

Quick Guide for US Counsel: Patent Litigation in Germany

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This article offers a rough overview of the relevant German patent litigation frameworks, as an aid for US Counsel dealing with matters in which the topic of patent litigation in Germany arises.

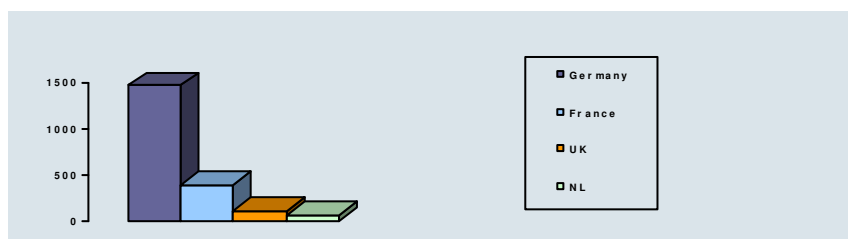
For lawyers dealing with matters in which the topic of patent litigation in Germany arises, this guide offers a rough overview of the relevant frameworks.

1. Strategic Considerations for Selecting a Forum

In Europe, patent enforcement poses immediate strategic choices. Different countries may be selected for an enforcement venue. Parallel enforcement actions may be brought in different European countries simultaneously, or a single jurisdiction may be selected in view of obtaining a favourable Europe-wide, or even worldwide, settlement. There are multiple reasons for litigants to choose Germany as their jurisdiction:

- **Size of the German market.** Germany is the largest marketplace in the European Union. An injunction may reach more people and cover greater territory than is possible through the courts of other European countries. Germany is a dominant entry point for external goods delivered into to the European market.
- **Expertise and reputation of German patent infringement courts.** The courts in Düsseldorf, Mannheim and Munich account for more than two-thirds of Germany's infringement cases. As a result of the number of cases handled by these courts, they have particular experience in patent matters. According to a survey published in the magazine *JUVE* examining the percentage of patent infringement cases among European national jurisdictions, Germany leads with 1,466 cases handled by its patent infringement courts (followed by France, the United Kingdom and the Netherlands).¹

