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Patent Litigation

Switzerland

Contributed by Pestalozzi

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SWITZERLAND

LAW & PRACTICE:

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The 'Law & Practice' sections provide easily accessible information on navigating the legal system when conducting business in the jurisdiction. Leading lawyers explain local law and practice at key transactional stages and for crucial aspects of doing business.

Law & Practice

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SWITZERLAND LAW & PRACTICE

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Pestalozzi patent litigation team is integrated in the IP&TMT practice group with offices both in Zurich and Geneva. Dr. Lorenza Ferrari Hofer leads the IP&TMT practice group and Dr Thomas Legler is the contact partner for the Geneva office. Both of them are actively involved in patent litigation. The team is composed of six associate lawyers who are mainly or partly involved in patent litigation and arbitration proceedings. Several junior associates and paralegals support the team. Pestalozzi's patent litigation team is active in all Swiss cantons and can conduct proceedings in all national languages, German, French and Italian. Pestalozzi's patent litigation team focuses on dis-

putes related to the development, licensing and distribution of biotech, pharmaceutical and medical products as well as other regulated products, such as foodstuff and tobacco. Arbitration proceedings are an important and growing field of activities for Pestalozzi. Because of the liberal attitude of Swiss courts, patent disputes related to the existence and the ownership of patents can be resolved by arbitral tribunals. Also, Pestalozzi is very active in patent-related proceedings before regulatory authorities, eg for pharmaceutical and medical products, and other administrative entities, such as customs.

Authors



Lorenza Ferrari Hofer has years of experience in litigation and arbitration proceedings related to the development, licensing, trade and distribution of technology, as well as of therapeutic, health and food products. Lorenza Ferrari

Hofer is a member of various national and international organisations, such as AIPPI (president of the Swiss national group), IBA, INTA, INGRES, and LES.



Thomas Legler's practice focuses on representing corporate and private clients in international and national arbitration and litigation cases, among others in the field of copyright and patent law, and in respect of distribution and licence

agreements. Thomas Legler also regularly acts as chairman, sole arbitrator or co-arbitrator under the ICC Rules, Swiss Rules, or in ad hoc panels. He also serves as arbitrator for WIPO including for domain name disputes. He is a Fellow of the Chartered Institute of Arbitrators (FCI Arb) and a member of the Swiss Arbitration Association (ASA), the London Court of International Arbitration (LCIA) and the Dubai International Arbitration Centre (DIAC). In addition, he is a member of the International Trade mark Association (INTA) and of the International Bar Association (IBA), where he serves as an Officer of Committee L (intellectual property and entertainment law). In 2012, the Swiss Parliament elected Thomas Legler as deputy judge of the Federal Patent Court.

1. Types of Intellectual Property Rights & Granting Procedure

1.1 Types of Intellectual Property Rights

Under Swiss law, inventions can essentially be protected (i) by patents or (ii) as trade secrets (or know-how). Patents are granted for new inventions applicable in industry (art. 1 para. 1 Patent Act). An invention is considered to be new if it does not form part of the state of the art. The state of the art comprises everything made available to the public by means of a written or oral description, by use, or in any other way prior to the filing or priority date (art. 7 para. 1 and 2 Patent Act). Inventions may also qualify as know-how if they (i) are secret in the sense that they are not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question, (ii) have

commercial value because they are secret, and (iii) have been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep them secret (art. 39 II a TRIPs Agreement). Know-how is capable of protection under art. 162 Penal Code and art. 6 Law against Unfair Competition. Under Swiss law, no protection as utility models is available for inventions.

1.2 Grant Procedure

The inventor, his successor in title or a third party owning the invention under any other title has the right to the grant of the patent (art. 3 para. 1, art. 49 et seqq. Patent Act). A patent is granted upon application for examination before the Swiss Federal Institute of Intellectual Property (the Institute) (art. 4 Patent Act). Patent applications with protection for Switzerland can also be filed with the European Patent

Office (EPO). European patent applications have the same effect in Switzerland as patent applications filed in due form with the Institute (art. 110 Patent Act). In contrast to the examination procedure with the EPO, the Institute does not examine whether the invention is new or whether it is obvious having regard to the state of the art (art. 59 para. 4 Patent Act). Know-how protection is granted by law, without any examination or registration by any authorities, provided that the invention meets the conditions for protection.

