

# Germany

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*Germany is often chosen as the jurisdiction in which to litigate against European infringements of patents. Christoph de Coster of Taylor Wessing in Munich explains why.*

More than 50 per cent of all patent litigation cases in Europe are heard before German courts, and 80 per cent of these cases are dealt with by specialized patent chambers of district courts in Dusseldorf, Mannheim and Munich. The German patent system provides specialized judges and effective proceedings for a patentee to obtain an injunction and/or damages. Moreover, court proceedings in Germany are usually not as expensive as proceedings in other leading jurisdictions such as the United States.

To show why Germany is generally considered to be an attractive jurisdiction for patent litigation, the German patent prosecution and patent litigation system and its principles are outlined below.

## **Split court system in patent matters**

To understand the German patent litigation system one has to take into consideration the specific German bifurcated court system, providing for a separation between infringement and nullity courts (ie for invalidity or revocation). Nullity cases are heard before the Federal Patent Court, while infringement cases are heard by the specialized chambers of the district courts. The district courts handling patent infringement actions may construe the patent, but have no jurisdiction over the validity of the patent and are bound to enforce the patent as it is. The jurisdiction over the validity of a patent lies solely with the European Patent Organisation (EPO) and with the German Patent and Trade Mark Office (Deutsches Patent und Markenamt, DPMA) in the case of an

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opposition, or in the case of a nullity action against a German patent or a German part of a European patent, with the Federal German Patent Court and on appeal with the German Federal Supreme Court.

While the prosecution of patent applications are handled by specialized patent attorneys with a technical background in the relevant field, infringement cases are presented by attorneys-at-law, usually in cooperation with patent attorneys.

## Prosecution proceedings – almost harmonized

In Germany, before being granted a patent must undergo an examination for formal requirements and for patentability. These examinations are to be carried out by the DPMA.

As the German Patent Act (Patentgesetz, PatG) was harmonized with the European Patent Convention (EPC), requirements according to the PatG correspond to those of the EPC (novelty, inventive step, industrial applicability etc). The same applies more or less to prosecution, which is similar to the proceedings before the EPO.

Still, in some areas, different standards for novelty and inventive step might be applicable under German law, even if the wording of the relevant legal provisions is mostly identical. For example, the German Federal Patent Court is still more reluctant than the EPO to accept ‘selection inventions’ in the field of chemistry, where a specific compound or mixture has been selected out of a previously known range of specifications or abstract formulae. Differences might also exist in the patentability of software inventions, because German courts handle the exclusion of patents – for example, for business methods or language analysis methods even if implemented in computer software – in a more restrictive way than the EPO. It would exceed the scope of the present article to explain these differences in detail.

After the grant of a German patent an opposition can be filed with the DPMA during a three-month period (as opposed to nine months at the EPO). After expiration of the opposition period it is possible to file a nullity action with the German Federal Patent Court in Munich.

A very speedy way to secure protection for a product in Germany is to use the utility model system. Utility models are registered but not examined, and thus protection is quickly granted. They can be obtained for products but not for processes. Utility models are often used as an alternative or additional option to patent protection.

## Enforcement of patents

German courts are competent for enforcement of patents granted by the DPMA and for the enforcement of the German part of European patents. Because there is no unified European court system the enforcement of a European patent usually requires the filing of actions in each national territory covered by the patent. To avoid multiple proceedings patentees usually select one or two jurisdictions to enforce their patent, and force the infringer into settlement negotiations. Germany and the United Kingdom are popular jurisdictions to start such actions in Europe, because decisions rendered

by German or UK courts are well respected and often followed by courts in other European jurisdictions.

### ***The goal of an infringement action: remedies***

The most important remedy in a patent infringement case is the claim for cessation of further infringement (injunctive relief). Injunctive relief is mandatory in the case of infringement in Germany. It is not subject to any balance of interest considerations, as under the most recent US case law.

In addition to injunctive relief, the patentee may claim damages. There are three methods for the patentee to calculate damages: royalties, infringer's profit or lost profits. In practice the lost profits alternative is less important, since the patentee has to disclose internal calculations, and the requirement for the patentee to prove that there are lost profits were relatively high. The most common method for calculating damages is still based on a royalty (ie had the infringer been a licensee what royalty would they have been paid). However, patentees increasingly tend to claim the infringer's profits due to a recent decision of the German Federal Supreme Court according to which infringers are, in principle, only entitled to deduct from their turnover variable costs and such overhead costs as are directly linked to the production of the infringing product. Consequently, damages according to infringer's profits might be higher than the infringer's actual net profit.

