



Patent Invalidation Proceedings

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Introduction

Under Germany's bifurcated patent litigation system, the infringement of a patent is assessed by specialized District Courts, whereas the validity of a patent is reviewed in separate proceedings by a single federal court, the Federal Patent Court ("Bundespatentgericht"). In patent infringement proceedings, the potential invalidity of the patent-in-suit is not an admissible defence. However, the defendant may file an "invalidity complaint" with the Federal Patent Court. In view of such copending invalidity proceedings, the District Court may stay the infringement proceedings until a decision on the validity of the patent-in-suit has been rendered by the Federal Patent Court. Invalidity Proceedings are therefore of primary importance for successful patent litigation in Germany.

1. Initiating invalidity proceedings

Patent invalidity proceedings may be initiated against a German patent or the German part of a European patent at any time after the opposition period has expired (nine months after grant of the patent). As long as opposition proceedings against the patent are pending, it is generally not admissible to initiate patent invalidity proceedings.

During the lifetime of a patent, anybody may initiate invalidity proceedings. No particular legal interest is required. Specifically, it is not necessary that the invalidity plaintiff has been sued for infringement of the patent, or threatened to be sued. Once a patent has expired, invalidity proceedings may only be initiated by a plaintiff having a specific legal interest in finding that the patent was invalid. Such interest may for example arise from a past or pending lawsuit or from a warning letter in which damages for infringement of the patent during its lifetime are claimed.

Invalidity proceedings may even be initiated by a “strawman”, i.e. a party acting in its own name but on behalf of a third party. If the patentee becomes aware of the real party in interest, the patentee may assert all defences which could be brought against the party on whose behalf the strawman is acting. Possible defences could be an agreement among the parties not to attack the validity of the patent, assignor estoppels, etc.

The proper defendant of an invalidity action is the person registered in the German patent register as the owner of the patent. This holds true even in cases where the patent has been assigned to a third party in the meanwhile, without registration of the assignment.

2. Competent court

First instance patent invalidity proceedings are heard by the Federal Patent Court in Munich.

Presently, seven Senates of the Federal Patent Court (the 1st through 7th Senate) hear patent invalidity cases. A panel consists of five judges, three of which are technically trained judges and two of which are legally trained judges. The technically trained judges are usually former patent examiners. The presiding judge is always legally trained. While the two legally trained judges are permanently assigned to a panel, the technically trained judges are selected for each case depending on the technical field of the patent.

1. Initiating invalidity proceedings
2. Competent court

Every year, 250 to 300 invalidity proceedings are filed at the Federal Patent Court. In roughly three quarters of the cases, the complaint is successful in that the patent is either completely revoked or its scope is narrowed. In the remaining quarter of the cases, the patent is maintained as granted.

- 3. Grounds for revocation
- 4. Procedural principles

The losing party may file an appeal against the decision of the Federal Patent Court to the Federal Court of Justice (“Bundesgerichtshof”), where a specialised panel of five legally trained judges decides the case. This panel also hears the legal appeals in patent infringement cases.

The rate of first instance decisions being overturned on appeal is about forty per cent. The Federal Court of Justice tends to reverse more often decisions in which the patent was revoked in first instance, rather than decisions in which the patent was maintained.

3. Grounds for revocation

A plaintiff may base his invalidity complaint only the grounds of

- nonpatentable subject matter, including statutorily barred, anticipated and obvious subject matter,
- insufficiency of disclosure (*i.e* lack of enablement),
- extension of the subject matter beyond the content of the application as originally filed,
- extension of the scope of protection of the granted patent during opposition or limitation proceedings, and/or
- “theft” of the invention by the patentee.

The latter ground may only be asserted by the party from which the patentee allegedly stole the invention.

An invalidity complaint may be based on new prior art as well as on prior art which has already been considered during examination or opposition proceedings by the German Patent and Trademark Office or by the European Patent Office.

4. Procedural principles

In patent invalidity proceedings a party is typically represented by one or more patent attorneys (Patentanwälte). If parallel infringement proceedings are pending, the additional participation of the attorneys-at-law (Rechtsanwälte) representing the party in the parallel infringement proceedings is highly recommendable to assure coordination and in particular consistency of infringement and invalidity arguments.