1.3 Timeline for Grant Procedure

Patent examination by the Institute for the granting of a Swiss patent may last between one and two years, depending on whether the Institute is asked to provide a report on the state of the art or arrange an international-type search (art. 59 para. 5 Patent Act). Patent granting proceedings by the EPO are usually longer, as the novelty and obviousness requirements are examined. The average costs for the grant of a patent by the Institute amount to approximately EUR600 (without any search fees). It currently costs on average EUR8,000 to take a patent application through to the grant stage before the EPO (without any registration in the Swiss patent register). These costs do not contain the fees for the consultancy services of a patent attorney.

Swiss residents do not need any representation by a patent attorney before the Institute, but inventors who have neither a residence nor a place of business in Switzerland are obliged to be represented by a local professional representative. Similar rules apply for residents of non EPC states in front of the EPO.

1.4 Term of Each Intellectual Property Right

For both Swiss and European patents registered for the territory of Switzerland the term of protection is 20 years from the filing date of the patent application (art. 14 Patent Act). Inventions that qualify as know-how are protected as long as they remain secret and have a commercial value.

1.5 Rights and Obligations of Owner of Intellectual Property Right

After the granting and in order to maintain the patent (Swiss patents and European patents with protection for Switzerland), the patent owner has the obligation to register his patent in the Swiss patent register and pay the registration and annual renewal fees. The amount of the renewal fees varies based on the years of protection requested. It is the responsibility of the patent holder to enforce his exclusivity rights. Legal civil action includes (i) action for injunction or remedy; (ii) action for damages; and (iii) action for declaratory judgment. Actions for injunction or remedy can also be requested as preliminary measures (art. 72 et seqq. Patent Act). Moreover, patent holders can start legal penal proceedings against the infringement of their patents (art. 81 et seqq. Patent Act). Assistance by the customs authorities

is also available for any suspicion of the imminent import, export or transit of goods that infringe a patent (art. 86a et seqq. Patent Act). Know-how enjoys protection under either Swiss criminal law (art. 162 Penal Code) or unfair competition law (art. 6 Law against Unfair Competition). Unfair competition law provides for civil injunction, remedy and damages actions as well as criminal sanctions.

1.6 Further Protection After Lapse of Maximum Term

Patented inventions for medicinal and plant protection products requiring a marketing authorisation for the Swiss market may obtain additional protection by a Supplementary Protection Certificate (SPC). The period of protection for the SPC begins as soon as the patent protection for the active ingredients of the invention expires after the maximum term of protection (ie after 20 years), and prolongs it for a maximum of five more years (art. 140a et seqq. Patent Act). Requirements for an SPC are a valid patent and regulatory authorisation.

1.7 Third-Party Rights to Participate in Grant Proceedings

Third parties do not currently have any right to participate in the grant proceedings for a Swiss patent (eg by filing third-party observations). However, any person can file opposition against a Swiss patent issued by the Institute. Opposition must be filed with the Institute within nine months of the granting (art. 59c Patent Act). Ground for opposition is that the patent contains inventions which are excluded from patenting (art. 1a, 1b and 2 Patent Act). In proceedings before the EPO, reference is made to art. 115 EPC for observations concerning the patentability of the invention, and to art. 100 EPC for opposition to the patent granting.

1.8 Remedies Against Refusal to Grant Intellectual Property Right

An appeal against a refusal to grant patent protection by the Institute can be filed with the Federal Administrative Court (art. 31 Administrative Court Act).

1.9 Consequences of Failure to Pay Annual Fees

A patent registered in the Swiss patent register is cancelled if the renewal fees are not paid on time (art. 18 para. 1 Patent Ordinance). Where the patent holder has not complied with a time deadline, he may file a request for further processing with the Institute. The request must be made within two months after receiving notification of the missed deadline, or within six months after the deadline has expired. Within this time, whatever action has been omitted must be executed and, if necessary, the patent application supplemented and the extra fee for further processing paid. If the request for further handling is approved, the situation that would have resulted from executing the act on time will be restored (art. 46a Patent Act).

