



Patent Disputes

Guide for Patent Litigation in Germany

2019

Content

The Guide offers a rough overview of the relevant German patent litigation frameworks, as an aid for US or international Counsel dealing with matters in which the topic of patent litigation in Germany arises.

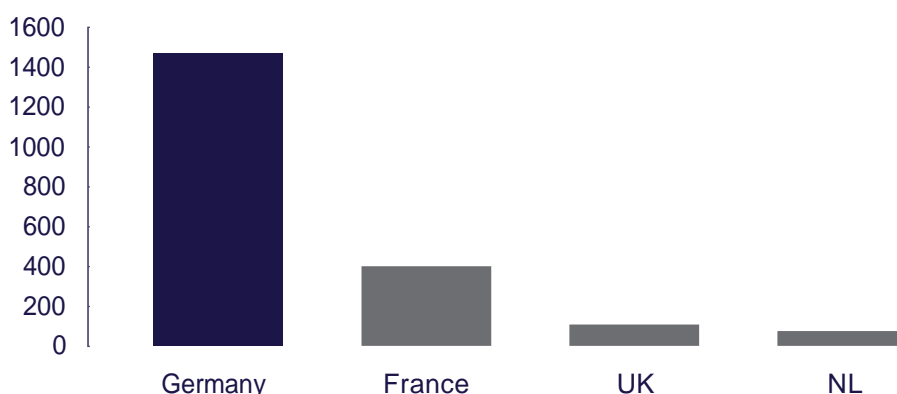
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1. Strategic Considerations

In Europe, patent enforcement poses immediate strategic choices. Different countries may be selected for an enforcement venue. Parallel enforcement actions may be brought in different European countries simultaneously, or a single jurisdiction may be selected in view of obtaining a favorable Europe-wide, or even worldwide, settlement. There are multiple reasons for litigants to choose Germany as their jurisdiction:

