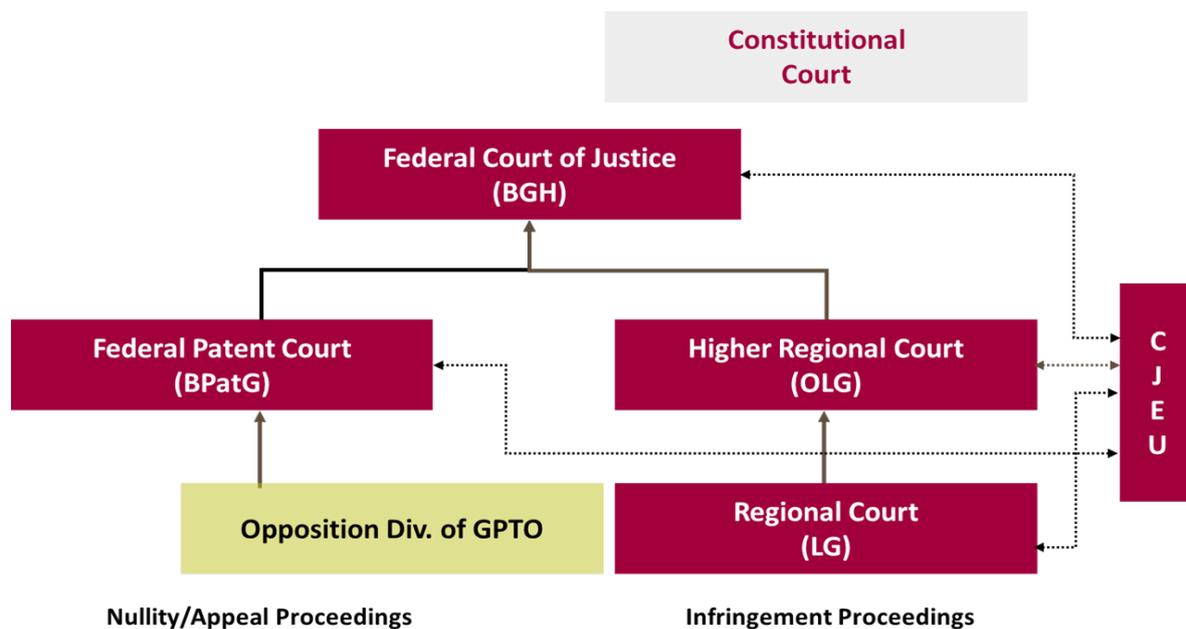




German IP Information

IP Litigation in Germany – a brief outline

Germany has a bifurcated patent litigation system wherein the issues of patent validity and patent infringement are dealt with in separate courts.



Challenging the validity of a patent

After expiry of the nine-month period for filing an opposition, the validity of a patent may be challenged by filing a nullity action.

Nullity actions are dealt with by the Federal Patent Court (Bundespatentgericht; BPatG)¹ in the first instance, where the case is heard by two legally qualified and three technically qualified judges. The duration of first instance proceedings is approximately 25 months.

First instance decisions may be appealed at the Federal Court of Justice (Bundesgerichtshof, BGH) in the second instance, where a specialised panel of five legally trained judges decides the case. The duration of second instance proceedings is approximately 2 to 3 years.

¹Every year, around 250 nullity cases are settled at the BPatG. A patent is either completely revoked or its scope is narrowed in around 40% of the cases.

Patent infringement suit

An infringement action may be filed on the basis of any patent that is in force in Germany. Patent infringement actions are dealt with at the Regional Courts (Landgericht; LG) in the first instance and the Higher Regional Courts (Oberlandesgericht; OLG) in the second instance. A majority of patent infringement suits are dealt with in Düsseldorf, Mannheim and Munich, although they may be handled by any one of 12 designated Regional Courts. In both instances, the cases are heard by three legally qualified judges who generally do not have a technical background.

The duration of first instance proceedings is approximately 8 to 15 months². However a delay of 9 to 12 months can be expected if an expert opinion is commissioned. If an appeal is filed, the duration of the second instance is approximately 15 to 24 months. Under specific circumstances, a further appeal on points of law may be heard at the Federal Court of Justice, which can add approximately 2-3 years to proceedings.

Options before filing a patent infringement suit

Prior warning: A cease and desist letter may be served by the patentee to the alleged infringing party requesting them to refrain from committing patent infringements in the future and to make a legally binding declaration to that effect. If the patentee files a patent infringement suit without serving a cease and desist letter, they may risk bearing all costs of the suit. This would occur if the infringer files a sufficient cease and desist declaration of their own accord or acknowledges the claim before the court immediately after initiation of the infringement proceedings.

