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GLOBAL REACH, LOCAL KNOWLEDGE

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Joaquim Eugenio Goulart and Bernardo Marinho Fontes Alexandre of Danneman Siemsen discuss the country's recent efforts



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Enforcing patents in Germany

Rainer Kuhnen and Detlef von Ahsen of KUHLEN & WACKER give a comprehensive outline of the German system.

In Germany, there are 13 district courts elected by law which can hear patent litigation cases. Over 90% of the approximately 1,000 cases filed every year are filed before the "Big Three" courts – Dusseldorf (which has been the clear leader in terms of cases heard for decades now), Mannheim, and Munich. The level of expertise is outstanding not only at first instance, but also at the appeal courts and, finally, the Federal Court of Justice – all of these courts have a full-time bench of patent judges.

In nearly all cases, the plaintiff has the liberty to choose the venue.

Although Germany is always – correctly – considered as a country having a bifurcated system, the courts hearing infringement do take arguments concerning validity into account; if there are convincing and relevant doubts, then they will stay the infringement proceeding until the end of the validity proceeding.

Validity proceedings are handled by the Federal Patent Court at first instance and the Federal Court of Justice at second instance. The specialized Patent Senate of the Federal Court of Justice is competent to hear appeals on questions of law with regard to infringement decisions handed down by the appeal courts as well as appeals on validity decisions handed down by the Federal Patent Court.

By this, despite having a bifurcated system, a harmonized interpretation of the same patent claims is ensured.

In general, the responsible German courts are competent for and experienced in patent litigation cases. This leads to swift and cost-efficient litigation proceedings. Furthermore, as compared to other jurisdictions, there is a quite high rate of patentees winning their cases (around 40%). Hence, the German courts can indeed be seen as rather pro-patentee.

Representation before the German court

In patent infringement cases parties must be represented by attorneys at law who are members



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of the German Chamber of Lawyers. For validity proceedings, parties can be represented by either a patent attorney admitted at the German Chamber of Patent Lawyers or an attorney at law. In practice, in view of the legal and technical tasks to be dealt with, parties are in the vast majority of cases represented by an attorney at law and a patent attorney in both patent infringement and validity proceedings.

Enforcement of Rights

A patent owner seeking to enforce their rights has the option to file an infringement action before one of 12 specialized civil courts in Germany. In case of urgency, a request for a preliminary injunction may also file. As a further option, the patent owner may request boarder seizure.

Parties are not obliged to undertake mediation and/or arbitration before bringing a case before the courts, although these options are sometimes reasonable. In view of the number of cases, alternative dispute resolution is presently not seen as a popular alternative to patent litigation in Germany.

Pre-trial discovery as known in the United Kingdom and the United States does not exist in Germany. If there is a high likelihood of patent infringement but material evidence is unavailable,

Résumés

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More than 1000 patent litigation cases go on trial every year in Germany.



the patent owner may ask to inspect the alleged infringer's premises and/or infringing devices (e.g. as exhibited at a trade fair).

In principle, the doctrine of equivalents is applied by the German courts. However, in the course of EU-wide harmonization of jurisdiction, the prerequisites for finding equivalent patent infringement have been tightened. Recently, the Federal Court of Justice clarified its jurisdiction to some extent, thereby slightly broadening the doctrine of equivalents. In any event, infringement is still rarely found based on the doctrine of equivalents.

Regarding the enforcement of certain types of patents (e.g. biotechnology, business methods, software), German courts – in principle – have to accept a patent as granted by the German Patent and Trademark Office or European Patent Office (EPO). Hence, there is no defense of invalidity of a patent for an asserted infringer in German infringement proceedings; the field of technology may not per se hinder enforceability.

Only exceptionally, there can be enforceability problems in connection with a market dominated position and unfair competition aspects (i.e. antitrust cases). Following the ECJ decision *Huawei v ZTE* (C-170/13) in 2015, in particular in the field of standard essential patents (SEP), an infringement claim might be inadmissible in preliminary injunction proceedings, if the patent owner has not made a license offer to fair reasonable and non-discriminating conditions (FRAND).