In the first instance, the court principally investigates and evaluates the facts on its own motion (*ex officio*). Thus, the court could even search and introduce new prior art to the proceedings. In practice, however, the facts and arguments presented by the parties are of the greatest importance for the outcome of the case.

In our firm, the factual and legal arguments are developed by our patent attorneys in close cooperation with our attorneys-at-law and with the support of a number of patent engineers and the latest search tools for finding relevant prior art.

The patentee may amend the claims of the patent in the course of the invalidity proceedings within the scope of the original disclosure and

within the scope of protection of the patent as granted. Claim amendments may be introduced unconditionally, or under the condition that the granted claims or differently amended claims are not accepted. This means that the patentee may defend his patent with a main request and an array of auxiliary requests as fall back positions, which opens a wide field of considerations and requires a carefully drafted strategy.

In view of the expertise of the three technically trained judges on the panel, the (first instance) Federal Patent Court virtually never commissions a court expert. However, the parties may support their submissions and arguments with a written opinion of a private expert. Although the panels need not and tend not to hear private experts during the proceedings, it is nevertheless advisable in important cases to submit party expert opinions as soon as possible.

According to the procedural rules for the second instance proceedings, the Federal Supreme Court of Justice has to base its decision on the facts determined in the first instance. There are narrow exceptions, for example if there are specific indications which cast doubt on the facts of relevance for the decision as they were determined by the Federal Patent Court. New facts can only be submitted to a very limited extent, for instance, if they concern an issue which has apparently been overlooked or regarded as immaterial by the Federal Patent Court, or if the nonassertion does not involve negligence of the respective party.

In contrast to the evaluation of facts, the evaluation of legal issues is reviewed *de novo* in the second instance. Many important problems have been considered as legal questions by the Federal Supreme Court in the past, for instance the determination of the qualification of the relevant skilled person, questions of claim construction, and the assessment of novelty and inventive step. These are the problems on which the appeal stage concentrates.

Also the Federal Supreme Court in virtually all cases no longer appoints court experts – unlike in former times, before the reform of the procedural rules for the invalidity proceedings, which went into force on 1 October 2009.

5. Timing and course of the proceedings

First instance patent invalidity proceedings are decided in about two to three years; the appeal proceedings in front of the Federal Court of Justice take another two years.

The course of typical invalidity proceedings is as follows (the time frames are average values and may vary depending on the circumstances of the case):

- The plaintiff initiates the proceedings by filing a complaint brief at the Federal Patent Court in Munich, and by making an advance payment (cf. following section 6. “Costs”). The court then serves the complaint on the defendant or on the patent attorney

5. Timing and course of the proceedings

- registered for the patent in the German patent register.
- The serving of the complaint starts the so-called “objection period”, within which the defendant has to formally indicate to the court that he intends to defend the patent. If no objection is filed, the court may render a decision without any further contribution by the defendant. When filing the formal objection, the defendant usually requests a term of two to four months to file the “Reasons for the Objection”, by which the defendant responds to the complaint on the merits.
 - About three to six months before the oral hearing, the court issues a so-called “Qualified Notice” including a preliminary assessment of the case based on the facts and arguments exchanged by the parties so far. More specifically, the Qualified Notice gives the plaintiff an indication as to whether the references and arguments provided so far are sufficient for the attack, or whether he should provide additional material. On the other hand, the Notice is supposed to provide an indication for the patentee as to whether it is necessary to file amended claims or further arguments, test results, etc. in order to successfully defend the patent.
 - The Qualified Notice also contains the schedule for the remainder of the proceedings. Particularly, the court sets a date by which the parties may make their final comments on the Qualified Notice by filing new arguments/ references/claims. Submissions made by the parties after that date may be disregarded for late filing.
 - Usually, only one oral hearing takes place, which takes a full day. In general, the decision is pronounced orally directly at the end of the hearing. The written grounds for the decision are typically issued within two to three months thereafter.
 - The losing party may file an appeal against the first instance decision within a nonextendable deadline of one month from service of the written grounds for the decision, or at the latest within five months from the oral pronouncement of the decision. The appeal must be reasoned. The reasoning must reach the appeal court within three months from service of the written grounds for the decision. This latter deadline may be extended by the court.
 - No such fixed procedural framework exists for the appeal proceedings in front of the Federal Court of Justice. However, also in the appeal proceedings, only one oral hearing is normally held, at the end of which the decision is usually pronounced. The written grounds for the decision are issued several weeks later. No further appeal is available.