Preliminary injunction: There is the possibility of prohibiting the infringer from infringing the patent by seeking a preliminary injunction. If the court can be convinced of an immediate threat of patent infringement, they may grant a preliminary injunction without consulting the alleged infringer. A preliminary injunction can therefore be granted within a matter of days.

In Germany preliminary injunctions are granted at a rate of about 75 to 77% of all applications filed.

To avoid a preliminary injunction being granted without hearing both sides, a protective letter may be filed before bringing a product onto the market³. A protective letter is a preventive defence document which may contain all defence arguments, such as position of non-infringement and/or lack of patentability. The protective letter is to ensure that a court does not issue a preliminary injunction without considering the defendant's arguments. The protective letter may lead the court to either deny the request of a preliminary injunction or summon both parties to oral proceedings.

Stay of infringement proceedings

In the bifurcated system, where validity and infringement are dealt with in two different courts, the validity of a patent is not assessed during infringement proceedings. Under this system, it could be that a judgment in an infringement case is handed down before the nullity proceedings are completed. In order to avoid this happening, a stay of proceeding in the infringement case based on an ongoing nullity action may be requested.

Stay of proceedings in an infringement case are not granted as a matter of course. Whether infringement proceedings are stayed due to a pending nullity action is down to the discretion of the infringement court. The infringement court must take into consideration all relevant facts when reaching a decision, including the defendant's interest not to be held liable based on an invalid patent, and the claimant's interest of a timely completion of the infringement proceedings.

²Mannheim tends to be on the faster side of about 9 months, whereas Munich and Düsseldorf take in the region of 15 months.
³Since 1.1.2017, attorneys are obligated to file protective letters electronically at the central protective letter register. Once filed, the protective letter is available to all Regional Courts for a period of six months.

In general, a stay of infringement proceedings are only granted when there is a good chance that the nullity action will succeed. This may be assessed, for example, by consulting the preliminary opinion issued by the nullity court.

Enforcement of the decision handed down by the regional courts

Court decisions which have become final can be enforced by the winning party, i.e. the losing party can be called upon to comply with the operative part of the decision with immediate effect and to perform any actions laid down in the decision (e.g. to provide information or to destroy goods).

In cases where a legal remedy such as an appeal at the Higher Regional Court or the Federal Court of Justice is still available, the court's decision is not yet final. Such a non-final decision may be enforced provisionally in return for the furnishing of a security deposit. The amount of the security to be furnished is fixed by the court and is usually based on the disputed amount and is usually around 120% of the disputed amount.

If a decision is enforced provisionally and is then set aside by the Higher Regional Court or the Federal Court of Justice, the claimant must compensate the defendant for the losses incurred by the enforcement. For this reason, before a decision is provisionally enforced, it is advisable to calculate the risk of the possible loss caused by a provisional enforcement and to weigh that up against the benefits of provisional enforcement.

The provisional enforcement of the decision may be declined at the request of the losing party, e.g. in cases when the provisional decision could cause irreparable losses.

Cost risk

The losing party must reimburse certain costs to the winning party. The amount of the statutory court and attorney's fees to be reimbursed is calculated according to a guidelines laid down by statute. In general, the statutory attorney fees do not cover all actual attorney costs.

The cost risk of an unsuccessful party includes all of its own attorney costs, the potentially reimbursable costs of the adversary and the court fees.

The reimbursable costs in both nullity cases and infringement cases depend on the disputed amount. In a typical patent case the disputed value may range from €500,000 - €5,000,000.

Nullity Suit

For example, assuming that the disputed amount is €2,000,000 and each party has one patent attorney, the cost risk of a nullity action would be in the region of €80,000⁴ (court fees would be in the region of €40,000 and the attorney costs for both sides would also be in the region of €40,000). On appeal there could be an additional cost risk of about €90,000. An additional €10,000 could be added to the total cost award for taking evidence.

Infringement Suit

For an infringement action, assuming that the disputed amount is €2,000,000 and each party has one patent attorney and one attorney-at-law, the cost risk is in the region of €100,000⁴ (court fees would be in the region of €25,000 and the attorney costs for both side would be in the region of €75,000⁵).

The cost risk for the second instance is usually about 30% higher than for the first instance.

⁴The share of party's own attorney costs which exceeds the statutory attorney fees is also to be added to the cost risk.

⁵Statutory attorney fees in infringement proceed are usually twice as high as in nullity proceedings due to the additional requirement of an attorney-at-law.

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