

Reinhardt Schuster, of Bardehle Pagenberg Dost Altenburg Geissler in Munich and Düsseldorf, looks at the advantages of patent infringement litigation in Germany

Enforcing patents in Germany

Industry representatives around the world often stress the importance that predictability and security of the law have for the conduct of their businesses. For the risks of today's enormous R&D investments to remain calculable, reliable standards in intellectual property legislation and court practice are needed to navigate the road from invention to patent to marketable product successfully. But once it is granted, a patent should ideally be strong enough to be successfully enforceable against imitators and infringers in the competition. The legal risks inherent in patent infringement litigation are real and they have to be calculable, too, as international industry increasingly strives to establish parameters that enable it to assess the threat of potential patent litigation like any other business risks. In Germany, a number of recent legal developments have added further focus and clarity to a patent litigation system that has traditionally had a prominent place on the forum shopping list of many internationally active companies.

Professionalism and specialization

A high level of professionalism of specialist IP judges and IP lawyers generally guarantees reliable standards in patent infringement proceedings. It is in the most central and complex areas of patent law where industry seeks clarity and predictability: on the determination of the scope of protection as well as on the evaluation of infringement by equivalents, there is a long chain of relevant well-established German case law for these most sensitive criteria to be assessed within reliable limits.

Speedy procedures

The speed of procedures in patent matters certainly constitutes a big attraction of the German jurisdiction, in particular to foreign plaintiffs. In first instance proceedings, most decisions are rendered within one year from the filing date of the infringement suit. This time factor relates well to the ever faster revolving product cycles that industrial, seasonal

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or consumer articles are subjected to these days, as well as to the breathless innovation cycles of the telecommunication, semiconductor, biotechnology or drug-related industries, as the biggest examples. On the whole, the time period in which difficult decisions must be made today grows ever shorter, and this has an impact on the choice of where to litigate.

Internal forum shopping

However, there is also what might be called internal forum shopping, that is a choice to be made between the various national district courts in federally structured Germany. In most cases with Germany-wide marketing or advertising (including the internet), one is free to choose between litigation venues and with that individually between judges in Germany. Thus, a plaintiff in an urgent case concerning, for instance, an article with a seasonal life cycle might be well advised to file suit before the District Court of Mannheim, which is known for its particularly quick procedure, or the Frankfurt District Court which has become known for its liberal approach to issuing preliminary

injunctions. But Düsseldorf holds centre stage in classical patent infringement matters, with its District Court trying some 500 to 600 cases every year, which amounts to more than 50% of all German patent cases which again corresponds to more than 50% of all patent infringement cases tried in Europe. Two patent chambers in Düsseldorf with specialized judges cope with this steady stream of patent lawsuits.

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Strategic choice

When a multinational patent litigation campaign is planned, according to my experience, discussions focus not so much on the procedurally complex cross-border effect which, for example, a Dutch court ruling may have, but rather on the strategic choice of classic national jurisdictions and on the time schedule with which lawsuits are to be conducted in various European countries. Plaintiffs chose to litigate in Germany - with its separate proceedings concerning validity (before the Federal Patent Court or in opposition proceedings), on the one hand, and infringement proceedings before the district courts on the other hand – using the comparatively fast and controllable German procedure in order often to run a test in this important European jurisdiction for potential litigation in other countries, as well as for the signal effect which a positive ruling by a German court may have on courts in other EU countries.

The market aspect

Another key factor is of course the potential of the German consumer market of 80 million people. If a company has a working distribution system in Germany, the choice to litigate in the biggest European market may come naturally. Conversely, if a preliminary injunction, which in demonstrably clear cases can be rendered within a few days, or an early first instance ruling against an infringer can be obtained, the opponent's sales activity will be blocked in Europe's largest and most central marketplace which again might have devastating repercussions on the infringer's whole European operations.

