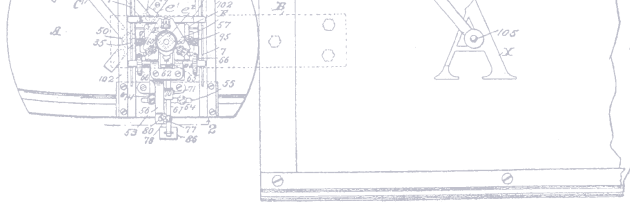




Litigating Patents in Germany



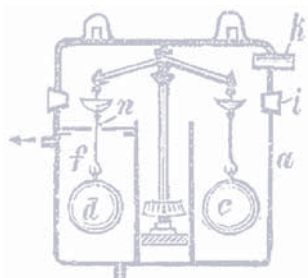


This brochure gives a short overview of the essentials of patent infringement suits in Germany. Since it addresses mainly the practitioner, the framework consists of issues of procedural law. Substantive law is discussed where applicable. The revision of the German law of civil procedure in 2001, which entered into force on January 1, 2002, and recent court decisions are accounted for.

Where practical advice is given, application to a particular case is subject to careful review of the circumstances of the case. Any liability is excluded.

CONTENTS

A. The Courts	02
B. The Claims	03
C. The Standard Procedure	03
I. THE CEASE AND DESIST LETTER	03
II. THE INFRINGEMENT PROCEEDINGS	03
III. THE COMPUTATION OF DAMAGES AND COMPENSATION	06
IV. THE PROCEEDINGS ON PAYMENT	07
D. Special Procedures	07
I. THE PRELIMINARY INJUNCTION	07
II. COLLECTING EVIDENCE	08
III. ENFORCEMENT OF INJUNCTIONS	08
IV. CRIMINAL PROCEEDINGS	09
V. BORDER DETENTION	09
VI. DECLARATORY ACTION FOR ESTABLISHMENT OF NON-INFRINGEMENT	09
E. The Costs	10



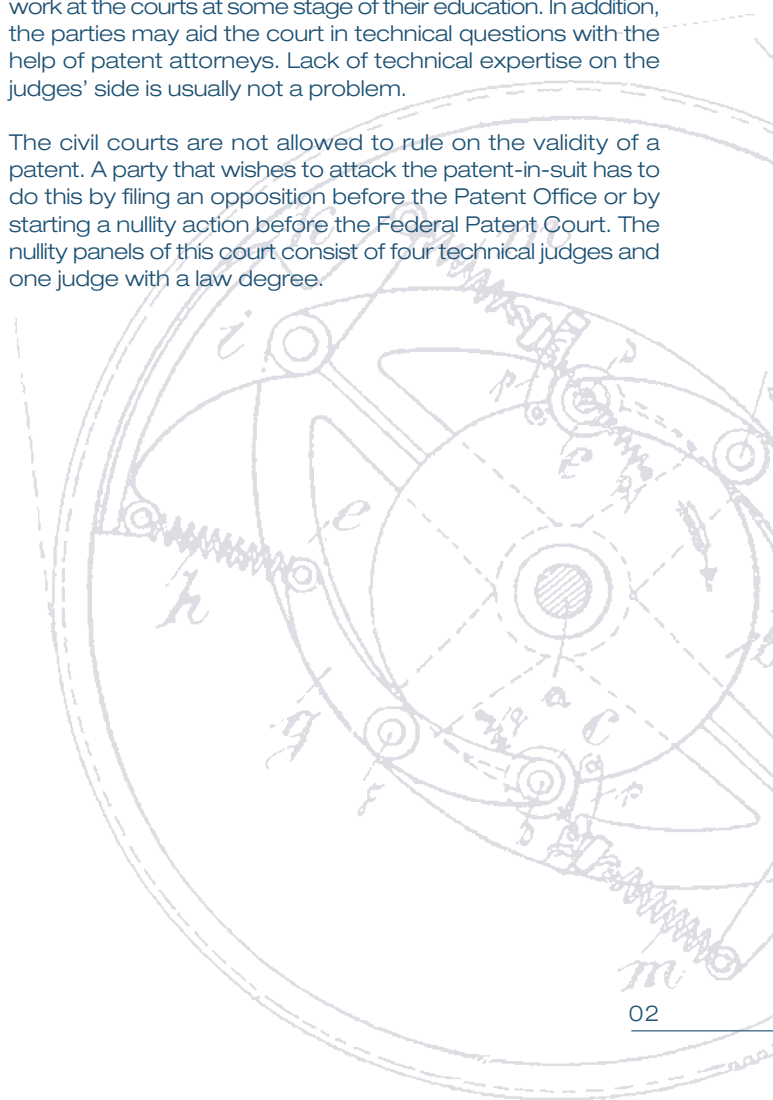
A. The Courts

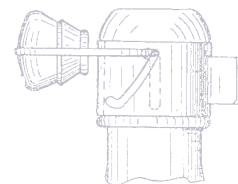
Among the more than one hundred first instance courts (District Courts) for civil proceedings in Germany, only about ten hear patent infringement cases. Each of these courts has jurisdiction over patent infringement suits in a certain part of the country. An alleged infringer can always be sued before the court responsible for the territory in which the infringer is resident or, at the plaintiff's choice, before the court competent for the territory in which acts of alleged infringement have been committed. In cases where the alleged infringement has taken place all over the country, e.g. where a product is advertised over the internet, the plaintiff may choose between all patent infringement courts.

The possibility of selecting a court has resulted in some of the courts having become particularly popular for patentees. On the whole, most patent infringement suits are dealt with by the court in Düsseldorf, where two panels hear almost exclusively patent infringement cases. However, the courts in Munich and Mannheim also have many patent suits on their dockets.

