

## Different Level of Inventive Step for German and European Patents? - The Present Practice of Nullity Proceedings in Germany –

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### 1. Introduction

The fate of patents granted by the European Patent Office and challenged before national courts is drawing increasing attention in the patent community: Patentees are starting to ask themselves whether it was a wise decision to entrust protection of their most important inventions to the EPO, which promised a streamlined granting procedure and benevolent treatment of inventions particularly with respect to patentability. Will patentees subsequently be punished in national nullity proceedings when the validity of their patents is tested, so that it would have been preferable to have continued to take the national routes? These questions arise at least in examining countries, where patents granted by national patent offices are tested parallel to their European counterparts.

In view of legislative harmonization, patentees had hoped that whatever the standards would be in the future, they could at least expect an identical standard when it came to validity. Yet it could also be feared, at least theoretically, that an overly generous granting procedure in the European Patent Office would be reflected in a higher mortality rate of the granted patents in the national instances. Is the granting procedure in the EPO too generous?

After more than a decade of European patent granting and litigation, the number of test cases in most of the member countries of the European Patent Organisation is much too low for any statistical evaluation. The focus is therefore better placed on individual cases from which one tries to derive a trend which could be generalized. Since non-obviousness and inventive step offer marvellous opportunities for discussion and analysis, on several occasions this author has analyzed the case law of the EPO concerning Art. 56 EPC. 1) In general, the examination method and its results can, in fact, be considered satisfactory. It seems to be in conformity with the legislative intent and the general expectations of practitioners and scholars in this field. 2) EPO officials had prudently grasped the opportunity of choosing the optimum solution among the variety of approaches open to them from the practice and legal theory of different member countries, for their multi-national staff and their international clientele alike. The EPO knew that it would be under closer observation than any other national authority, and it has passed this test successfully as the application numbers most convincingly show.

National offices followed suit, and applicants have certainly benefited from the ensuing competition. The German Patent Office expanded its services, speeded up the granting procedure with impressive results, and it also liberalized the examination with respect to patentable subject-matter and the determination of inventive step, the famous *Erfindungshöhe* of the past. Many new examiners seem to understand that the Patent Office is primarily a granting authority and not an institution to prevent patents. 3)

### 2. Examination of Inventive Step by German Courts

A positive trend, which is for many practitioners a surprise, can also be seen in the German Federal Patent Court, which in the past had often constituted an insurmountable barrier to patents in the granting and opposition procedure. The lengthy discussion on the alleged "subjective approach" in the examination of non-obviousness apparently found an open ear in

many technical chambers of the Federal Patent Court. Judges have become ready to discuss the actual technological contribution of the inventor not merely on the basis of piles of paper, but also by taking into account the reaction of industry to the improvement, thus opening the courtroom doors to the reality of technological development.

One must say that this new approach was not easy to achieve, which also explains why not all judges and chambers have followed it. The debate on whether and how the so-called "secondary considerations," or "indicia," should be considered in the determination of inventive step has certainly not yet ended. Those judges looking for support and guidance from the Federal Supreme Court were to some extent confused when the Court, after having used the German word *Beweisanzeichen* (indicia) for decades suddenly invented a new word *Hilfskriterien* (auxiliary criteria). 4) Like the US Supreme Court in the years after 1952, when "secondary considerations" were interpreted by some district courts as being of "secondary" importance, the Federal Supreme Court was certainly misunderstood here, since it undoubtedly only wanted to indicate that the existence of such criteria should not automatically lead to affirming inventive step.

The problem was compounded by the fact that decisions of the Federal Patent Court in grant and opposition procedures can only be appealed with leave of the Patent Court itself, 5) and that leave is generally denied as a matter of principle. The argument that an appeal should be taken for "lack of reasoning" under Sec. 100 of the Patent Act, on the grounds that disregarding indicia of nonobviousness is tantamount to insufficient reasoning, is frequently used by patentees, but is regularly and firmly refused by the Federal Supreme Court. The Court's decisions repeat over and over again that a judgment, even though wrongly decided, does not lack sufficient reasoning as a ground for the admissibility of an appeal on the law, if no leave was granted by the Patent Court. 6)

### 3. Practice of Nullity (Revocation) Proceedings in Germany

Therefore, the only chance to ascertain the approach to and level of inventiveness which the Federal Supreme Court wishes to apply to German and European patents is given in nullity proceedings, where the Supreme Court acts as a second fact-finding instance with a full new trial after the Federal Patent Court has decided a case. In addition, a nullity or revocation proceeding is the only procedure where German and European patents meet before the same judges.

