

UPC MOCK TRIAL

ACT 2:
Electronic Patent Litigation

IP SUMMIT
PARIS

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CASALONGA
PARIS - MUNICH - ALICANTE

Axel Casalonga (European Patent Attorney – CASALONGA & ASSOCIÉS)

“Welcome to the Electronic patent litigation Mock Trial.

As you know the Central Division will be located in Paris.

The Central Division will mainly be handling validity of European patents and Unitary patents.

But the Central Division will also handle infringement in certain situations.

The mock trial which we are now going to present will therefore relate to both infringement and validity questions before the Central Division.

Representation before the UPC will be possible by lawyers authorized to represent before any National Court and by European Patent Attorney with a specific qualification.

At CASALONGA, we think that in such important patent litigations representations should be handled by a team constituted by a lawyer and a European Patent Attorney.

Consequently, in this Mock Trial, you will see that each party will be represented by such a team of a lawyer and a European Patent Attorney.

Now I would like to present you the panel of the Central Division which is constituted of three well-known professionals.

- *The Presiding Judge will be Richard Vary (Head of litigation - Nokia corporation).*
- *To his left is our Judge Rapporteur, Dr Koenraad Wuyts (Chief IP Officer – KPN).*
- *To his right is the Technical Judge, Stephan Steinbrener (Bardehle Pagenberg), former Chairman of an EPO Board of Appeal dealing with television and telecommunications.*

I give the floor to the presidency Judge.”

**Presiding Judge:
Richard Vary**

“Today we have the hearing of a claim between two parties:

- **PLAINTIFF:** US Company Smartcom
- **DEFENDANTS:** German Company Channel S and US Company GlobalSport

The plaintiff will be represented by:

- *Caroline Casalonga, a patent lawyer, partner of the law firm CASALONGA in Paris, and*
- *Jürgen Neugebauer, a European Patent Attorney of CASALONGA & PARTNERS in Munich.*

The defendants will be represented by

- *Floriane Codevelle, a patent lawyer of the law firm CASALONGA in Paris, and*
- *Axel Casalonga, a European Patent Attorney and senior partner of CASALONGA & ASSOCIÉS in Paris.*

This is the final hearing in the procedure, and before this the parties will have been through the written procedure. So for the audience I will first ask our party representatives to explain what has happened so far in the written and interim procedure. We will then hear the arguments on each side on the questions of infringement and validity.

Ordinarily in the Unified Patent Court the decision would be given in writing. In exceptional circumstances, the panel may give its decision in the hearing. Following a careful study of the dinner menu, and having considered the prospect of spending the evening writing a judgment, this panel has decided that of spending the evening writing a judgment, this panel has decided that exceptional circumstances do exist in this case, and so we will be giving our decision “from the bench”.

And so now I ask the representatives of the Plaintiff to introduce us to the parties and the procedure which has brought us to this point.”

**Claimant's representative:
Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)**

“Thank you.”

BACKGROUND

The story

US company SMARTCOM owns EP patent No 462 designating FR, DE, UK, SW, AT, IT filed in 2000

- for a method of modifying a zone in successive images on a video sequence
- mainly used for adapting advertisements in video programs for different countries
- example: football match with advertisements:
 - in FR: camembert
 - in UK: tea

A world cup football match in Brazil was broadcasted by German company “hannel S on French, German, British and Austrian TV. German company Channel S has a laboratory in Paris for creation of video images.

SMARTCOM strongly suspected that its patented method had been used for creating those images since the broadcasted result looked very similar

SMARTCOM decided to enforce its patent before the UPC (no opt-out on the patent).

European Patent Counsel advised to try obtaining more evidence of infringement since viewing the broadcasted images did not show how the images had been created

The action

SMARTCOM decided to file an application to preserve evidence at the local Division located in Paris since Channel S has its laboratory near Paris where technical information could be found and “saisie-contrefaçon” is familiar in France.

Exparte procedure (Rule 197) justified by reasonable evidence available (broadcasted images) and by high risk of destruction of technical information on the method used.

The local Division issued an exparte order for inspection at the laboratory of Channel S in Paris by a French bailiff (following usual French practice).

The bailiff's report showed that the images were not created by Channel S but by US company GlobalSport (which owns 100% of the shares of Channel S).