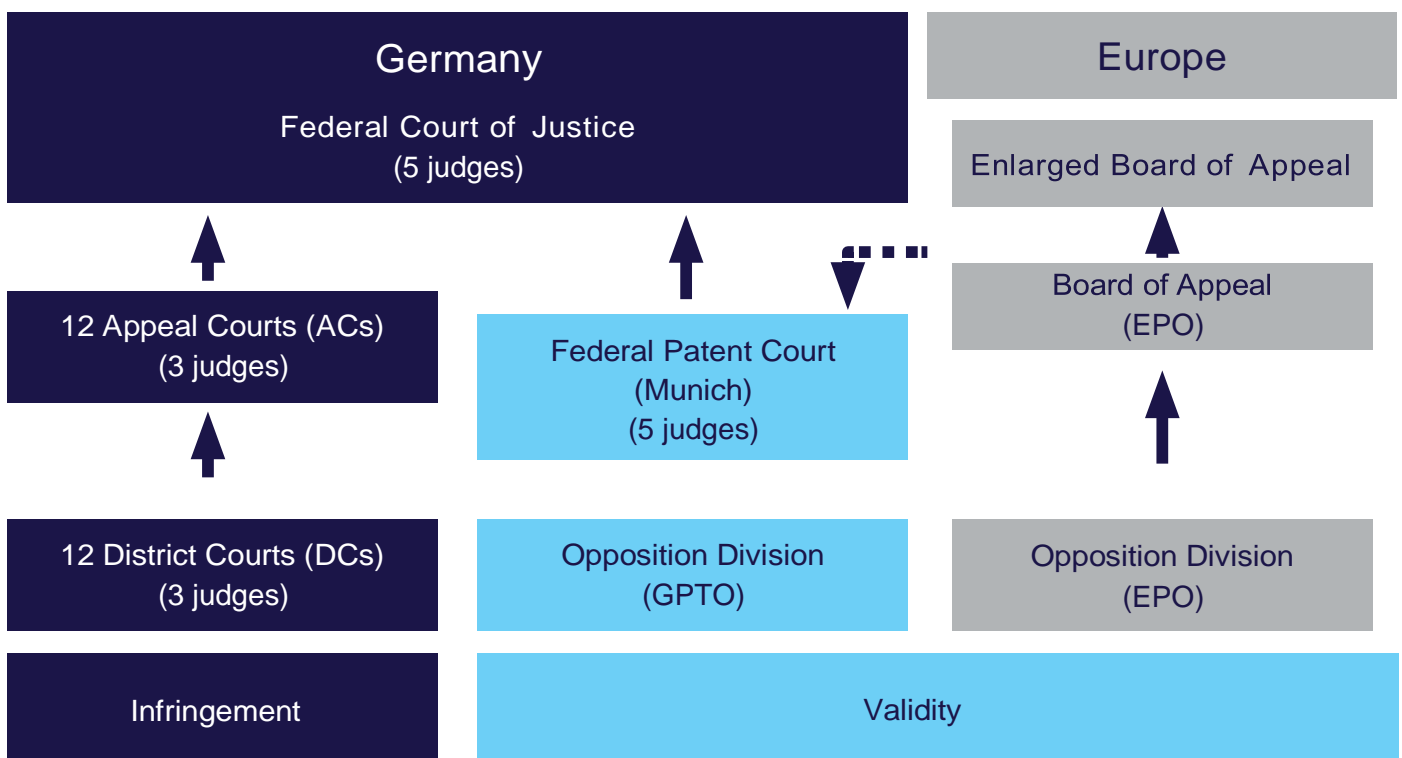
- **Size of the German market.** Germany is the largest marketplace in the European Union. An injunction may reach more people and cover greater territory than is possible through the courts of other European countries. Germany is a dominant entry point for external goods delivered into to the European market.
- **Expertise and reputation of German patent infringement courts.** The courts in Düsseldorf, Mannheim and Munich account for more than two-thirds of Germany's infringement cases. As a result of the number of cases handled by these courts, they have particular experience in patent matters. According to a survey published in the magazine JUVE examining the percentage of patent infringement cases among European national jurisdictions, Germany leads with 1,466 cases handled by its patent infringement courts (followed by France, the United Kingdom and the Netherlands). (JUVE Rechtsmarkt 04/10, 79.)
- **Speed of the proceedings.** Another advantageous characteristic is the speed of German patent litigation proceedings. In most cases, an enforceable ruling can be expected within one year, or even in seven to eight months with the District Court Mannheim or Munich. However, the appointment of a court expert or a stay pending validity challenges can lengthen the proceedings.
- **Costs.** Costs of German patent enforcement proceedings tend to be cost-efficient, usually ranging from EUR 40,000 for less complex cases to EUR 150,000 for more complex cases. This derives in part from the fact that costly pre-trial discovery proceedings typical of US trials are not present in German proceedings. This is not to suggest that discovery is unavailable, but it is not comparable to US discovery. Finally, there are no jury trials in patent infringement cases in Germany. Trying matters before a German judge necessarily limits time expenditure and counsel costs.
- **Customs actions.** Germany allows enforcement of patents through customs proceedings, in a manner somewhat analogous to the US International Trade Commission. Customs proceedings are generally straightforward and tend to be particularly useful in anti-counterfeiting cases. Without having to prove infringement, the right holder can obtain a detention order, seizing goods at the border and putting considerable pressure on the accused infringer.

Cases among European National Jurisdictions



2. Main Characteristics

- **Civil law system.** Germany has a civil law system. The laws are codified in written principles as rules of law and are not determined, as in common law, by judges. Accordingly, legislative acts are the primary source of law in Germany, and the court system is usually inquisitorial, unbound by precedent. However, German courts do carefully review previous rulings of other courts, in particular those of the higher instances and, of course, of the Federal Court of Justice. Because of the high volume of patent litigation, Germany now has a well-developed body of precedent that can further lend predictability to the patent litigation process. In patent infringement cases, a jury does not exist. The proceedings must follow the rules provided by the German Code of Civil Procedure.
- **“Split system.”** A defining characteristic of the German patent enforcement system is the split between infringement and invalidity determinations. Infringement and invalidity (nullity) claims are tried in different courts, on different schedules. Infringement cases frequently track ahead of counterpart invalidity proceedings, thus presenting the opportunity to have infringement resolved before invalidity is tried. While the infringement court may suspend its proceedings to allow a corresponding nullity action to resolve validity first, frequently it does not.



