

Where to fight the infringers

Globalization has increased the threat of international patent infringement. But, say **Reinhardt Schuster** and **Moritz F Scharpenseel** of Bardehle Pagenberg Dost Altenburg Geissler, for owners of German patents, the country's courts may serve as an effective enforcement mechanism

Modern communication systems and new forms of commerce started a new stage of trade internationalization. With a minimum of financial and logistical expenditure, every company is able to produce or have produced, advertise and sell its goods and services worldwide and to communicate directly with consumers. Such advertising and sales activities represent a huge potential for the expansion of a company's business, but at the same time they become a danger to IP rights.

These global marketing strategies are posing considerable legal and economic risks to holders of German patents. Nowadays, German courts decide on an increasing number of patent infringement cases against infringers operating from outside the country or on business activities taking place outside Germany, in the global economy.

Recent jurisdiction on the territorial scope of German patent law has strengthened the legal protection for patent holders in Germany by enabling them to effectively pursue internationally acting infringers in German courts. This article gives an overview on recent court rulings upholding the legal protection of owners of German patents against producers or suppliers of patent infringing goods operating from outside Germany, and on the legal protection available in Germany against patent infringement committed on the internet.

Territorial jurisdiction on patent disputes

Given the territorial principle acknowledged in all legal systems, the exclusive rights of a German patent as a national IP right end at Germany's borders. Consequently, international personal jurisdiction for patent infringement claims presupposes a place of infringement in German territory.

The place of infringement can be understood both as

the place where the act causing the harm was committed and as the place where the harmful result occurred. If these places are located in different countries, the injured party is given a choice of forum for defence and recovery of damages from the multinational act of infringement. In recent years, German courts have expanded territorial jurisdiction over patent infringers acting outside Germany, thereby giving German patents holders an auspicious and highly specialized forum for defending against such infringers.

In the *Radio Clock* case of the Munich Appeal Court, decided on December 21 2000 and affirmed by the Federal Supreme Court on February 26 2002, territorial jurisdiction was extended over a Hong Kong-based defendant who had produced in Hong Kong patent infringing alarm clocks triggered by radio wave impulses. The infringing alarm clocks had subsequently been imported into Germany and offered for sale on the German market without the authorization by a third, independent trading company. Although this trading company was not party in the proceedings in Germany, the court held that the defendant's knowledge of the German patent and of the importation of its patent infringing products into Germany constituted a participation in an infringing act, thereby making it subject to the court's jurisdiction and liable for patent infringement.

It should be noted that it is well established case law that the infringer is obliged to keep himself informed of any existing patent rights in Germany if an offering of a potentially patent infringing product is intended on the German market. Foreseeable, potential patent infringements must therefore be excluded *a priori*, including those by subsidiaries and commercial customers.

For a finding of infringement, an intention to sell the infringing product on the German market is not needed to constitute an offer. In its decision of January 15

2004, the District Court of Düsseldorf ruled in favour of a German patentee claiming damages from a foreign defendant who had simply presented a patent infringing cell phone at the World Trade Fair for Information and Communications Technology (CeBIT) in Hanover without ever selling or otherwise promoting it in Germany. The court held that presenting patent infringing products at a fair in Germany constitutes an offering on the German market.

According to the court's reasoning, it would not even make a difference had the defendant labelled the presented patent infringing cell phones with a tag mentioning that they were not put up for sale in Germany. It could not be assumed that these cell phones may technically only be operated outside Germany. Consumers would be free to buy the presented patent infringing products in a foreign country and take them back into Germany.

To avoid German jurisdiction over foreign producers of patent infringing products without boundaries, the District Court of Mannheim limited its territorial jurisdiction over foreign contributory patent infringers in a decision of June 25 2004, an action that was confirmed by another – currently appealed – decision of same court on May 13 2005.

In the 2004 case, a foreign defendant had produced and delivered an automotive supply part to a third car manufacturer in France for assembly into a measurement and monitoring system for tire pressure. Such a system was protected by the plaintiff's German patent. After the patented system was built into the cars and the cars subsequently were imported into Germany, the German patentee sued the defendant for damages based on contributory patent infringement. The District Court of Mannheim held that the *Funkuhr v Radio Clock* ruling of the Federal Supreme Court was not applicable. Contributory infringement according to Section 10 of the German Patent Act requires not only "offering for use of the invention in Germany" but also "offering in Germany of means related to an essential element of the invention". The court ruled that later shipping the assembled cars into Germany by the third car manufacturer was not sufficient to establish an actual offering of the automotive supply part in Germany by the defendant. According to the court's reasoning, every foreign manufacturer of inter-stage products would otherwise be impeded from having its manufactured objects assembled into a new device outside of Germany if he is aware that such device might infringe a German patent and that it might subsequently be offered by third parties on the German market.

It should be noted that such limitation of territorial jurisdiction does not refer to a foreign contributory

patent infringer who delivers the patent infringing inter-stage product directly into Germany for further assembly.

Protection against internet infringement

International jurisdiction over patent infringers in Germany may also result from advertising and offering goods and services on the internet. In the leading *Epson* case of April 4 1997, the District Court of Düsseldorf held that offer and sale on the internet makes the advertiser or vendor liable with respect to infringement of German IP rights. The supplier of infringing goods can therefore no longer question his jurisdiction in German courts just by placing the server in a foreign country – a fact that was decided similarly in other European countries.

