Securing evidence in patent cases by means of inspection

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Content

Introduction

If sufficient evidence is lacking, a patent holder is entitled to a claim to inspect devices or processes that allegedly infringe his rights, and any corresponding documentation. This claim can be enforced rapidly and with a limited effort. The knowledge obtained can be used in patent infringement proceedings.

1. Inspection to secure evidence

An action for patent infringement can generally only have any prospects of success if the plaintiff is able to set out the infringement and prove it if disputed; he bears the burden of presentation and proof for the infringement. As a general rule, this means that the contested product or process must be capable of being presented and proven in all the details relevant for the infringement. However, in many cases not all the information and/or evidence needed is initially available, for instance because the infringer only uses an allegedly infringing device or process within his company, thereby preventing public access.

In such and similar cases, the patent holder has a statutory right to inspect the device or the process and the corresponding documentation. The inspection right can be enforced rapidly and with limited effort, thus effectively securing the evidence.

The knowledge obtained in the inspection can be used by the patent holder to produce evidence in infringement proceedings. The inspection can even be carried out when the patent infringement action is still in the preparatory stage, which is advisable in order to minimise the cost risk. In addition, it can also as a matter of principle be carried out once patent infringement proceedings are pending, but this may considerably delay the proceedings.

Inspection to secure evidence

2. Possible inspection objects and measures

Possible inspection objects and measures

As a matter of principle, all objects can be inspected and all measures applied that are expedient and necessary to clarify and/or prove the alleged infringement in the specific case.

2.1 Inspection objects

Inspection objects

Possible objects of an inspection include devices, procedures, means for carrying out a process, products of the process, substances, substance mixtures and intermediate products. The same applies to corresponding documents such as design drawings, user instructions, installation plans, measurement charts or the like. The objects of the inspection must, however, be specified as precisely as possible in the inspection application, since the inspection cannot be used for a “fishing expedition”, an approach alien to German law.

2.2 Inspection measures

Inspection measures

Possible inspection measures include as a matter of principle all actions necessary to verify and/or prove the alleged infringement.

According to judicial practice, an inspection comprises not only "palpable" or "visual" perception but more, including in particular a closer examination of the object of the inspection. If the inspection is of a thing, it can for instance be measured, weighed or felt. A process can be carried out in its individual stages. The use of technical aids is permitted in order for instance to better perceive features of the inspection object that are not sufficiently perceptible to the naked eye, *e.g.* investigations using a microscope or a quartz lamp. In the case of software-implemented inspection objects, screen shots and any necessary downloads can be made. In general, interventions in the substance are also possible, such as the installation or removal of components, the taking and analysis of samples or the switching on or off of the object of inspection.

As a rule, inspection also includes setting out the knowledge obtained in a written expertise, where appropriate including photographs and video recordings.

The right to an inspection does not, admittedly, grant a direct right to search. However, if the opposing party refuses to permit the inspection measures, in particular by not granting access to its business premises, a search order can be obtained from the court and enforced if necessary with the help of the police.

2.3 Participation of the opposing party

Participation of the opposing party

Judicial practice has not yet definitively determined the extent to which the alleged infringer can be obliged to participate actively in inspection measures. Is he required to disclose the location of an allegedly infringing device on a larger works site? Are the employees of the alleged infringer required to start up the device, *e.g.* by entering passwords? Is there an obligation to explain complicated controls? In recent times, judicial practice has been generally restrictive on these issues. A more generous approach might at best be possible according to the current state of the law if and to the extent that the participation of the alleged infringer is essential for an efficient inspection.

3. Main preconditions for the claim

The claim is available to anyone who can assert claims based on a patent infringement, hence above all the patent holder or the exclusive licensee. However, the law only grants a claim to inspection subject to two major preconditions:

Main preconditions for the claim

– The applicant must not be able to make use of other reasonable possibilities to obtain the information/evidence he needs. Thus as a rule there is no right to an inspection if the object of inspection can be obtained freely on the market without unreasonable effort, or if its relevant features can reliably be determined in another way, *e.g.* by enquiries to purchasers, on the Internet or by using advertising material.

– In addition, the claimant must be able to show and prove that there is a "sufficient probability" that the patent in question has actually been infringed. Obviously, complete evidence of the infringement is not required, since after all this is the purpose of the inspection. On the other hand, mere suspicions are not sufficient, and the alleged infringer should not be made the object of a fishing expedition. For this reason, there must be concrete indications of an infringement. However, according to judicial practice this obstacle is not excessively high and is frequently overcome if the implementation of a large part of the features in question can be shown, *e.g.* by statements by the alleged infringer in his own patents or patent applications, in manuals or in advertising material, and if there are concrete indications of the implementation of the remaining features.

4. Course of the inspection proceedings

Course of the inspection proceeding

Although an inspection can be carried out in various ways, and as a matter of principle also during pending infringement litigation, as a rule it is advisable to carry out inspection proceedings as a preparatory measure before filing an action in order to minimise the risks of legal action.

As a means of preparing litigation, the claim to an inspection can be enforced in relatively rapid, usually two-stage judicial proceedings. The competent court is the court with jurisdiction for the main proceedings based on a patent infringement. Hence, the inspection proceedings can be carried out before the courts in Germany that hear patent infringement cases, which can also be invoked for a subsequent action on the main case.

4.1 First stage: Inspection

First stage: Inspection

In the first stage of the proceedings, an inspection is ordered by the court upon application by the patent holder or another entitled party, *e.g.* an exclusive licensee. The inspection is then carried out and the results delivered to the court for custody.