2. Initiating a Lawsuit

2.1 Actions Available Against Infringement

Under Swiss patent law, civil action against the infringement of patent rights includes (i) actions for injunction or remedy and (ii) actions for damages. Actions for injunction or remedy can also be requested as preliminary measures (art. 72 et seqq. Patent Act). Moreover, patent holders can start legal penal proceedings against the infringement of their patents (art. 81 et seqq. Patent Act). Civil and criminal actions are available against the infringement of know-how, under Swiss criminal law (art. 162 Penal Code) or unfair competition law (art. 6 Law against Unfair Competition).

2.2 Third-Party Remedies to Remove Effect of Intellectual Property Right

Third parties with proven interest can claim the nullity or partial nullity of a patent if the invention is obvious, not novel or not disclosed in a way that a person skilled in the art could understand it based on the patent (art. 26 Patent Act). In addition to that, when the patent has been filed by an applicant who was not entitled, the entitled person may apply for assignment of the patent application (art. 29 Patent Act). Also, and without any need to demonstrate proven interest, any third parties can bring opposition claims against patents covering inventions (eg regarding the human body at all phases of formation and development, or naturally occurring sequences or partial sequences of genes). Opposition can also be filed against inventions which are contrary to human dignity or disregard the dignity of a creature, or are in any other way contrary to public convention or morality (art. 59c Patent Act).

In respect of patents not sufficiently exploited in Switzerland and for which such failure cannot be justified, third parties with a legitimate interest may request (i) the grant of a non-exclusive licence – three years from the date of the grant of the patent or, at the earliest, four years after filing the patent application (art. 37 Patent Act), or (ii) the cancellation of the patent after a period of two years from the grant of the first licence (art. 38 Patent Act). This remedy is very rare as the grant of compulsory licences is very rare (art. 40-40d Patent Act).

2.3 Courts with Jurisdiction

The Federal Patent Court rules on civil law disputes concerning patents in first instance. It rules, for instance, on litigation over patent validity as well as patent infringement, and also in respect of preliminary measures (art. 26 Patent Court Act). The Federal Patent Court also has jurisdiction in other civil actions that have a factual connection to patents, particularly those concerning the contractual rights to patents (ownership and licensing) or their assignment. In such cases, jurisdiction of the Federal Patent Court does not preclude that of the cantonal courts as sole cantonal civil instances

(art. 5 para. 1 lit. a Civil Procedure Code and art. 26 para. 2 Patent Court Act). An appeal against the decisions of the Federal Patent Court or of the cantonal civil instances can be lodged with the Federal Supreme Court at second instance (art. 1 Patent Court Act and art. 90 Supreme Court Act). The decision of the Federal Supreme Court is final.

2.4 Prerequisites to Filing a Lawsuit

In connection with intellectual property rights, civil action can be filed without any need to attempt conciliation before a conciliation authority (art. 198 Civil Procedure Code). The issue of warning letters is also not required, but is highly recommended to consolidate the legitimate interest of the plaintiff and to support the attribution of the procedural costs to the defendant.

2.5 Legal Representation

Parties can decide to be represented by an attorney at law, but do not have any obligation to do so. Before the Federal Patent Court and in proceedings concerning the validity of a patent, patent attorneys may also represent parties, provided they are engaged in independent practice and allowed to practise in Switzerland (art. 29 Patent Court Act).

2.6 Interim Injunctions

Under Swiss law, interim injunctions within civil proceedings are available. The applicant has to show credibly that:

- the right to which he or she is entitled has been violated or a violation is anticipated;
- violation threatens to cause not easily reparable harm; and
- the requested measure is urgent (art. 261 et seqq. Civil Procedure Code).

The applicant can request:

- an injunction;
- an order to remedy an unlawful situation;
- an order to a register authority or to a third party; and
- performance in kind. In cases of special urgency, and in particular where there is a risk that the enforcement of the measure will be frustrated, the court may order the interim measure immediately and without hearing the opposing party (ex-parte interim measures) (art. 265 Civil Procedure Code).

2.7 Protection for Potential Opponents

Any potential opponent who has reason to believe that an ex-parte interim measure will be applied against them may set out their position in advance by filing a protective letter. Protective letters must be filed with the Federal Patent Court and/or the cantonal court that is likely to have jurisdiction for treating the ex-parte interim measure claims in the case at hand. The opposing party shall be served with the protective letter only if he or she initiates the relevant proceedings.

