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Key issues in enforcing software patents

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Key issues in enforcing software patents

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Today, it is impossible to imagine life or business without a computer – whether it is an electronic wristwatch, a food mixer or a mobile phone. All these devices contain a computer, of varying levels of complexity, for controlling the function of the device. But a computer cannot operate without instructions. These instructions are summarised in computer programs or software and may be incorporated in a computer or other apparatus, but are often stored, reproduced and distributed on portable media (eg, CD-ROMs) or transmitted online. This software is not tangible and once created it can be reproduced easily at very low cost and in unlimited quantities. Much like the development of tangible assets, the development of software consumes many resources. Therefore, the owner of a software product has a justified interest to protect their investment. Although copyright protection is available for the source code of software, it does not protect the idea of the software, which is a core part of its commercial value. The patent system might therefore be an adequate means for protecting the software designer's rights. Patent protection is – among other requirements – granted for an invention that brings a new and non-obvious technical solution. After a patent is awarded, the patent owner has an exclusive right to prevent others from commercially using the patented invention.

While some countries grant patents for all types of software and business methods, computer programs are expressly excluded from patentable subject matter in Germany. According to Section I(3) of the Patent Law:

the following in particular shall not be regarded as inventions within the meaning of subsection (1):

1. discoveries, scientific theories and mathematical methods; 2. aesthetic creations; 3. schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers; 4. presentations of information.

However, according to Section I(4) of the Law, "subsection (3) shall exclude patentability only to the extent to which protection is being sought for the subject-matter or activities referred to as such". This makes it possible to obtain patent protection for computer program-related inventions with a technical character, something that has already been confirmed several times by various German courts (eg, the Federal Court of Justice, X ZR 47/07 'Display of topographic information'; the Federal Court of Justice, Xa ZB 20/08 'Dynamic document generation'; Federal Court of Justice, X ZR 110/13 (25 August 2015) 'unlocking a screen of a mobile device').

The purpose of a patent, however, is not only to have a document with a nice appearance and an official coat of arms on it, but to have a right to exclude others from making, using and selling the patented invention. A patent's enforceability, however, can be proven only in a legal action. This chapter offers some guidelines to consider before enforcing a software patent.

Selecting suitable patents
Validity
Patents are probabilistic property rights. Because no examiner in the world can be aware of all prior art, there is an inherent uncertainty regarding a patent's validity and scope. Although patents are granted by patent offices only after substantive examination, there is no guarantee that a granted

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patent is in fact valid. The validity of a patent can be challenged by a third party through opposition procedures at the patent office that granted the patent right (eg, the EPO or the German Patent and Trademark Office (DPMA)) and invalidity proceedings before the German Federal Patent Court. To avoid an opposition triggered by the patent infringement court action, the patent should be asserted after the opposition period has expired. This is important for European patents because the opposition procedure is particularly beneficial for the accused infringer, as the infringer could challenge the patent for all validated countries in one single procedure. However, to reduce the risk of invalidation due to prior art, it is highly recommended to get a general idea of the prior art at the time of asserting the patent. Although the effective filing date for the determination of prior art does not change after filing the patent, the sources for searching for prior art might have been improved. Before asserting the patent, an updated prior art search, performed by an independent official organisation, might help to strengthen the patent. A particularly good indication for the validity of a patent is when the patent has already successfully passed an opposition or invalidation procedure. For such a patent, it is highly unlikely that the infringement court stays the procedure due to questionable validity.

In the new field of software patents, it is important to study recent case law to get a sense of the courts' latest approach to software inventions, as jurisprudence might have changed over time. For example, in the case *Head-Up-Displays* (17 W (pat) 25/17) the procedure itself was considered patentable for an improved automated brightness adjustment. However, this was not the case in the court decision *Detection of a loose wheel* (19 W (pat) 41/18), in which the Federal Patent Court rejected the corresponding patent application due to lack of inventive step. The Federal Patent Court explained that not only was the process of recording a vehicle's loose wheel regarded by the court as obvious for an expert, but the algorithm for calculating a dynamic reference value in the current driving situation was already known by prior art.