Moreover, the infringer has to provide the plaintiff with information on the infringing acts to enable calculation of the damages.

### ***To stay or not to stay: invalidity defence in infringement proceedings***

There is no invalidity defence in Germany due to the separation of infringement and invalidity proceedings. However a German infringement court may stay the infringement proceedings in view of a pending opposition or a nullity action against the patent in suit. The decision to stay an infringement action lies at the discretion of the court, and is based on a balance of the patentee's and defendant's interests. Usually, the court will stay the infringement proceedings only if there is a preponderant probability that the patent will be revoked in invalidity proceedings. In practice, only if novelty-destroying prior art that was not considered during prosecution is cited in the invalidity proceedings is the court likely to stay the infringement action.

Therefore, the stay of an infringement action in view of a pending opposition or nullity action is still the exception in Germany, as only a few (roughly 10 to 15 per cent of) infringement actions are stayed. Since invalidity proceedings currently last one year longer than infringement proceedings, the chances of the patentee obtaining an injunction in the infringement proceedings are considerable.

### ***Duration and costs***

A first instance infringement case can be heard within 9 to 15 months depending on the workload of the court. The appeal proceedings in second instance last from 12 to 15 months. A further judicial review by the German Federal Supreme Court may take

anything from one and a half to four years, and is only admissible in cases of special importance.

The costs of a standard infringement action with international parties typically amounts to between €100,000 and €200,000. The costs for German infringement proceedings partially depend on the value of the matter under dispute, calculated on the basis of the commercial value of the patent at issue. The winning party may claim for a refund of court costs and attorneys' fees by an amount provided by the German statutory fee schedule.

If the defendant raises the invalidity defence and files an invalidity action the costs of this action have to be added to the overall cost.

### ***Enforcement of the judgement***

The first instance infringement decision is 'provisionally enforceable' for the patentee contingent upon a security (eg bank guarantee) to cover possible damages of the defendant if the first instance judgement were to be later overruled. The appeal judgement is enforceable without security to the other party.

### ***Pretrial discovery: order of inspection***

To obtain sufficient evidence of an alleged infringement the patentee may bring an action before the court requesting the inspection of a device that he assumes is infringing. Inspection is carried out by a patent attorney or a court-appointed expert. In the past, such orders were handled very restrictively in Germany, but with the Enforcement Directive there is a strong tendency for more and more inspection claims to be enforced, if a prima facie case of infringement is established by the patentee. Inspection orders can be obtained at very short notice so that the alleged infringer is taken by surprise.

### ***Mini trial: preliminary injunctions***

In addition to or even before starting an action for patent infringement, a patentee may apply for a preliminary injunction. Preliminary proceedings are very similar to the proceedings on the merits. However, they are streamlined, so that a decision is usually rendered within two to four months after application for the preliminary injunction. Possible remedies in preliminary proceedings are an injunction to enjoin the infringer from infringing acts, such as manufacturing infringing goods, as well as a claim for information regarding the origin and the distribution channels of the infringing product. An injunction can be enforced immediately without a security. A preliminary injunction has three requirements:

- clear infringement;
- strong validity of the patent;
- urgency of the case.

The preliminary injunction can be a very effective tool, especially in clear cut cases, such as piracy cases.

## Nullity actions

Given the separation between infringement and nullity proceedings, a defendant must initiate separate nullity proceedings against the patentee in the Federal Patent Court if he wants to rely on the defence of invalidity in the infringement proceedings. This has to be combined with an application for a stay of infringement proceedings to avoid a first instance judgment which may be enforced.

The grounds for nullity of a patent largely refer to the grounds for an opposition against a German or European patent, such as lack of patentability (lack of novelty, lack of inventive step, non-patentable subject matter), insufficient disclosure or added subject matter of substance.

In nullity proceedings the German Federal Patent Court may render a first instance decision within 18 to 24 months after filing of the action, depending on the technical field and the complexity of the patent. The appeal proceedings before the Federal Supreme Court require about three to four years. The costs for German nullity proceedings are similar to the costs of an infringement action. The winning party may claim for a refund of court costs and attorneys' fees by an amount provided by the German statutory fee schedule.