Cases among European National Jurisdictions

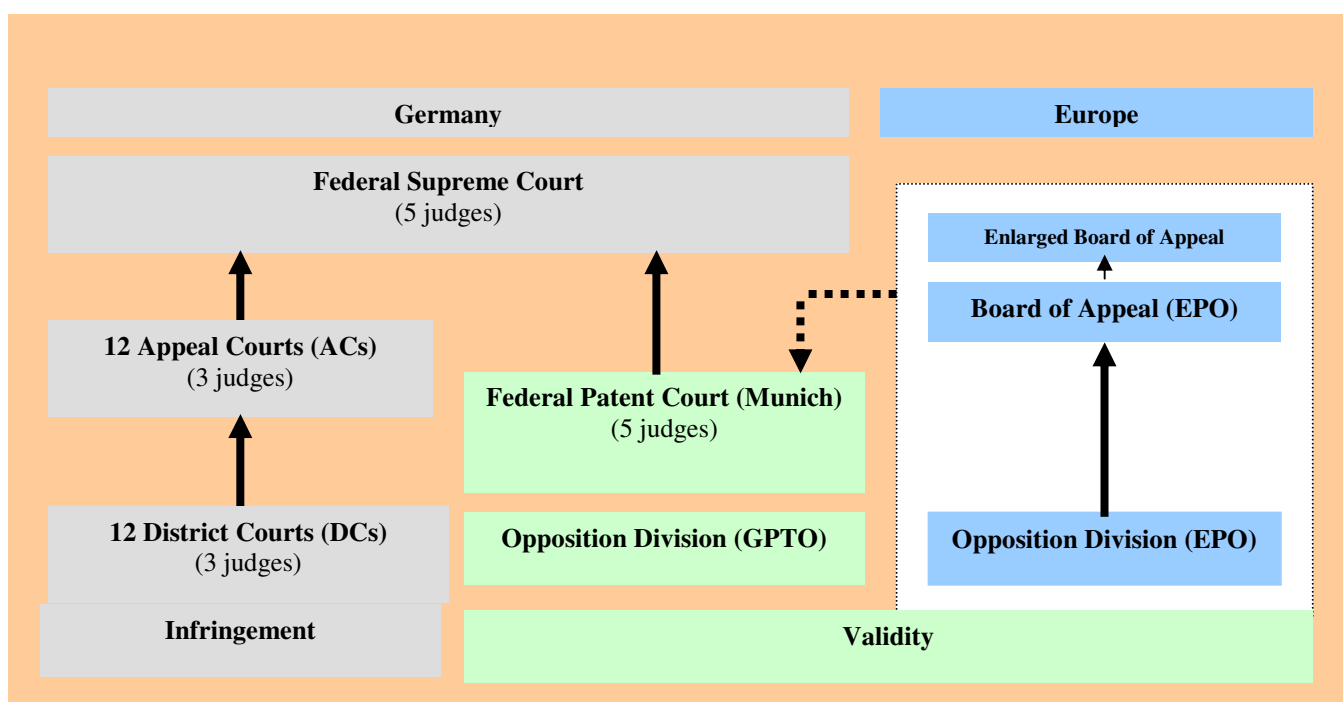


- **Speed of the proceedings.** Another advantageous characteristic is the speed of German patent litigation proceedings. In most cases, an enforceable ruling can be expected within one year, or even in seven to eight months with the District Court Mannheim or Munich. However, the appointment of a court expert or a stay pending validity challenges can lengthen the proceedings.
- **Costs.** Costs of German patent enforcement proceedings tend to be cost-efficient, usually ranging from EUR 40,000 for less complex cases to EUR 180,000 for more complex cases. This derives in part from the fact that costly pre-trial discovery proceedings typical of US trials are not present in German proceedings. This is not to suggest that discovery is unavailable, but it is not comparable to US discovery. Finally, there are no jury trials in patent infringement cases in Germany. Trying matters before a German judge necessarily limits time expenditure and counsel costs.
- **Customs actions.** Germany allows enforcement of patents through customs proceedings, in a manner somewhat analogous to the US International Trade Commission. Customs proceedings are generally straightforward and tend to be particularly useful in anti-counterfeiting cases. Without having to prove infringement, the right holder can obtain a detention order, seizing goods at the border and putting considerable pressure on the accused infringer.

¹ *JUVE Rechtsmarkt* 04/10, 79.

2. Main Characteristics of the German System

- **Civil law system.** Germany has a civil law system. The laws are codified in written principles as rules of law and are not determined, as in common law, by judges. Accordingly, legislative acts are the primary source of law in Germany, and the court system is usually inquisitorial, unbound by precedent. However, German courts do carefully review previous rulings of other courts, in particular those of the higher instances and, of course, of the Federal Supreme Court. Because of the high volume of patent litigation, Germany now has a well-developed body of precedent that can further lend predictability to the patent litigation process. In patent infringement cases, a jury does not exist. The proceedings must follow the rules provided by the German Code of Civil Procedure.
- **“Split system.”** A defining characteristic of the German patent enforcement system is the split between infringement and invalidity determinations. Infringement and invalidity (nullity) claims are tried in different courts, on different schedules. Infringement cases frequently track ahead of counterpart invalidity proceedings, thus presenting the opportunity to have infringement resolved before invalidity is tried. While the infringement court may suspend its proceedings to allow a corresponding nullity action to resolve validity first, frequently it does not.



3. General Outline of Patent Disputes

3.1. Invalidating Patents

3.1.1. Oppositions at the EPO

- **Nine-month window.** European patents may be challenged during a limited window of time after their issuance. Within nine months after publication of the grant of a European patent, anyone is entitled to file opposition proceedings with the European Patent Office (EPO) (*see* Article 99 EPC). This narrow window is the only time during which the validity of a granted European patent can be challenged with respect to all European countries in which that patent has effect. After this nine-month period, parties seeking to invalidate a patent must resort to nullity proceedings on a country-by-country basis. Resorting to national-stage invalidation proceedings is usually more time consuming and may even lead to inconsistent results, with the patent being found valid in some countries and invalid in others.
- **Patent monitoring programs.** Companies with business in Europe usually establish patent monitoring programs to observe the patent prosecution activities of their competitors at the EPO, so as not to miss the opportunity to invalidate or limit potentially problematic patents when they first issue.
- **Opponent.** Any person except the patentee may institute an opposition proceeding. A company or person who does not want to be identified in these proceedings may involve a so-called straw man that acts in its own name, but

on behalf of the third party. This is a common strategy employed by companies that do not want to appear as a party in the proceedings, and is acceptable so long as the straw man is not used by the patentee to file an opposition against its own patents.