Judge Rapporteur:
Koenraad Wuyts

"Why did you file the inspection ex parte? And why in Paris, when the plaintiffs domicile is in Germany, when you allege infringements are also happening in Austria, Germany and the UK?"

Claimant's representative:
Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)

"Exparte because risk that evidence would be moved if we applied inter partes and gave them notice of our application. The Paris office is one of many offices they have, it would be easy to remove the files. The defendant is German but the Paris office was believed to be where the laboratory for the processing of the images was, and therefore the copies of the most relevant documents are kept. It turned out to be the case and we found the documents we needed. We chose the French local division because we thought the two French Judges would be more familiar with the similar French "saisie-contrefaçon" so that this local division would be more inclined than other local divisions to grant an appropriate order for inspection.

In addition, the action on the merit could then be brought also before this local division depending on the result of the inspection".

Defendant's representative:
Floriane Codevelle (IP Lawyer – CASALONGA AVOCATS)

"This is one of our grounds of objection to these proceedings. We are a German company but we have been sued in Paris, and in the English language. This makes it expensive and more difficult for us to defend ourselves: we have to find English speaking lawyers in Paris, and travel here to defend ourselves.

The plaintiff has also broken the rules when it chose the Local division for the inspection, then filed the claim in the central division. If I could remind you of rule 192 which states that if an application for preserving evidence is before proceedings on the merits have been started it shall be lodged at the division where the applicant intends to start proceedings on the merits.

This is a further example of their rule breaking and bad conduct in this case."

Claimant's representative:

Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)

“The language of the patent is English. Article 49(6) says that the language at the Central Division is the language of the patent. We do not have to justify our choice of the central division: we had the option of doing so under Art 33(1) because GlobalSport is outside the UPC member states. We chose it so we could be sure that the language of proceedings was the same as the language of the patent, which saves arguments about translations, and so we could be sure to have a technical judge from the beginning. And because there is a counterclaim for revocation we may well have ended up here anyway in relation to at least part of the claim.”

Judge rapporteur:

Koenraad Wuyts

“Whilst we have heard the Defendant’s objections and the Claimant’s responses, we do not have to decide on those objections of the Defendant because this objection has been brought too late. These are objections which should be raised at the preliminary stage of proceedings under a Rule 19 preliminary objection.

Rule 19 – Preliminary Objection: 1. Within one month of service of the Statement of claim, the defendant may lodge a Preliminary objection concerning (a) the jurisdiction and competence of the Court, (b) the competence of the division indicated by the claimant [Rule 13.1(i)], (c) the language of the Statement of claim [Rule 14].

The consequences of not doing so are set out in rule 19(7).

7. The defendant’s failure to lodge a Preliminary objection within the time period referred to in Rule 19.1 shall be treated as a submission to the jurisdiction and competence of the Court and the competence of the division chosen by the claimant.

So the panel must dismiss your objections at this stage and we move on with the main proceedings.”

Presiding Judge:

Richard Vary

“Please would the claimant continue its opening submissions: what evidence was obtained as a result of the saisie?”

Claimant's representative:

Jürgen Neugebauer (European Patent Attorney – CASALONGA & PARTNERS)

Explains the evidence gathered in the saisie.

Evidence of alleged infringement

Bailiff's report (following order for inspection):

- A technical report from GlobalSport states:
 - broadcasted images are transformed by a dynamic insertion of memorized advertisements panels
 - using color and shape recognition
- Financial documents of Channel S state:
 - 5 football matches each year broadcasted in FR, DE, UK and AT
 - for 4 years
 - total advertising of "Channel S": 14 millions euros
 - with an average profit margin of 30%
 - royalties paid to "GlobalSport": 2,4 millions euros

Presiding Judge: Richard Vary

"And having obtained this evidence, how did you go about commencing the written procedure?"

Claimant's representative:

Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)

Explains the next steps taken:

Statement of claim

Within 31 calendar days, "SMARTCOM" filed a statement of claim against "GlobalSport" and "Channel S" on infringement by importation by "GlobalSport" of images obtained in Brazil by the patented method and on infringement by broadcasting the images by "Channel S" in FR, DE, UK and AT.