The panels that hear patent infringement cases consist of three judges, all with a law degree. The case may be assigned to one judge only, but this happens very rarely. There are no technical judges. However, the courts may employ the services of technical experts and of candidates, i.e. persons with technical degrees who are trained as patent attorneys and work at the courts at some stage of their education. In addition, the parties may aid the court in technical questions with the help of patent attorneys. Lack of technical expertise on the judges' side is usually not a problem.

The civil courts are not allowed to rule on the validity of a patent. A party that wishes to attack the patent-in-suit has to do this by filing an opposition before the Patent Office or by starting a nullity action before the Federal Patent Court. The nullity panels of this court consist of four technical judges and one judge with a law degree.





B. The Claims

If a patent is infringed, the patentee may seek relief by enforcing the following most important claims:

- **Cease and desist claim:** any infringer has to stop the wrongdoing immediately.
- **Claim for damages:** an infringer is liable for damages in case of wilful or negligent action. The threshold for negligence is very low. In order to exclude negligence, an infringer would have to show that it was virtually impossible to find the patent although the relevant registers were searched carefully. Such a defence is only possible under extreme circumstances, e.g. if the patent was incorrectly classified. The infringer only has to redress the actual damages. There are no punitive damages, not even in the case of wilful action.
- **Claim for information:** this claim consists of two parts. The first concerns the information necessary to compute the damages, i.e. the defendant's sales figures etc. The second relates to third parties involved in the infringement, e.g. the infringer's supplier, so that the patentee can enforce the patent against these other infringers as well.

Further claims, e.g. for destruction of infringing items, may also be enforced, depending on the circumstances of the particular case.

There is one additional claim which is often enforced together with the above claims, but which does not arise from the infringement as such: if a party had negligently made use of the patentable subject-matter of the published patent application which later on led to a patent, the applicant is entitled to a compensation for such use. This is a remedy aimed especially at cases where the proceedings for granting of a patent are very long. In the case of a European patent application for which English or French is the language of the granting proceedings, it is required that the claims of the application be translated into the German language and published by the German Patent and Trademark Office or that they are otherwise brought to the attention of the party that uses the invention.

The claims for damages and compensation are usually enforced in two steps: first the plaintiff commences infringement proceedings, in which establishment of the defendant's liability is sought next to the injunction and information. After that stage, the plaintiff computes the damages and compensation according to the information obtained from the defendant. If the parties do not agree on the amount to be paid, the plaintiff may institute further proceedings for payment in which the parties argue over the correct calculation.

C. The Standard Procedure

Most patent infringement cases are dealt with in the following manner:

I. THE CEASE AND DESIST LETTER

A cease and desist letter is not a precondition for instituting court proceedings. However, if a plaintiff files suit and the defendant accepts all claims immediately, the plaintiff will of course win the case but will also have to bear all costs. The rationale is that prospective defendants shall be given a chance to yield before a lawsuit is started against them. Therefore, the cease and desist letter shall specify all claims to be raised against the defendant.

In very exceptional situations, the obligation to send a cease and desist letter beforehand may be lifted. An example may be a defendant who is a notorious infringer, constantly reacting only after a lawsuit is filed. However, this is rarely the case in patent matters.

II. THE INFRINGEMENT PROCEEDINGS

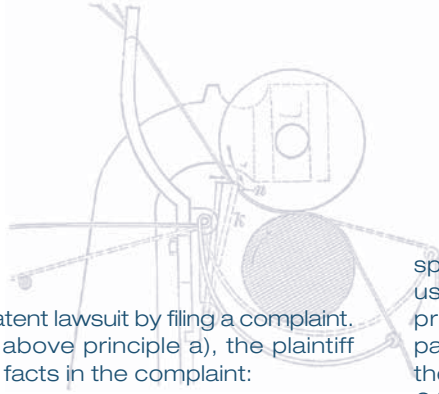
If the infringer does not comply with the claims set out in the cease and desist letter, the patentee may commence infringement proceedings.

1. The Principles

German law of civil procedure can easily be understood if the following principles are kept in mind:

- a) It is up to each party to bring forward all facts which are necessary to substantiate its claim or counterclaim, respectively. Likewise, it is generally the parties' task to dispute facts which they believe are incorrect and to present the evidence to the court. The court does not search for facts on its own. Neither is any party normally required to divulge facts which support the other party's position. There is no discovery, unlike in U.S. law, for which the parties may be forced to specify and produce documents, etc.
- b) The parties shall fulfill the aforesaid task by submitting facts and offers of evidence in writing at an early stage and well before an oral hearing.
- c) The whole case shall be dealt with, if possible, within one oral hearing before the court. Such a hearing usually lasts for some hours on only one day. The submissions according to b) shall be exchanged well before that hearing takes place so that the court and the parties know all the facts in advance and the legal issues of the case may be discussed in detail in court.

Due to these principles, a party that wishes to enforce a patent should analyze its case, particularly the evidence at hand, in detail, before making the first step. No party can hope that the decisive fact or piece of evidence will show up at some time during the proceedings!



2. The Complaint

The plaintiff institutes the patent lawsuit by filing a complaint. In order to adhere to the above principle a), the plaintiff must include the following facts in the complaint:

- Identification of the patent-in-suit by specifying the formalities such as publication number, date of grant etc.
- The plaintiff's entitlement to enforce the patent-in-suit against an infringer, e.g. the plaintiff's position as patent holder or exclusive licensee (under German law, an exclusive licensee may enforce the licensed patent).
- If the patent specification (to be submitted by the plaintiff) does not contain all technical information necessary for understanding the technical issues of the case, the plaintiff shall give appropriate technical explanations.
- The device or method with which the defendant infringes the patent; for every element of the enforced patent claim(s), it is necessary to substantiate why the attacked device/method makes use of this element. Likewise, for any element for which the plaintiff wants to invoke the doctrine of equivalence, the plaintiff must establish:

(1) that the element used in the device/method of the defendant has the same function as the element in the claim,

(2) that it is obvious to the skilled person that the element in the claim may be replaced with the element actually used, and

(3) that the result of such extension of the scope of protection is still oriented to the wording of the claim (the courts use this precondition to safeguard that subject-matter, which is contradictory to the features of the claim, is excluded).