Where the validity of a patent in respect of prior art is in doubt due to a very broad claim scope, it might be beneficial to voluntarily limit the scope of the patent before asserting it, so as to reduce the risk of suspending the infringement procedure at court. For example, Section 64(1) of the Patent Law allows a voluntary limitation: "At the request of the proprietor of the patent, the patent may be revoked or limited with retroactive effect by amending the patent claims."

Detectability
When asserting a patent at court, the court first considers the validity of the patent, then determines whether the accused product falls within the scope of the asserted claim. If there is no provable use in a patent, effectively it cannot be asserted. Evidence of use and its detectability must be present in order to include a patent in an action. In this respect, it is in the best interest of the patent owner to select a patent for which the infringement is prominently evident. Proving the infringement by, for example, extensive reverse engineering or expert opinion is, of course, possible, but it prolongs the proceedings and risks adverse expert opinions that may negatively influence the court. In particular, for software inventions it is therefore advantageous if the unauthorised party acknowledges or advertises the use of the software in their datasheets or any other documentation, so that the infringement is self-evident for the judges without requiring the support of a third party. Another indication of good detectability for a software invention is to focus on the interfaces in order to find the visible effects of a software product. The visible effect may be found on a user interface, application programming interface, administrative interface or some other detectable interface.

Economic contemplation

A patent gives the patent owner the right to ban others for a limited time from making, using, selling and offering the claimed subject matter in the territory of the patent. Because a lawsuit can be an expensive procedure (depending on various factors such as the value in dispute or the number of instances involved, costs can range from €10,000 to some €100,000) it is in the interest of the patent owner to maximise the cost-value ratio. This means to have the maximum effect with the minimum effort. In this respect, for example, a lawsuit against a single software user might be not beneficial because the cost risk far exceeds any benefit. In general, therefore, the party from which the highest damages can be expected will be selected as defendant. If there are several parties from which similar damages can be expected, the party with the deepest pockets will be selected as the first target for a lawsuit.

On the other hand, the enforceability of a court judgment must also considered when selecting the infringing party. There are countries in which enforcing a judgment of a German (or any foreign) court is difficult. It might therefore be the better choice to sue the party with smaller expected damages, when the enforcement of the court judgment is regulated.

Selecting the court

In most legal systems, (eg, the UK or US systems), patent infringement and invalidity are decided simultaneously by the same court, where infringement is possible only if the patent is upheld in the same proceeding. Germany, however, uses a bifurcated patent litigation system. Separate courts decide on infringement and validity independently of each other. In Germany, jurisdiction for patent infringement lies with 12 regional courts, while patent validity is decided solely by the patent offices (ie, the EPO or the DPMA) during the opposition phase and by the Federal Patent Court at a later date. In practice, the infringement decision is often made and enforced before validity has been determined under the presumption that granted patents are indeed valid. Only where the infringement court has significant doubts regarding patent validity will it stay the proceedings until the validity is decided by the Federal Patent Court. A lawsuit must be filed at either the defendant's main place of business or residence, or at the place where the infringing activity has occurred. The latter

is anywhere where the recipient of an offer has their main place of business or residence. Today, products are often offered online. The patent owner is therefore free to choose between any of the 12 patent litigation courts. Criteria for selecting a specific litigation court in Germany for asserting software patents might include:

- the average time for obtaining a court decision;
- the court's technical experience of software inventions; and
- the court's tendency to stay the proceedings to have the validity of the asserted patent confirmed.

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Michael Zeitler joined KUHNEN & WACKER in 2008 and became partner in 2011. He was awarded his master's in physics and his PhD from the University of Augsburg.

As a qualified German patent attorney since 2009, and a European patent attorney and European trademark and design attorney, he specialises in the fields of physics and medical engineering. Before joining KUHNEN & WACKER, Dr Zeitler was the head of patent and trademark prosecution at Qimonda AG and a patent expert for the patent department and IP manager at Infineon Technologies. He worked on his diploma thesis in close cooperation with Hoechst AG.

