

Patent Litigation in the Major European Countries of Germany, France and the UK

November 2013

by

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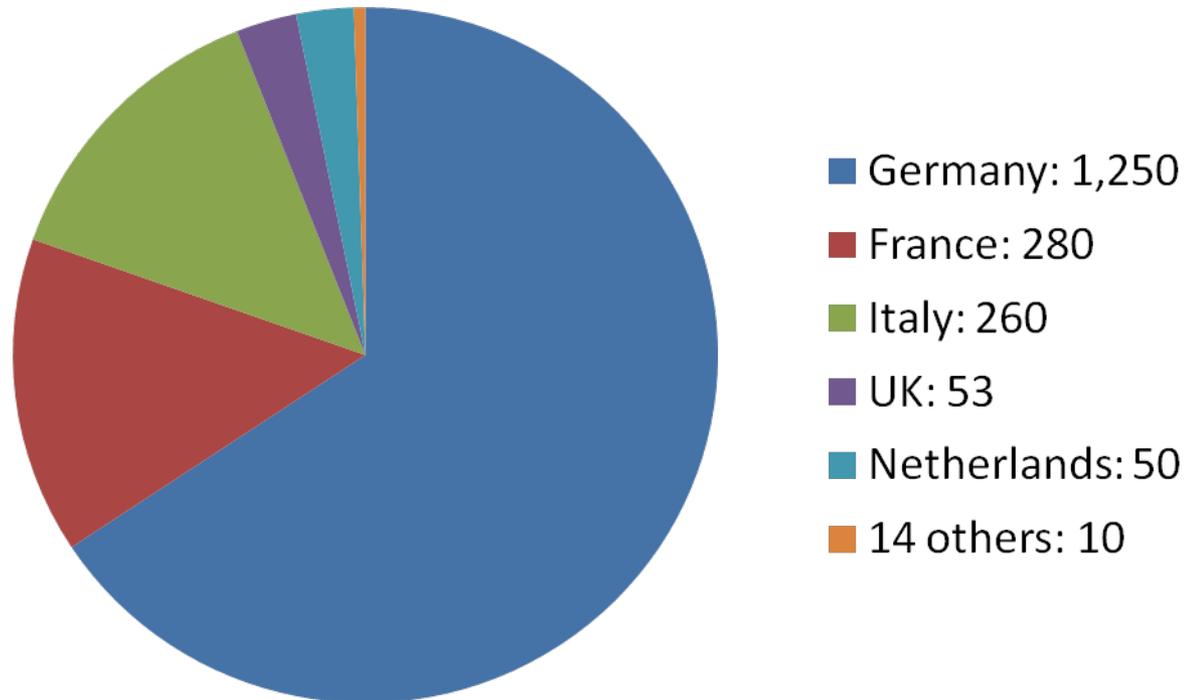
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Distribution of Patent Litigation Cases in Europe

Total: 1,903 cases in 2011



Source: "Die Durchsetzung von Patenten in der EU - Standortbestimmung vor Einführung des europäischen Patentgerichts" [*Patent Enforcement in the EU - location decisions prior to the introduction of the Unified Patent Court*] by Thomas Kühnen, Rolf Claessen, in: Society for the Protection of Industrial Property and Copyright (GRUR) 6/2013

Germany: What to do if infringement is suspected

1. **Gather evidence**, for instance by

- printing-off website(s) showing the product and date
- collecting brochures and advertisements, in particular at trade fairs
- ordering and buying the infringing product (trap purchase).

The purchase location allows an experienced court to be selected.

The experienced courts in Germany are in Düsseldorf, Munich, Mannheim and Hamburg and each handle between 150 and 500 cases per year.

2. **Analyse the infringing product**

A patent attorney can analyse the allegedly infringing product in order to determine whether it is covered by the patent or not.

3. Secure evidence / conduct an infringement seizure

In accordance with the enforcement guidelines of the European Union (2004/48/EC), it is possible to enter the premises of the alleged infringer, together with a bailiff or sworn officer and the patent attorney, in order to obtain evidence of the infringement. This procedure has previously only been available in France (so-called *saisie contrefaçon*).

Germany: What to do before bringing an action

1. Send a **letter of inquiry** to the potential infringer, in which the potential infringer is asked to state why they consider themselves entitled to use the subject-matter of the patent. The alleged infringer's response may then mention relevant prior art and/or relevant arguments as to why the patent is not being infringed. Alternatively, the alleged infringer may offer to negotiate.
2. If the above first step is unsuccessful, a **warning letter** should be sent to the potential infringer, in order to avoid the risk of negative costs later. In the warning letter, the patentee should declare that an infringement action will be brought if the alleged infringer does not desist from infringing the patent.
3. If the warning letter is unsuccessful, then preparations can be made for bringing an **infringement action**. For tactical reasons, the action can also be based on dependent claims. The possible relevance of equivalent infringement should also be considered.