6. Costs

In invalidity proceedings, just as in infringement proceedings, the losing party pays the court fees and reimburses the winning party for its statutory attorney fees and its disbursements, in particular travel expenses and translation costs. The reimbursement of the fees of the patent attorney and the attorney-at-law to the winning party follows a statutory fee regulation. This statute

defines the attorney fees according to the so called "litigation value" fixed by the court. The litigation value also determines the court fees.

The litigation value is a measure of the general value of the patent. The Federal Patent Court and the Federal Court of Justice are independent from the infringement courts in fixing the litigation value. However, the litigation value in patent invalidity proceedings is regularly set to 125 % of the cumulated litigation values in patent infringement proceedings based on the same patent.

The cost risk of a party includes its own costs, the potentially reimbursable costs of the adversary, and the court fees. For typical litigation values between EUR 500,000 and EUR 5,000,000, the reimbursable costs and the court fees of patent invalidity proceedings in the first instance ranges between EUR 40,000 and EUR 240,000. For (rarely fixed) higher litigation values the cost risk increases linearly, up to a cap of about EUR 1,300,000. The cost risk is about 30 % higher for the appeal instance than for the first instance.

Please note that our firm, as most other firms in the IP field, charges on an hourly basis. Depending on the actual work to be done, this can lead to the client's own attorney fees being higher than the statutory attorney fees. Thus, since only the statutory fees are reimbursed in case of success, a certain amount of non-reimbursable costs may remain with the client, even if the case is won.

Non-EU plaintiffs may have to post a bond for the potential cost reimbursement to the defendant, if the defendant so requests. Therefore, non-EU plaintiffs may consider utilizing an EU affiliate to act as the party of the invalidity proceedings, or prepare for the posting of the bond. Our firm, in cooperation with our house bank, offers plaintiffs support in resolving this issue without resulting in a delay of the proceedings.

7. Interaction with infringement proceedings

The decision on a stay of the infringement proceedings until the decision of the Federal Patent Court in the invalidity proceedings is at the discretion of the infringement court. An experienced court will stay the proceedings only if it considers it very likely that the invalidity proceedings will lead to the revocation of the patent or to a limitation to an extent that its infringement becomes questionable. In general, this requires presenting prior art which anticipates or is so close to the invention that reasonable arguments for an inventive step cannot be found. Moreover, the prior art should be new prior art, i.e. documents, which have neither been reviewed by the examiner during prosecution nor by a panel during opposition proceedings. The infringement court may not ignore statements made by the invalidity court on technical issues and on claim interpretation. However, the interpretation adopted by the court in the invalidity proceedings is in general not binding for the court in the infringement proceedings, or *vice versa*. As a consequence, the accused

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infringer runs the risk of falling into an “interpretation gap” if the claim construction of the infringement court leads to broad scope of protection while the invalidity court construes the patent narrowly. To avoid this gap is a primary reason for a close cooperation between the patent attorney representing the case in invalidity proceedings and attorneys at law representing the case in the infringement proceedings.

The (alleged) invalidity of a patent-in-suit is not a defence in patent infringement proceedings. However, the infringement proceedings may be stayed, at the request of a defendant who initiated patent invalidity proceedings, until the invalidity proceedings are decided.

8. Summary

Patent invalidity proceedings are the regular counterpart to patent infringement proceedings in Germany. In view of the high revocation / restriction rates, they are initiated in the majority of cases. As a result of the proceedings, the attacked patent may be revoked, maintained as granted, or maintained in amended (limited) form. A thorough prior art search and convincing submissions increase the chances of success significantly. The arguments need to be coordinated with the submissions in parallel patent infringement proceedings, particularly with respect to claim interpretation. To assure such a close coordination BARDEHLE PAGENBERG offers patent attorneys and attorneys at law in one firm, qualified and experienced in both types of litigation in first and second instance proceedings, and on the highest level of technical and legal qualification.



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