

Bardehle IP Event on Patent Validity

Introduction: Patent Validity, Post-Grant I and Post-Grant II

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I. Patent Validity – Relevance And Scope

- Relevance of patent validity is **obvious**.
- Where information access is key for economic success, **right holders depend on patent validity – and its being reliable!**
- Reliability is an issue of particular significance, because – as we all know - **patents can be invalidated at all stages of their life cycle!**
- This **leans political significance to studies on patent validity and review procedures, as recently by:**
 - Hess/Müller-Stoy/Wintermeier
 - Henkel/Zischka
 - Anetsberger/Wegner/Ann/El Barbari/Hormann

- **Henkel/Zischka claim – verbatim! - that “most patents are invalid”.**
- **This will go into the media** - not as a thesis, but as an empirical finding.
- **Were this true (and spread), deference to patents may be in jeopardy.** Infringers may think that they could evade accountability by suing patents out of their ways.
- German BPatG directly addressed the issue in its annual report 2014 saying that a **21% rate of annulment** (0,02% of 1,25 mio patents accessible) **was no reason for concern.**
- German DPMA seems not to feel concerned.
- EPO is – but will be presented by Stefan Steinbrenner and in our panel discussion also by Klaus Teschemacher.

- **This Bardehle IP Event aims at having a deeper look into the review of patent validity.**
- **Involving two issues:**
 - 1) **where annulment practice deviates** from opposition practice and from examination
 - 2) **whether remedies were available and what those remedies might be.**
- **Without cutting a long story too short, let me say that I do think that there is a problem, but that I also do think that there are remedies.** Those I would like us discuss.

Note: Today's **focus is on invalidity bec/ of non-patentability**, not bec/ of added subject matter or misappropriation!

II. Questions

- ① Reasons For Patent Grant?**
- ② Structures Of Opposition (Post-Grant I) And Annulment (Post-Grant II)?**
- ③ Cui bono – who benefits?**
- ④ Role Of Perspective And Proof?**
- ⑤ Role And Rank Of Legal Certainty?**

III. Reasons For Patent Grant

- **Preface: What is patent grant (and why different title than in your announcement)?**
- **Legally, patents are granted for applicant's disclosure of an invention** and the resulting enrichment of prior art.
- From that perspective patents could be said to (merely) protect **(disclosed) successes of innovative activity**.
- **Factually, patents are (also) granted in order to incentivize expensive R&D**, that otherwise might not happen; notably in the pharmaceutical industry.
- From that perspective, patents (also) protect investments in (corporate) R&D.

- Question is relevant, because justification for patent grant influences where to strike **balance btw/ promotion of innovation and maintenance of competition**:
- **The more the patent system were about investments**, the more it would need to care about investor interests – *and vice versa*.
- In Germany, **property as guaranteed in Art 14 German Constitution (GG)** includes protection of (“completed as well as disclosed”) inventions and is to be recognized and weighed against public interest by all branches of government – also when shaping the patent system.

IV. Structures Of Opposition And Annulment

- Despite Art 14 GG, it is **important to note that patents never gain total immunity against invalidation(!)**, i. e. never reach a status as implied by the German term “Bestandskraft”.
- Rather, German patent law knows **two roads to patent invalidation** (rather and despite PatG-terminology better: statement of...): **opposition and annulment**.
- **Both are post-grant**, because invalidation by definition implies previous patent grant.
- **Both are NOT appellate procedures**, because they are **aimed at the patent itself** (i. e. at having patent removed w/ retroactive effect), not (merely) at having the underlying PTO-decision rectified.