How the Federal Patent Court and the Federal Supreme Court handle the test of inventive step or non-obviousness for German patents has become apparent through decisions also published in this journal. 7)

#### a) The competent court in the first instance

In order to understand this approach fully, it must be remembered that the chambers of the Federal Patent Court in nullity proceedings consist of a majority of technical judges, i.e. engineers with technical university degrees, rather than lawyers. 8) This certainly has the advantage that for many technical questions they might have easier access to the underlying problem and are more familiar with the technical vocabulary. However, in view of the variety of technologies and the speed of technical development, it would be a mere coincidence if even one of the judges were a specialist in the relevant art, and if so, if he had ever dealt with the specific problem during his university studies, which necessarily lie 20-30 years back. Nevertheless, it is in practice extremely unusual for the Patent Court to appoint a neutral court expert who could explain the relevance of the technical improvement of the invention and its impact on industry.

#### b) The competent court in the second instance

In contrast thereto, the five judges of the patent chamber of the Federal Supreme Court are exclusively lawyers and generally without technical university degrees. However, they have specialized over many years or even decades in the field of patent law, having been mostly recruited either from the chambers of the Federal Patent Court or from the specialized infringement chambers of the district courts and courts of appeals. As already mentioned, in the nullity proceeding the Supreme Court acts as an appellate court in the sense of the German Code of Civil Procedure, which means that it reviews the case *de novo* as a second fact-finding court. And here, nearly without exception, the Court asks for the support of an expert, whom it appoints and selects autonomously, after having heard the parties as to the field of technology at issue. On the basis of the written pleadings of the parties, the Court draws up a multi-page questionnaire for the expert, who is then charged with preparing a detailed written opinion as a preliminary to the (mostly) one-day hearing where the expert normally has to appear in person.

#### c) The role of attorneys and experts in nullity proceedings

At the first instance, the parties are traditionally represented by patent attorneys rather than by lawyers, although it has become more and more common, in particular where an infringement suit is pending, that the attorney, or barrister in the English sense, in charge of the infringement suit actively takes part in the nullity proceeding. This is advantageous, not only to further his technical insight in the case, but also because the result of the nullity suit by which the validity of the patent is confirmed, perhaps with a modified claim which no longer covers the infringing subject matter, directly influences the outcome of the infringement suit. Often such a result is obtained by way of a settlement during the hearing, so that indeed the first instance itself can be decisive.

In the second instance before the Federal Supreme Court, the parties are generally represented by both attorneys and patent attorneys. The technical support given by a patent attorney is necessary in order to state the technical facts properly for the court expert and for the discussion with him in the hearing. The attorney's role as a lawyer goes beyond his tasks in the first instance, firstly because procedural questions may arise which a patent attorney may not be familiar with, but secondly, and this is more important, because he can act as the "legal translator" of the technical facts to the five Supreme Court judges, since he speaks their language and has their legal background. The "screening" of the technical issues and the necessity of a

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concise, but at the same time sufficiently comprehensive, presentation of the significance of the invention may not only determine how the Supreme Court judges construe the patent, but also which questions they ask of the expert to be appointed.

#### d) The choice of the expert

Two further remarks with respect to the expert opinion are important in this context. In view of the significance of the expert opinion in this second, and last, instance of the nullity proceeding, the party which has lost at first instance may be especially well advised to engage a party expert for its own support and as a counterweight in the expected discussion with the court expert in the hearing. The choice of this expert is obviously of the same importance as the choice of the court-appointed expert, which means that only top university professors with undisputed qualifications in the relevant art should be chosen. Since the parties can make their

decision as to their expert earlier than the Supreme Court itself, the search for such an expert is normally not too difficult.