The protective letter becomes ineffective six months after it is filed (art. 270 Civil Procedure Code).

2.8 Mechanisms to Obtain Evidence and Information

Under Swiss patent law, a person with a legitimate interest (ie who can provide prima facie evidence that an existing claim has been infringed or an infringement is suspected) may request that the Federal Patent Court orders as an interim measure (i) the securing of evidence and/or (ii) a precise description to be made of the allegedly unlawful processes used and/or the allegedly unlawful products manufactured, as well as the means used to manufacture them. The procedure for making the description, with or without seizure, shall be carried out by a member of the Federal Patent Court, who may call on the assistance of an expert or of the competent cantonal instances if necessary. Before the applicant party is notified of the description, the opposing party shall be given the opportunity to comment (art. 77 Patent Act). The Civil Procedure Act also allows a more general right to ensure preliminary taking of evidence without any need to start civil litigation (art. 158 Civil Procedure Law). The cantonal courts at the place where evidence has to be secured have jurisdiction.

2.9 Initial Pleading Standards

The statement of claim must contain:

- the prayers for relief;
- a statement of the value in dispute;
- the allegations of fact;
- a notice of the evidence offered for each allegation of fact; and
- the date and signature.

The statement of claim may include a statement of legal grounds (art. 221 Civil Procedure Code). These initial requirements apply to all civil proceedings – not only to intellectual property proceedings – and are very strict. New facts and new evidence are admissible only if presented immediately after they become known and if they occurred after the submission of the initial brief (*nova*) or were discovered after the initial submission or could not have been submitted despite reasonable diligence (*improper nova*). In any case, new facts and new evidence are admitted only until the court begins its deliberations.

2.10 Representative or Collective Action

Under Swiss law, no class actions or other collective actions are permitted.

3. Infringement

3.1 Necessary Parties to an Action for Infringement

The patent holder who is threatened with infringement or has his rights infringed may demand an injunction or that the unlawful situation is remedied within civil proceedings (art. 72 Patent Act). The exclusive licensee has the same right and is entitled to bring an infringement action independently, provided this is not expressly excluded by the licence agreement (art. 75 Patent Act). To the contrary, non-exclusive licensees may only join the infringement proceedings filed by the patent holder or the exclusive licensee in order to claim their own loss or damages.

An infringement claim can be raised against:

- any person who uses a patented invention unlawfully – imitation is also deemed to constitute use;
- any person who refuses to notify the authority concerned of the origin and quantity of products in his possession which are unlawfully manufactured or placed on the market, and refuses to name the recipients and disclose the extent of any distribution to commercial and industrial customers;
- any person who removes the patent mark from products or their packaging without authorisation from the proprietor of the patent or the licences; and
- any person who abets any of the said offences, participates in them, or aids or facilitates the performance of any of these acts (art. 66 Patent Act).

Penal proceedings can be raised against the same persons provided that they wilfully committed the patent infringement, on complaint by the patent holder – the exclusive licensee does not have any penal active legitimation – or *ex officio* if he acts for commercial gain (art. 81 Patent Act).

3.2 Direct and Indirect Infringement

Within civil proceedings, there is no difference between direct or indirect patent infringement. Whoever commits an infringement act as described in art. 66 et seqq. Patent Act may be liable. An infringement claim can be raised against any person who uses a patented invention unlawfully. With regard to the criminal prosecution, an indirect patent infringement, by either an instigator or an accomplice, is only possible if the main infringer acts wilfully (art. 81 Penal Code).

3.3 Defences Against Infringement

Within patent infringement proceedings, the defendant can claim to have lawfully used the alleged infringed patent for various reasons following art. 9a para. 1 Patent Act, such as because a licence right was granted to him or the rights of the patent holder were exhausted. The defendant can also argue that he has a prior use right, ie has commercially used

the invention in good faith in Switzerland or made special preparations for that purpose prior to the filing or priority date of the patent application (art. 35 Patent Act). In this case, the defendant must offer to pay the patent holder appropriate compensation. The called court shall decide on the existence and on the extent of the rights claimed by prior use and on the amount of compensation to be paid (art. 48 Patent Act). More often, the defendant pleads the nullity of the patent as a defence or as a counterclaim. The court may then allow him an appropriate time limit within which to file a nullity action. Within interim measure proceedings, the court will examine the patent with regard to novelty and inventive step as a preliminary question and then decide about the infringement claim.