- **No estoppels.** Opposition proceedings are held before the EPO's Opposition Divisions, which are distinct from the Examining Divisions. Thus, opponents get a fair chance to have the patent re-examined even if the invalidation challenges are based on documents that were already considered during the examination. Furthermore, an opponent is not estopped from reasserting the same arguments later in court. The opponent can subsequently commence a nullity action against the patentee with the Federal Patent Court in Munich and assert the same art that was brought before the EPO. The fact that particular arguments had been raised and lost in EPO opposition proceedings will not necessarily influence the Federal Patent Court judges. Experienced local counsel can reveal which legal areas and standards differ between the EPO and Federal Patent Court.

3.1.2. Nullity Actions

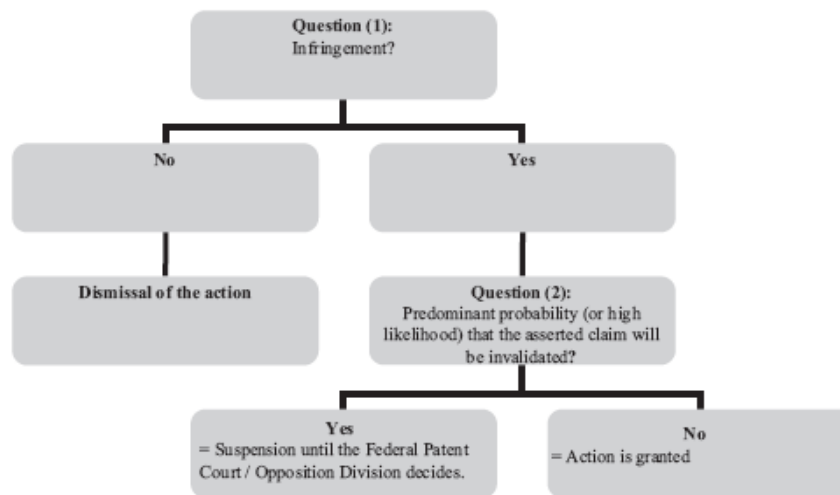
- **Federal Patent Court in Munich.** To invalidate a patent (separate and apart from EPO opposition proceedings), a "nullity action" may be brought. Only one court in Germany, the Federal Patent Court in Munich, has the exclusive jurisdiction to adjudicate nullity actions aimed at invalidating a German national patent or the German part of a European patent. The Federal Patent Court has no jurisdiction over disputes concerning infringements of patents. That jurisdiction lies with the civil courts, namely the 12 district courts and 12 appeal courts, which are headed by the Federal Supreme Court.
- **Timing.** Nullity actions may be brought only after the opposition window has closed. Thus the earliest that nullity actions may be instituted is three months after the publication of the grant of a German patent, or nine months after the publication of the grant of a European patent. If an opposition against a patent is filed, a nullity action is inadmissible until the opposition proceedings are finally terminated. Nullity actions are subsidiary to opposition proceedings, in order to avoid contradictory decisions of the EPO or GPTO and the Federal Patent Court.

3.2. Disputes Focused on the Infringement of Patents

- **Separate courts.** Patent infringement proceedings are exclusively litigated through 12 district courts. The most active patent court is the District Court Düsseldorf, followed by the District Court Mannheim, District Court Munich and District Court Hamburg.
- **Venue.** The system is flexible when it comes to questions of jurisdiction and venue. A court has jurisdiction to hear a case if either the defendant has its residence or principal place of business within its district, or the infringing activities were committed in the court's district. A simple offer for sale of the accused product via the defendant's website might be sufficient to establish jurisdiction in any of the 12 district courts. The selection of the court is usually based on strategic considerations of the patentee. This is one main reason that patent matters are concentrated in only a few German district courts. Defendants cannot influence the selection made by the plaintiff.
- **Judges.** The panels of the district courts are composed of three judges who are trained in patent law and have several years of practical experience with patent cases. Patent matters are assigned to dedicated chambers of the court. The district courts of Düsseldorf, Mannheim and Munich, which have especially high numbers of patent cases, each have two chambers dedicated to patent infringement matters.
- **Suspension of the proceedings.** A particular challenge of the split system is to fairly balance the interests of the patentee to quickly enforce the patent rights with the interests of the accused infringer not to be prevented from commercial activities by an invalid patent. Of course, infringement proceedings are not completely disconnected from one another, and there are mechanisms that guarantee a fair resolution of the conflicting interests. The courts may order suspension. Requesting the suspension of the infringement proceedings requires that opposition or nullity proceedings against the asserted patent be already pending by the time of the suspension request. The court has discretionary power to suspend the proceedings. Based on the submitted record, the court makes its determination as to whether there is a predominant probability (or high likelihood) that the asserted claim will be invalidated in parallel invalidation proceedings.² The court's usual reasoning is roughly summarised below:

² Federal Supreme Court, X ZR 56/85, GRUR 1987, 284, "Transportfahrzeug."