- The responsibility of the defendant (as a manufacturer, importer, vendor, user or the like).

The facts do not need to be supported by evidence at this stage. However, it is most advisable to present the evidence already in the complaint because, firstly, it avoids a shortage of time later on, and secondly, it forces the party and its attorneys to carefully check whether every piece of evidence is available. A party that fails to present a necessary piece of evidence will inevitably lose the case!

The plaintiff is not required at this stage to address any possible counterclaims which the defendant might rely on. The plaintiff may, however, anticipate such counterclaims and discuss them in the complaint for tactical reasons.

Finally, the plaintiff is not required to make any observations regarding the validity of the patent-in-suit, since the infringement court is not entitled to examine the validity of the patent.

3. The Court Fees

Further to filing of the complaint, the plaintiff has to pay the court fees to the court. The amount of the fees depends on a so-called value of litigation. It is usually impossible to

specify an exact value of litigation for a patent suit. It is usually estimated based on considerations such as the prospective turnover the parties may reach with the patented subject-matter and the economic relevance of the patent on the market. Typical values range between € 500,000 and € 10,000,000.

The plaintiff usually proposes a value of litigation in the complaint. This proposal is used for computing the fees to be paid initially. For example, if the value of litigation is € 500,000, the court fees are € 8,868. If it is € 10,000,000, the plaintiff must pay € 94,368.

If the plaintiff's proposal is unrealistic in the court's opinion, or if the defendant casts serious doubts on it, the court may change it at any stage until after the oral hearing. This makes it difficult to estimate costs of a patent lawsuit in advance.

4. The Orders of the Presiding Judge

After receipt of both the complaint and the fees, the presiding judge decides whether to fix a date an oral hearing already at this initial stage or whether the parties shall first be invited to make submissions so that there is enough time for them to prepare the hearing sufficiently. The question how to proceed is left to the court's discretion and each court follows its own practice.

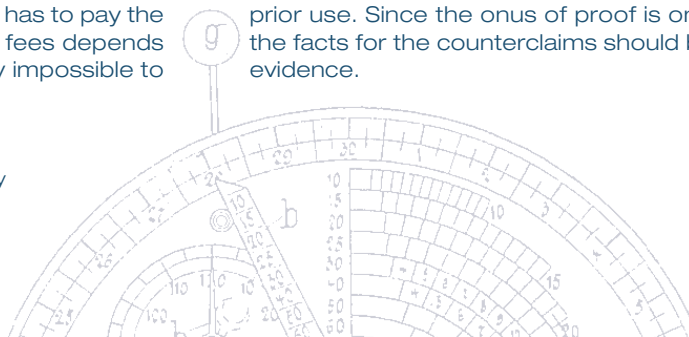
The District Court in Düsseldorf follows standard procedure: the presiding judge sets an early date for a preliminary hearing which only serves to arrange formalities such as terms for submissions and the date of the final hearing with the attorneys. The early hearing takes place about three months from the filing of the complaint and the final hearing about a year thereafter, always depending on the workload of the court.

The court then serves the complaint together with the presiding judge's orders on the defendant. The plaintiff is notified accordingly.

5. The Defendant's Response

After service of the complaint, the defendant essentially must make the following decisions:

- *Which facts in the complaint are to be disputed?* – The defendant needs to check carefully whether the plaintiff has made any false allegations in the complaint. If so, the defendant must dispute them. Facts which are not disputed are deemed to be true! The parties are allowed to dispute a fact which they are not able to verify. It is not necessary to support the denials by evidence. However, if the defendant possesses evidence for its version of the facts, it is advisable to present such rebuttal evidence so the court will not only rely on the plaintiff's witnesses, etc.
- *Which counterclaims shall be invoked?* – At this stage, the defendant is required to bring forward and substantiate counterclaims, such as exhaustion or private prior use. Since the onus of proof is on the defendant, the facts for the counterclaims should be supported by evidence.



- *Shall the invalidity of the patent-in-suit be invoked?* – Sometimes invalidity of the patent is the sole defence. However, the German civil courts are prohibited from ruling on the validity of a patent. The validity issue belongs to the exclusive jurisdiction of the Patent Offices and the Federal Patent Court.

The defendant drafts the response to the complaint according to the first and second above decisions. If the patent-in-suit shall be attacked, the defendant's action depends on the procedural situation:

If an opposition is pending and the defendant is already party to it, the defendant needs only to include in the response a request that the infringement proceedings be suspended. This motion should be accompanied by a report on the opposition proceedings and an analysis of why the patent-in-suit will presumably be revoked.

In case of an opposition to which the defendant is not (yet) a party, the German as well as the European procedural rules allow for the defendant to become a party within a certain period of time. It is generally recommendable to take this option in order to gain one more chance to reach a revocation. Similar considerations apply of course in cases where the opposition period has not yet expired.

If no opposition is pending and the opposition term has expired, the defendant may file a nullity action with the Federal Patent Court.