3. General Outline

3.1 Invalidating Patents

3.1.1 Oppositions at the EPO

- **Nine-month window.** European patents may be challenged during a limited window of time after their issuance. Within nine months after publication of the grant of a European patent, anyone is entitled to file opposition proceedings with the European Patent Office (EPO) (see Article 99 EPC). This narrow window is the only time during which the validity of a granted European patent can be challenged with respect to all European countries in which that patent has effect. After this nine-month period, parties seeking to invalidate a patent must resort to nullity proceedings on a country-by-country basis. Resorting to national-stage invalidation proceedings is usually more time consuming and may even lead to inconsistent results, with the patent being found valid in some countries and invalid in others.
- **Patent monitoring programs.** Companies with business in Europe usually establish patent monitoring programs to observe the patent prosecution activities of their competitors at the EPO, so as not to miss the opportunity to invalidate or limit potentially problematic patents when they first issue.
- **Opponent.** Any person except the patentee may institute an opposition proceeding. A company or person who does not want to be identified in these proceedings may involve a so-called straw man that acts in its own name, but on behalf of the third party. This is a common strategy employed by companies that do not want to appear as a party in the proceedings, and is acceptable so long as the straw man is not used by the patentee to file an opposition against its own patents.
- **No estoppels.** Opposition proceedings are held before the EPO's Opposition Divisions, which are distinct from the Examining Divisions. Thus, oppo-

nents get a fair chance to have the patent re-examined even if the invalidation challenges are based on documents that were already considered during the examination. Furthermore, an opponent is not estopped from reasserting the same arguments later in court. The opponent can subsequently commence a nullity action against the patentee with the Federal Patent Court in Munich and assert the same art that was brought before the EPO. The fact that particular arguments had been raised and lost in EPO opposition proceedings will not necessarily influence the Federal Patent Court judges. Experienced local counsel can reveal which legal areas and standards differ between the EPO and Federal Patent Court.

3.1.2. Nullity Actions

- **Federal Patent Court in Munich.** To invalidate a patent (separate and apart from EPO opposition proceedings), a "nullity action" may be brought. Only one court in Germany, the Federal Patent Court in Munich, has the exclusive jurisdiction to adjudicate nullity actions aimed at invalidating a German national patent or the German part of a European patent. The Federal Patent Court has no jurisdiction over disputes concerning infringements of patents. That jurisdiction lies with the civil courts, namely the 12 district courts and 12 appeal courts, which are headed by the Federal Court of Justice.
- **Timing.** Nullity actions may be brought only after the opposition window has closed. Thus the earliest that nullity actions may be instituted is nine months after the publication of the grant of a European patent or a German patent. If an opposition against a patent is filed, a nullity action is inadmissible until the opposition proceedings are finally terminated. Nullity actions are subsidiary to opposition proceedings, in order to avoid contradictory decisions of the EPO or GPTO and the Federal Patent Court.