This raises the question of to what extent the worldwide accessibility of an offer on the internet leads to a universal jurisdiction over potential patent infringers in Germany. In contrast to the US, where courts denied personal jurisdiction according to long-arm statutes in cases in which defendants had no contacts with the forum state beyond the mere accessibility of the website, German courts extended their jurisdiction to infringing acts on the internet having a mere effect on the German market and territory.

An offer on an international website is considered to be addressed also to potential customers in Germany, and therefore the language of the website is in principle irrelevant. In its December 31 1998 decision in *Worldwide internet offer*, the Frankfurt Appeal Court pointed out that an internet offer in English – as being the common language of the worldwide web – also addresses customers in Germany because a foreign language does not prevent them from purchasing the infringing product for use in Germany. Such reasoning was shared in a decision of the District Court of Düsseldorf on February 5 2002, concerning sports shoes. This ruling stated that international jurisdiction over a US supplier applies as soon as a customer, user or consumer residing in Germany has the possibility to purchase the infringing goods using a link on the supplier's website.

In this context, the District Court of Düsseldorf, in a ruling of December 9 2003, substantiated the constituent elements of an internet offer addressed to customers in Germany. In this case, the defendants had offered a potentially infringing vacuum cleaner on their website. On the homepage of the website, defendants had placed a link in English language entitled "legal requirements", under which information popped up mentioning that "not all of the presented products on the website may be ordered in Germany, Austria or Switzerland".

The court rejected defendants' argument of not

having offered the potentially infringing vacuum cleaner on the German market by placing the above-mentioned link on the homepage of their website. The court held that a generally-worded pop-up link not directly addressing potential customers in Germany and not specifically linked to the infringing product is insufficient for denying an internet based offer of the vacuum cleaner in Germany. As a result, despite the defendants' pop-up link on their homepage, the presentation of the vacuum cleaner on defendant's website without clear instruction that the specific product is not for sale in Germany constituted an offer on the German market, thereby triggering the court's jurisdiction over defendants.

Therefore, by offering an infringing product for sale on the internet, the infringer already provokes a business contact with a potential customer in Germany and simultaneously commits a patent infringing act. An actual visit to the website or purchase by a consumer in Germany is not required for the court's jurisdiction over the infringer in Germany. The infringer is responsible for keeping himself informed of any existing patent rights in Germany to exclude potential patent infringements beforehand, including those by subsidiaries and commercial customers. The knowledge of import of a potentially infringing product into Germany by a third, foreign export company is sufficient to constitute a participation in an infringement act.

It should be noted that according to well-established German case law, it is irrelevant for the court's jurisdiction over the infringer whether the infringement already occurred or whether there is a mere possibility of an

imminent patent infringing act; a claim for injunctive relief can be made in both cases.

In a ruling of May 13 2003, the District Court of Düsseldorf extended the scope of patent protection against an infringer who had promoted the infringing product for a future time period in which patent protection of the plaintiff would have been expired. The court held that when determining an offering, it does not matter whether the defendant is able to manufacture or deliver the infringing product subsequent to its advertisement or commercial containing the offering, as long as it is generally possible to produce such infringing product on demand. Even if no delivery is made after promoting the infringing product, an offering cannot be contested by defendant. According to the court's finding, the time of the advertisement itself is decisive for determining the patent infringement.

Modern communication systems no longer give infringers a realistic chance to circumvent the existing legal framework of patent protection in Germany. German patent owners have a wide variety of attractive and practical legal possibilities to protect themselves against extraterritorial patent infringements – both against actual and imminent infringements.

The recent German court rulings also have the potential of enhancing the value of patents filed in Germany. Conversely, suppliers of internationally distributed goods and services need not only to know existing patent rights in Germany before offering a potentially infringing product on the German market but already when placing an advertisement on the internet.

REINHARDT SCHUSTER



Reinhardt Schuster is a German attorney-at-law and partner with the intellectual property law firm Bardehle Pagenberg Dost Altenburg Geissler. The firm has offices in Munich, Düsseldorf, Paris, Alicante and Shanghai. Mr Schuster's primary areas of practice are litigation and counselling in all matters of intellectual property, particularly patent litigation, also in matters of trade mark, unfair competition and antitrust, licensing and IP-related contracts. He is representing international corporate clients in large scale infringement suits before German courts and has taken part in numerous important cases of multinational patent litigation.

MORITZ F SCHARPENSEEL



Moritz F Scharpenseel is an attorney at law and associate with the IP law firm Bardehle Pagenberg Dost Altenburg Geissler in Munich. His primary areas of practice include counselling and litigation in all matters of intellectual property, antitrust and unfair competition. Mr Scharpenseel passed the New York State Bar Examination and worked in the IP department of an International law firm in New York in 2000-2001. In the course of his clerkship at the Hamburg District Court in 2002/03, he gained additional professional experience by working for an international law firm in Hamburg and in the legal department of a public TV and broadcasting corporation. Mr Scharpenseel served as assistant legal counsel of the French Competition Agency in Paris in 2004 and joined the Bardehle firm in 2005.