In any case, the defendant should bring the proceedings to the attention to the infringement court and move for suspension of the infringement proceedings. This shall be done, if possible, in the response because undue hesitation in attacking validity of the patent-in-suit may be a ground for the court not to stay the proceedings. The decision whether to stay or not is left to the court's discretion and the different courts have developed their various ways of handling it. Whereas some courts grant a stay rather easily, the court in Düsseldorf usually only suspends an infringement action if the defendant presents new prior art which had not been taken into account in the grant proceedings and which forms a basis for disputing novelty. This strict handling of suspensions is one reason why the District Court in Düsseldorf enjoys a good reputation for patent holders.

6. Further Submissions

The defendant's response usually causes the plaintiff to reply in turn and so on. Any party may make submissions at any time before the oral hearing. It is even possible to submit a brief during the hearing or to present new facts orally. However, the closer the date to the oral hearing, the more the parties risk that their new facts get rejected due to late filing, unless the filing is accompanied by sufficient excuse (see principle b) above).

7. The Oral Hearing

The procedural rules leave ample discretion to the presiding judges on how to handle the oral hearing. Some start with exploring settlement possibilities; most prefer to bring the

court's preliminary view on the case to the attention of the parties first. Normally, the judges show to some extent the tendency of how they might decide. This gives the attorneys the opportunity to focus on the decisive points in their pleadings.

If a fact which is decisive in the court's opinion remains disputed until the oral hearing, the court has to take evidence. It is now essential for the party having the onus of proof to have submitted pertinent offers of evidence early enough. If the party has failed to do so, the court may reject any new offer of evidence being late.

If there is no evidence to be taken, the court closes the oral hearing. In general, no further facts may be submitted.

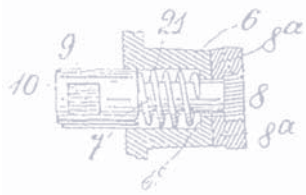
8. The Evidence

If, during the phase in which the parties file their submissions, the presiding judge anticipates that it will be necessary to take evidence, he or she may make the preparations in advance so that taking evidence causes no delay. In most cases, however, it turns out at the oral hearing that a further hearing for taking the evidence is necessary.

If taking of evidence requires expenses, e.g. travel expenses of a witness, the court usually invites the party bearing the burden of proof to pay a retainer first. Only if this retainer is received at the court within a set period of time does the court proceed with summoning the witness, appointing a court expert, or the like. Since especially the costs of expert opinions may vary within a broad range, this renders it further difficult to make any predictions of the costs of patent infringement proceedings.

Depending on the subject-matter to be proven, there are various ways of taking evidence. German law of civil procedure essentially provides for five types of evidentiary matter:

- **Expert opinions:** if a technical question, in particular interpretation of terms used in the patent specification, is in dispute, this is resolved with the assistance of a court-appointed expert. The expert gives a written opinion and may be summoned to the oral hearing for interrogation.
- **Witnesses:** a person that has perceived a certain fact, for instance a presentation of a machine at a fair, may serve as a witness. Witnesses may not give opinions. They can only confirm facts or disprove factual allegations.
- **Party interrogation:** parties cannot be witnesses. Legal representatives of a company may not serve as witnesses, either, because they are deemed to be a party to the proceedings in this respect. A party may only be interrogated under certain conditions, e.g. if there is some likelihood that the fact in question is true but the court is not yet fully convinced.
- **Documents:** documents can prove that the declarations contained therein, e.g. a contract, have actually been made. As long as the authenticity of a document is not disputed, copies instead of an original document may be submitted to the court.



- **Inspection:** the judges themselves may inspect the device in question. This may be done in court or at another place where the device is located, e.g. on the premises of a party if it is a large machine.

Photographs are presented in patent cases very often, but as such they are not included in the list above. If the authenticity of a photograph is undisputed, it may serve as object of inspection so that it is not necessary to inspect the shown object itself. If, however, the authenticity is in dispute, the party relying on the photograph should name a witness who can confirm the photograph's contents. So the photograph serves as support for the witness's testimony.

9. The Decision

At the end of the last oral hearing, the court sets a date on which it pronounces its decision. This decision is usually a judgment, but it is possible that the judges come to the conclusion that (further) evidence is to be taken. In this latter case, the court issues the necessary orders.

When the court grants a stay due to pending opposition or nullity proceedings, this is usually done by a court order as well. However, if the court intends to reject the plaintiff's claims anyway, it will do so without a suspension.

After pronouncement of the decision, the court serves the decision in writing to the parties.

10. Appeals

Within one month of service of the written judgment with reasons, the losing party may appeal to the second instance court (Superior Court). The second instance proceedings are similar to the first instance as described above with the important exception that new facts may only be submitted under certain circumstances, e.g. if it was not possible to obtain the information earlier (see principle b) above). Under the amended code of civil procedure, in force since 2002, the only task of the second instance courts is to check whether the courts below decided correctly. It is not their task to review the case on a new factual basis.

A further appeal to the Federal High Court is possible under certain circumstances, e.g. if legal issues of fundamental relevance are involved. In this third instance, the court only rules on points of law taking the facts found by the lower courts to be true as a basis.

If no appeal is filed or when all appeals have been ruled upon, the judgment becomes final. It is possible that a defendant receives an adverse final judgment while opposition or nullity proceedings are still pending. If in such a situation the patent-in-suit is revoked after all, the defendant may request reopening proceedings to get the verdict annulled.

III. THE COMPUTATION OF DAMAGES AND COMPENSATION

An infringer sentenced by a judgment has to provide the plaintiff with all the information, as awarded by the judgment, for enabling the plaintiff to compute the monetary amount of damages to be claimed. For computing the amount of damages the plaintiff may use one of the following three standard methods:

- **Lost profit:** if the plaintiff can prove that without the infringement he or she would have made all the sales the infringer actually made, the plaintiff may claim the actual damages, i.e. the plaintiff's own profit per item multiplied by the number of items sold by the infringer.

