You create, we protect.

Always a great idea: protecting it!

130 staff in Düsseldorf and Munich support our clients in all matters relating to intellectual property rights, unfair competition, and in proceedings involving the infringement or validity of intellectual property rights. The far above-average technical expertise of our 23 patent attorneys and 4 attorneys-at-law gives companies the ease of mind to concentrate on the development of innovations in order to remain competitive.

Patent- und Rechtsanwälte
Partnerschaftsgesellschaft mbB

Dusseldorf Office
Phone: +49 211 90490-0

Munich Office
Phone: +49 89 20300-6320

COHAUSZ & FLORACK

www.cohausz-florack.de

Germany

By Gottfried Schüll, Cohausz & Florack

Q: What options are open to a patent owner seeking to enforce its rights in your jurisdiction?
About 1,000 infringement actions on the merits are filed before a German venue every year. Where infringement is found, an injunction is granted by law. As well as a verdict based on an infringement action on the merits – which usually takes between six and 18 months to be issued – a preliminary injunction can be declared by the courts in as little as 24 hours. The courts also grant rights to inspect stands at trade fairs or premises on an urgent basis. In addition, German customs authorities are quite cooperative when it comes to border seizures.

The 'silver bullet' is an infringement action on the merits, filed with one of the German 'Ivy League' courts for patent infringement – Dusseldorf, Mannheim or Munich. The venue should be chosen based on the case's complexity and any applicable time constraints.

When the Unified Patent Court (UPC) begins operation, Germany's leading courts will also host local divisions of the UPC.

Q: Are parties obliged to undertake mediation/arbitration before bringing a case before the courts? Is this a realistic alternative to litigation?
No. Mediation/arbitration is possible, but not mandatory. In view of the number of cases, alternative dispute resolution is not presently seen as a very popular alternative to patent litigation in Germany.

Q: Are there specialist patent or IP courts in your jurisdiction? If not, what level of expertise can litigants expect from the courts?
There are 13 district courts elected by law which can hear patent litigation cases. More than 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), 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.

Q: Are validity and infringement dealt with together, or does your country have a bifurcated system?
Although Germany is always – correctly – considered as a country having a bifurcated system,

this is only part of the story. The courts hearing infringement cases do take into account arguments concerning validity – if there are convincing and relevant doubts about this, then they will stay the infringement case. Validity cases are handled by the Federal Patent Court at first instance and the Federal Court of Justice at second instance. The specialised 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.

Q: Who may represent parties engaged in a dispute?
In patent infringement cases parties must be represented by attorneys at law who are members 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.

Q: To what extent is pre-trial discovery permitted?
If there is a high likelihood of patent infringement but material evidence is unavailable, the patent owner may ask to inspect the alleged infringer's premises and/or infringing devices (eg, as exhibited at a trade fair). Pre-trial discovery, to the extent that it is known in the United Kingdom and the United States, does not exist in Germany.

Q: Is cross-examination of witnesses allowed? If so, what form does this take?
In practice, only court-appointed expert witnesses are formally cross-examined during proceedings. The 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. Overall, cross-examination of witnesses is rare in German litigation and validity proceedings.

Q: What use of expert witnesses is permitted?
Expert witnesses on technical aspects of infringement (eg, 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 the course of infringement proceedings the district court, as the first level of jurisdiction, very rarely appoints expert witnesses itself. At second instance before the appeal court, expert witnesses are appointed a little more frequently.

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 has changed its practice under the new legal regime and does now 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 practice, it is recommended to introduce a written expert opinion in the validity proceedings at an early stage before the Federal Patent Court.

Q: Is the doctrine of equivalents applied by courts in your jurisdiction? If so, what form does it take?
Under the doctrine of equivalents, the scope of the patent also extends to solutions equivalent to that which has been claimed in view of function and quality. In addition, the subject matter must be available to a person skilled in the art without involving an inventive step. While this seems to be broad compared to other jurisdictions, statistically infringement is rarely found based on the doctrine of equivalents.

Q: Are there problems in enforcing certain types of patent relating to, for example, biotechnology, business methods or software?
As the German infringement courts will accept a patent granted by the European Patent Office (EPO) as it stands, the patent's validity will become an issue only in cases of obvious invalidity based on new facts. The technological field, as such, is no reason to reconsider the validity of a granted patent.