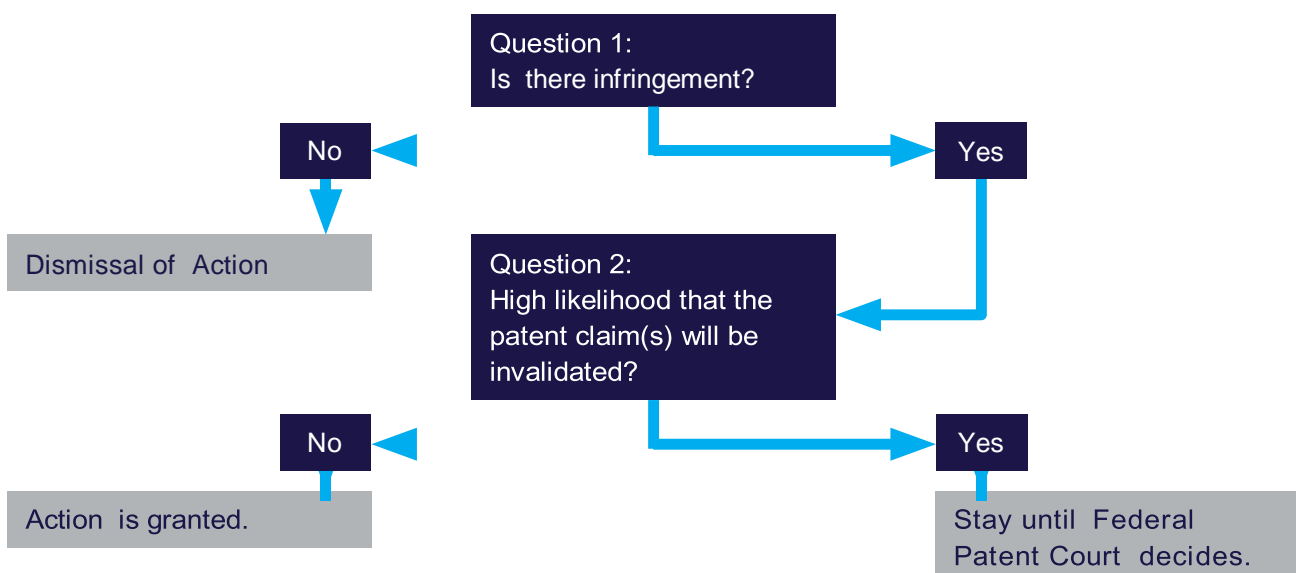
3.2. Infringement of Patents

- **Separate courts.** Patent infringement proceedings are exclusively litigated through 12 district courts. The most active patent court is the District Court Düsseldorf, followed by the District Court Mannheim, District Court Munich and District Court Hamburg.
- **Venue.** The system is flexible when it comes to questions of jurisdiction and venue. A court has jurisdiction to hear a case if either the defendant has its residence or principal place of business within its district, or the infringing activities were committed in the court's district. A simple offer for sale of the accused product via the defendant's website might be sufficient to establish jurisdiction in any of the 12 district courts. The selection of the court is usually based on strategic considerations of the patentee. This is one main reason that patent matters are concentrated in only a few German district courts. Defendants cannot influence the selection made by the plaintiff.
- **Judges.** The panels of the district courts are composed of three judges who are trained in patent law and have several years of practical experience with patent cases. Patent matters are assigned to dedicated chambers of the court. The district courts of

Mannheim and Munich, which have especially high numbers of patent cases, each have two or chambers dedicated to patent infringement matters. The district court of Düsseldorf has even three patent chambers.

- **Suspension of the proceedings.** A particular challenge of the split system is to fairly balance the interests of the patentee to quickly enforce the patent rights with the interests of the accused infringer not to be prevented from commercial activities by an invalid patent. Of course, infringement proceedings are not completely disconnected from one another, and there are mechanisms that guarantee a fair resolution of the conflicting interests. The courts may order suspension. Requesting the suspension of the infringement proceedings requires that opposition or nullity proceedings against the asserted patent be already pending by the time of the suspension request. The court has discretionary power to suspend the proceedings. Based on the submitted record, the court makes its determination as to whether there is a predominant probability (or high likelihood) that the asserted claim will be invalidated in parallel invalidation proceedings. (Federal Court of Justice, X ZR 56/85, GRUR 1987, 284, "Transportfahrzeug.") The court's usual reasoning is roughly summarised below:

