



# Patent Infringement Proceedings

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## Introduction

This brochure is intended to provide a brief survey of the course of the most important court proceedings and the requirements to be met in each case, taking strategic aspects into account. The following comments relate to patents, but most of them also apply equally to utility models, *mutatis mutandis*.

**German patents and utility models and European patents granted with effect for Germany confer exclusive rights on their proprietors. These are the sole right, to the exclusion of third parties, to manufacture a product which is the subject matter of the patent or utility model, or to offer it, place it in circulation or use it, or to import or possess it for those purposes (product protection). If the subject matter protected by the patent is a process, third parties are prohibited from using that process or offering it for use in Germany if they know or it is obvious from the circumstances that use of the process is prohibited (process protection). In addition, all third parties are prohibited from offering products which are produced directly by a protected process, placing them in circulation or using them, or either importing or possessing them for those purposes (protection for the product of the process).**

### **1. Subject matter protected**

1. Subject matter protected

In the case of a protected product, not only the use of the product as a whole is subject to patent protection, but also any action in Germany involving offering or supplying means relating to an essential element of the invention if the third party knows – or if it is obvious on the basis of the circumstances – that those means are suitable and intended to be employed to use the invention in Germany (indirect or contributory patent infringement). In addition, even the use of a product that deviates from the specific features of the claim may still constitute patent infringement from the point of view of the use of equivalent means. That will regularly be the case if the product achieves the effect of the invention despite its deviating features and if that deviating combination of features was something which the person skilled in the art could have found at the priority date without any inventive effort and which he could have found to be of equal value based on the claim.

Patent applications, on the other hand, do not confer any rights of exclusion. A published patent application may, however – provided a patent is later granted – already trigger claims to compensation as of the date of its publication if third parties make use of the subject matter of the patent application after that time.

## 2. Rights under the patent

### 2.1 Rights in the event of patent infringement

If a patent has been infringed, the patent proprietor or the holder of an exclusive licence in principle has the following claims against the infringer:

- that he cease and desist from using the protected subject matter of the patent
- that he pay compensation for all the losses that have been incurred and will still be incurred as a result of the use made of the protected subject matter of the patent (damages)
- that he provide information on, *inter alia*, the origin and the distribution channels of protected products, the names and addresses of the manufacturers, suppliers or other previous owners, the commercial customers and the quantity of the products manufactured or supplied
- that he render account regarding the revenue and expenditure in connection with the infringing activities, including a detailed statement of the profit earned
- that the protected products which are in the possession or ownership of the infringer be destroyed
- that protected products be recalled or removed from the distribution channels once and for all
- that the court decision be published.

In order to calculate the claim to compensation, the patent proprietor or the holder of an exclusive licence is free to choose between three different methods of calculating compensation:

- loss of his own profits
- surrender of the infringer's profit or
- appropriate royalties.

Although royalties offer the simplest way of calculating compensation, it is becoming more and more common to opt for a calculation based on the infringer's profit, since the infringer is no longer able to deduct from the profit calculation any overheads that cannot be attributed directly to the infringing product, with the consequence that the patent infringer can no longer indulge in calculations that enable him to reduce his profit from the infringing activities at will. With this method of calculation, it remains difficult to prove the causal link between the patent infringement and (a portion of) the profit earned, *i.e.* to provide the proof which the claimant has to furnish that the use made of the patent was the decisive reason for earning the profit or a part of it, respectively. It is regularly the case that a considerable part of the profit earned will be attributable to other reasons, such as good business relations between the infringer and his customers, special efforts devoted to advertising and sales or particular services offered. A similar problem also arises in the context of the calculation method based on loss of profits.

In the course of asserting the specific level of compensation payable in the trial to establish the amount, which is a separate proceeding following on from the proceedings leading to the declaratory judgment, the claimant has a long time to choose the calculation method and can swap between the calculation methods, by asserting these in a staggered (auxiliary) manner.

## **2.2 Risk of perpetration for the first time**

If no patent infringement has been committed yet, there might still be a claim to a cease and desist order against a third party if there are any specific facts from which it can be inferred that an infringement of the patent by the third party is imminent (referred to as the risk of perpetration for the first time), such as preparatory actions or an announcement by the third party that it is entitled to make use of the patent.

## **3. Establishing the facts of the case – evidence of patent infringement**

### **3.1 Obligation to present arguments and burden of proof**

If a court action against a patent infringer is to be successful, it is necessary for the proprietor of the intellectual property right to investigate and process the facts of the infringement carefully. The principle that applies in an infringement trial is that the evidence needs to be adduced, *i.e.* the court decides solely on the facts presented by the parties and does not conduct

any investigations of its own. This means that all the facts establishing the patent infringement must be presented to the court by the claimant in good time, best of all at the same time as the suit is filed. The submissions by the party must be so detailed that the court can decide on the question of infringement without the need for any further investigations if the claimant's presentation of the facts remains undisputed or is deemed to be true (conclusiveness).