To the contrary, Germany is so far the sole jurisdiction worldwide which provides protection for data generated based on a patent protected method. Such protection is available in some jurisdictions for chemical products produced involving a patent protected method.

In 2015 the European Court of Justice (ECJ) ruled on the enforceability of an injunction claim

based on the infringement of standard-essential patents which grant market dominance. The *Huawei v ZTE* decision (C-170/13) confirmed to a large extent the German *Orange Book* decision. The main conditions are the obligation for the patent owner to offer a reasonable licence and the obligation for the licensee to make a reasonable counter-offer. In practice, this has proved to be a problem for enforcement in cases where the market-dominant standard-essential patent owner cannot make existing licences transparent.

Q: To what extent are courts obliged to consider previous cases that have covered issues similar to those pertaining to a dispute?

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.

To what extent are courts willing to consider the way in which the same or similar cases have been dealt with in other jurisdictions? Are decisions from some jurisdictions more persuasive than those from others?

Yes, German courts are willing to consider the reasoning of courts in other jurisdictions. Convincing arguments in such reasoning will be not discarded in cases presented by the parties. However, there is no general tendency that any particular jurisdiction produces more persuasive decisions than others.

Q: What realistic options are available to defendants seeking to delay a case? How might a plaintiff counter these?

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.

Q: Under what circumstances, if any, will a court consider granting a preliminary injunction? How often does this happen?

Gottfried Schüll
Patent attorney
gschuell@cohausz-florack.de

Gottfried Schüll is a prominent and highly renowned patent litigator. Both as lead counsel and as a member of an international legal counsel team, he has successfully represented global clients including Fortune 500 companies as plaintiffs in high-profile cases relating to technologies such as H.264, NFC, MPEG-2, ADSL and GPRS. Based on his reputation in litigation, he is frequently appointed as an independent court expert (by the Dusseldorf Appeals Court), as well as an arbitrator.

First, the infringement must inflict irreparable damage on the patent holder. Both infringement and validity must be apparent. Validity can be assumed to be apparent if, for example, the patent has already been the subject of post-grant validity proceedings. Preliminary injunctions are immediately enforceable. In practice, the patent owner must file a request for an injunction within four weeks of becoming aware of the patent infringement – the sooner, the better.

Preliminary injunctions are granted frequently, especially in connection with trade fairs.

Q: How much should a litigant budget for in order to take a case through to a decision at first instance?

About 3% of the value of the litigation (ie, the value that the patent owner realistically ascribes to its claims) is generally a good guideline, with the minimum amount being around €50,000. These numbers are based on the statutory minimum fees under the Attorneys' Remuneration Law.

Depending on the circumstances, attorneys may ask for additional fees. These costs also include the statutory court fees. The courts have the opportunity to appraise critically the value of the litigation proposed by the plaintiff.

Q: How long should parties expect to wait for a decision to be handed down at first instance?
In case of infringement actions on the merits, the German Ivy League courts usually render decisions within between six and 18 months, depending on the venue and the court's workload. A decision based on a request for a preliminary injunction can be issued within a few days and certainly within six weeks. This process can be expedited depending on the venue.

Q: To what extent are the winning party's costs recoverable from the losing party?
The statutory attorneys' minimum fees – for both attorneys at law and patent attorneys – and court fees are fully reimbursable. The quotation of reimbursable fees accordingly depends on the ability of the attorneys to handle the case based on statutory fees.

Q: What remedies are available to a successful plaintiff?
The remedies granted in Germany to a successful plaintiff are an injunction claim and a claim to render accounts. At the same time, the court will decide whether the plaintiff is entitled to claim damages.

Injunction claims granted by the first-instance court are enforceable based on the provision of a security bond to secure potential damages claims. Appeal decisions granting the injunction claim are enforceable without this constraint.

Q: How are damages awards calculated? Are punitive damages available?
The courts apply three methods to calculate damages:

- by analogy to a licence granted between reasonable parties;
- loss of profits by the patent owner; and
- profits made by the patent infringer.

In practice, a calculation based on royalty fees is the most common way of calculating damages awards.

