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BARDEHLE PAGENBERG IP News & Discussions: Munich, December 17, 2015
"Patent invalidation procedures at the EPO and the German Federal Patent Court – A fair balancing of the interests of the public and the patentee?"
Reported by Dipl.-Phys. Peter K. Hess

In the course of the last decades, patent practitioners got the impression from their daily experience that the chances to enforce a patent were substantially weakened since the chances to get the patent maintained in invalidity proceedings decreased more and more.

BARDEHLE PAGENBERG tried to give a more solid basis to that impression and evaluated the statistics of the German Federal Patent Court (BPatG) and the German Federal Court of Justice (BGH) in nullity proceedings. In the paper published in the Journal of German Patent Attorneys *Are Patents merely "Paper Tigers"*?[1], it was shown that the Federal Patent Court held the patent invalid or partially invalid in almost 80 % of the cases decided between 2010 and 2013, the rates for the Federal Court of Justice in appeal proceedings being slightly lower.

A second study undertaken in cooperation with the Technical University of Munich, School of Mangement dealing with the results in opposition appeal proceedings at the EPO[2] had a somewhat different focus. It was concerned with the influence of the application by the Boards of Appeal of their Rules of Procedure as amended in 2003 on the outcome of appeal cases.

Both publications intended to trigger a public discussion whether the practice in invalidity proceedings at the EPO and the German Courts still provide a fair balancing of the interests of the public and the patentee. As a contribution to this discussion, a special IP event took place at the premises of BARDEHLE PAGENBERG on December 17, 2015 in which the studies were presented and their results and possible consequences debated in a panel discussion.

After BARDEHLE PAGENBERG's welcome by **Johannes Heselberger**, Attorney-at-Law, to the participants mainly from industry and profession, **Prof. Dr. Christoph Ann**, Chair for Intellectual Property Law, Technical University Munich, School of Management, gave an introduction on invalidity proceedings as administrative opposition and court annulment proceedings. He pointed to the fact that striking the balance between promotion of innovation and maintenance of competition was in Germany also a constitutional question since industrial property rights were property as guaranteed in Article 14 of the Constitution. Nevertheless, patents never gained immunity against invalidation for which German law opens two roads, opposition and annulment. Both roads of attack were not directed against the decision of the Patent Office to grant, but were aimed at the patent itself. Therefore, a ground for revocation had to be established, otherwise the patent had to be maintained. By contrast, formal defects of the granting procedure were no basis for invalidation.

1 Peter Hess, Tilman Müller-Stoy, Martin Wintermeier, Sind Patente nur Papiertiger?, Mitteilungen der Deutschen Patentanwälte 2014, 439.
2 Georg Anetsberger, Hans Wegner, Christoph Ann, Karim El Barbari, Tobias Hormann, Increasing Formalism in Appeal Proceedings – The EPO Boards of Appeal Headed to a Mere Reviewing Instance, epi Information 2/2015, 63.

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Whereas the legal standards of patentability were the same in grant and invalidation proceedings, the high invalidation rate before the Federal Patent Court suggested that there are differences in the application of the law. In order to prevent a possible misuse of filing successive action for annulment by different plaintiffs based on the same material, according to Prof. Ann, it might be worth considering to limit further actions to those based on new facts or cases, where misapplication of the law was evident.

Peter Hess, Patent Attorney and Managing Partner of BARDEHLE PAGENBERG, presented the study on the invalidation practice of the German courts, observing that the successful defense of the patent appeared to be rather the exception than the rule and that the tendency to revoke was, starting from a high level, apparently even increasing, particularly as far as high tech patents (software & telecom) are concerned. The in-depth study of Liedel,[3] covering the years 1963 to 1971, had shown a rate of full or partial invalidation by the Federal Patent Court of more than 70 % which at the time was explained as a result of the suspended or restricted examination as a consequence of World War II.

Nevertheless, the study covering the 392 decisions rendered by the Federal Patent Court and the Federal Court of Justice between 2010 and 2013 showed even higher invalidation rates, namely for the Federal Patent Court:

Invalidation: 43.62 %
Partial Invalidation: 35.46 %
Valid: 20.92 %

In the technical field of software & telecom, invalidation was still more frequent:

Invalidation: 58.04 %
Partial Invalidation: 30.07 %
Valid: 11.89 %

Before the Federal Court of Justice, the patentee's chances were somewhat better. E. g. in cases of invalidation by the Federal Patent Court, the appealing patentee could improve the result by achieving maintenance of the patent as granted in 24.75 % and partial invalidation in 19.8 % of the appeal cases.