The inspection order is issued by means of the "independent taking of evidence", if necessary backed up by a preliminary injunction to the effect that the alleged infringer is required to tolerate the inspection measures ordered, there being as a rule no hearing of the alleged infringer before the order is issued. This means that the alleged infringer can be "surprised", thus precluding the manipulation or destruction of evidence.

In many cases the inspection order is obtainable within only a few days after filing of the application. The inspection itself can be carried out immediately after it has been ordered, with the assistance of a court bailiff and if necessary with the assistance of the police if the alleged infringer refuses.

As a rule, the inspection measures are carried out by an expert appointed for this purpose, who draws up a written expertise on the results of the inspection which he delivers to the custody of the court. The applicant's named attorneys can assist the court expert during the inspection and are entitled to be present for this purpose. In order to protect the alleged infringer's possible interests in confidentiality, *e.g.* business secrets that are disclosed during the inspection, the applicant himself or his employees are as a rule excluded from the inspection, nor do they initially have access to the inspection expertise. For this reason, the court expert and the applicant's lawyers are as a rule ordered by the court not to disclose any facts of which they may acquire notice during the inspection – either to third parties or to the applicant himself.

In order to ensure an "even playing field", before the inspection measure is carried out the alleged infringer is frequently allowed the opportunity

to consult an attorney within a short period of time, as a general rule two hours, to enable him to determine whether the intended inspection measures are covered by the inspection order and in order to avoid as far as possible the expert being subjected to one-sided influences.

4.2 Second stage: Release

After the inspection has been carried out and the inspection expertise drawn up, the aim of the second stage of the proceedings is to determine whether the expertise is to be released to the applicant. The court decides on this following an in-person hearing, with the alleged infringer being given the opportunity to submit on any confidentiality aspects that might be affected and thus possibly to prevent an (unlimited) release of the expertise.

With respect to the release proceedings, the applicant has two options: he can request the delivery of the expertise directly to himself or he can ask for the expertise to be initially delivered only to his attorney, subject to the condition that the latter must also maintain confidentiality as against him. Delivery to the applicant‘s attorney can take place immediately, hence without prior discussion of any conflicting confidentiality interests on the part of the alleged infringer. For the applicant this alternative has the advantage that in the subsequent release proceedings he can use the greater knowledge of his attorneys to exercise a stronger influence on the decision on whether the expertise is ultimately to be released to him.

The decision concerning the release to the applicant is based on a balancing of interests by the court in the individual case. The decisive factor is whether the applicant‘s interest in information prevails over the alleged infringer‘s interest in confidentiality.

Second stage: Release

If confidentiality interests of the alleged infringer are not affected, the expertise is released without restrictions. Otherwise, in the individual case release can be restricted with the effect that passages of the expertise that are of relevance to confidentiality are blacked out if this is possible without distorting the meaning and permits a sufficient assessment of the question of an infringement. If this is not the case, the court must decide in favour of the party whose interests prevail. Some courts assume that the applicant‘s interest in information prevails as a matter of principle if the court comes to the provisional conclusion that the inspection expertise indicates a patent infringement. In such a case, the expertise is released to the applicant who as a rule is then in possession not only of a highly conclusive court expertise but also a provisional opinion by the infringement court that the patent has in fact been infringed. By its nature, this situation can exert considerable pressure on the alleged infringer and frequently leads to a rapid settlement or submission by the alleged infringer. If on the other hand, the court is of the opinion that the inspection expertise

does not disclose a patent infringement, it is not released to the applicant.

Depending on whether the alleged infringer files an appeal against the release decision, the release proceedings can typically take three to six months from the filing of the application for the release of the expertise. The proceedings can take longer if an unusually extensive discussion of the alleged infringer‘s interest in confidentiality is necessary. The actual release only takes place after the release order enters into effect, hence where appropriate only after a decision in the second instance.

5. Costs and damages

The provisions concerning the costs to be borne in inspection proceedings are complicated. In the final analysis, the following can be stated: if the suspicion of an infringement is confirmed in the course of the inspection proceedings, the alleged infringer bears the costs of the proceedings, the applicant being entitled to assert claims for a cost refund in part during the inspection proceedings and in part having to assert them in separate proceedings. Otherwise, the costs are borne by the applicant, who is also obliged to refund the respondent for any losses incurred by the inspection, *e.g*. compensation for economic losses caused by an interruption to production.

The cost risk depends strongly on the economic significance of the action in the main case for patent infringement, with the same amount at issue determining the calculation of the statutory court and attorney fees. The cost risk must take into account the fees for the applicant‘s own attorneys-at-law and patent attorneys, which can exceed the statutory fees if the usual charging by the hour is agreed, the court fees, the court expert‘s fees, travel costs and the statutory fees for the opposing party‘s attorney- at-law and patent attorney. A typical amount at issue of between EUR 500,000 and EUR 5,000,000 means a cost risk for inspection proceedings of the magnitude of between EUR 50,000 and EUR 250,000. However, account must be taken of the fact that inspection proceedings can render unnecessary an action on the main case based on patent infringement, which may be considerably more expensive.

6. Summary

In summary, inspection proceedings are a rapid instrument requiring a limited effort that provides the patent holder lacking sufficient evidence with an effective tool for acquiring the information and evidence needed to prove a patent infringement. The information and evidence obtained can be used not only for patent infringement litigation in Germany but frequently also for similar proceedings in other countries.

The decisive factor for success is thorough strategic preparation and planning by attorneys-at-law and patent attorneys experienced in inspection proceedings. Our attorneys can assist you in upholding your interests both by representing you before the court and during the inspection on site. In addition, through our French office in Paris, we also provide the opportunity to conduct effective evidence-securing measures in France using what is known as a "saisie contrefaçon". For proceedings to secure evidence in other countries, we collaborate with a network of foreign colleagues that has been developed over many years of co-operation.

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