



Patent Invalidation Proceedings

BARDEHLE
PAGENBERG

Content

5	Initiating invalidity proceedings
5	Competent court
6	Grounds for revocation
6	Procedural principles
8	Timing and course of the proceedings
9	Costs
10	Interaction with infringement
11	Summary

Introduction

According to Germany's bifurcated patent litigation system, the infringement of a patent is dealt with 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 co-pending invalidity proceedings, the District Courts may stay the infringement proceedings until a decision on the validity of the patent-in-suit has been rendered by the Federal Patent Court.

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 respective opposition period has expired (three months after grant of the patent; this term since April 1, 2014 applies also to German patents). As long as opposition proceedings against the patent are pending, it is generally not admissible to initiate patent invalidity proceedings.

During the life 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 brought by plaintiffs having a specific legal interest in finding that the patent was invalid. Such interest may arise from a past or pending lawsuit or from a warning letter in which damages for infringement of the patent during its life time are claimed.

Invalidity proceedings may even be initiated by a “straw man”, *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 straw man is acting. Possible defences could be an agreement not to attack the validity of the patent, assignor estoppels, etc..

The defendant 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.

Initiating invalidity proceedings

2. Competent court

First instance patent invalidity proceedings are heard by the Federal Patent Court in Munich, following the principle of the German patent system according to which questions concerning patent validity are to be decided by a specialised court with judges having technical expertise.

Competent court

Presently, seven Senates of the Federal Patent Court (the 1st through 7th Senate) deal with patent invalidity proceedings. A panel consists of five judges, three of which are technically trained and two 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 (IPC class) of the patent.

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.

The losing party may 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. It is therefore particularly aware of the consequences of claim amendments for the question of infringement, and of the problems arising from the separation of infringement and validity proceedings.

The rate of first instance decisions being overturned on appeal is about forty percent. The Federal Supreme Court tends to reverse significantly 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 on the grounds of

- nonpatentable subject matter, including statutorily barred, anticipated and obvious matter,
- insufficiency of disclosure (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 took 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 may be represented by a patent attorney (Patentanwalt) and/or by an attorney-at-law (Rechtsanwalt). If parallel infringement proceedings are pending, the participation of the attorney-at-law representing the party in these parallel proceedings is highly recommendable, to coordinate the two copending proceedings.

In the first instance, the court principally investigates and evaluates the facts on its own motion (*ex officio*). This means that a plaintiff who has initiated patent invalidity proceedings in theory has no obligation to actively further these proceedings. The court could even search and introduce new prior art to the proceedings. Equally, the defendant does not need to contest or comment any facts or legal allegations of the plaintiff and may leave the defence of his patent to the court. In practice, however, the facts and

Procedural principles

Grounds for revocation

arguments presented by the parties are of the greatest importance for the outcome of the case. Our firm offers prior art searches in all fields of technology, conducted by patent attorneys and professional patent searchers. The factual and legal arguments are developed by our patent attorneys in close cooperation with our attorneys-at-law.

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. The patentee generally has the possibility to amend the claims during the proceedings, 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. This is because since the revision of the procedural rules for invalidity proceedings, which became

effective for all complaints filed on or after October 1, 2009, all potentially relevant facts must be introduced to the proceedings already in the first instance.

According to the new procedural rules for the second instance proceedings, the Federal Supreme Court of Justice has to base its decision, as a matter of principle, 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 observably 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 will continue to be reviewed de novo in the second instance. Many important problems have been declared as legal questions by the Federal Supreme Court in the past, for instance the determination of the qualification of the relevant skilled person, patent claim construction, and the assessment of novelty and inventive step. These are the problems on which the appeal stage concentrates.

For pending cases filed under the old regime, the Federal Supreme Court decides almost all of them on the basis a written opinion and oral testimony of an officially appointed court

expert, who is chosen and instructed by the court. However, for complaints filed on or after October 1, 2009, in virtually all cases the Federal Court of Justice no longer appoints court experts.

For pending cases filed under the old regime, the Federal Supreme Court decides almost all of them on the basis a written opinion and oral testimony of an officially appointed court expert, who is chosen and instructed by the court. However, for complaints filed on or after October 1, 2009, it can be expected for virtually all cases that the Federal Supreme Court will no longer appoint court experts.

5. Timing and course of the proceedings

Under the old procedural regime, first instance patent invalidity proceedings were decided in about two years; the appeal proceedings in front of the Federal Court of Justice took another four to five years. For proceedings initiated on or after October 1, 2009, under the new regime, the duration of the appeal proceedings is significantly reduced to about 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 making an advance payment

of the court fees for the first instance (see the following section 6. “Costs”). The court then serves the complaint on the defendant or on the attorney 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 wishes 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 three 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, which takes place on average 24 months after filing of the complaint, 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 has to 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 between half a day and a full day. In general, the decision is pronounced orally directly after the hearing. The written grounds for the decision are issued within two to three months thereafter.
- The losing party may file an appeal against the first instance decision within a non-extendable 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 for the value of the patent for the patentee. 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 cost risk 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

Costs

than the statutory attorney fees. Thus, since only the statutory fees are reimbursed in case of success, a certain amount of nonreimbursable 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. The posting of a bond may delay the invalidity proceedings by several weeks. 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 in an expedited manner. 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

The decision on a stay of the infringement 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 so close to the invention that reasonable arguments for an inventive step cannot be found and more, and which has neither been reviewed by the examiner during

prosecution nor by a panel during opposition 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 at least in the first instance.

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 infringer runs the risk of falling into an “interpretation gap” if the infringement court awards the claims a broad scope of protection while the invalidity court construes them narrowly. When putting forward an argument in the invalidity proceedings, the impact it will have on the infringement proceedings should always be carefully considered.

8. Summary

Patent invalidity proceedings are the usual counterpart to patent infringement proceedings in Germany. In view of the high success rates, they are initiated in the majority at least of important 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. While patent infringement proceedings are dealt with by an attorney-at-law, patent invalidity proceedings are regularly dealt with by a patent attorney, who may support the attorney-at-law in the infringement proceedings as well.

BARDEHLE PAGENBERG offers both professions 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.



© 2015 BARDEHLE PAGENBERG Partnerschaft mbB

BARDEHLE PAGENBERG Partnerschaft mbB, Patentanwälte Rechtsanwälte is a partnership of patent attorneys and attorneys-at-law registered at Amtsgericht München, Partnership Registry No 1152.

Our offices act legally independent from the other countries' offices in each country and are not liable for those.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, photocopying, recording or otherwise, without prior permission of the publishers.

Nothing in this publication constitutes legal advice. BARDEHLE PAGENBERG assumes no responsibility for information contained in this publication or on the website www.bardehle.com and disclaims all liability with respect to such information.

Summary

Contact

Munich

Prinzregentenplatz 7
81675 München
T +49.(0)89.928 05-0
F +49.(0)89.928 05-444
info@bardehle.de

Dusseldorf

Breite Straße 27
40213 Düsseldorf
T +49.(0)211.478 13-0
F +49.(0)211.478 13-31
info@dus.bardehle.de

Paris

10 Boulevard Haussmann
75009 Paris
T +33.(0)1.53 05 15-00
F +33.(0)1.53 05 15-05
info@bardehle.fr

Barcelona

Avenida Diagonal 420, 1^o1^a
08037 Barcelona
T +34.93.4 57 61 94
F +34.93.4 57 62 05
info@bardehle.es

Milan

Viale Regina Margherita 35
20122 Milano
T +39.02.87 38 94 50
F +39.02.87 38 94 52
info@mil.bardehle.eu

www.bardehle.com