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# International Report

**Parliament adopts cautious modernisation of IP law**

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The German Parliament has adopted the Bill for the Simplification and Modernisation of Patent Law, which will enter into force on 1st October 2009.

The bill does not change the fundamentals of German patent law, which have been largely harmonised through the EU integration process. However, it does introduce key changes of which all companies with any patent involvement should be aware.

The most relevant topics touched on by the bill are:

- revocation of a patent;
- the Law on Employees' Inventions; and
- the "use it or lose it" procedural provision.

**Revocation of a patent**

The revision concerning the proceedings for revocation of a patent is the most significant. German patent law adheres to the principle of separation, according to which infringement and revocation are dealt with in two separate proceedings. The infringement proceedings are held before the ordinary courts, while revocation is decided by the specialised Federal Patent Court.

The court of second instance for revocation is the Federal Court of Justice. Only in this capacity as an appeal court for revocation proceedings does the Federal Court of Justice comprehensively review and, if necessary, determine the facts of the matter at issue. In all other situations, appeals heard by the Federal Court of Justice are appeals on points of law only. In such cases the Federal Court of Justice rules only on conformity with the law, and not regarding determinations of fact by the lower courts.

The comprehensive determination of facts by the Federal Court of Justice has led to an increasing backlog of pending revocation cases. It currently takes up to four years for a final decision about a single revocation suit to be reached. A reduction in the number of revocation suits does not appear to be likely. The resulting legal uncertainty is particularly irksome in the common case of a co-pending infringement suit.

In order to speed up this process, the amendments strive to structure the process of factual findings more efficiently at first instance and to limit factual determinations by the appeal court to points where there is reasonable doubt as to their correctness or completeness.

In addition, an appeal of a first-instance decision can now be based only on an asserted legal contravention, not on an incorrect factual finding. However, it is established case law that the interpretation of a claim, as well as an appraisal of inventiveness, is not a factual finding, but rather a legal finding. Thus, such a finding remains susceptible to appeal.

Consequently, parties to revocation proceedings must focus on the preparation of their material as well as their arguments at first instance. Clever tactical considerations of withholding additional material until second instance become moot. The bottom line for companies involved in patent litigation is that they need to give the first instance their best shot, rather than keeping their powder dry for the appeal.

**Law on Employees' Inventions**

The second significant aspect of the bill is the reform of the Law on Employees' Inventions. Designed to encourage patent filing, this law is unique to the German system. Individual companies in other countries have recognised its utility and have essentially copied its provisions regarding rewards as an incentive system to foster innovation. The Law on Employees' Inventions mandates that an invention made by an employee must be formally claimed by the employer after being reported by the inventor. If the invention is claimed, the inventor is entitled to an additional remuneration based on well-established formulae taking into account the revenue generated with the invention. If the invention is not claimed, the inventor keeps the rights to the invention, including the right to file a patent in his or her own name.

The bill does not change the fundamental principle of the law, nor does it change the compensation due to the inventor. However, under the new ruling any reported invention is assumed to be claimed by the employer by default. Thus, the right to the invention stays with the inventor only when it is explicitly not claimed. This amendment removes legal uncertainty in cases where the inventor and the employer disagree as to whether an invention has been claimed. Such ambiguities sometimes arose in the past due to formal requirements such as the need for a signed document in order to claim an invention. This has now been dispensed with.

**"Use it or lose it"**

In German patent law, "use it or lose It" refers to a paragraph requiring patent owners to assert infringement from all their patents that could cover the particular infringement situation. The rationale lies in improving procedural economy by forbidding patent owners to engulf a defendant in multiple infringement proceedings by filing separate infringement suits for the same alleged infringing action. The legislature discussed its abolition, but chose not to implement it. The paragraph remains in force without modification.

**Other provisions**

The other provisions of the bill are minor, but may still be significant for certain parties.

German patent law permits the issue of a supplementary certificate of protection for inventions that require official market authorisation. This applies mainly to pharmaceutical products. In accordance with EU Regulation 1901/2006, which promotes the development of medicines for children, the bill now makes it possible to extend the duration of the supplementary certificate of protection for pharmaceutical products for children by six months.

The bill further harmonises the rules for opposition against the registration of a national trademark with the corresponding Community trademark provisions. Opposition against the registration of a trademark can now also be based on an older unregistered mark.

**Comment**

The amendments to the German patent legislation constitute a cautious but welcome modernisation. They address some of the issues that have arisen out of practice over the last few years. In sum, they appear to be well suited to further improve the timeliness and legal security of the German legal system regarding IP rights.

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