- Order for determination of damages was requested:
 - 14% royalty fee (1 million euros)
 - on the basis of financial information collected during inspection

- Proposed value for the litigation: equal to the requested damages
- Request for definitive injunction in all designated States (FR, DE, UK, IT, SW, AT)

Presiding Judge:
Richard Vary

“Thank you. Now turning to the Defendant’s representatives, what steps have you taken in response?”

Defendant's representative:
Floriane Codevelle (IP Lawyer – CASALONGA AVOCATS)

Explains the steps:

GlobalSport filed a statement of defence within 3 months.

- No infringement:
 - importation of images is not an infringement
 - identification of reference points is not necessary in the “GlobalSport” system
 - the result is obtained essentially by color recognition
- Counterclaim for revocation
 - patent invalid
 - no technical invention
 - invention lacks inventive step
- The value of litigation is less than 300K€
 - since the patent is clearly invalid

SMARTCOM decided not to file a reply to statement of defence. But SMARTCOM filed a reply to counterclaim within 2 months

Presiding Judge:
Richard Vary

“Thank you. Following the exchange of written briefs, the Court appointed Dr Wuyts as the Judge Rapporteur.”

**Judge Rapporteur:
Koenraad Wuyts**

"Having been appointed, I asked the parties how exactly does GlobalSport obtain the result with color and shape recognition?"

Value exceeds claim alone because of counterclaim so I decided a value of litigation, including counterclaim, at 10 M€."

**Presiding Judge:
Richard Vary**

"So now we move on with the Oral procedure. The oral hearing has been scheduled for today. Would the claimant first like to address us on infringement, and why he says the patent is valid?"

We will then ask the Defendant to give his submissions in response."

**Claimant's representative:
Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)**

"Thank you presiding judge, but if I could just correct

One point, today we are determining infringement only? There is no need to trouble the court with validity, that should be heard separately after infringement has been found and the remedies awarded. That is one of the great benefits of this new court is it not, that the patentee may seek bifurcation of proceedings, and the infringement case need not be delayed by these groundless allegations of invalidity."

**Defendant's representative:
Floriane Codevelle (IP Lawyer – CASALONGA AVOCATS)**

"This is an outrageous suggestion. The Claimant only wants to delay the day when he must face up to the invalidity of his patent."

[Parties argue].

**Presiding Judge:
Richard Vary**

"We are in the central division. The bifurcation option of Article 33(3) is open at the preliminary

stage to local and regional divisions, but is not open to the Central division. We will ask you to address us on both infringement and validity today, and we will reach our decision in respect of each. We will first consider invalidity."

**Technical judge:
Stephan Steinbrener**

Describes how the panel has understood the claim.

Claim 1 of EP 462

Method for modifying the content of a sequence of images representing an evolutionary scene, comprising:

- storing data identifying a non deformable target defined by a set of characterizing points (to be replaced in the scene) and a full pattern representation (pixel by pixel) of the target
- automatically recognizing at least a subset of characterizing points in each current image (pattern recognition)
- calculating the location, size and perspective of the current representation of the target from the location of the characterizing points in the current image
- transforming the stored full representation of the target in response to this calculation
- comparing pixel by pixel the transformed representation with the current representation in the current image
- replacing the pixels of pattern in the image by the pixels of the stored transformed representation of the target zone

**Technical Judge:
Stephan Steinbrener**

Asks the Defendant to set out his arguments as to why the claim is invalid.

**Defendant's representative:
Axel Casalonga (European Patent Attorney – CASALONGA & ASSOCIÉS)**

Explains arguments for invalidity.

- Published patent document D1 discloses
 - a video processing system
 - combining two video sequences

- At least 4 reference points define a polygon in each video frame
- Pixels addresses in a video frame of the 1st sequence are transformed to represent the polygon in the same 3D location
- With a stylus and a touch tablet
 - a user positions the polygon in a frame of the 2nd sequence at the location where the transformed frame is to appear
- Published patent document D2 discloses
 - measurement of size and position of a chroma key area in an analogue TV system
- The position of each side of the key area within the TV picture is measured
- It would be obvious for a skilled person
 - to apply the detection of position of key area as taught by D2
 - in the method disclosed in D1
 - so as to arrive at an automatic image insertion as in the claimed invention

Technical judge:
Stephan Steinbrener

"I understand from your arguments that you consider the colour recognition using chroma key technology could be easily replaced by a pattern recognition system known in D1. But where do you see a hint in the prior art to do that?"