Court's Reasoning as to the Question of Suspension



Since there is no evidence-taking in respect to the question of suspension, the court makes a summary assessment based on the material submitted by the parties. The likelihood of a suspension is typically very low if the defendant's request is exclusively based on prior art documents which were already considered by the patent office during the granting or opposition proceedings. The chances for obtaining a stay are higher if the request is based on previously undisclosed, novelty-destroying prior art. It is commonly understood that there is a high threshold to achieve a stay of infringement proceedings. Statistical information on the success of stay requests is not available, but based on McDermott's experience litigating many patent disputes in Germany, suspensions or the appointment of court experts (see next section) generally occur in less than a third of the cases. Considerations in favour of or against a suspension are summarised below:

Considerations in the Suspension Decision

Pro

- Prior art that was not considered during prosecution proceedings and is novelty anticipating.
- The inventive step has become so questionable in view of the prior art presented by the infringer that no reasonable argument in favour of validity remains.
- The decision of the Federal Patent Court is based on a clearly and obviously wrong decision.
- The decision of the patent office is based on a clear and obviously wrong decision.

Contra

- Simple doubts exist on the validity of the patent or doubts referring to inventive step.
 - The nullity action only contains validity attacks (prior art) which were already considered by the patent office.
 - The patent has been confirmed in first instance, unless new, unknown, novelty-anticipating prior art will be identified during the second instance.
 - The validity attack is based on a prior public use which cannot be consistently proven by means of written documents (testimony by witnesses and affidavits are insufficient).
 - The accused infringer unreasonably delays the parallel invalidation proceedings.
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- **Court expert.** The court may conclude that the technical knowledge of an expert is necessary. The appointment of a court expert is the most frequently used form of judicial investigation; fact witnesses are rather rare in patent infringement cases. In most cases, the court renders a decision without appointing an expert. The probability of the involvement of a court expert differs from court to court, and also depends on the subject matter of the case. Precise estimations are difficult, but based on McDermott’s experience litigating many patent disputes in Germany, the appointment of a court expert generally occurs in less than a quarter of the cases. In most cases, the court bases its decision on its own assessment of the technology, as understood through the material submitted by the parties. The following approximation concerning three major infringement courts might additionally be taken into consideration when selecting the court.

Tendency to Appoint an Expert per Court

District Court Düsseldorf	Lower tendency
District Court Mannheim	Moderate tendency
District Court Munich	Higher tendency

- **Appeal.** Appeals are heard by 12 appeal courts, each having jurisdiction over one district court. For instance, decisions rendered by the District Court Düsseldorf are appealed before the Appeal Court Düsseldorf. In appeals, the admission of new facts is restricted and might be rejected as belated if their consideration would lead to a delay of the proceedings. To avoid such a rejection, the late submission must be sufficiently excused. Finally, a second appeal can be filed to the Federal Supreme Court in Karlsruhe. It represents a purely legal appeal in cases of general legal interest to the public, *i.e.*, if the decision would contribute to the development of case law or if the consistency of German case law is in question. Submissions of new facts are not allowed. The facts established by the appeal courts are binding for the Federal Supreme Court, unless such findings are affected by a procedural error, and such error is adequately demonstrated in the grounds for appeal. Thus, in general, no evidence is heard at the Federal Supreme Court.

Basic Overview

	District Courts	EPO/GPTO Opposition	Federal Patent Court
Proceedings	Bench Trial Without Jury, No General Pre-Trial Discovery	<i>Inter Partes</i> Proceedings	<i>Inter Partes</i> Proceedings/Subsidiary Character vis-à-vis Opposition
Remedy	Injunction/Rendering of Accounts/Damages	Cancellation/Modification	Cancellation/Modification
Speed (approx.)	1 year	2 years	2 years

For more information, please contact your regular McDermott lawyer or our partner in McDermott's Munich office:

Alexander Harguth: + 49 89 12712 161 aharguth@mwe.com

Alexander Harguth is a partner in the law firm of McDermott Will & Emery Rechtsanwälte Steuerberater LLP, based in its Munich office, and a member of the Intellectual Property Litigation Practice Group. His practice is focused on patent litigation, including advising clients on complex infringement proceedings in German patent infringement courts and related parallel nullity and opposition proceedings.

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