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## Germany & EPO IP Focus 2006



**All change in patent enforcement**

Maiwald Patentanwalts GmbH

**Walter Maiwald and Volker Hamm** explain how, thanks to changes in the courts and the EU enforcement directive, Germany has ceased to be a paradise for patent infringers and become an upholder of patent rights

# All change in patent enforcement

Once upon a time there was a central European country that was a paradise for patent infringers. There was no free milk and honey for them, but they benefited from a legal system that made it very difficult for a patentee to obtain preliminary injunctive relief, a quick court verdict and appropriate compensation for damages caused by patent infringement.

The name of that country was Germany.

However, in view of some recent decisions of the German courts competent for patent infringement matters and the European Union Directive 2004/48/EG, this patent infringer's paradise appears to be vanishing.

## Patent enforcement in Germany

The German legal system provides two routes by which a patentee can enforce its patent, namely preliminary injunction proceedings and regular proceedings on the merits (full trial).

### Preliminary injunctions

Injunction proceedings are fairly quick and it is generally possible to obtain an injunction within a few hours *ex parte* - without the allegedly infringing party being heard or even informed about the patentee's request. Such cases are, however, exceptional. Since most patent infringement cases are rather complex, the court will usually require an oral hearing. Even in this case, an enforceable decision can be handed down within three or four weeks. However, in most cases it was (and still is) difficult for a patentee to convince the court that the grant of an injunction is justified, for two main reasons.

Firstly, the infringement of the patent must be beyond reasonable doubt. The parties are allowed to provide evidence, commonly including written statutory expert declarations as to whether or not the allegedly infringing embodiment is within the scope of the patent. In this context it is important to note that the burden of proving an infringement is - under the current legal provisions - exclusively on the patentee, that is the patentee can only rely on evidence it was able to obtain without the assistance of the court and

the alleged infringer. On the other hand, the court cannot take evidence in injunction proceedings and is, as a general rule, not going to hear witnesses, including even the parties' experts who signed the statutory declarations referred to above. We have experienced several injunction proceedings in which the parties' experts provided completely contrary opinions on the technical issues relevant to a patent infringement, and in which the court (inevitably) came to the conclusion that doubts remained and prevented it from granting an injunction.

Secondly, the validity of the patent must be beyond serious doubt. Contrary to the legal system in other European countries, German courts are not authorized to finally judge the validity of the enforced patent. In most injunction cases the alleged infringer defends itself by claiming invalidity of the patent, and initiates nullity or opposition proceedings against

## Walter Maiwald



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Walter Maiwald started his own law firm in 1993, and has been managing director of Maiwald Patentanwalts GmbH since 1995, located in the firm's Munich office.

He was ranked by his peers among the world's leading patent law experts in the 1997, 1999, 2001 and 2005 issues, and as a leading trade mark law practitioner in the 2002 and 2004 issues, of *Euromoney's Expert Guides*.

Walter Maiwald has organized and conducted national and international litigation for major clients, in fields ranging from sensor and signal processing technologies to pharmaceuticals. He has successfully represented clients at all court levels in Germany, and up to the EPO's Enlarged Board of Appeal.

## Volker Hamm



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Volker studied chemistry at the University of Hamburg. After obtaining his doctorate in 1992 he joined Maiwald Patentanwalts GmbH. He is one of the firm's managing directors and heads its Hamburg office. Volker has been involved in numerous national and international patent infringement and invalidation proceedings.

the enforced patent (see Volker Hamm, “Tips on filing validity actions”, *MIP*, September 2004, page XXIX). Since the judge handling the injunction case does not have the option to stay the proceedings until the competent authorities render a decision on the validity of the patent, he will reject the request for a preliminary injunction if there are serious doubts as to the validity of the enforced patent. There have been several recent injunction cases before the courts in Hamburg and Düsseldorf where the enforced patents were undoubtedly infringed but the requests for injunctions were rejected for the sole reason that the judges were not convinced of the validity of the basic patent.

### Full trial proceedings

Full trial proceedings on the merits mainly differ from preliminary injunction proceedings in that oral proceedings are mandatory and the court can take evidence, for example in the form of witness examination, if it deems this necessary. In most cases the alleged infringer will, as in injunction proceedings, argue that the patent is not infringed and not valid. The parties can submit evidence supporting their arguments, for example by filing expert opinions or by appointing witnesses. At least in the former practice of the courts, the patentee had to base his case on evidence available to him, without having the possibility to obtain information from the infringer by means of a US-type discovery or a *saisie contrefaçon*, as is available in many European countries such as France, Belgium or Italy. In some former cases the court even appointed an independent court expert if the technical issues of the case were not clear to the judges (which often do not have a technical education).

As in injunction proceedings, the court is not authorized to judge the validity of the enforced patent, but it is allowed to stay the proceedings – upon request – until a (final) decision on validity has been rendered in parallel opposition or nullity proceedings. In their former practice, the German courts often did this.

Both the appointment of an independent court expert and a stay of the proceedings can lead to a considerable delay in the regular proceedings, which can then take up to three, and even up to five, years.

### Three types of damages

In regular proceedings, unlike preliminary injunction proceedings, it is also possible to raise a claim for damages caused by patent infringement. Under German law, damages can be calculated according to three different methods that are based on a licence analogy, patentee's lost profit and infringer's profit, respectively. In more than 90% of all infringement cases damages have been calculated on the basis of the licence analogy, according to which the infringer must pay damages equal to a royalty which the parties would reasonably have agreed upon when entering into licence negotiations concerning the infringed patent and the infringing embodiment. Until recently, the other two methods were hardly ever used for calculating damages for specific reasons.