This method usually results in the highest amounts of damages, but in most cases the plaintiff fails to prove that he or she would have made all the sales the defendant has made. Further, many parties are reluctant to divulge their internal data about their own profits and therefore prefer not to use this method.

- **Infringer's profit:** the plaintiff can ask for the profit the defendant made with the infringement. Before the year 2001, infringers were allowed to deduct almost any costs relating somehow to the infringement, so that in many cases, there was not profit but loss. This rendered this method useless in most cases.

However, in 2001, a decision of the Federal Court of Justice concerning a design patent case was published in which the court set narrow limits to possible deductions. Only costs which are directly attributable to the infringing products may be deducted. General costs, such as rent and energy costs, can usually no longer be accounted for.

Consequently, this method is now the method of choice. However, the decision came down in a design patent case where the whole value of the infringing product essentially consisted of its design. The decision was made by a panel which does not hear the patent cases. It is therefore an open question as to whether the Federal Court of Justice will adopt this new approach also for patent matters, where it can easily lead to an undue hardship for the defendant; especially in cases where the infringement concerns only a detail of minor importance in a complex and expensive technical device.

- **License analogy:** the third method is computing a fictitious licence fee. It is always difficult to specify a realistic licence fee, especially if the plaintiff cannot produce other licence agreements for comparison. A licence rate of five per cent or above is rarely awarded by a court.

The patentee's claim for compensation for use of the disclosed subject-matter of the patent application is usually computed according to the third method using a reduced licence rate.

Having computed the amount of money, the patentee demands payment within a certain period of time from the infringer. If the latter fails to comply, the parties may again enter a lawsuit.

IV. THE PROCEEDINGS ON PAYMENT

Like the infringement proceedings, the action for payment starts with a complaint to be filed by the plaintiff. The procedure is essentially the same as in the infringement suit except that the parties argue over a different claim i.e. the amount of damages for the infringement of which the defendant has already been found guilty.

D. Special Procedures

I. THE PRELIMINARY INJUNCTION

Although a claim for damages might be substantial in some cases, it often cannot redress in full the patentee's loss caused by the infringement. It is therefore desirable for most plaintiffs to obtain injunctive relief at an early stage. Such plaintiffs should consider filing a request for a preliminary injunction.

1. The Procedure

German law of civil procedure allows for the courts to issue preliminary injunctions in ex parte proceedings. After a request is filed, the court decides whether it grants the injunction or rejects the request in ex parte proceedings; or whether it summons the parties for an oral hearing (so the plaintiff cannot force the court to decide ex parte).

If a preliminary injunction is granted ex parte, the defendant can oppose that decision and thereby force the court to hold an oral hearing. However, the injunction remains in force until it is revoked. Each party is generally allowed to bring forward new facts and evidence until the end of the oral hearing (principle b) above is set aside in preliminary injunction proceedings for the procedure is quick anyway).

In case of an oral hearing – be it after the request has been filed, or be it after the defendant has opposed an ex parte injunction – the court rules on the case by a judgment. The losing party may appeal to the second instance court (Superior Court).

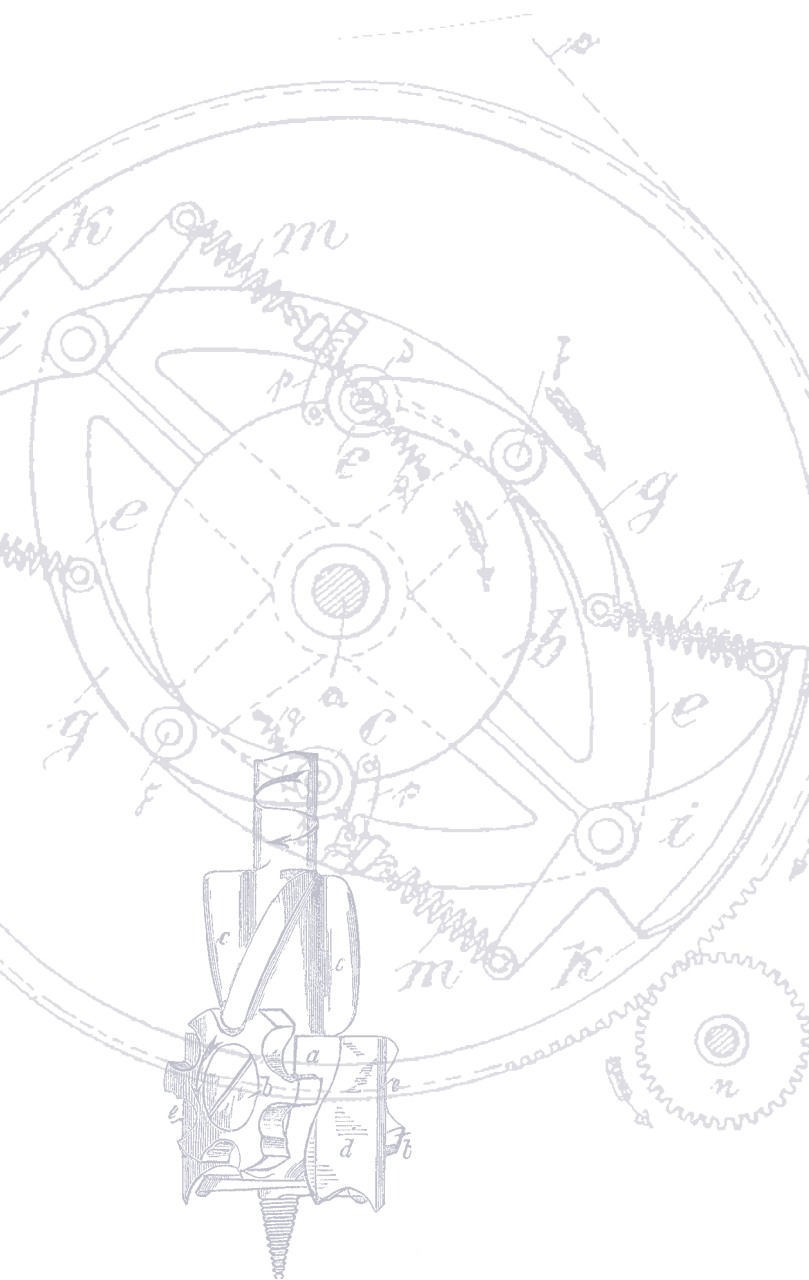
There is no third instance in preliminary injunction proceedings. As a consequence, the Federal High Court has no opportunity to harmonize the application of the procedural law for preliminary injunctions developed by the lower courts. Therefore, the courts have developed their own case-law on some procedural issues which the plaintiff should carefully take into account before choosing a court for a preliminary injunction.