Court's reasoning as to the Question of Suspension



Since there is no evidence-taking in respect to the question of suspension, the court makes a summary assessment based on the material submitted by the parties. The likelihood of a suspension is typically very low if the defendant's request is exclusively based on prior art documents which were already considered by the patent office during the granting or opposition proceedings. The chances for obtaining a stay are higher if the request is based on previously undisclosed, novelty-destroying prior art. It is

commonly understood that there is a high threshold to achieve a stay of infringement proceedings. Statistical information on the success of stay requests is not available, but based on Preu Bohlig's experience litigating many patent disputes in Germany, suspensions or the appointment of court experts (see next section) generally occur in less than a third of the cases. Considerations in favour of or against a suspension are summarised below:

Considerations in the Suspension Decision

Pro

- Prior art that was not considered during prosecution proceedings and is novelty anticipating.
- The inventive step has become so questionable in view of the prior art presented by the infringer that no reasonable argument in favour of validity remains.
- The decision of the Federal Patent Court is based on a clearly and obviously wrong decision.
- The decision of the patent office is based on a clear and obviously wrong decision.

Contra

- Simple doubts exist on the validity of the patent or doubts referring to inventive step.
- The nullity action only contains validity attacks (prior art) which were already considered by the patent office.
- The patent has been confirmed in first instance, unless new, unknown, novelty-anticipating prior art will be identified during the second instance.
- The validity attack is based on a prior public use which cannot be consistently proven by means of written documents (testimony by witnesses and affidavits are insufficient).
- The accused infringer unreasonably delays the parallel invalidation proceedings.

- **Court expert.** The court may conclude that the technical knowledge of an expert is necessary. The appointment of a court expert is the most frequently used form of judicial investigation; fact witnesses are rather rare in patent infringement cases. In most cases, the court renders a decision without appointing an expert. The probability of the involvement of a court expert differs from court to court, and also depends on the subject matter of the case. Precise estimations are difficult, but based on Preu Bohlig's experience litigating many patent disputes in Germany, the appointment of a court expert generally occurs in less than a quarter of the cases. In most cases, the court bases its de-

cision on its own assessment of the technology, as understood through the material submitted by the parties. The following approximation concerning three major infringement courts might additionally be taken into consideration when selecting the court.

Tendency to Appoint an Expert per Court

District Court Düsseldorf	Lower tendency
District Court Mannheim	Moderate tendency
District Court Munich	Highest tendency

– **Appeal.** Appeals are heard by 12 appeal courts, each having jurisdiction over one district court. For instance, decisions rendered by the District Court Düsseldorf are appealed before the Appeal Court Düsseldorf. In appeals, the admission of new facts is restricted and might be rejected as belated if their consideration would lead to a delay of the proceedings. To avoid such a rejection, the late submission must be sufficiently excused. Finally, a second appeal can be filed to the Federal Court of Justice in Karlsruhe. It represents a purely legal

appeal in cases of general legal interest to the public, i.e., if the decision would contribute to the development of case law or if the consistency of German case law is in question. Submissions of new facts are not allowed. The facts established by the appeal courts are binding for the Federal Court of Justice, unless such findings are affected by a procedural error, and such error is adequately demonstrated in the grounds for appeal. Thus, in general, no evidence is heard at the Federal Court of Justice.

Basic Overview

	District Courts	EPO/GPTO Opposition	Federal Patent Court
Proceedings	Bench Trial Without Jury, No General Pre-Trial Discovery	<i>Inter Partes</i> Proceedings	<i>Inter Partes</i> Proceedings/ Subsidiary Character vis-à-vis Opposition
Remedy	Injunction/Rendering of Accounts/ Damages	Cancellation/ Modification	Cancellation/ Modification
Speed (approx.)	1 year	2 years	2 years

2 Federal Court of Justice, X ZR 56/85, GRUR 1987, 284, "Transportfahrzeug."

4. Costs

4.1 Overview

When budgeting a patent enforcement case the following financial aspects should be taken into account:

- **Fees of the party's own legal representatives:** The party's own legal representatives either bill on an hourly basis, depending on the workload, or they charge the statutory fees according to the Statutory Fee Act. [RVG (=Rechtsanwaltsvergütungsgesetz).] The Statutory Fee Act contains cost tables which set the statutory fees depending on the litigation value of the case. ("Litigation Value": A preliminary estimation of the litigation value is made by the plaintiff in the complaint. In most of the cases, the litigation value is not in dispute between the parties. Accordingly, the preliminary estimation of the plaintiff at the beginning of the proceedings is decisive for the calculation of the costs of the proceedings, including the overall risk assessment.) Usually, the party's own legal representatives will bill on an hourly basis, or other alternative fee arrangement, because patent cases are sufficiently complex that the statutory fees fall well below the normal costs of handling a case. Thus, the client and the law firm reach a written fee agreement (which cannot fall below the levels set by the Statutory Fee Act).
- **Court Fees:** Court fees, which depend on the litigation value, have to be advanced by the plaintiff when filing the complaint. The court fees are deductible from cost tables contained in the Court Fees Act. [GKG (=Gerichtskostengesetz)] The plaintiff makes a preliminary estimation of the litigation value in the complaint, which is usually decisive for the whole proceedings.
- **Eventual reimbursement:** The losing party is liable to pay the advanced court fees and must reimburse the statutory fees of the winning party. Because these fees depend only on the litigation

value, the recoverable fees of the winning party do not depend on what the lawyers of the winning party have actually billed. Accordingly, it is irrelevant that the lawyers have billed on the basis of an agreed hourly rate. In case of a partial win, the costs are shared among the parties according to their prevailing parts.

- **Split patent litigation system:** The defendant in patent infringement proceedings usually challenges the validity of the asserted patent by filing a nullity complaint with the centralized FPC in Munich or through opposition proceedings. Costs resulting from these proceedings are added to the overall costs.
- **Particularities for Non-European Companies:** Plaintiffs without a residence or principal place of business in a member state of the European Community must, upon request of the defendant, provide a security, such as a bank guarantee, for the potential cost reimbursement claim in case the complaint is dismissed.

4.2. Infringement Proceedings

4.2.1. Costs of the Party's own Legal Representative

- Billing on an Hourly Basis

As indicated above, the party's own legal representatives generally bill on an hourly basis. Accordingly, the fees depend upon the different tasks to be accomplished by the litigation team during the proceedings. The litigation team is usually composed of an attorney at law, a patent attorney, and a young associate, as well as secretaries and paralegals. (Costs for secretaries, paralegals are usually included and are not additionally charged.) As the amount of the different tasks which have to be accomplished by the representatives in the course of the proceedings can often be anticipated, it is feasible to budget the costs of the proceedings.

The right holder should ask the legal representatives at what stage of the proceedings the different costs will accrue. There might be starting costs accruing prior to the filing of the lawsuit. These costs comprise the evaluation of the patent, assessment of the infringing aspects of the accused embodiment, and then the preparation and filing of the complaint. Later, a few months after filing the complaint brief, a reply to the response to the complaint brief has to be drafted and finally (approximately twelve months after the introduction of the proceedings) the legal representatives will have to prepare for, and participate in, the hearing. Due to the reduced complexity of the proceedings relative to the U.S. (no general discovery, no depositions, no jury trial, no equitable conduct defenses), budgeting is more predictable in German proceedings than in the U.S.

- Billing According to the Statutory Fee Act (First Instance)

If special arrangements concerning an hourly rate are missing, the fees are calculated on the basis of the Statutory Fee Act. [RVG (=Rechtsanwaltsvergütungsgesetz).] These are the minimum fees which cannot be undercut by particular agreements. Legal representatives would bill on the basis of the following table depending on the litigation value. The following simplified table is taken from the Statutory Fee Act. The indicated costs cover the fees for the entire involvement of a patent attorney and attorney at law during the first instance proceedings. The values range from very low (well below average), to higher litigation values that might be seen in cases with greater economic impact. If there is no special arrangement, the indicated fees represent the minimum. In addition to these fees there are usually the typical disbursements such as travel and expense costs.