Germany: Risks

There is the risk that the alleged infringer may "launch" a "**torpedo**", meaning that the alleged infringer files an action for a declaration of non-infringement with a "slow" European court. This action would then hold up proceedings in the infringement action brought by the patentee until a decision had been made by the "slow" court regarding the declaration of non-infringement. This risk will be eliminated for European patents (for which the opt-out from the UPC has been waived) once the Agreement on a Unified Patent Court comes into effect, since all actions for a declaration of non-infringement will then have to be filed with the Central Division of the Unified Patent Court, hence it will no longer be possible to deliberately select a "slow" court in order to delay an infringement procedure.

Germany: Court Proceedings

When selecting the court, it should be borne in mind that the German courts in Düsseldorf, Mannheim, Hamburg and Munich handle

- more than 80% of German infringement cases and
- more than 50% of European infringement cases.

Accordingly, these courts have very experienced judges.

Consequently, one of these courts is usually selected, in order to obtain a quick and high-quality procedure.

Germany: the Course of the Proceedings

The procedure varies slightly depending on the court involved, but is always essentially the same. The procedure in Munich would for example be as follows:

- a) bringing the action;
- b) the defendant's response;
- c) the court's first opinion, usually about two months after the action has been brought, in which the court proposes mediation or an out-of-court settlement;
- d) the parties agree the number of arguments to be exchanged and the terms to be observed by the parties before the Oral Hearing is fixed;
- e) the Oral Hearing, usually about 7 to 12 months after the action has been brought and lasting between 1 and 2 hours;
- f) announcement of the Decision, usually about 2 weeks after the Oral Hearing.

Germany: Costs

The costs of the oral procedure depend on the so-called value in dispute. A typical range of costs for a first-instance procedure is € 60,000 to € 100,000. The costs are borne by the unsuccessful party in the patent infringement procedure.

- In rare cases (typically less than 5% of all cases), an expert opinion may be needed, which can delay the procedure by about 6 months and will increase the overall costs.
- In Germany, the system is "bifurcated", i.e. invalidity is decided by the German Patent Court, while infringement is decided by the regional courts. A counter-action for invalidity is filed in about 50% of infringement cases. However, this results in a stay of the infringement procedure in only 10% of infringement cases, since the judges only stay the infringement procedure if they feel that the invalidity procedure stands a good chance of success.

Germany: Appeal Procedure

- An appeal is filed by the unsuccessful party in about a quarter of cases.
- The appeal results in a revision of the first-instance decision in only about a quarter of cases (source: Thomas Kühnen, Rolf Claessen, GRUR 6/2013, figures for Düsseldorf).
- The appeal procedure typically takes between 18 and 24 months.
- The costs of an appeal procedure are about 1.3 times the costs of a first-instance procedure.
- The decision by the appeal court can be challenged, though such a challenge is only very rarely accepted. The challenge would take about 2 to 3 years and cost about 3 times as much as a first-instance procedure.

Germany: Invalidity Procedure

- The alleged infringer can file a counter-action for invalidity.
- The invalidity procedure is handled by the German Patent Court.
- If the infringement procedure is stayed due to the counter-action for invalidity, this typically prolongs the infringement procedure by about 2 to 3 years.
- If an appeal is filed against the decision by the German Patent Court, then the action as a whole will take another 2 to 3 years.
- The cost risk in the invalidity procedure is about 1.3 to 2 times that of the first-instance patent infringement procedure and about 2.5 to 3 times that of the second-instance invalidity procedure.

Germany: Representation

- In infringement proceedings, the parties have to be represented by a lawyer. Only the lawyer can make requests to the court, though the patent attorney has a right of audience.
- In invalidity proceedings, a patent attorney usually presents the case and can make requests. The lawyer usually then merely assists the patent attorney in the invalidity proceedings.

Germany: Effect of the Court's Decision

- The infringer has to desist from the infringing activities.
- The infringer has to pay damages. Damages can be calculated on the basis of a theorised licence fee or on the infringer's earnings from the infringement. The patentee can decide how the damages are to be calculated.
- In order to calculate the infringer's earnings from the infringement, the patentee can demand the disclosure of various information such as the amount of infringing products sold, information on the receiving customers and such like. Information can even be gathered from companies providing the products to the infringer or also from the infringer's customers.

France: General Aspects

- The procedure in France is broadly similar to the German procedure. This is due to a shared historical basis in civil law (historically, Roman law and more recently, the Civil Code) as well as due to moves towards harmonisation within the European Union.
- For example, the so-called *saisie contrefaçon* was formerly only available in France but is now also available in Germany due to European enforcement guidelines. It is however still more common in France than in Germany.
- With respect to material law (equivalency), French case law is close to German case law. However, equivalent features are not allowed to have a known function.
- As in Germany, the French procedure is a written rather than oral procedure.