Dr Zeitler's memberships include the International Association for the Protection of Intellectual Property, the European Patent Institute, the Licensing Executives Society and the German Association of Intellectual Property Experts.

More than 90% of the approximately 1,000 cases filed each year in Germany are filed before the Dusseldorf, Mannheim and Munich courts. In 2017, 486 new cases for patent disputes were filed in Dusseldorf. The majority of which were in the medical field and IT sector. Mannheim, as the second strongest court, reported 215 new patent and employee invention cases, while Munich reported 181 new patent, utility model and employee invention cases. Statistically, it can therefore be assumed that the Dusseldorf court has the most experience deciding on software inventions in Germany.

Selecting the accused infringer

When selecting the accused infringer, irrespective of whether injunction or damages compensation is the patent owner's focus, the first thing to check is the market share of each of the competitors that can be attacked with the patent, because this is where the enforcement of the patent has the greatest effect. However, market share should not be the sole criteria. The registered seat of a company should also be considered, because a court judgment cannot be enforced equally in every country. Another important point to consider is the possibility of a counter-action by the accused infringer.

Here, for example, the IP portfolio and a possible business relationship (already in existence or strived for) with the accused infringer must be considered before filing a court action. In particular for software, not only a direct infringement, but also a contributory infringement by means relating to an essential element of the invention should be considered, because very often – due to exclusion from patent protection as a result of German patent law – the software is only protected together with the whole device or system.

Select the litigation strategy

Patent litigation requires a complex preparation and the litigation strategy may vary – depending on the desired result – on various criteria.

If the desired result is that the competitor disappears from the market as soon as possible, a request for preliminary injunction can be a good choice because a court could decide in general simply on the basis of the request without even hearing the accused infringer. However, a preliminary injunction requires some prerequisites (eg, the infringement may not be known for longer than four weeks, otherwise

the urgency requirement for a preliminary injunction is considered unfulfilled and the patent must be enforced in a regular legal action, which takes considerably longer than a preliminary injunction), which must be checked thoroughly to make the preliminary injunction successful.

A non-litigious option to reduce the offers of competitors on the online marketplace Amazon is to use the opportunity to request Amazon to take down an infringing offer from its marketplace. This option can be quick and economical when thorough evidence for the infringement and the validity of the patent is provided along with the take-down request.

If the desired result is to maximise damages compensation, a company that already has many products on the market can be the right target. Instead of a lengthy and resource-consuming legal procedure, offering a licence, for example, may be the better choice for both parties (ie, the patent owner and the competitor). For example, for software patents in particular, for which patentability might be contested, the patent owner reduces the risk of losing the patent in an invalidation procedure (which will be a countermeasure by the accused infringer) and will have to reimburse all legal costs, while the competitor avoids an injunction and the duty to disclose sensitive customer and supplier data.

Nevertheless, even if a regular patent infringement lawsuit is filed, there are various options to consider. To limit the risk of bearing the legal costs for representation of the accused infringer, in Germany, the first move is to send a friendly letter asking for the entitlement for right to use the patented technical matter. The letter's recipient is not obliged to answer, but can clarify the situation outside of any court. If the accused infringer's answer is dissatisfactory for the patent owner, the next step is to send a warning letter that includes the obligation for the recipient to pay the expenses for preparing the warning letter and to sign a boilerplate declaration to cease and desist. If again there is no response or the desired response is not achieved, the patent owner can file a lawsuit at the responsible district court in Germany.

Where the patent owner wants to avoid losing four to six weeks by sending the letters and where they accept the risk to bear legal representation costs if the accused infringer immediately gives in, the patent owner also has the opportunity to enforce the patent directly and employ the

'surprise' effect on the accused infringer to get a declaration to cease and desist signed quickly.

Comment

Finally, despite potential problems providing evidence for using protected software and the exclusion of patentability for software 'as such' by law, software patents are not treated specifically and there are no reasons not to assert a software-related patent in Germany.

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