In particular, it is necessary to identify precisely the product or process attacked, to specify the time and place of the infringing activity and to state the name and address of the infringer. The infringing activity must have some connection with the Federal Republic of Germany. As a rule, it needs to have been committed there.

At the beginning of the proceedings, it is sufficient for the claimant to submit the facts establishing the patent infringement. Only if and in so far as these facts are disputed in detail by the defendant does the claimant have to prove the facts. In procedural terms, the evidence needed may exclusively take the form of documents, experts, witnesses, inspection and the testimony of the parties. It is therefore advisable already to document the evidence of the infringing activity in detail at the beginning of the trial. In the case of witnesses, it is a good idea to have a memorandum drawn up of what the witness remembers, in order to be covered in the event that the witness is no longer available at a later date. In the case of

2. Risk of perpetration for the first time
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4.1 Caution

information from the Internet it is particularly advisable to store it or print it out immediately, because websites can be deleted or altered with no difficulty, so that there is a risk that they are no longer available to support a chain of evidence at a later date.

If there is not enough information about the infringement available and if it cannot be procured without undue burden, the possibility exists of obtaining evidence in separate proceedings or even in the context of the infringement suit itself.

### **3.2 Obtaining evidence**

If there are enough indications or circumstantial evidence to render it sufficiently probable that the intellectual property right has been infringed, the infringer can be required to submit documents and to allow the article to be inspected. This entitlement to inspection can be enforced by obtaining a court order. This is also possible by means of a temporary injunction, which is usually granted by the courts within a few days if good cause can be shown, possibly without hearing or informing the infringer. More information on the subject of the entitlement to inspection can be found in our brochure “Securing evidence by means of inspection in patent cases”.

## **4. Procedure in the event of patent infringement**

If there has been a patent infringement, the following possibilities are open to the patent proprietor or the holder of an exclusive licence in order to enforce his rights:

### **4.1 Caution**

A caution is an extra-judicial letter, usually sent by an attorney-at-law or patent attorney, in which the other party is called upon to cease and desist from committing the patent infringements in future and to make a legally binding declaration to that effect (“Declaration to cease and desist”). The declaration to cease and desist from infringing activities in future must be serious. As a rule, this can only be presumed if the other party undertakes in that declaration to pay appropriate liquidated damages to the patent proprietor or the holder of an exclusive licence in the event that he makes continued use of the patent.

If the party cautioned should not react to the caution or if it refuses to make a declaration to cease and desist, the proprietor of the right may, but is not obliged to, assert his rights by means of a court action. Conversely, the party cautioned may file suit against the proprietor of the intellectual property right for a court ruling of non-infringement (known as an action for a negative declaratory judgment), in order to have its legal position confirmed.



In order to avoid the risk of a negative declaratory judgment, the proprietor of the right may, instead of the caution, send a query questioning entitlement (usually via his attorney), which differs from the caution in that it does not contain any demand for an undertaking to cease and desist. In effect, it merely enquires why the other party believes that he is entitled to engage in the activities referred to, hence its name. Caution or entitlement letters are not always advisable as they alert the infringer and may trigger the preparation or filing of counter-attacks like a revocation action or a so called “Italian torpedo”.

#### **4.2 Temporary injunction**

In urgent cases, the possibility exists of prohibiting the infringer from using the patent by means of a temporary injunction. German courts usually decide on a motion for the granting of a temporary injunction within a matter of days. A temporary injunction is only a provisional decision, however, and can only in exceptional cases take the place of proceedings in the main suit.

More information on the subject of temporary injunctions can be found in our brochure “Preliminary injunction in Patent and Utility Model Cases” to be published on our website [www.bardehle.com](http://www.bardehle.com).

#### **4.3 Proceedings in the main suit**

The patent proprietor or the holder of an exclusive licence may also file suit in the main suit immediately – *i.e.* without issuing a caution or applying for a temporary injunction.

The validity of the patent-in-suit is not assessed in the infringement proceedings. Competence to judge this lies solely with the German Patent and Trade Mark Office or the European Patent Office in opposition proceedings and with the Federal Patent Court (in the first instance) and the Federal Supreme Court (in the second instance) in nullity proceedings. The opposition and nullity proceedings are independent of the infringement proceedings. It is therefore possible and happens frequently that a judgment will be handed down in the infringement case long before the opposition or nullity proceedings are completed.

The opposition or nullity proceedings may, however, influence the infringement proceedings. If the court hearing the infringement case should believe that the patent has been infringed and at the same time assume that there is an overwhelming degree of probability that the patent-in-suit lacks validity, it can stay the infringement proceedings until a decision has been handed down in the first instance or even until the decision in the opposition or nullity proceedings has become final.