Compensation for damages

Following a decision of the German Federal Supreme Court in 2001, enforcing a claim for damages has become more practicable and more attractive: now it is clarified that general overhead costs cannot be deducted by the

patent infringing company from the damages it has to pay to the winning party. The new case law is expected to increase damage awards, in particular if the profit the losing party has actually made from the sales of the infringing product is claimed. However, German patent law does not provide for punitive damages, nor are there treble damages to be paid in cases of wilful infringement as in the US.

Streamlined court proceedings

Cases are mostly decided on the basis of undisputed facts or mutual presentations without taking time-consuming formal evidence and without cross examination of witnesses. Technical experts are appointed at the discretion of the court and usually only in highly complex cases, while expert opinions prepared by the parties are not accepted as formal evidence, but occasionally used as persuasive party argument. Consequently, prolonged and expensive expert battles are rare. As there are no jury trials in patent cases in Germany, IP lawyers do not have to explain complex technical or legal details to members of a lay jury. Most patent judges have a technical background or, by experience, a fair understanding of technical circumstance.

Limited discovery

There is no general discovery in German patent infringement suits, unlike in the US, where discovery proceedings may bind considerable parts of the workforce and resources of a company over an extended period of time. However, a 2002 reform of the German Civil Procedural Code has opened a certain possibility for limited discovery proceedings in patent infringement cases. Before the reform, the burden of proof rested exclusively with the plaintiff, who often was in the difficult position of having to procure evidence of patent infringement from the defendant's camp. In 2002, the leading Supreme Court case *Faxkarte* set a precedent, giving the plaintiff the opportunity to lodge a claim for discovery proceedings that are limited to documents and

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objects relating to the infringing act or product (see 'New perspectives on evidence' in *MIP Patent Yearbook 2003*). Discovery is still not available concerning issues of validity, certainly an important aspect for patentees.

Is the cross-border torpedo really dead?

The term torpedo designates a negative declaratory action to establish non-infringement which is filed in a

country where the judicial system takes a particularly long time to reach a decision. This tactic has been used in the past by alleged infringers who wanted to avoid a patent lawsuit in for example Germany and buy time. A recent decision by the Italian Supreme Court has ruled out such torpedo suits in principle in Italy, but it remains unclear in which time frame this decision will be applied effectively, that is how long the Italian lower instance courts will actually take to dismiss such declaratory actions in the future on this new basis. However, there is sufficient relevant case law in Germany and in other European countries as well as emerging EU legislation that one can now say: the threat a possible torpedo once held for patent owners has lost much of its sharpness, but is not yet confirmed to be finally sent to the ground (see also 'Why torpedoes have backfired' in *MIP* July/August 2003).

Money counts

Apart from the above-mentioned strategic advantages of choosing a patent litigation venue in Germany, it is, as in most situations, the financial aspects that often make the difference.

A comparison between the cost of patent litigation in the US and Germany illustrates the discrepancy: according to personal experience with US patent clients involved in parallel patent litigation in the US and Germany, a full patent trial in Germany in the first instance amounts to not more

than roughly one tenth of the expense of a first instance proceeding in the US, counting lawyers' fees as well as court fees in Germany.

Most recently, a law that is in force only since July 2004 limits the statutory reimbursement costs which the losing party has to pay to the winner – a new factor which makes trial costs more calculable. The value in litigation to be determined by the court has a new statutory upper limit of €30million for each individual matter, leading, for example, to a maximum cost reimbursement exposure of roughly €450,000 for an unsuccessful patentee to a winning defendant for the entire first instance infringement suit even in the largest cases.

In summary, German patent infringement litigation holds a calculable cost risk for both the plaintiff and defendant, and the sums that must be paid for damages to the successful party never reach the astronomical figures known from US patent cases. In this sense, in German patent matters, one can perhaps not speak of what the Americans call bet-the-company litigation. But potentially blocked access to the German market for a product line, combined with the bad PR effect a lost patent infringement suit may have on customers and investors, are certainly also very painful consequences for the company concerned – not to mention the signal effect a German decision may have on other European jurisdictions or the decision of the patentee to extend litigation to other countries in a multinational patent litigation scenario.

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