It is not possible to obtain punitive damages, at least not comparable to triple damages. The courts have confirmed elements in the methods for calculating damages with moderate punitive effects.

Q: Under what circumstances might a court grant a permanent injunction? How often does this happen?
If the German court confirms that infringement has taken place and the patent is not obviously invalid based on new facts – and, of course, the patent is in force – then the court will always grant a permanent injunction. This is also the case if the plaintiff is a non-practising entity.

Q: Does the losing party at first instance have an automatic right of appeal? If not, under what circumstances might leave to appeal be granted?
The losing party in a first-instance case will always be granted the right to appeal. Even on appeal, the successful party may enforce the first-instance decision if it issues a security bond to cover potential damages due to enforcement of a decision that may be overcome on appeal.

Q: How long does it typically take for the appellate decision to be handed down?
Infringement appeals handled by the appeal courts typically take between one and two years.

Q: Is it possible to take cases beyond the second instance?
Yes – decisions of the appeal court on infringement can be further appealed on questions of law and taken to the Federal Court of Justice. This appeal must be admitted by the appeal court. Admission can be substituted by a decision of the Federal Court of Justice.

Decisions on validity by the Federal Court of Justice cannot be appealed further.

Q: To what extent do the courts in your jurisdiction have a reputation for being pro-patentee?
Statistically, patentees win about 40% of all patent infringement actions filed in Germany. Another 40% of the complaints filed are dismissed. The remaining 20% of cases filed are stayed due to apparent validity issues. These are long-term trends.

Compared to other jurisdictions, this might be seen as considerably pro-patentee.

Q: Have courts in your jurisdiction handled cases relating to standard-essential patents and fair, reasonable and non-discriminatory licensing since the ECJ's *Huawei v ZTE* decision? If so, what have they decided?

The German first and second-instance courts are very active in issuing decisions which relate to standard-essential patents.

One primary aspect addressed is the clarification that a standard-essential patent must provide market dominance in order for *Huawei v ZTE* to apply. It has been confirmed that it is not sufficient that a patent is standard essential.

In addition, the German courts have confirmed that the offer of a worldwide licence may also fulfil the fair, reasonable and non-discriminatory requirement if such offer is customary. Against the background of a worldwide accepted licence on standard essential patents, it has been found not to be fair, reasonable, and non-discriminatory in case a potential licensee is asking only for a licence for its German branch or only a licence under the asserted patents.

To sum up, the application of *Huawei v ZTE* in Germany has become quite clear and further clarifications are expected, due to the large number of relevant cases handled by the German courts.

Q: If they have not handled such cases, how would you expect them to approach the issue?

Not applicable.

Q: Has your jurisdiction signed the Agreement on the Unified Patent Court? If so, when do you expect it to be ratified?

Yes, Germany has signed the Agreement on the Unified Patent Court. Ratification has been postponed until the German Federal Constitutional Court issues a decision on a constitutional complaint filed against the agreement. This has become a time-consuming case, since the complaint has interdependencies with complaints against the organisation of the EPO, which are also pending before the Federal Constitutional Court. These pending constitutional complaints are based on supposedly insufficient legal protection before the EPO against decisions of the EPO boards of appeal.

It is not possible to predict either the schedule or outcome of the constitutional complaints.

Q: Will your country play host to one or more divisions of the Unified Patent Court?

In view of the large number of national patent litigation cases handled by the German courts over the decades, it has been agreed that Germany will play host to five divisions of the Unified Patent Court – both a central and local division in Munich and local divisions in Dusseldorf, Mannheim and Hamburg.

Q: Are there any other issues relating to the enforcement system in your country that you would like to raise?

The German patent litigation courts have a clear understanding that a patentee is entitled to protection for patents granted by either the EPO or the German Patent and Trademark Office. Accordingly, the courts not only are reasonably pro-patentee, but also apply strict punitive measures to enforce injunction claims once granted.

Finally, the Patent Act qualifies patent infringement as a criminal act. Although criminal actions based on patent infringement are rare, patent infringers are not treated with kid gloves in Germany. *iam*

COHAUSZ & FLORACK

COHAUSZ & FLORACK
Bleichstrasse 14
Dusseldorf D-40211
Germany
Tel +49 211 90 490 0
Fax +49 211 90 490 49
Web www.cohausz-florack.com