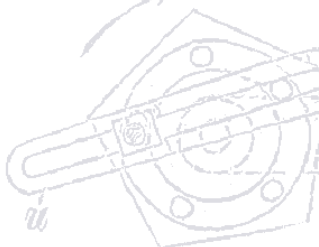
2. The Request

A request for a preliminary injunction must contain all the facts necessary to establish an infringement – in this respect, the request resembles a complaint (see above). In contrast to the latter, however, all facts must be supported by appropriate evidence showing that the facts are likely true. The evidence must be available to the court immediately, i.e. the judges must be put in a position from which they can assess whether the asserted facts are likely to be true. If, for example, a fact shall be proven by a testimony of a witness, it is not sufficient just to name the witness. Rather, a sworn affidavit of this witness containing all the details of the testimony must be submitted along with the request.

Further to establishing the infringement, the plaintiff must demonstrate to the court that the matter is urgent. This requires two points:

- The plaintiff must move very fast. The courts require the plaintiff to file the request within a short period of time





after having obtained knowledge of the infringement. As to the length of this period, the jurisdiction of the courts varies greatly. Whereas the District Court in Munich does not allow for more than a month, the Hamburg court takes a more flexible approach: several months might not be harmful if the plaintiff had sought for an amicable solution during this time.

- The plaintiff's interest to obtain immediate injunctive relief must outweigh the defendant's interest not to be enjoined on the basis of a possibly unjustified claim.

This precondition usually requires that the parties compete on the market, be it directly, or be it through licensees. If the patentee itself does not exploit the patent, his or her interests can be sufficiently protected by the claim for damages being enforced in standard proceedings.

If there is competition between the parties, the most relevant factor for balancing the mutual interests is the validity of the patent-in-suit. The plaintiff should identify the closest prior art and give an explanation as to why it would not jeopardize the patent. The court must come to the conclusion that the patent will presumably be upheld in possible revocation proceedings.

It is highly recommendable to include in the request a discussion of the objections raised by the defendant in its response to the cease and desist letter. If the judges can consider the defendant's objections by reading the request already, they are more inclined to grant the injunction without hearing the other party. This particularly applies where the defendant cited new prior art in order to challenge the validity of the patent-in-suit.

In the light of the above, it can easily be understood that drafting a request for a preliminary injunction in a patent case is often a more complex task than drafting a complaint.

3. The Letter of Defence („Schutzschrift“)

Because receiving an ex parte injunction is very harsh, the courts developed a specific procedural device for the defendant, the so-called „Schutzschrift“. It is a letter in which the prospective defendant, who has reason to believe that a request for preliminary injunction may be filed, brings forward all the defences as if it were a response to the plaintiff's request. In addition, all facts shall be supported by appropriate evidence. This letter, which is not provided for in statutory law, is to be filed prior to the plaintiff's request, usually shortly before the opening of a fair or immediately after receipt of a cease and desist letter. As soon as a request for a preliminary injunction is filed, the court checks whether there is a letter of defence relating to that case. If so, the court considers both the request and the letter at once so the defendant has a fair chance to be heard.

In cases where the plaintiff may choose between several courts, it is difficult to predict where the request will actually be filed. In such cases, it is common practice to file the letter of defence at some or even all courts which are competent for patent infringement suits.

4. Advantages and Risks

Preliminary injunctions may be issued very quickly. An ex parte injunction may be granted within days, sometimes within hours. This renders this instrument particularly attractive for patent holders.

However, they have to pay a price: if it turns out after all that a preliminary injunction was unjustified, the plaintiff is liable to all damages incurred by the defendant due to adhering to the court decision. This liability is independent of any negligence on the side of the plaintiff. This risk is particularly high in patent cases since it cannot be excluded for certain that the counterparty may find new prior art which forms a basis for a successful attack on the patent-in-suit. It is this particular risk which prevents plaintiffs from requesting a preliminary injunction in most cases.