<i>Litigation Value (EUR)</i>	<i>Attorney Fees (EUR)</i>
250,000 (= very low)	11,305
500,000 (= low value)	16,104
1,000,000 (= moderate)	23,605
2,000,000 (= average)	38,605

5,000,000 (= above av.)	83,605
10,000,000 (=exceptional)	158,605
30,000,000 (= maximum)	458,605

- Billing According to the Statutory Fee Act (2nd Instance)

Usually the costs of second instance proceedings are approximately the same as those charged for the first instance, assuming they are calculated on an hourly basis. If the fees are calculated on the basis of the Statutory Fee Act, a slightly higher amount will then be the result compared to the costs of first instance.

<i>Litigation Value (EUR)</i>	<i>Attorney Fees (EUR)</i>
250,000 (= very low)	18,033
500,000 (= low value)	26,433
1,000,000 (= moderate)	43,233
2,000,000 (= average)	78,944
5,000,000 (= above av.)	83,605
10,000,000 (=exceptional)	158,605
30,000,000 (= maximum)	458,605

- Costs for the 3rd Instance

Third instance proceedings are extremely rare. The court fees are increased by about 30% relative to the second instance. Usually the costs of the third instance, if calculated on an hourly basis, are approximately the same as those of the previous instances. However, if they are calculated according to the Statutory Fee Act, the fees are then approximately 30% higher.

4.2.2. Court Fees (First & Second Instance)

First Instance

<i>Litigation Value (EUR)</i>	<i>Court Fees (EUR)</i>
500,000 (=low value)	10,608
1,000,000 (=moderate)	16,008
2,000,000 (= average)	26,808
5,000,000 (= above av.)	59,208
10,000,000 (=exceptional)	113,208
30,000,000 (= maximum)	329,208

Second Instance

<i>Litigation Value (EUR)</i>	<i>Court Fees (EUR)</i>
500,000 (=low value)	14,144
1,000,000 (=moderate)	21,344
2,000,000 (=average)	35,744
5,000,000 (=above av.)	78,944
10,000,000 (=exceptional)	150,944
30,000,000 (=maxium)	438,944

4.2.3. Cost Increasing Factors

- Cost of private expert: Depending on the complexity of the case, it can be advisable to include the services of a private expert. Costs of a private expert are highly variable and have to be added to the overall costs.
- Costs due to appointment of court expert: In less than approximately 30% of all patent litigation cases, the court of first instance appoints an expert. This is even more unlikely in the second instance. According to our experience, the involvement of a court expert increases the costs of the proceedings (review of expert opinion, at least one additional brief). Furthermore, the proceedings become more expensive because the costs of the court expert (in average EUR 10,000–EUR 20,000) are borne by the losing party.

4.3. Nullity Proceedings

When budgeting a case, possible nullity or opposition proceedings need to be considered. The validity of the asserted patent can be challenged by filing a nullity complaint with the centralized FPC in Munich or through EPO opposition proceedings (within the nine-month period after grant) and the costs resulting from such proceedings must be added to overall costs.

4.3.1. Average Costs for Legal Representatives

In validity proceedings the parties' legal representatives generally bill on an hourly basis. Accordingly, the fees depend upon the different tasks which need to be performed by the litigation team during the proceedings, such as preparation of a reply to the

complaint, preparation of at least one further brief prior to the hearing, preparation of the main hearing and participation in the main hearing plus expenses, such as translation costs and travel costs.

If no special arrangement is reached between counsel and party, the fees are calculated on the basis of the statutory fees regulation, which are in first instance (for both attorney at law and patent attorney):

<i>Litigation Value (EUR)</i>	<i>Statutory Attorney Fees (EUR)</i>
250,000.00	11,305
500,000.00	16,104
1,000,000.00	23,605
2,000,000.00	38,605
5,000,000.00	83,605
10,000,000.00	158,605
30,000,000.00	458,605

In the second instance, these fees are slightly higher assuming that they are not calculated on an hourly basis. They are roughly comparable to the second instance of infringement proceedings.