Cases relating to standard-essential patents and fair, reasonable, and non-discriminatory licensing since the ECJ's *Huawei* decision:

In 2016, the Regional and Higher Regional Courts of Düsseldorf and Mannheim/Karlsruhe published the first decisions implementing *Huawei*. These and subsequent decisions adopted in 2017 also addressed a variety of questions raised by the ECJ's decision, for example, whether the alleged infringer must make a FRAND counter-offer even if the patentee's initial offer was not FRAND. Following some controversy between the Regional Courts of Düsseldorf and Mannheim, the respective Higher Regional Courts both ruled that the alleged infringer is only required to make a FRAND counter-offer if (under full judicial scrutiny) the patentee's initial offer was indeed FRAND. However, this and other issues concerning the anti-trust defense after *Huawei* are still far from being finally settled. Newer decisions, in particular, the Supreme Court decision of May 2020 *Sisvel v Haier* seems to suggest a still strong position for SEP owners in Germany.

Litigation budget

In order to determine the minimum budget for litigation, a statutory table of costs under the

Attorneys' Remuneration Law applies. The costs to be reimbursed depend on the value in dispute as set by the court with view to the economic importance of the infringed right. The value in dispute usually ranges from 100.000,00 to 500.000,00 Euro, which means minimum statutory costs in the range of about 8.000,00,00 to 20.000,00 Euro. However, most of the patent litigation attorneys in Germany work on an hourly basis, so the total cost depends heavily on the complexity of the case and the client's input.

As a rule of thumb, the minimum budget for a litigation case with a typical value of dispute of 500.000,00 Euro should be calculated to around 50.000,00 Euro.

Legal proceedings before the German courts

First instance

Previous and same/similar cases

Due to the high number of cases at all levels, unrivalled rich precedents in the field of patent law are available in Germany. The Federal Court of Justice alone hands down more than 50 patent decisions every year. This builds a strong background for each individual case and enables accurate predictions. In general, previous decisions have no binding effect in Germany.

However, while there is there is no general tendency that any particular jurisdiction produces more persuasive decisions than others, German courts are willing to consider the reasoning of courts in other jurisdictions in which the same or similar cases have been dealt with. Convincing arguments in such reasoning will not be discarded.

Witnesses

Expert witnesses on technical aspects of infringement (e.g. reverse engineering) and the knowledge of a person skilled in the art are permitted. Expert witnesses mandated by the parties themselves will typically be heard only via written statements. In practice, only court-appointed expert witnesses are formally cross-examined during proceedings.

Validity proceedings handled at first instance by the Federal Patent Court never previously used court-appointed experts – a fact which attracted frequent criticism. The Federal Court of Justice does only occasionally appoint expert witnesses. Parties are encouraged to present expert witness reports by themselves to accelerate proceedings at the Federal Court of Justice.

In the course of infringement proceedings, the district court, as the first level of jurisdiction, rarely appoints expert witnesses itself. At second instance before the appeal court, expert witnesses are appointed a little more frequently.

During the formal cross-examination, the appointed expert is examined first by the court



and then by the parties. The full minutes of the cross-examination are then made available to the parties. Experts mandated by the parties may be (but are rarely) cross-examined to a certain degree during the course of the trial.

Strategic delay of cases

There is little opportunity to seek strategic delays in German patent infringement cases as there are only limited reasons to delay infringement proceedings. Delaying proceedings due to an obvious lack of validity in view of new facts is the main option with practical relevance. Depending on the venue, the complexity of the case may add considerable time to the schedule of the infringement proceedings.

Preliminary injunctions

Preliminary injunctions are granted in summary proceedings. Hence, infringement must be obvious, and validity must be without thorough doubt while patents enjoy a presumption of validity since they have been examined. A further requirement is urgency which requires the patent owner to be file a request for a preliminary injunction without substantial delay after he became aware of the infringing act, i.e. in practice, regularly within four to six weeks. Preliminary injunctions are granted frequently (about 75 to 77% of all applications), especially in connection with trade fairs, and are immediately enforceable.