3.4 Role of Experts

As a general rule, the Federal Patent Court makes its decisions as a three-member body (panel), of whom at least one member must possess technical training. Where a technically trained judge has specific expertise, the judge's expert opinion shall be entered in the court record. However, when additional technical know-how is requested by a party or ex officio, the court may obtain an opinion from one or more external experts appointed ad hoc (art. 183 Civil Procedure Code). Such experts shall submit their opinions in writing. The parties shall be afforded an opportunity to submit their position on the opinion in writing (art. 37 Patent Court Act). Reporting of experts appointed by the parties is considered to be the parties' assertions only.

3.5 Procedure for Construing the Terms of the Patent's Claims

There is no separate procedure for construing the terms of the patent's claims.

4. Revocation/Cancellation

4.1 Reasons and Remedies for Revocation/Cancellation

There are several reasons for a revocation or cancellation of a patent. Often, a patent registered in the Swiss patent register is cancelled because the renewal fees are not paid on time (art. 18 para. 1 Patent Ordinance). Rarely, an action for cancellation is brought by a person with a proven interest if the grant of licences does not suffice to meet the demand of the domestic market after a period of two years from the grant of the first compulsory licence (art. 38 Patent Act corresponding to art. 5 a (2) EPO).

Based on the prohibition of double patenting, a Swiss patent is revoked in favour of a European patent for the same invention with effect in Switzerland, and granted to the same inventor or to his successor in title with the same filing or priority date (art. 125 para. 1 Patent Act).

Finally, patents are cancelled from the patent register if an action for nullity of the patent was successful. The cancellation is done by the Institute upon the provision of full official copies of the final judgments.

4.2 Partial Revocation/Cancellation

Partial cancellation is available if the successful nullity claims relate to certain patent claims only.

4.3 Amendments in Revocation/Cancellation Proceedings

Amendments in cancellation proceedings are very limited, because new evidence and facts can only be filed under strict circumstances.

4.4 Revocation/Cancellation and Infringement

Where a nullity claim is raised as a defence within patent infringement proceedings, the nullity claim is heard at the same time and within the same proceedings.

5. Trial & Settlement

5.1 Decision Makers

The Federal Patent Court makes its decisions as a three-member body (panel), of whom at least one member must possess technical training. Even if the decision maker, namely within provisional proceedings, is the judge with the legal background, technical know-how remains very important and the opinion of the assisting judge with the technical background is always heard (art. 23 para 3 and art. 37 para. 3 Patent Court Code). Also, in proceedings ruled before civil cantonal courts, technical experts are very important and are very often appointed ex officio (art. 183 Civil Procedure Code).

5.2 Settling the Case

Settlements can be agreed at any time during civil proceedings, either with the mediation of the judge or upon negotiations among the parties only. In this case, the content of the settlements can, but must not be disclosed to the judge.

5.3 Other Court Proceedings

In respect of contractual rights related to patents, such as ownership and licence rights, legal action can also be filed before cantonal courts (art. 26 para. 2 Patent Court Act). Where the nullity or infringement of a patent is to be adjudicated before a cantonal court on a preliminary question or defence basis, the court shall grant the parties a reasonable period of time for filing the validity or infringement action before the Federal Patent Court. The cantonal court shall stay the proceedings until a final and absolute decision has been made on the action. Where no action is filed before the Federal Patent Court within the specified time limit, the cantonal court shall resume the proceedings and the preliminary question or defence shall be disregarded (art. 26

para. 3 Patent Court Act). Similar rules apply when nullity is claimed as a defence within penal proceedings (art. 86 Patent Act). However, considering that claims before cantonal courts (either in civil or penal proceedings) with regard to patents have decreased since the establishment of the Federal Patent Court in 2014, it is quite rare for cantonal proceedings to have an influence on the others. Also in respect of provisional proceedings, infringement and nullity actions before the Federal Patent Court are generally ruled at the same time.