Defendant's representative:
Axel Casalonga (European Patent Attorney – CASALONGA & ASSOCIÉS)

"There is no need for such a hint. The skilled person knows both possibilities and could easily make such a replacement."

Presiding Judge:
Richard Vary

"And now please would the Claimant address us as to infringement?"

**Claimant's representative:
Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)**

Arguments for infringement

- Bailiff's report discloses that broadcasted images are transformed by a dynamic insertion of memorized advertisement panels using shape recognition
- This shows that shape recognition was used to create the images
- Even if some color recognition was also used, the main feature of the method was shape recognition with reference points

"First of all, I would like to answer one argument of the defendant about importation of images.

It is clear that video images are in fact "products" obtained by a patented method.

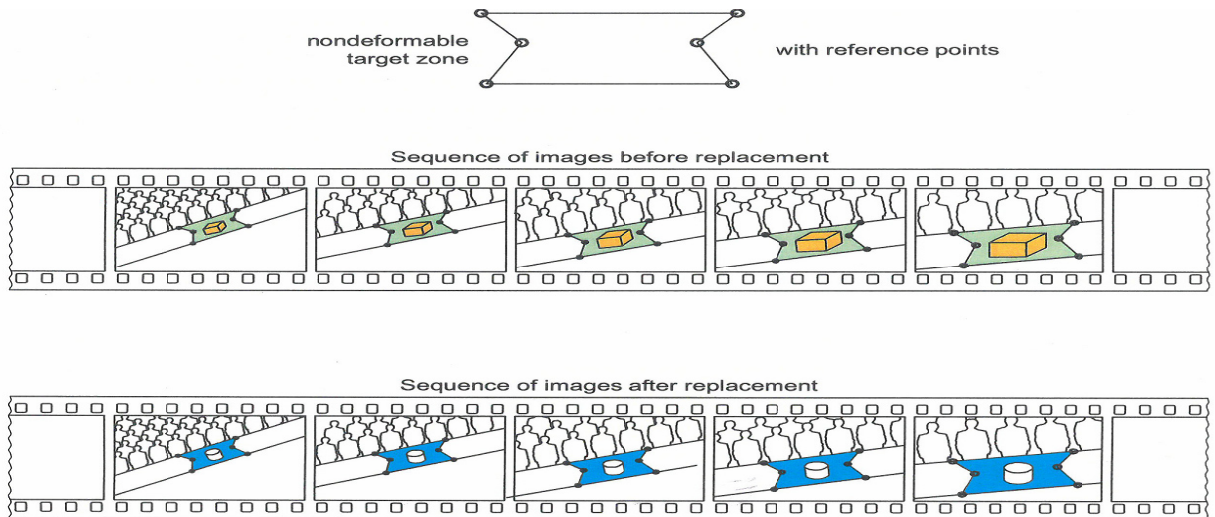
Therefore, importation of those products is clearly an infringement.

Even if some kind of color recognition was used, it is clear that the main feature of the method used by GlobalSport consists in shape recognition.

Therefore, the invention as claimed in the patent of Smartcom is indeed reproduced."

**Claimant's representative:
Jürgen Neugebauer (European Patent Attorney – CASALONGA & PARTNERS)**

Arguments for infringement



“This sketch shows now the images appear on the screen after insertion.

The original images have an advertisement of a tea box or rectangular shape.

After insertion, the images have another advertisement of a camembert round box.

The dimensions, the orientation and the position of the key area defined by 6 reference points remain the same before and after insertion. This is a clear evidence of pattern recognition.

Turning now to the question of the validity of the patent.”

Arguments for validity

- D1 discloses an identification of characteristic points by manual adjustment to a target area
- There is no pixel comparison in D1
- D2 only discloses an automatic replacement of chroma key areas
- There is no 3D calculation of any transformation in D2
- It is not obvious to derive the invention from these documents
- No hint to replace color recognition of D2 by pattern recognition of D1

Defendant's representative:

Axel Casalonga (European Patent Attorney – CASALONGA & ASSOCIÉS)

Argues non infringement.