The party is, however, well advised to avoid choosing an expert who has already unsuccessfully appeared before the Supreme Court in a former case. How such details can be verified is obviously an important part of the practical know-how of specialist counsel in this field. This leads to the second remark which may not appear to be self-evident, namely how the Supreme Court treats the expert opinion and the expert himself in a given case. The Court appoints the expert partly from internal lists and partly upon proposals by the parties. Although it tries to find the most knowledgeable and most reputed professor in the pertinent field, this person may not always be available, either because one of the parties has already appointed him as a party expert or because he has worked for one of the parties in the past. In particular, if very new technologies are at stake and large companies are parties in the suit, it may very well be that the individual professor or his university institute has a research contract with one of the parties and is therefore excluded from testifying as a neutral person. The Court then has to rely on somebody else who may be appointed for the first time, and who often may misunderstand his role and try to act as a judge to determine novelty and inventive step from his own perspective. Here the task of the party expert may be decisive, in examining and questioning the technical facts presented by the court expert to counter the legal evaluation of his opinion. It must be mentioned, however, that the judges of the Federal Supreme Court are already very vigilant in this respect and know from experience that many scientists with little patent experience are often unable to appreciate the inventive achievement in a given case, because they frequently overestimate the level of average skill in the art which is the basis of the legal interpretation of nonobviousness. The Supreme Court will on average of approximately 30 % reverse a negative decision of the court expert, and here the indicia or secondary considerations, as mentioned before, often play the decisive role. Examples of such decisions applying an objective approach to examination based on secondary considerations have been published in this journal. 9) In these decisions the Supreme Court also reaffirmed its view that in nullity proceedings it is the plaintiff who bears the burden of proof as to the alleged invalidity of the patent. According to the Court, a patent issued by the German Patent Office enjoys a high presumption of validity, so that a challenger must prove "beyond doubt" that it was wrongfully issued. 10)

#### 4. Presumption of Invalidity for European Patents?

This presumption of validity was recently put into question by a decision of the Federal Patent Court with respect to a patent granted by the European Patent Office. Starting from the assumption that the standard of patentability applied by the EPO "differs markedly from the German standard," the Federal Patent Court invalidated the German part of a European patent which only a short time before had been upheld as valid by the Board of Appeal of the EPO in an opposition proceeding. 11)

This author has already criticized the view that an objective evaluation of nonobviousness by use of secondary considerations, as practiced by the EPO, necessarily leads to a "low" standard of patentability. What is achieved by such a method of examination is a fair appreciation of surrounding facts rather than a subjective ex post determination. 12) The result may often be favourable, but sometimes also unfavourable, to the patentee.

It is therefore with great interest that practitioners will watch the outcome of the appeal in the *Du Pont* case, and the approach the German Supreme Court will take in general when it comes to the level of patentability of European patents.

At first sight the case reprinted here 13) (Elastic Support) could be taken as an unfavourable follow-up and thus a confirmation of the Patent Court's negative attitude towards European

patents, since the factual starting point is rather similar. The patent was challenged in an opposition before the Board of Appeal of the EPO and was upheld as valid. Secondary considerations were asserted by the patentee as evidence for nonobviousness, among them considerable commercial success and widespread imitation by competitors. Nevertheless, the Supreme Court held the patent to be invalid.

However, after careful review of the underlying facts, a fear that European patents will become the target for invalidation by the German courts is not warranted

a) The basic difference between the *Elastic Support* and the *Du Pont* cases lies in the fact that in the *Elastic Support* case two additional references, namely a German published patent application (DOS) and a German utility model, which had not been considered by the Board of Appeal of the EPO, were cited by the plaintiff. The Supreme Court expressly mentioned this fact at the beginning of its opinion, pointing out that this fact already precludes any contradiction between its and the EPO's decision. This express remark may also be interpreted as an indication that the Supreme Court wants to avoid a confrontation with the instances of the EPO, a confrontation which the Federal Patent Court was obviously seeking in the *Du Pont* decision. b) The Supreme Court then continues with a basic definition of the significance of secondary considerations, which is worth examining in more detail because it once more re-confirms the method which the German Federal Supreme Court wishes to be applied where secondary considerations are presented. The Court criticized the doubts of the Federal Patent Court about whether the imitation by competitors and the success on the market of the product in question "can be the basis for affirming inventive step". Certainly, if the statement is understood to mean that secondary considerations are a substitute for inventive step or nonobviousness, such a view would clearly be erroneous.