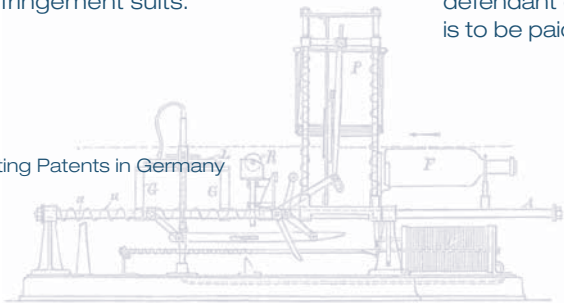
II. COLLECTING EVIDENCE

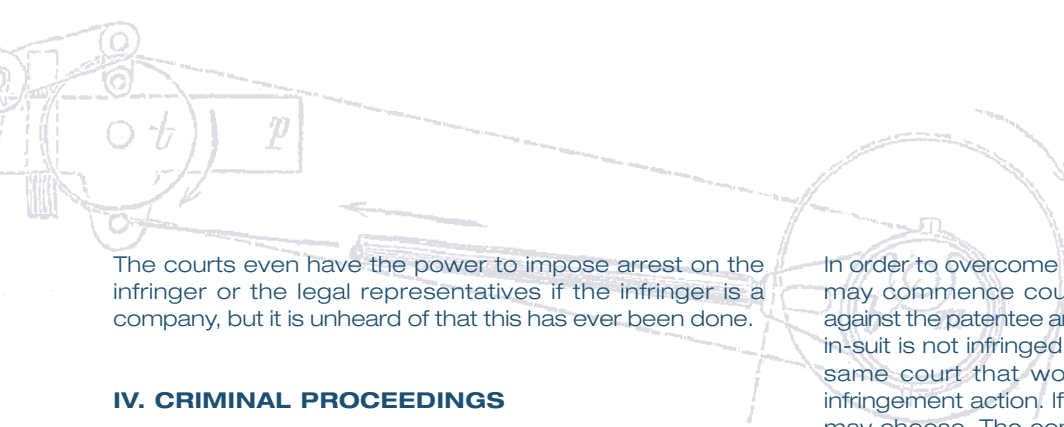
A patentee is often confronted with a situation in which there is good reason to assume that a certain process or machine in the possession of a third party makes use of the patented invention, but the evidence is inaccessible. If the aforementioned principle a) is applied without exception, the patentee would have no chance of enforcing the patent. This would hardly be in line with Article 43 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to which the Federal Republic of Germany is party.

The EU Enforcement Directive (2004/48/EC) contains provisions dealing with problems of collecting evidence, specifically evidence in the possession of the counterparty or a third party. After a delay of more than two years, the directive was finally implemented into German law in September 2008. During the period in which the implementation was overdue, the German courts developed already some rules to remedy the hardship of lacking evidence. Especially the District Court in Düsseldorf established the so-called "Düsseldorfer Modell" which involves a fast-track procedure in which evidence in someone else's possession can be secured. This procedure is similar to the French "saisie contrefaçon" known from French and Belgian law. It turned out to be particularly effective in situations where a possibly infringing article is presented on a fair. Other courts, e.g. the District Court of Hamburg, have adopted the same routine. After implementation of the Enforcement Directive it is to be expected that all courts will follow.

III. ENFORCEMENT OF INJUNCTIONS

Injunctions are usually issued under penalties of up to € 250,000 for each act of breach of the injunction. These penalties are not imposed ex officio. Rather, if there is a breach, the plaintiff may file a request with the court that the defendant shall be punished. The plaintiff can propose a certain amount for the penalty, but fixing the amount is left to the discretion of the court. The plaintiff further has to show that the act of breach was made wilfully or negligently and prove this if the defendant denies it. If a fine is imposed on the defendant, it is to be paid to the public treasury, not to the plaintiff.





The courts even have the power to impose arrest on the infringer or the legal representatives if the infringer is a company, but it is unheard of that this has ever been done.

IV. CRIMINAL PROCEEDINGS

Wilful patent infringement is a crime and may be punished with imprisonment for up to five years. The crime prosecution authorities usually do not start investigations ex officio but only upon request of the patentee. Such a request must be filed within three months as of receipt of information about the infringement.

Patentees usually refrain from making such a request since the punishment weakens the defendant's ability to redress the plaintiff. It is often very unsure whether the prosecution authorities and the criminal courts, which are not specialized for patent cases, will come to a result within an adequate period of time.

However, criminal proceedings might be the method of choice in cases where it is hard to pin down which persons are actually responsible for the infringements, e.g. in product piracy cases. Only the prosecution authorities have the power to identify the infringers.

V. BORDER DETENTION

Where infringing articles are imported from abroad, it is of course desirable for any patent holder to take action before the goods are put on the market. However, only when the items appear on the market does the patentee get the information necessary to take action.

The Customs offers a service for holders of intellectual property rights, according to which imported goods which likely infringe on such rights are seized in order to give the owner of the rights an opportunity to get a preliminary injunction against the importer and/or the consignee of the goods. In order to put the Customs in a position to do so, the holder of the right must file a request in which the intellectual property right is specified, pay a fee, provide for a security, and, where applicable, give further helpful information, e.g. typical import routes and how to tell infringing from original goods. There is also a possibility of intercepting parallel imports with such a procedure.

It goes without saying that, although the Customs has developed considerable expertise in intellectual property matters, only patent infringements which are easy to assess are suitable for such proceedings.

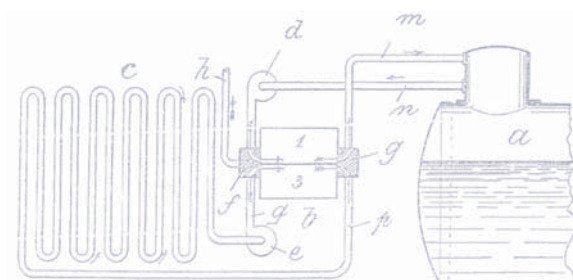
VI. DECLARATORY ACTION FOR ESTABLISHMENT OF NON-INFRINGEMENT

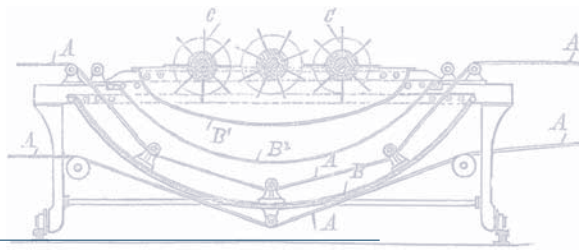
Sometimes a patent holder sends a cease and desist letter to the alleged infringer but then hesitates to bring the case to court. The uncertainty about the infringement may bring the alleged infringer in an uncomfortable situation. In particular, customers may refrain from placing further orders.

