technical expert to appreciate the key issues of the case. Opportunity is a powerful tool to understanding, and the memoranda should be organized to take advantage of these great teaching opportunities.

While the burden of proving that the patent is invalid rests on the defendant, these memoranda provide the plaintiff with an opportunity to show why the patent is valid. Since the court-appointed technical expert is a Magistrate, strategy should include the presentation to him of information that will increase the likelihood that he will ultimately rule favorably. Showing that the invention was significant in terms of its commercial impact and in terms of the magnitude of its inventive step, i.e. that it departed from the well-defined direction of the prior art, etc., will affect the court-appointed technical expert as it would affect any judge. This Magistrate, however, is a person with substantial technical knowledge, even if he is not familiar with the relevant technical field.

■ Credibility ■

Do not take a position that is not sound, since loss of credibility by a party may be the most significant factor affecting the court-appointed technical expert's opinion. Credibility equates to technical credibility. In this regard, it was interesting to find that the testimony of an Italian expert testifying on behalf of a party is immediately suspect, whereas foreign experts, and particularly, American experts have a very high degree of credibility.

Our patent dealt with computer implemented algorithms and the court-appointed technical expert was not comfortable with this technology. He asked the court for permission to retain an assistant who was expert in this field. Permission was granted, and an individual from industry, who had a doctorate in electrical engineering, joined the court-appointed expert

When the court-appointed technical expert reaches the point he is comfortable with the technology and with the arguments of the parties, he will schedule an inspection at the defendant's premises. By this time the outstanding issues are well known and the parties have a rare opportunity to present their position.

In our case, the defendant set up the device in a separate room for the inspection. It was mounted on a special frame and hooked up to its control, which also was in the room, so that it could be operated. In this inspection, both parties were represented by counsel and each party was assisted by a technical expert.

While the watch found many technical problems but few matters of the defendant at the device, the situation was reversed at the inspection. Now, management was well represented and only the absolute minimum number of technicians were present. When done and two had replaced the lab coats.

The defendant operated the device and explained its structure and function with an eye to explaining why the device could not infringe the patent claims. The defendant was well prepared for the presentation.

When the demonstration was complete, the court-appointed technical expert focused on the defendant's technical expert and subjected him to a rather probing and cross examination. It was very clear that the court-appointed technical expert had studied all the memoranda filed by the parties and was very very comfortable with the technology.

His assistant asked questions concerning these issues for which he was impossible. Issues that were not substantial quickly disappeared and it was clear which party's position had the upper hand. Questions were also directed to the plaintiff's technical expert. The dialog was in Italian, but the language changed to English when the court-appointed technical expert wanted to talk to plaintiff's technical expert.

The defendant cited one of its

patent machines as prior art. Upon completion of device inspection, everyone went into the factory to see the prior art machine. The irony was that this prior art machine did not disclose key claim elements alleged by the defendant. To the contrary, it illustrated a design that the plaintiff had argued to be the obvious design. Following this inspection, each party filed a memorandum to summarize key points made during the inspection.

■ Report to Judge ■

The court-appointed technical expert was now ready to complete his report to the judge. His report was thorough and extensive (50 pages). While he could not be expected to fully understand the Doctrine of Equivalents, his analysis of the differences and their meaning studied the same end. He knew when two structures were the same, even when there were differences between them.

His report concluded that a patent was valid and infringed. With the thoroughness of this process and in view of the technical expertise of the court-appointed technical expert, one can expect that the judge will give great consideration to his report. This creates a predicament for the party that does not agree with the report.

To challenge the report risks alienation of the court-appointed technical expert. He may well make matters worse in his reply to any objection. Our litigation involved two patents. The court-appointed technical expert concluded that both were valid but concluded that only one was infringed.

The defendant challenged the court-appointed technical expert, assuming that we would equally alienate him, while attempting to revise his non-infringement position. The plaintiff, however, stood pat having won three of the four issues. If the parties did not rise with the lawsuit, the matter would have to be resolved by the judge, following any comments from the court-appointed technical expert. Plaintiff's Motion for Preliminary Injunction was at this point outstanding. If the judge acted on the

court-appointed technical expert's report, he would issue an injunction, and plaintiff would be entitled to enter defendant's factory and seize the infringing product. Presumably, settlement discussions then took place. This led to the resolution of the lawsuit.

It took two and one half years to conclude this lawsuit. One difficulty is the busy schedule of judges during school terms, and like the rest of us, they do not want to work while they holiday. Scheduling difficulties arise as they are likely to schedule an inspection at their convenience.

Parties may conclude these memoranda writing just before the start of a semester, which makes it likely it will take some time for the inspection to be scheduled. Report writing may also come at a bad time. In our case, the proceeding was far more complicated than most.

Not only were two patents involved in this lawsuit, there were two other lawsuits between the parties and the same court-appointed technical expert was appointed in those as well. In a simple situation, 18 months would be a long time between the first inspection and the report of the court-appointed technical expert.

■ Process Excellent ■

The process is excellent. It first gives the parties an opportunity to knowledgeable conclude that there is, in fact, no position thereby avoiding a meaningless lawsuit. In the event the patentee decides that patent infringement exists (a decision made on good information), this process will almost immediately supply substantially all of the remaining facts that are required by the plaintiff. Thus, the process forces the parties to immediately present their positions on the issues of validity and infringement.

The joint filing of a number of memoranda reduces the case to the key issues that will ultimately decide the case. The process forces the defendant to provide in greater detail intricate elements, such as computer operated algorithms. By

the time the court appointed technical expert is ready to write his report, neither party can doubt that he understands both sides of every issue since each important issue has

been discussed in great detail.

Since the person in charge is a technically skilled person respected by both parties and the judge, issuance of the report makes it very

likely that the parties will proceed to settle the litigation in terms that are mutually satisfactory. The process is excellent. It is ideally suited for patent litigation.