However, the contrary view is also called clearly erroneous by the Court. The Court refers to the long-standing practice of a number of chambers of the Federal Patent Court to refuse the examination of so-called auxiliary considerations - the Supreme Court uses the terms "indicia" - arguing that they have no relevance in the determination process as to whether the teaching of the invention can be derived from the prior art by a skilled person in an obvious way, after the technical references from the prior art have been discussed 14)

The Supreme Court emphasizes that whether an invention is the result of an inventive step can only be determined after the examination of all facts of the case. The final decision requires the weighing of all elements within the complex factual context, among them auxiliary considerations. Substantial commercial success can be counted among such auxiliary considerations if it is the result of a surprising enrichment of the art, but not if it is the result of successful marketing or a price-cut in comparison to competitive products, or because the product was the first on the market or used cheaper ingredients. By the same token, extensive imitation of the patented product by competitors should be taken into consideration when determining inventive step, if it is apparent that the new product is technically superior to similar products on the market and that other pertinent manufacturers have kept the traditional and outdated technical solutions by disregarding hints from the prior art which had already been available many years before. Such a criterion might however be irrelevant if the closest reference was relatively new or was not considered desirable enough because it would have led to price increases. The fact that someone was the first to use a piece of prior art which was generally available, and thereby scored a commercial success which was then imitated by competitors, is not a technical but a commercial achievement. These explanations of the Supreme Court are fully in concordance with the definition of secondary considerations as they have been applied, for example, in the US by the former Court of Customs and Patent Appeals (CCPA) and, since its foundation, by the Court of Appeals for the Federal Circuit (CAFC). They are intended to give a judge factual guidance in order to avoid a wrong techni-

cal evaluation and the use of hindsight. Once a judge is willing to take non-technical facts into consideration the patentee and his attorneys are in a position to bring these arguments forward in order to escape the trap of subjective judgment. These clarifications can therefore only be welcomed and fully supported.

The Supreme Court continues its discussion by referring to the expert opinion in the present case, which as stated was primarily based on two newly cited references that had not been available during the opposition proceeding before the EPO. According to the Supreme Court, the expert had convincingly shown that the two references, a published German patent application and a utility model, contained sufficient indications for the person skilled in the art. Furthermore, the two publications had appeared only two years before the filing date of the patent, so that the "lapse of time" argument, namely that all persons skilled in the art had overlooked these references for many years, which would speak in favour of an inventive step, could not be applied. Although the discussion of the two secondary considerations asserted, as well as of the arguments of the expert against the validity of the patent, is rather short, this can only disappoint those who are not familiar with the practice of the court. As explained before (3.d) the Supreme Court judges are not at all easily convinced that the result reached by the court expert is always correct. They have a generally favourable attitude towards patents and always keep a critical distance to any expert opinion, and would not allow an expert to reach the result "invalid" on the Court's behalf. Therefore it must also be assumed here that the expert opinion was thoroughly scrutinized by the Court and found convincing.

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- 1) Cf., among others. 17 IIC 409 (1986). 17 IIC 546 (1986).
- 2) See Report 9 IIC 351 (1978).
- 3) Cf. on this topic under comparative law aspects. BEIER, "The Remedies of the Patent Applicant and His Competitors in Comparison - Balance or Imbalance? A Comparative Law Study." 20 IIC 407 (1989) at 438.
- 4) See OCHMANN, "Die erfinderische Tätigkeit und ihre Feststellung," GRUR 1985 941, 945 with further references.
- 5) Section 100 (1) German Patent Act which reads: "An appeal on a point of law from decisions of the Chambers of Appeal of the Patent Court in respect of an appeal under Section 73 shall lie to the Federal Court of Justice [Supreme Court] if the Chamber of Appeal in its decision has given leave to appeal on the said point of law."
- 6) Cf. SCHULTE, "Patentgesetz," Sec. 100, note 19, with further references.
- 7) 14 IIC 419 (1983) - Jacquard; 14 IIC 421 (1983) - Mass-Balancing System, with comment by PAGENBERG, at 422); see also a comprehensive analysis by this author. 12 IIC 824 (1981).
- 8) Section 67 (2) Patent Act,
- 9) 14 IIC 419 (1983) - Jacquard; 14 IIC 421 (1983) - Mass-Balancing System; 17 IIC 267 (1986) Chlorotoluron.
- 10) 14 IIC 419 (1983) - Jacquard.
- 11) 21 IIC 372 (1990) - Du Pont, with comment by PAGENBERG.
- 12) Comment, 21 IIC 376 (1990).
- 13) See Elastic Support - this issue at 810.
- 14) PAGENBERG, "Examination of Nonobviousness - A Critical Comment on German Patent Practice," 12 IIC 1 (1981) and the cited phraseology on page 3. footnotes 10 and 11 and the beginning of page 4.