## Conclusion

Germany is a very patentee-friendly jurisdiction. The court system provides specialized judges and an effective system to enforce patents. The bifurcated system makes it very difficult for the defendant to defend against an infringement action. The costs of the proceedings are relatively low compared with jurisdictions such as the United States. From the perspective of the patentee, the lack of pretrial discovery or disclosure proceedings can be considered as a disadvantage of the German system. However, the situation has improved after the enactment of the European Enforcement Directive. It is now possible to gather evidence by pretrial inspection orders.

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# Differences in patent litigation

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*Nigel Stoate, Simon Cohen and Matthew Burman compare patent litigation procedures in Europe's three leading jurisdictions, Germany, the Netherlands and the United Kingdom.*

Whether your business seeks to enforce patent rights or to defend against such enforcement, it is often the case that a patentee will hold multiple designations of a European patent, and an alleged infringer will be operating in several different countries at the same time. There is currently no European legislation providing specifically for pan-European patent litigation, and this means that the parties may need to bring separate actions in different jurisdictions. Initiatives such as the Community Patent, the European Patent Litigation Agreement (EPLA) and the London Agreement promise to improve this situation, but until they become a reality it is tactically important to decide where best to bring the proceedings, and in what order, because the prospects of success may vary from one court to another, and early decisions in one country can set a precedent for later proceedings in another.

It is generally regarded that Germany, the Netherlands and the United Kingdom have the most developed patent courts in Europe, and in each of these jurisdictions there is a specialist court with specialist judges who hear IP cases. But there are now 27 Member States of the European Union (and 32 signatories to the European Patent Convention (EPC), under which European patents are granted through the European Patent Office, EPO), and the quality of the patent courts in the region varies from the relatively experienced to the comparatively untested. While steps are actively being

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taken to improve the quality and consistency of the different courts throughout the region, it remains the case that decisions from the ‘specialist’ jurisdictions tend to lead the way for the other countries.

But even between Germany, the Netherlands and the United Kingdom there are significant differences in the way patent litigation is conducted. In this chapter, we compare the differences and take a look at the strategic advantages and disadvantages of each.

## The legal system

The biggest differences stem from the fact that in continental Europe (including Germany and the Netherlands) there is a civil law system, whereas in the United Kingdom the legal system stems from the common law, making it much more similar to the system in the United States.

## Disclosure

The common law system in the United Kingdom creates a number of key differences in the litigation process when compared with the civil law systems of the continent. Perhaps the most obvious is that automatic disclosure of documents is available in the United Kingdom. This obliges each party to disclose documents on which it relies, and documents that support or adversely affect its case or another party’s case. Disclosure can be very useful, for example, in validity proceedings to get to the bottom of what underlies the invention or in infringement proceedings to prove what the infringer is doing. Subject to confidentiality and court rules, it can also provide useful ammunition for foreign actions.

## Evidence

In Germany and the Netherlands, the court appoints an expert to prepare a report and the parties have very little control over who is appointed. There is no exchange of witness statements, and rarely any opportunity to give oral evidence or cross-examine the other side’s witnesses. Parties may file reports from their own experts, but these are only considered on paper and carry little weight. In the Netherlands the most common ‘accelerated proceedings on the merits’ procedure does not allow for any expert evidence at all before judgment, and if it does subsequently decide to hear evidence, it is the judge who primarily asks the questions.

In contrast, the United Kingdom allows each party to choose an expert (whose duty remains to the court), and the exchange of reports and cross-examination that follows allow a thorough examination of the merits of the case, and provides an opportunity to test and challenge the other side’s evidence. Needless to say, an important part of the process in the United Kingdom is choosing an appropriate and credible expert who will communicate technical aspects to the court both clearly and convincingly.

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The rigorous approach to expert evidence in the United Kingdom is further reflected in the gathering of experimental evidence. Where experiment results are to be relied on at trial, representatives from the opposing party must be given the opportunity to witness repeats of the experiments. In Germany and the Netherlands, there is no such requirement and consequently experimental evidence is given less weight at trial.

## Cost

As a result of the more thorough approach to patent actions in the United Kingdom (disclosure, experts etc), UK actions tend to be more expensive, although because the winning party generally recovers its costs, this is only really apparent if a party loses. In the United Kingdom, the winning party can expect to recover the majority of its actual costs from the other side. In Germany also, the winning party recovers costs, but on a statutory scale, depending on the value of the case, which usually comes to quite a bit less than the actual costs involved. In the Netherlands, only some fixed costs are recoverable and these are generally a token amount. For example:

- United Kingdom: each side spends £500,000. The winner recovers, say £400,000. Cost to winner, £100,000; cost to loser, £900,000.
- Germany: each side spends £200,000. The winner recovers, say £100,000. Cost to winner, £100,000; cost to loser, £300,000.
- Netherlands: each side spends £200,000. The winner recovers virtually nothing<sup>1</sup>. Cost to winner, £200,000; cost to loser, £200,000.

