

Transnational effects of patents

Legal protection in Germany against acts of infringement from outside countries

Reinhardt Schuster, partner with Bardehle Pagenberg Dost Altenburg Geissler, explains how, in Germany, it is possible to get patent protection against infringers operating from other countries

Summary

- Several ground breaking decisions by German courts have made it possible for patent owners to effectively pursue an infringer of a German patent who offers the infringing product from outside Germany, and to try the infringer before a German court
- For the suppliers of patent infringing goods which are, directly or via third parties, or even as part of a further product, shipped or offered in Germany, it constitutes a patent infringement in Germany as long as the originator or contributor to the shipment positively knew or had reason to know the goods were destined for Germany
- The extraterritorial reach is not just a German phenomenon. The High Court of England recently dealt with a patent infringement via the internet and ruled that infringement does not depend on the server's location

The growing number of infringements of German intellectual property rights by infringers operating from outside the country is posing a special challenge to IP owners and their legal advisors to enforce these rights "outside Germany". In particular, modern communication systems are making it possible to conduct international business from almost any point on the earth. Because of its anonymity and internationality, the virtual world is becoming a popular playground for those that do not take the rights of others seriously, thinking perhaps that the internationality of the internet supersedes the applicability of national law.

Recent jurisdiction has confirmed it is possible to get legal protection against producers or suppliers of patent-infringing products, even if the infringer's administrative or operative centre is outside Germany or even beyond the borders of the EU – even virtually on the Internet. Several ground breaking decisions by German courts have made it possible for patent owners to effectively pursue an infringer (the producer or the supplier) of a German patent who offers the infringing product from outside Germany, and to try the infringer before a German court. The legal situation concerning "extraterritorial scope" as reported in this article, can be characterised as settled and undisputed in German case law and jurisprudence.

International jurisdiction

The principal question in this context concerns the territorial jurisdiction of the German courts and judicial system. This means that the territorially limited boundary of the national law had to be overcome.

As a principle, due to the territorial limitation of the German law and German patents, only a person committing infringing acts in Germany can be liable for infringement of a German patent. However, an infringer cannot exculpate himself by

using an intermediary trader for putting patent infringing goods on the protected market. The decisive point is to prove that the infringer intends to ship his patent infringing goods in a targeted and intentional manner into the protected territory, ie, Germany.

In a 1997 decision of the Düsseldorf District Court, involving infringing semiconductor chips from an Asian manufacturer which were installed in television sets during their manufacture in Germany and destined for distribution on the European market, it was ruled that the offering and sale in Germany of (both single and later embedded) elements of semiconductors constituted a patent infringement in Germany, even if the semiconductor elements had been manufactured in a foreign country.¹ A further particularity of this case lay in the fact that the court confirmed that, although the chip had been installed in the TVs – thus becoming a part of a "new" product, but not losing their infringing qualities – they did still constitute direct products of the patented process for making semiconductor elements. These semiconductors were shipped to Europe and sold to Germany via a chain of subsidiaries of the defendant corporation.

The court explained that the disputed question, whether the defendant had directly sold the semiconductor elements to the German-based subsidiary or whether it had sold them to a trade company in the Far East, who then sold them to the German distributor, was irrelevant. What is decisive is only that the semiconductor elements were knowingly, and *a priori*, intended for the German subdivision of the parent company.

The manufacturing and the offering company are obliged to keep themselves fully informed on the existing protection rights in those countries where they intend to offer the product. Any foreseeable potential patent infringements should be excluded *a priori*,

including those by their subsidiaries or their commercial customers.

One leading case was the so-called "Radio Clock" decision, concerning the unauthorised offer and import from Hong Kong of a patent infringing alarm clock triggered by radio wave impulse.² The defendants, a Hong Kong registered company, its managers and sales representatives in Germany, had offered and sold the accused clocks via a third Hong Kong registered trading company. The Munich Appeal Court's decision, confirmed by the German Federal Supreme Court, ruled that all defendants were obliged to compensate the plaintiff for damages on the grounds of participation in an infringement of the German patent-in-suit. The Courts held that despite the importation to Germany by a third (not sued) export company in Hong Kong, the defendants knew both the fact that the clocks would be imported to Germany and that there was a German patent which may affect the clocks.