6. Remedies

6.1 Remedies for the Patentee

Civil remedies for patent holder include:

- (i) injunction or reparatory remedy;
- (ii) damages (including court fees and attorneys' costs); and
- (iii) declaratory judgments.

Injunctive relief is granted within provisional proceedings and during or before ordinary patent proceedings. Moreover, patent holders can start legal penal proceedings against the infringement of their patents and request the conviction or the fine of the patent infringer (art. 81 et seqq. Patent Act).

6.2 Rights of Prevailing Defendants

A prevailing defendant can claim reimbursement of the court fees as well as compensation for the attorney's fees. Moreover, if a damage has arisen to him due to the patent proceedings, he can also claim damage compensation. Within proceedings for interim measures, the court may make the interim measure conditional on the payment of security by the applicant, if it is anticipated that the measures may cause loss or damage to the opposing party. The applicant is liable for any loss or damage caused by unjustified interim measures. If the applicant proves, however, that he or she applied for the measures in good faith, the court may reduce the damages or entirely release the applicant from liability (art. 264 Civil Procedure Court).

6.3 Types of Remedy

Essentially, the same types of remedies are available for civil proceedings involving inventions protected as patents or as know-how. However, since know-how does not qualify as an absolute intellectual property right, declaratory judgments are likely not to be obtained as remedy.

7. Appeal

7.1 Special Provisions for Intellectual Property Proceedings

Appeals with the Swiss Supreme Court against decisions of the Federal Patent Court and the civil cantonal courts as sole instance follow the same rules as appeals in civil matters.

No additional or specific rules apply to intellectual property rights proceedings.

7.2 Type of Review

When reviewing final decisions of the prior instances on the merits, the Swiss Supreme Court has full discretion with regard to the legal reasoning; by contrast, a review of the facts of the case can only be claimed if their ascertaining by the prior instance was in abuse of law (art. 90 Supreme Court Act). With regard to decisions on interim measures, the discretion of the Swiss Supreme Court is limited to a review of the legal reasons (art. 98 Supreme Court Act).

8. Costs

8.1 Costs Before Filing a Lawsuit

Before filing a patent-related lawsuit, important costs may arise in respect of the technical assessment of a patent validity, as a common defence is filing a nullity claim against the patent. Moreover, additional costs may arise for the issue of warning letters.

8.2 Responsibility for Paying Costs of Litigation

As a principle, the costs of patent litigation, such as the court fees, expenses and the fees for the attorneys (patent and legal attorneys), are borne by the defeated party.

9. Alternative Dispute Resolution

9.1 Type of Actions for Intellectual Property

In Switzerland, alternative dispute resolution, more specifically arbitration, is an important way of settling intellectual property disputes, particularly in respect of international circumstances where a single decision is sought. Alternative dispute resolution is becoming attractive also for patent disputes as Switzerland provides for experts in most fields of technology. Arbitration is permitted for contractual issues related to patents and for – as strongly supported in the literature – validity and registration claims (see also Decision of the Supreme Court 71 III 198).

10. Assignment & Licensing

10.1 Requirements or Restrictions for Assignment of Intellectual Property Rights

The assignment of patent or patent application rights must take place in writing, but no approval of the Institute is required. The assignment can take place either in part or wholly. The assignment recordal in the Swiss patent register has only a declaratory effect. However, assignment to third parties not recorded in the Swiss patent register is invalid against persons who have acquired in good faith the rights to the patent (art. 33 para. 2bis Patent Act). For the recordal of the assignment of the patent and patent application rights,

the Institute requests the written consent of both the assignor and the assignee.

10.2 Requirements for Restrictions to License an Intellectual Property Right

The patent applicant or the proprietor of the patent may grant third parties the right to use the invention (grant of licences). The agreement can be concluded orally and no approval of the Institute is required. Where the patent application or the patent is owned by two or more persons, a

licence may not be granted without the consent of all entitled persons. Licences of third parties not recorded in the Swiss patent register are invalid against persons who have acquired in good faith the rights to the patent (art. 34 Patent Law). The same rules apply to the licence of any absolute intellectual property rights, such as trade marks, designs and copyright. For the recordal of the licence rights, the Institute requests the written consent of the licensor (for trade marks, art. 29 para. 1 lit. a Trademark Ordinance).

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