In order to overcome such uncertainty, the alleged infringer may commence court proceedings (declaratory action) against the patentee and ask the court to rule that the patent-in-suit is not infringed. The complaint is to be filed with the same court that would be responsible for a standard infringement action. If these are several courts, the plaintiff may choose. The complaint for such a declaratory action recites the accusation of infringement from patentee's cease and desist letter. It is then up to the patentee to demonstrate that there is an infringement. Therefore, a response to a complaint in an action for the establishment of non-infringement strongly resembles to a complaint in infringement proceedings. The burden of proof in respect to claims and counterclaims is exactly the same as in standard infringement proceedings.

The decision of the court is binding for the parties, i.e. should the court reject the claim to establish non-infringement, the infringer cannot deny the infringement in further infringement proceedings.

Whilst a declaratory action for establishment of non-infringement is pending, the patentee is not prohibited from commencing standard infringement proceedings. This may be done by way of a counteraction before the same court or with completely new proceedings in another court if there is an option to choose and the patentee prefers another court. If the first oral hearing within these infringement proceedings takes place before the proceedings on the establishment of non-infringement are closed, the latter are stopped so that the case is finally decided within the standard infringement proceedings. It follows that the action for establishment of non-infringement is normally not a means for the alleged infringer to bring the case before a particular court. Its sole function is to enforce a decision in order to remove the uncertainty caused by a cease and desist letter.





E. The Costs

The losing party has to bear all court fees and all costs for the evidence taken. Further, he or she has to reimburse costs of the winning party, in particular attorney's fees.

Although German statutory law contains specific rules for the calculation of costs, it is hard to predict the costs of a patent infringement suit in advance. The first reason is the value of litigation, which is essential for computing court and attorney's fees to be reimbursed. In most cases, the courts accept the plaintiff's proposal, but there is no guarantee. The second reason is that it is unpredictable as to if and which evidence the court will take. Third, it is unpredictable as to how many instances will be used. In each instance court and attorney's fees are generated. It is possible that a court of a higher instance remands the case back to the lower instance, which entails further fees. Finally, it is unpredictable as to whether the defendant will commence an action of revocation. Such an action is normally more expensive than an infringement suit.

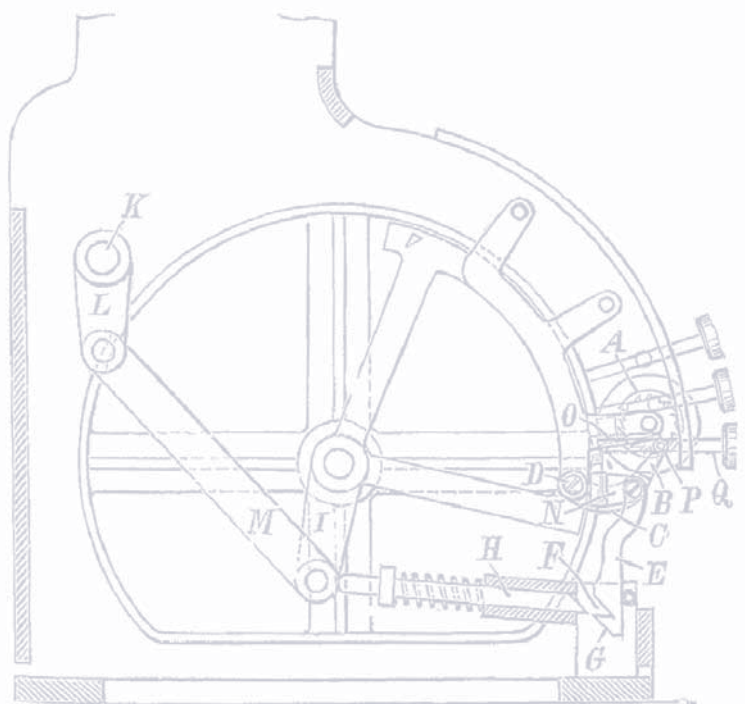
As a consequence, any forecast of the possible costs can only be a rough assessment based on the likely development of the proceedings.

An example may visualize the order of magnitude of the costs for one instance:

If the value of litigation is fixed at € 1,000,000, the court fees amount to € 13,368. Assumed, the court had to employ the services of a first technical expert whose costs are € 2,000. There may be a further technical expert who carried out experiments which led to costs of € 6,000. Moreover, a witness had travel expenses for coming from abroad of € 2,500. The costs of the court add up to € 23,868. This amount is to be borne by the losing party.

This party has further to reimburse costs the other party incurred. The amount of attorney's fees to be reimbursed is to be calculated according to the Act for Attorney's Fees. On the basis of a value of litigation of € 1,000,000, these fees for an attorney-at-law are € 11,240. If the winning party has retained a patent attorney – which is always advisable and usual in patent cases – the same amount of fees is to be reimbursed. Further reasonable expenses of the party are to be reimbursed as well. This usually includes travel-expenses, and sometimes costs for searches, test purchases etc. If these expenses amount to, say, € 5,000, the party's costs to be reimbursed are € 27,480.

So in this fictitious patent suit with a value of litigation of € 1,000,000 the losing party has to bear the costs of the court and the counterparty of about € 50,000 and, of course, its own costs. However, as stated above, this may vary depending on the circumstances of the case, and a party that considers filing a lawsuit must always be aware that there might be more instances which would cause additional costs. Patent litigation in Germany might not be as expensive as it is in other countries, but it is not cheap at all! ■



Notes