- Consequently, **formal deficits that this decision may possess DO NOT SUFFICE** for patent invalidation.
- Rather, **invalidation by opposition** (post-grant I - by DPMA) **or annulment** (post-grant II - by BPatG) **require one of three elements of § 21 German Patent Act (PatG) to be met.**
- These elements constitute what is called **grounds for revocation** (“*Widerrufsgründe*“).
- **If not at least one ground for invalidation can be established, the patent must(!) be upheld!**
- German patent law **links and harmonizes opposition and annulment by §§ 59 (1) and 22 (1) PatG referencing § 21 PatG.**

- **Both, opposition as well as annulment share requirements** for burden of pleading and proof:
 - **Burden of pleading** lies with opponent/plaintiff, § § 59 (1), 81 (5), 82 (2) PatG.
 - **Burden of proof is not an issue**, because DPMA and BPatG examine facts out of their own motion (*ex officio*), § 59 (4), 46 (1), 61 (1) 87 (1) PatG.
- Existing **parallels in structure** trigger the question why annulment proceedings before BPatG have such a high success rate even for patents that already survived opposition procedures.
- **As standards do not, it obviously is their application that differs.**

V. Cui bono – who benefits?

- **In theory, opponents and/or plaintiffs are pursuing public interests** in the invalidation of unwarranted patents (or wrongly assigned patents in cases of misappropriation *that are not covered here!*).
- **Factually, opponents and/or plaintiffs are almost always (also) pursuing individual interests.**
- Nevertheless, it needs to be said that **indirectly this will yield results in line with the public interest in having unjustified restraints of competition removed.**
- Note that **PTOs do NOT benefit!** They lose annuities, i. e. their most important income! – Which leads to the interesting question of PTO interests and efficiencies...

VI. Role Of Perspective And Proof

Regarding perspective and proof, it appears helpful to compare examination and invalidation (oppo/annulment):

- According to § 21 PatG, opposition/nullity action **must establish grounds for revocation** (“Widerrufsgründe”). Without that establishment, opposition or nullity action will be dismissed.
- **Formal defects of the granting procedure are no sufficient basis for invalidation**, § § 59 (1) 3, 22 (1) PatG.
- Factually, oppo/annulment instances **search for grounds withstanding patent grant**. Novelty-destroying publications or prior use are easy cases. **BUT: most invalidations are based upon lack of inventiveness.**

- **Perspective regarding substantive patentability requirements is always the same** – perhaps with the slight change entailed by longer retrospect, see § 21 (1) No. 1 PatG: ..., wenn sich ergibt, dass...
- **But again: why then the relatively high invalidation rate before BPatG?**
- As said before: With identical standards **only reason can be differences in application.**
- Fits in with **lack of inventiveness being leading ground for invalidation**, especially as most often derived from patent doc's that were (must have been) examined before.
- **Oppo/annulment instances obviously apply stricter standards than examination. This raises the question of legal certainty!**

VII. Role And Rank Of Legal Certainty

- As said before, **patents never become immune against invalidation.**
- **Thus, there is no legal certainty as in “Bestandkraft”.**
- **Rather, patent holders remain exposed to nullity actions by other plaintiffs, even if they have succeeded in fighting off an identical(!) nullity action by one plaintiff.**

In order to prevent abuse, it may be worth considering, if nullity actions should only admitted, if based upon new facts, or if inaccurate application of law was evident.

- This **limitation would bind review instances to conclusions drawn before** (as suggested by von Albert, GRUR 1981, 451) **or (at least) force the coming forward with reasons why the deviation** from an earlier decision of the same case had been **necessary in order to rectify *evident* mistakes** in the application of patent law made at earlier stages.
- An **additional safeguard might be a more formalized (multi-item-index) assessment of inventiveness** - as suggested by Dolder/Ann/Buser, Mitt 2007, pp 49-59; GRUR 2011, pp 177-183.

This way or another, a rate of at least 21% post-grant invalidation is unacceptable and needs to be reduced - urgently!

VIII. Summary

- 1. Patents never gain immunity against invalidation.**
- 2. Invalidation requires substantive grounds for non-patentability (or added subj matter or misappropriation).**
- 3. Perspective in invalidation proceedings (oppo/annulment) does not significantly differ from examination and standards are the same.**
- 4. Therefore, high invalidation rate before BPatG must be due to differences in application.**
- 5. These differences could be reduced by limiting review to new facts and cases, where misapplication of law is evident.**

Thank you very much
for your attention!