Decision and effect

With respect to the most important patent courts in Germany, infringement actions at the district court in Düsseldorf will take approximately 8 to 14 months; in Munich, Mannheim, and Hamburg it may take approximately 6 to 12 months. In Germany's bifurcated patent system, there is the possibility that the first instance litigation proceedings are stayed if the validity of the asserted patent is challenged at the Federal Patent Court. A first instance decision on a request for a preliminary injunction is generally issued within 2 to 20 working days.

The available remedies granted to a successful plaintiff are:

- Injunctive relief.
- Compensation of damages (if infringer acted with fault, i.e. intentionally or negligently).
- Render the accounts relating to the infringement acts.
- Delivery up or destruction of infringing goods.
- Publication of the decision.
- Recall order for infringing goods.

A permanent injunction is, on the claimant's request, always granted if the court finds the patent to be infringed. There is no requirement for irreparable harm, no weighing of interests or other test that needs to be satisfied by the claimant. This applies irrespective of the

“
In nearly all cases, the plaintiff has the liberty to choose the venue.”

“ Parties are not obliged to undertake mediation. ”

claimant's business model, that is, injunctive relief is equally available to both practicing and non-practicing entities.

With regards to recoverable costs, only the statutory minimum fees under the Attorneys' Remuneration Law incurred by the winning party have to be reimbursed by the losing party. There is no compensation for the costs actually incurred.

Damage calculation

The plaintiff is free to calculate the damages which are incurred according to the following three methods:

- lost profits by the patent owner,
- reasonable royalties (so called "license analogy method"), or
- surrender of the profit generated by the infringer

In the past, license analogy was the predominant method to be used (>80%) as it was very feasibly. However, it was always criticized as unfair as an infringer has eventually to pay the same as if he would have taken a license in the first place. Since 2001, following a decision of the German Federal Supreme Court, the third method (surrender of infringer's products) has become the standard method of calculating damages. In this decision, the options of the infringer to deduct overhead costs from the turnover generated with the accused products were drastically limited. Hence, in practice, the infringer's profits amount to between 20% and 50% of the turnover which is often much more attractive than the license analogy method.

Under German law, damages have an exclusively compensatory function. There is no concept of punitive damages.

Second and further instance(s)

Any party that has not been adjudicated what it has claimed in the first instance has the right to appeal. Hence, depending on the claims of the parties and the decision, the plaintiff, or the defendant, or both have the right to appeal.

A second instance leading to the appellate decision typically takes between one and two years.

It is further possible to take cases beyond the second instance if the appeal court has explicitly admitted revision (i.e. further appeal on a point of law) in its decision. If the revision has not been admitted by the appeal court, the appellant can still file a non-admission complaint to the Federal Supreme Court. If the legal issue on which the ruling of the appeal court is based is of fundamental significance or where the development of the law or the uniformity of the case law necessitate a decision by the Federal Court of Justice, there is the possibility that the

Federal Court of Justice admits the case on its own motion.

Agreement on the Unified Patent Court

Germany has signed the Agreement on the Unified Patent Court. However, ratification has been stopped at the last minute by a constitutional complaint filed against the agreement. This constitutional complaint was successful, and the Constitutional Court rendered a decision declaring the ratification of Germany null and void. Though it is now widely assumed that the Unitary Patent/Unified Patent Court project has finally failed, it may still come into force if there is still enough political momentum left over after UK's withdrawal of its ratification. In any event, the Unified Patent Court will presumably not start before the end of 2021.

Due to the large number of patent litigation cases, Germany will host the maximum number of four local divisions within the new Unified Patent Court system. These will be co-located in same cities as the most prominent national litigation courts, namely, Dusseldorf, Mannheim, Munich, and Hamburg.

In addition to the local division, one section of the central division will be located in Munich where the German Patent and Trademark Office, the German Federal Patent Court and the European Patent Office are located.

Afterword

More than 1000 patent litigation cases go on trial every year in Germany which is more than 2/3 of all European patent litigation. This is for good reasons: The high number of cases in combination with the specialized courts, most prominently Düsseldorf, Mannheim, Munich and Hamburg, lead to a huge experience on the bench of German courts rendering predictable decisions within a short period at foreseeable and reasonable costs. Moreover, preliminary injunctions are a standard measure in patent matters in Germany which may be even issued within a few hours if the case is highly urgent (e.g. trade shows).

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