4.2 Temporary injunction

4.3 Proceedings in the main suit

## 5. Procedural aspects

### 5.1 Legal venue

### 5.2 Standing to sue

### 5.3 Service of the statement of claim

### 5.4 Instances/duration of proceedings

More information on the subject of examining the validity of patents can be found in our brochure "Patent Validity".

## 5. Procedural aspects

### 5.1 Legal venue

Competence to hear patent infringement cases, both in the main suit and in temporary injunction proceedings, lies with 12 District Courts in Germany, at which special chambers for patent litigation have been established.

The suit must be filed either at the defendant's main place of business or residence or at the place where the infringing activity has occurred. The latter is anywhere the recipient of an offer has his main place of business or his residence. In the case of offers on the Internet, the claimant will, as a rule, be free to choose between any of the 12 patent litigation courts.

### 5.2 Standing to sue

The rights under the patent can be asserted by the patent proprietor or the holder of an exclusive licence in his own name. The holder of a non-exclusive licence can only assert rights under the patent against third parties if he has been authorised to do so by the patent proprietor or by the holder of the exclusive licence and if he has a legal interest of his own in asserting those rights in court.

### 5.3 Service of the statement of claim

The statement of claim is served on the defendant by the court. If the defendant has his main place of business or residence in another country and no German counsel has as yet been appointed to represent him in litigation, the statement of claim has to be served in that other country. Any translations that might be necessary must initially be produced at the claimant's expense. Various international agreements exist on conducting service in other countries. Depending on the country of service, service can take between 2 and 12 months. This period delays a patent infringement trial by that time, compared to the standard time taken.

When the statement of claim is served on the defendant, he is invited to declare his position on the suit. Since any declarations can only be made by an attorney-at-law admitted to a German bar, the defendant must retain an attorney-at-law for this purpose. One consequence of retaining an attorney is that any further documents can be served directly on the attorney retained, without the need for translations to be made by the court or claimant.

#### 5.4 Instances/duration of proceedings

Suits in the main proceedings in patent infringement cases are heard in the first instance by specialised patent litigation chambers at the 12 District Courts.

These sit in each case with three judges, who have a legal training and have as a rule been involved in patent infringement cases for several years. Only in exceptional cases will the judges also have studied a technical subject. If the court is not capable of assessing any relevant technical issues itself, a technical expert is appointed. The inclination to commission an expert opinion varies from one District Court to another. In some cases, the submission of a privately commissioned opinion by the claimant can be helpful in furthering the court's technical understanding and may thus go some way towards obviating the need for an expert to be appointed by the court.

In the course of the proceedings before the court of first instance, all the relevant facts and defences must be presented as a matter of principle, since the presentation of new facts is only permissible at the appeal stage subject to strict conditions. Only facts that were not yet known and could not have been known during the first instance can be submitted for the first time at the appeal stage without encountering problems.

The court file is not open to public inspection. Only the oral hearing is public. If any of the parties' business secrets need to be discussed in the course

of the oral hearing, the party concerned may request that the public be excluded.

The duration of proceedings in the first instance before the District Courts differs and varies over time. Normally a case will take between 8 and 15 months. Commissioning an expert opinion usually delays the proceedings by 9 to 12 months.

#### **The proceedings in the first instance usually take place in the following seven steps:**

- filing the statement of claim
- service of the statement of claim on the defendant by the court
- response to the suit by the defendant
- the claimant's reply to the defendant's statement of defence
- the defendant's rejoinder to the claimant's reply
- oral hearing (duration of the oral hearing: about 1-4 hours) and
- decision handed down by the court.

If the commissioning of a written expert opinion is ordered, both parties are also given an opportunity to comment in writing on the expert's opinion. During an oral hearing, the expert may be questioned on their expert opinion by both the court and the parties.

After the judgment has been handed down by the District Court in the first instance, the losing party has the possibility of lodging

an appeal with the Appeal Court within one month, and reasoning the appeal within two months. Each of the specialized panels at the Appeal Courts likewise sit with three judges, who have a legal training and will not normally have studied a technical subject.

The appeal proceedings are not an instance for hearing new facts. The Appeal Court merely decides on the facts already submitted in the proceedings before the District Court and on any new facts which it is permissible to submit at the appeal stage.

The appeal proceedings before the Appeal Courts usually take between 15 and 24 months. If it should be necessary to commission an expert opinion, the proceedings are drawn out by up to 12 months. The course of the proceedings corresponds substantially to that of the first instance.

The appeal judgment can only be submitted to the Federal Supreme Court for an appeal on points of law subject to very strict conditions. The proceedings before the Federal Court of Justice usually take 2 to 3 years.

## 6. Costs

The claimant is obliged to pay the court costs for the first instance at the same time as the suit is filed. Until the court costs have been paid, the court will not serve the statement of claim on the defendant. If the defendant has his main place of business or residence in another country where German is not an official language and if no German counsel has been retained, the statement of claim has to be translated and served at the defendant's main place of business or residence in that other country.