# Decision of the Federal Supreme Court to take evidence of September 14, 1999

In the nullity complaint

A Corrp.

versus

Z Corp

The X. Civil Senate of the Federal Supreme Court decided on September 14, 19xx with the presiding judge Rogge and the judges Dr. Jestaedt, Dr. Melullis, Scharen and Keukenschrijver:

- I. Prof. xxx Fraunhofer Institut is appointed as court expert.
- II. A written expert opinion by the court expert is to be prepared with respect to the following questions:

1. Concerning the teaching protected by the patent in suit DE 27 30 xxx (priority date: August 16, 19xx – day of the first filing in Canada):

- a) What is the normal education and the professional experience of persons who are (in practice) concerned with the development of innovations in the field to which the teaching according to the patent in suit belongs?

For answering all following questions the average knowledge and experience of these persons skilled in the art is to be taken into account.

- b) Which technical problem is solved by the teaching protected by claim 1 of the patent in suit (main claim)?

The technical and economical significance of this problem and the technical terms and processes mentioned in the patent are to be explained in a comprehensive and concise manner for judges who in general do not have any education in sciences.

- c) What is the teaching with respect to the solution of the problem mentioned in b) contained in claim 1 and illustrated by the specification and the drawings?

2. Non-enabling disclosure

Is the technical teaching according to the main claim of the patent in suit clearly and completely disclosed for a person skilled in the art if the complete content of the patent document is taken into account (see 1a) that such person can perform the teaching, i.e. achieve the intended success?

3. Novelty

Was the technical teaching according to the main claim prior to the priority date (see No. 1) novel in the meaning of § 3 (1) Patent Act<sup>1</sup>

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<sup>1</sup> § 3 (1) Patent Act reads as follows:

a) Was the teaching of the patent in suit in one of the following prior publications completely described?<sup>2</sup>

b) If not: How does the teaching differ from the content of the individual publications?

(1) - (6) (Exhibits)

4. Inventive step

Was the teaching according to claim 1 of the patent in suit for a person skilled in the art (see 1a) obvious from the entire knowledge which was prior to the priority date (see above 1) by description (see above 3a/b) or in any other way made public?

For answering this question the following questions may, among others, have to addressed, depending on the case:

a) Did the teaching according to the patent in suit at the priority date provide a non-expected progress, if so, which?

b) Were there any particular difficulties which had to be surmounted for obtaining the teaching of the main claim of the patent in suit starting from the prior art? (What were these difficulties?)

c) Did any deep rooted misconceptions exist which diverted the experts prior to the priority date of the patent in suit from the teaching of claim 1?

d) Did any unresolved need exist among the experts for a long time which the teaching according to the main claim of the patent in suit solved? Or did the teaching according to the main claim of the patent in suit provide a solution for a new need?

e) How is the significance of the teaching of claim 1 to be assessed in view of the general development in the respective field?

In this discussion, possibly, also facts which are additionally presented by the parties with respect to the inventive step (for example later publications illustrating the state of the art prior and at the priority date) may have to be taken into account.

5. Dependent claims

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An invention shall be considered to be new if it does not form part of the state of the art. The state of the art comprises all knowledge made available to the public by means of a written or oral description, by use or in any other way, before the date relevant for the priority of the application.

<sup>2</sup>Each publication has to be separately compared with the patent in suit. The examination for novelty has to be carried out in this way, even if it is uncontested that some or even all publications do not question the novelty of the teaching in the patent, since the result of the novelty examination also serve as a basis for the answer of the questions concerning an inventive step.

The extent of the examination of the dependent claims 2 to 9 depends on the decision concerning claim 1. Since this decision can only be made in the oral proceedings, it is requested – in case the senate will deny the patentability of the teaching of the main claim – to eventually answer also the following question:

Is the teaching of the dependent claims 2 to 9 together with the teaching of the claims to which they refer,

1. novel (see question 3)
2. obvious for a person skilled in the art by the prior art (see question 4)?