## Duration

A further difference between these main patent jurisdictions is the duration of proceedings. This can be an important consideration for commercial reasons, especially if one of the parties is prevented from entering the market pending final judgment. A trial in the Netherlands will happen in a morning, with each side limited to 90-minute submissions. Germany is similarly quick, and a trial will usually be heard in a day. A trial in the United Kingdom will go into the issues in much more detail, and its length will depend on the case, but is likely to be several days. However, the whole proceedings are relatively quick and it is quite possible to obtain a judgment within 12 months of commencing an action. In Germany this period is typically 12–15 months and in the Netherlands two years, though using the accelerated procedure cuts this down to 12 months unless evidence needs to be heard.

The speed of interim injunction procedures also varies between jurisdictions. In the United Kingdom, judgment in an interim injunction application can be given in a matter of days as long as it can be proved that there is an arguable case (on validity and infringement), and the commercial evidence is that the so-called balance of convenience is in favour of an injunction. In the Netherlands, there is a full preliminary review on the merits based on expert affidavits and witness statements, which takes

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approximately six weeks up to a hearing and a further two for judgment. In stark contrast to the United Kingdom, a German interim injunction hearing is almost a mini-trial, which will consider the strength of the patent and the likelihood of infringement as well as the commercial arguments, and usually takes anything from two to four months.

## Legal aspects

Aside from the practical aspects of litigation, one of the key aspects to any patent action is the court's interpretation of the patent claims. The Protocol on the Interpretation of Article 69 of the European Patent Convention sought to harmonize the interpretation of claims across Europe, but inevitably quirks in national court systems have made this difficult.

Germany uses the doctrine of equivalents to construe claims, and operates a split system, which means that infringement and validity issues are heard in separate courts. This prevents the use of 'squeeze' arguments that are often run in other jurisdictions, where infringement and validity are heard together. A 'squeeze' is where one party argues that if the patent claim is construed widely then it is broad enough to capture the prior art so the patent must be invalid, and if the claim is construed narrowly there can be no infringement as the claim is too specific. Either way, the patent owner loses. The Netherlands uses the doctrine of equivalents to construe claims, but may hear issues of validity and infringement together.

It is also possible in the United Kingdom to start proceedings for a declaration of non-infringement at any time. The only requirements are that the claimant has provided written details to the patentee and the patentee has failed to provide the acknowledgement that it does not infringe. In contrast, it is not possible to start declaration proceedings in Germany or the Netherlands unless the patent has been asserted.

## EPO proceedings

The European Patent Office (EPO) in Munich grants a bundle of separate national patents arising from a single EPO application. This patent can be challenged centrally at any time during the first nine months from grant. These oppositions consist of written submissions and usually a fairly short (for instance, one-day) oral hearing which will maintain, amend or revoke the patent. The outcome will automatically apply to all national designations. This is in contrast to revocation of national patents, which has no legal effect on the operation of their foreign equivalents (but may encourage similar proceedings in these other jurisdictions).

Oppositions can last several years, and affect national proceedings in different ways. In Germany, it is not possible to challenge the validity of a European Patent until the end of the EPO proceedings. Meanwhile, infringement proceedings can still go ahead. This presents a considerable danger that a party can be enjoined from the market, notwithstanding that the patent is later revoked. For many businesses this can

be devastating, not just for short-term cash flow reasons but also from the view of longer-term customer loyalty. In the Netherlands, the position is similar when there is an opposition pending, although the court may hear validity issues if raised as a defence to an existing action. The United Kingdom on the other hand is unlikely to stay an action on the basis of ongoing opposition proceedings.

## Conclusion

If an organization has a patent in only one country, or there is an infringement in only one country, then there will be no need to consider in which forum to litigate. But this is rarely the case. The national systems for patent litigation across Europe all have their quirks, and depending on the precise facts and circumstances, litigating in one jurisdiction may be preferable to another. Decisions from Germany, the Netherlands and the United Kingdom may well be persuasive to less experienced jurisdictions, but until the efforts to harmonize European patent law succeed, tactical forum shopping is still an integral part of asserting and defending IP rights in Europe.

## Note

- 1 Note that the Dutch practice on this is changing in light of the Enforcement Directive 2004/48/EC.

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