When the patentee relies on his lost profit he has to prove that he lost a specific amount of profits only and directly through the patent infringement. Apart from the fact that this is difficult to prove, this method requires that the patentee has to inform the court and his competitor, the infringer, about highly confidential financial figures – which he is, for obvious reasons, reluctant to do.

According to the infringer's profit method, the infringer has to turn over his full profit made with the infringing

embodiment to the patentee. Until recently, it was possible for the infringer to deduct from his profits all costs he had for the production and sale of the infringing product, including its proportional overhead costs. As a consequence, it turned out in many cases that the infringer did not make any profit with its infringing product.

### Enforcement problems

In summary, a patentee enforcing his patent was confronted with the following problems:

- It was very difficult to obtain injunctive relief, since it was difficult to convince the judges that the infringement and the validity of the enforced patent are beyond all doubt.
- Proceedings on the merits were often delayed due to the hearing of witnesses and court experts, and/or the stay of the proceedings until a decision on the validity of the enforced patent was taken by the competent authorities in parallel opposition or nullity proceedings.
- The patentee could only rely on evidence being available to him without any assistance of the court or the infringer.
- If the patentee was finally able to convince a court about the patent infringement, he only obtained damages calculated as an appropriate royalty.

In many cases infringement proceedings were finalized only after the expiry of the enforced patent. In such cases, the infringer only had to bear the costs of the proceedings and to pay to the patentee an appropriate licence fee – paradisiacal circumstances for the infringer compared with the situation in, for example, the US.

### European directive brings changes

Now, with European Union directive 2004/48/EG, many aspects of IP right enforcement in the EU have been addressed, including pre- and post-trial aspects of IP conflicts (see Walter Maiwald's article in *The Patent Lawyer*, volume 2, issue 3 (2005), page 20). The directive may lead to a materially different situation for patent infringers in Germany.

In Chapter II, Section 2, Article 6, the directive provides that a patentee may now approach the court, presenting “reasonably available evidence sufficient to support its claim” and specifying “evidence which lies in the control of the opposing party”, with a request to the court for an order that such evidence be presented by the opposing party.

Article 7 of the directive establishes something like the *saisie contrefaçon* in all EU member states (and, thus, in Germany), even before commencement of proceedings on the merits. The requester must present reasonable available evidence to support a claim of infringement. It would be sufficient to show that the patent is “about to be infringed”, that is no actual infringement needs to have occurred. The court may order these measures *ex parte*, especially where any delay is likely to cause irreparable harm to the patentee or where there is a demonstrable risk of evidence being destroyed. The defendant must be given notice and there will be oral proceedings or a written review on the appropriateness of the measures taken, which may end in modification, revocation or confirmation.

In Section 6, Article 8, this is extended to information on the origin and distribution network of goods, and to persons who are not the original infringers, but in a position of infringing goods on a commercial scale.

In Chapter II, Article 9, item 2, the directive provides that

the courts are enabled to order in injunction proceedings the precautionary seizure of moveable and immovable property of the alleged infringer, including blocking his bank accounts and other assets. Again, such measures may be taken *ex parte*, but the infringer needs to be informed without delay after the execution of the measures.

In Chapter II, Section 5, Article 10, the directive provides that a court may enjoin the infringer to recall infringing goods from the channels of commerce, to definitely remove such goods from the channel of commerce, or to destroy such goods. These measures are to be carried out at the infringer's expense.

Section 6, Article 13 states that any infringer must pay damages to the patentee, appropriate to the actual prejudice suffered as a result of the infringement. In establishing damages, all negative economic consequences must be taken into account, including the injured party's lost profits, the infringer's unfair profits and even moral prejudice caused to the patentee by the infringement.

The directive was passed on April 29 2004 by the European Parliament. In Chapter V, Article 20, the obligation of all member states of the European Union to create or adapt laws, regulations and administrative provisions to comply with the Directive within 24 months of the date of adoption, in other words by April 29 2006, is established. It is already clear that some member states of the EU will not meet this obligation – this probably includes Germany, where the recent change in government has temporarily derailed the parliamentary process.

Theoretically, the directive has no immediate effect prior to the above deadline on court procedures in the member states of the European Union. After April 29 2006, however,

any party in the European Union will, in a corresponding court procedure, be able to rely on the directive, whether or not Germany has already fulfilled its obligations under Article 20.

### Patentee strengthened

The civil court of Düsseldorf has in the past tried to provide at least some assistance to the patentee, where obtaining evidence of infringement is concerned. In its decision in *Faxkarte* (GRUR 2002, page1046) the Düsseldorf Lower District Court had decided that even based on Section 809 of the German Civil Code, it may order an accused infringer, in the context of regular proceedings, to produce evidence. This decision reflects the Düsseldorf court's readiness to apply the regulations of the EU directive. This approach is now increasingly applied by other German courts which are competent for patent infringement matters, such as that in Mannheim.

Furthermore, the German IP courts become more and more reluctant to stay proceedings on the merits due to parallel opposition or nullity proceedings, and to appoint court experts. In some recent cases, the judges in Düsseldorf and Mannheim considered it unnecessary to appoint court experts even in cases where the parties provided contradictory private expert opinions on rather complicated technical issues.

The EU directive provides for measures materially strengthening the position of a patentee in infringement proceedings, which were not available under the former German law, and it appears that the German courts are prepared to adopt these provisions. It seems it will become much easier for a patentee to gather evidence for his case and to obtain an appropriate refund of damages caused by patent infringement.



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