France: Differences

For historical reasons, evidence provided by parties or witnesses is generally considered to be weak. It is therefore generally necessary to involve a bailiff or sworn officer to assist in gathering the evidence of infringement.

Saisie contrefaçon is however probably still the more effective measure against involved third parties.

A Patent Attorney is not allowed to present arguments in front of the French Court.

France: Invalidity and the Courts

- In Germany, infringement cases and invalidity cases are decided by different courts. In France, by contrast, invalidity – as a possible defence for the alleged infringer – is handled by the same court as infringement.
- Though previously handled by various courts around the country, infringement actions are now concentrated at the TGI (Tribunal de Grande Instance) court in Paris. The court of second instance is the "Cour d'Appel", and the court of third and final instance is the "Cour de Cassation" which only ever serves to verify whether the court of appeal has correctly interpreted French patent law.

France: Claim for Damages

Unlike in Germany, the patent application alone is sufficient for claiming full damages in France. A translation of the claims into French has to be filed when claiming for damages. A decision on the damages claimed will be postponed until the patent application is granted. Claims for damages can lapse under the statute of limitations within 3 years if no court action is filed.

France: Procedure

- As in Germany, there is a written exchange of arguments. However, the timelines are more liberal. The alleged infringer is usually given 8 to 12 months to file a first counter-argument. This leads to the first-instance proceedings lasting about 1.5 to 2 years. An overall action with proceedings in the first and second instance usually takes between 3 and 5 years.
- The cost risk for the first-instance proceedings is typically between € 80,000 and € 100,000 (including patent attorney's and lawyer's fees, but excluding court fees).

United Kingdom

- Unlike the mainly written procedures in Germany and France, there is generally more emphasis on witness evidence and the oral presentation of facts and arguments.
- Many of the legal means required by European enforcement guidelines were already previously achievable by applying existing UK laws and/or case law. The courts can for example order the disclosure of specific documents, although defendants are entitled to withhold particular documents from disclosure if their disclosure would constitute a breach of confidence.

United Kingdom: Preparing an Infringement Action

- Whether or not a warning letter is to be sent should be clarified with legal advisors first.
- If an infringer anticipates the patentee bringing an action, the infringer can launch a pre-emptive counter-action. Potential infringers can ask a relevant court to confirm that their activities are not an infringement and/or whether the IP rights in question are valid. Such pre-emptive moves will often provoke a counter-claim for infringement from the patentee.
- A "trap purchase" is often employed in order to prove infringement. The purchaser may then need to give evidence in the subsequent proceedings.

United Kingdom: Procedure

- Depending on the financial size of the claims, either the Patent County Court (damage cap GBP 500.000) or High Court (Patent Court) is selected.
- Litigation cases are initiated by serving a claim form accompanied by the particulars of the claim, which also set out the basis of the case. The defence, which is normally due within a month, identifies the points which are disputed and sets out a positive defence.
- Each party is obliged to disclose any documents it holds which would assist or adversely affect either party's case. Documents which are legally privileged need not be disclosed. Once litigation has commenced, both parties are under an obligation not to destroy any documents which could be disclosed.
- Evidence for trial is presented in the form of written witness statements. These are normally exchanged at least one month before trial.

- The trial is held before a single judge and lasts from about 3 days to about 1 or 2 weeks. The longest ever recorded took 1 year.
- As in Germany and France, the successful party will normally recover a substantial proportion of its legal costs incurred.
- Appeals go before the Court of Appeal and, very rarely, the House of Lords as the body of final instance.

United Kingdom: Duration and Costs

- First-instance proceedings typically take between 18 and 30 months, depending on the complexity of the case and on whether or not an expert opinion is ordered by the relevant court.
- As in France, the patent attorneys and lawyers charge for IP litigation on the basis of an hourly rate. In view of the complexity of cases and attendant high costs, many cases are settled by agreement. Final costs are difficult to estimate. At the High Court, a lower cost range would be around € 500,000, rising to € 1.5m or more in more complex cases. The costs at the Patent County Court (typically handling lower profile cases) are significantly lower. A large proportion of the costs (typically around 60 to 70%) can be recovered by the successful party, and a similar proportion of the costs will have to be borne by the unsuccessful party.

Material Law

With respect to equivalency, present case law in Germany and France bears some similarity to former case law in the UK (see for example the so-called "*Improver* questions" from 1990 or the "Protocol questions" from 2001), while more recent UK case law (such as the *Kirin-Amgen* case of 2004) seems to be geared towards a more narrow interpretation of the scope of equivalency.

Thank you for your attention.

Any questions?