The cost of translating the statement of claim likewise has to be paid by the claimant at the same time as the suit is filed.

Claimants who do not have their main place of business or residence in a country of the European Union or in a country of the European Economic Community may, at the request of the defendant, also be required to deposit cash or a bank guarantee as security for the reimbursement of the defendant's legal expenses in the event that they lose their case.

The losing party must reimburse the victorious party's statutory attorneys' and patent attorneys' fees, and any necessary expenditure, such as travelling expenses and translation costs, and any court costs already incurred by it. The amount of the statutory court and attorneys' fees is calculated according to a

computational formula laid down by statute, which is based on the value in dispute in the case, *i.e.* the economic value of the litigation for the claimant. The value in dispute is set by the court in its own discretion. The total cost risk thus consists of the court costs, the opposing party's statutory attorneys' fees and necessary expenditure and one's own attorneys' fees and expenses. The own attorneys' fees and expenses are usually based on the agreement on fees.

The value in dispute in typical patent infringement cases is between EUR 500,000 and EUR 5,000,000. The cost risk of proceedings in the first instance is thus somewhere between EUR 100,000 and EUR 250,000. In the case of particularly complex proceedings, the cost risk can also be higher. In rare cases, the value in dispute may be as much as EUR 30,000,000 (the maximum amount up which fees increase), so that the total cost risk increases accordingly. The costs of the appeal proceedings are about 30% higher than the costs in the first instance. The costs of an appeal on points of law before the Federal Court of Justice are about twice as high as those of the proceedings in the first instance.

The costs for which the opposing party must be reimbursed are fixed by the court in cost fixing proceedings. The cost fixing proceedings are conducted following the instance concerned; it is a purely written procedure and concludes with the decision fixing costs, which can be enforced against the opposing party.

6. Costs

### **7. Enforcement of the court's decision**

Court decisions which have become final can be enforced by the victorious party, *i.e.* the opposing party can be called upon to comply with the operative part of the decision with immediate effect and to perform any actions laid down in the decision (*e.g.* to provide information or to destroy goods). If the court's decision is not yet final, which is the case whenever a legal remedy (appeal, appeal on points of law) has been or still can be lodged against the decision, decisions can, as a rule, be enforced provisionally in return for the furnishing of a security. The amount of the security to be furnished is fixed by the court and is usually based on the amount of the value in dispute, unless detailed information on the damage by the enforcement is available. Security can be furnished by depositing it or by handing over to the opposing party a bank guarantee, which the victorious party has to obtain.

If a decision is enforced provisionally before it has become final and is then set aside by the appeal court or the court hearing the appeal on points of law, the claimant must compensate the defendant for the losses incurred by the

enforcement. For this reason, before a decision is provisionally enforced, it is advisable to calculate the risk of having the decision set aside later and the possible loss caused by the enforcement and to weigh that up against the benefits of provisional enforcement.

The victorious party is not obliged to enforce a decision provisionally. Nor must the decision be enforced in its entirety. It is also possible merely to enforce individual elements of the judgment (*e.g.* only the entitlement to information).

In individual cases, the court can, at the request of the losing party, forbid the pro-visional enforcement of the decision. That is conceivable, for example, in cases when the provisional decision could cause irreparable losses, which could not be made good again in the event that the decision were set aside. Protection against enforcement in this way must be asserted in the course of the proceedings and, if it is justified, is ordered in the decision.

## **8. Summary**

German law provides rapid and effective means for enforcing rights under patents. Compared to other countries, it is possible to obtain an enforceable decision from a German court very quickly, ordering the other party to cease and desist. Thanks to the high level of competence and the great experience of the German courts, which deal with more than 1,000 patent litigation cases a year, they also enjoy a very good reputation world-wide and not infrequently provide courts in other countries with a basis for their own rulings.

If a party is to be successful, it is crucial to be able to rely on thorough strategic preparation and planning by attorneys-at-law and patent attorneys with experience in patent infringement cases.

BARDEHLE PAGENBERG has for decades united the two professions in one law firm and can thus offer advice and consultation by teams of attorneys and patent attorneys who are highly qualified in law and technology and have many years of experience. The attorneys in our law firm have extensive experience in patent infringement cases and can assist you in defending your interests by representing you in and out of court and also in negotiating a settlement with the opposing party.

A well-organised office administration and the special care shown by our staff, which has become routine over the years, guarantees that company secrets and other sensitive information are dealt with reliably.

In addition, with our offices in Paris and Barcelona, we also offer the possibility of conducting cross-border measures “in a one-stop shop”. For litigation in other countries, we work together with a network of foreign colleagues in which the co-operation has been established over many years.

8. Summary



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