Extraterritorial effects

The international jurisdiction of German courts can result from the advertisement and offer of goods and services on the internet. Anything on the web can be easily retrieved. Can this expose patent problems in Germany?

In its very instructive *Epson* decision, the Düsseldorf District Court had to deal with a case concerning an infringement committed via the internet.³ With this decision the German jurisdiction broke through the fundamental territorial barrier. The Court confirmed that offer and sale on the internet makes the advertiser or vendor responsible to respect IP rights valid in Germany. The supplier of infringing goods could no longer withdraw to any place in the world just by placing the server in some distant country where there is no effective legal protection.

However, the simple availability of an offer in Germany does not automatically result in an infringing act. It has to be narrowed down to the areas where the infringing act is intended to take effect. The make-up and content of the web site has to point very clearly to the particular circles of users the offer refers to. The possibility to order must be demonstrably excluded for those countries where the offer should not be available.

In another decision, the Frankfurt Appeal Court further pointed out that if an offer is in a different language than the language of the country where the offer is available, this is insufficient reason to eliminate certain groups of users from ordering. It is not necessary that the offer be written in German, for example, since English is the common language of the world wide web.⁴ In other words, as soon

as a customer/user/consumer residing in Germany has the possibility to purchase the goods in question from the homepage of the supplier (or following link chains originating therein), the jurisdiction of German courts and the territorial scope of protection of the German law applies according to the Civil Procedural Code in combination with German Patent Law.⁵

That this extraterritorial reach of patent enforcement is not some extravagant German phenomenon can be seen, for

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example, in a recent decision of the High Court of England. This also dealt with a patent infringement via the internet and equally resulted in a ruling that the patent infringement does not depend on the server's location.⁶ In this case, it was ruled that a betting game played on the internet between a foreign server and UK clients would still infringe on the respective valid UK (EP) patent for a computer implemented system. The fact that the server was placed outside the UK, and that consequently it is questionable whether the use of the system as claimed did physically occur within the UK jurisdiction, did not protect the defendant from liability.

In this context, it does not matter whether the infringement has already occurred, or whether there is merely a specific possibility of an imminent patent infringing act (*quia timet* principle): a claim for injunctive relief can be made in both cases. As a rule, a danger of infringement is presumed on the internet as soon it is possible to purchase the infringing product in Germany. Since by placing his offer on the internet, the infringer has already done everything to allow and provoke a business transaction

with the interested client, and at the same time, to commit a patent infringing act. An actual "hit" (response) or purchase is not necessary for the described legal exposure.

For Germany, the idea has been eliminated that there may be multiple varieties of goods offered via modern communication systems, and that this could be perceived as a quasi law-free area with endless possibilities to circumvent the existing legal framework. Today, owners of German patents have a number of attractive and practical possibilities to pursue committed infringements, as well as to pre-empt imminent infringements, no matter where the infringer conducts his illegal business. This does not require that Germany is the sole or main focus of the advertisement or offer affecting German IP rights. This case law also has the potential to boost the value of patents filed in, or for, Germany.

Conversely, this means for the suppliers of patent infringing goods which are, directly or via third countries, or even as a part of a further product, shipped or offered in Germany, that it constitutes a patent infringement in Germany as long as the originator or the contributor to this shipment (or shipment chain) positively knew or had reason to know that Germany will be the final, or one of the destinations.

For the suppliers of internationally marketed products and services, in particular if advertised on the internet, this situation creates important legal obligations to take IP rights valid in Germany into due account. ■

Notes

- 1 District court Dusseldorf, 6 May, 1997
- 2 Munich Appeal Court, 21 December 2000, "Funkuhr" ("Radio Clock"); Federal Supreme Court, 26 February, 2002 "Funkuhr" ("Radio Clock").
- 3 Decision of the Düsseldorf District Court, 4 April, 1997.
- 4 Decicion of the Frankfurt Appeal Court of 31 December 1998 "Weltweites Internetangebot" ("World Wide Internet Offer").
- 5 Decision of the Düsseldorf District Court of 5 February 2002.
- 6 Decision of the High Court of England & Wales of 15 March 2002, in the litigation "Menashe vs Hill", confirmed by the Appeal Court on 28 November, 2002.

About the author

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