Argument on lack of infringement

- Importation of images is not an infringement since images are not real products
- The images are obtained mainly by a color recognition method
- The method used is a slight modification of D2 where the measured key area is a transformed target on the basis of which the correct transformation is calculated and then applied to the insert pattern

The Panel discusses amongst themselves, then *the Presiding Judge, Richard. Vary*, announces that the Panel finds the patent to be valid and infringed, giving reasons as follows

The teaching of the patent in suit differs from D1 mainly by automatically identifying the characteristic points of the target area in the video image, calculating the three-dimensional transformation occurred and making a pixel-by-pixel comparison

The automatic processing is done in real time to allow instantaneous insertion of different advertisements.

D1 would be unsuitable for this purpose. It relies on cumbersome identification of characteristic points by manually adjusting them to a target area on a trial and error approach. Furthermore, no pixel comparison is disclosed in D1.

Although D2 relates to television and allows an automatic replacement of chroma key areas by insert patterns, there is no three-dimensional calculation of any transformation occurred, the system of D2 being mainly static.

One might argue that D1 is not an ideal starting point for assessing inventive step since it does not relate to a television system.

If one starts from D2, an objective technical problem to be solved might be seen in improving dynamic image insertion possibilities.

However, this would require a fundamental modification of the D2 system. Furthermore, colour recognition using chroma key technology seems to be entirely different and would

have to be replaced by a pattern recognition system known from D1, however in an automated version for which D1 does not give any hint.

Neither, D2 alone nor a combination of D1 and D2 would therefore seem to plausibly lead to the teaching of the patent, but rather give an impression of hindsight.

Hence, the invention of the patent in suit implies an inventive step.

In view of the arguments of the parties and on the basis of the evidence presented, the Court also concludes that the images imported by “GlobalSport” have been obtained by a method reproducing the essential features of the Patent.

In fact the technical report from “Globalsport” found by the bailiff during inspection at the premises of the laboratory of “Channel S” acknowledges that the method uses shape recognition.

The fact that some color recognition is also used does not allow to escape the scope of protection of the patent

The Court considers also that images obtained by performing the claimed method are “products” so that importing those images on the territory of the UPC Contracting Member States is an infringement act as defined in Art 25 (c) of the UPCA.

In view of the evidence filed by the Claimant and taking into account the written pleadings of the parties, the panel considers possible to decide also now on damages and costs.

The Court thus orders that the infringing parties Channel S and GlobalSport pay to Smartcom, the injured party, as reparation of the harm suffered by the infringement, a lump sum based on the royalties which would have been due.

In view of the evidence filed, the Court sets this lump sum at 3 millions Euros.

Finally, the Court orders that legal costs and expenses incurred by Smartcom be integrally reimbursed by the infringing parties Channel S and GlobalSport, up to the ceiling provided in the Rules of Procedure.

Axel Casalonga (European Patent Attorney – CASALONGA & ASSOCIÉS)

“This ends our mock trial presentation.

We have still a little time left for questions from the audience.”

1st question

You choose to bring the case before the Central Division after having acted before a local division for obtaining an authorisation for inspection as a provisional measure. Are you sure this is really possible?

Answer

Axel Casalonga (European Patent Attorney – CASALONGA & ASSOCIÉS)

Requesting an order for inspection before a Local Division according to Article 60 UPC is different from filing an action before such local division. Therefore the UPC Agreement does not prohibit to request an order before a division and file an action before another division. However, the wording of Rule 192 of the present draft should be amended to clarify this possibility and to be in better conformity with the UPC Agreement.

2nd Question

Will importing from outside of the contracting Member States always allow to bring an infringement action before the Central Division as you showed in your presentation?

Answer

Caroline Casalonga (IP Lawyer – CASALONGA AVOCATS)

In principle, this is broadly provided by Article 33(1) UPC. Nevertheless, I feel there should be a clear economical relationship between the defendant from outside the contracting Member States and at least one other co-defendant domiciled within one of the contracting Member States.

Axel Casalonga closes the mock trial presentation.

“I would like to thank warmly our three excellent judges who did a great job in preparing and presenting this first trial before the Central division in Paris.

Thank you for your attention.”