4.3.2. Court Fees

<i>Litigation Value (EUR)</i>	<i>Court Fees (EUR)</i>
250,000.00	9,468
500,000.00	15,912
1,000,000.00	24,012
2,000,000.00	40,212
5,000,000.00	88,812
10,000,000.00	169,812
30,000,000.00	493,812

These are the costs of first instance at the Federal Patent Court. The court fees at the Federal Court of Justice (last instance) are approximately 20% higher.

4.3.3. Cost Increasing Factors

In nullity proceedings a court expert may also be appointed. Nevertheless, the law has recently been modified in a way that may lead to fewer appointments of court experts. Instead, it seems that more private experts will be involved in these proceedings. The proceedings may thus become more expensive

due to the involvement of private or court expert (in average EUR 10,000–EUR 20,000).

4.3.4. Opposition Proceedings before EPO

Besides a moderate opposition filing fee of less than 1,000 Euros, no court fees have to be paid for opposition proceedings. Parties to opposition EPO proceedings do not regularly have a reimbursement claim even if they win. In case of EPO opposition proceedings, national invalidation proceedings are not admissible. For this reason, the cost assessment should consider either the costs of the EPO proceedings or of the FPC proceedings. The latter depend, however, upon the particular case.

4.4. Reimbursement

4.4.1. Proceedings before the Infringement Courts

The losing party is liable for the court fees and statutory fees of the winning party, including travel expenses and translation costs. If there is only a partial win, the costs are accordingly distributed among the parties (apportionment of costs). The cost reimbursement for attorney and patent attorney fees of the winning party follows the Statutory Fee Act (see tables in the present chapter).

4.4.2. Invalidation Proceedings

– EPO Opposition

Parties to opposition proceedings can normally not claim reimbursement of the costs. According to Article 104 EPC, each party to the opposition proceedings shall bear the costs it has incurred, unless the Opposition Division, for reasons of equity, orders a different apportionment. But such orders occur only in exceptional situations, such as when **the opponent files a highly relevant document late, without any valid justification, and this renders both the oral proceedings and the patent proprietor's preparation useless.** (EPO–T 1306/05)

– German Invalidation Proceedings (1st and 2nd Instance)

The same principles applicable to infringement courts are applicable in invalidation proceedings. In other words, depending upon the litigation value, the winning party can claim reimbursement of the court fees and statutory fees plus expenses. The reimbursable statutory fees, which the losing party has to pay to the winning party, can be taken from the table in previous section 3.1 of the present chapter.

Our offices

Berlin

Grolmanstraße 36
10623 Berlin
Tel +49 (0)30 226922-0
Fax +49 (0)30 226922-22
berlin@preubohlig.de

Düsseldorf

Couvenstraße 4
40211 Düsseldorf
Tel +49 (0)211-598916-0
Fax +49 (0)211-598916-22
duesseldorf@preubohlig.de

Hamburg

Neuer Wall 72
20354 Hamburg
Tel +49 (0)40 60 77 233 - 0
Fax +49 (0)40 60 77 233 -22
hamburg@preubohlig.de

Munich

Leopoldstraße 11a
80802 München
Tel +49 (0)89 383870-0
Fax +49 (0)89 383870-22
muenchen@preubohlig.de

Paris

139, boulevard Haussmann
F-75008 Paris
Tel +33-1-53 81 50 40
Fax +33-1-53 81 50 41
paris@preubohlig.de

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Author: Dr Alexander Harguth, Attorney at law (Rechtsanwalt, IP Patent litigation), Munich office, email: axh@preubohlig.de,
Editor: Preu Bohlig & Partner, a partnership based in Munich, entered in the partnership register of the Municipal Court of Munich (Germany) under PR2

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