There is no significant difference in the results for patents granted by the German PTO and the EPO. The main grounds for revocation are lack of novelty and inventive step (some 75 %), followed by added subject-matter (almost 11 %). Lack of sufficiency of disclosure was the ground for revocation in 2 % of the cases, other reasons, including lack of defense, summed up to 12 %.

Stefan Steinbrener, former Chairman of a Board of Appeal (Electricity) of the EPO, Senior Consultant, BARDEHLE PAGENBERG, gave an overview on the results of the study on opposition appeal proceedings at the EPO. The results of first instance proceedings are still not too far from a distribution of 1/3 for each rejection of the opposition, maintenance as amended and revocation, however with a tendency to more cases of maintenance as amended at 38 % in 2013. By contrast, the picture has substantially changed for appeal proceedings. The percentage rate of full revocations has almost doubled in the period reviewed; not counting remittals to the first instance, it exceeds 60 %. How the application of the provisions on late submissions in the

3 Liedel, Das deutsche Patentnichtigkeitsverfahren, Cologne 1979.

Rules of Procedure as amended in 2002 has influenced efficiency and results of appeal proceedings was the topic of the study.

For this study, three years were chosen: 2013 was the last year for which a complete set of decisions in the EPO's database was available, nine years before 2004 was the first full year in which the amended Rules of Procedure of the Boards of Appeal were applicable and 1995 was again nine years back. 150 decisions in opposition cases were selected on a random basis for each year. Decisions in French were not selected for language reasons as well as decisions without substantive examination because of lack of relevance for the study.

Bibliographical and other data were collected for each decision, *inter alia*:

The result of first instance and appeal proceedings, the number of pages of the reasons for the decision; the percentage thereof dealing with formal and procedural matters; the number of auxiliary requests formally or substantively examined; new submissions (requests and/or evidence) admitted or not, depending on the stage of the proceedings.

Whatever the result in first instance proceedings was, the chances of the patentee in appeal proceedings have substantially deteriorated in all situations. For example, revocation by the Opposition Division was in 1995 confirmed in 34 %, in 2013 in 62 % of the cases. Rejection of the opposition was in 1995 confirmed in 61 % of the cases, in 2013 in 53 % of the cases. Maintenance as amended was set aside by revocation in 1995 in 27 %, in 2013 in 47 % of the cases.

The relevance of formal and procedural aspects has dramatically increased. While in 1995 only 7 % of the revocation cases were solely based on formal grounds, in 2013 this figure increased to 25 %. At the same time, the ratio of revocation cases in which only substantive grounds for revocation played a role, decreased from 88 % in 1995 to 51 % in 2013. Formal grounds for revocation may be distinguished in added subject-matter, an increase by the factor 11 from 1995 to 2013, and other formal or procedural reasons, mainly relating to late amendments, hardly showing up in 1995 and increased by the factor 3.6 from 2004 to 2013.

The length of the reasons for the decision (not including Facts and Submissions) increased from 8.3 pages in 1995 to 9.6 pages in 2013. Issues of lateness were dealt with in 1995 on 0.2 pages on average, in 2013 on 1.2 pages, an increase by the factor 6. At the same time, the number of cases in which issues of lateness were discussed rose from 15 % to 51 %.

Whereas the percentage of cases in which auxiliary request were submitted increased only slightly from 69 % in 1995 to 76 % in 2013, the number of auxiliary requests dealt with in the reasons rose significantly by 150 %.

The chance that new submissions are admitted decreases with the progress of appeal proceedings. However, this applies to a lesser degree to means of attack than to means of defense, i.e. the opponent is dealt with more favorably. In 2013, a new development turned up in a non-negligible number of cases that no new requests were admitted even if these were filed with the grounds of appeal. In the same year, the Boards used their discretion not to admit submissions which could have

been submitted, or had been disregarded in first instance proceedings (7 % for requests, 3.5 % for other submissions), a phenomenon entirely missing in both earlier years.

The study results confirm the impression widespread among users of the European patent system that the philosophy of opposition appeal proceedings has changed. Whereas in the past substantive arguments played a predominant role, this is less true for the recent practice of the Boards of Appeal. Rather, the battleground has shifted, replacing substantive efforts by formal ones, however, without bringing about an overall net reduction of effort for the parties and the Boards of Appeal.

The presentations were followed by a **panel discussion** with Prof. Ann, Uwe Scharen, former presiding Judge, Patent Senate, German Federal Court of Justice, Dr. Hans Wegner, Patent Attorney, BARDEHLE PAGENBERG, Rudolf Teschemacher, former Chairman of a Chemical Board of Appeal of the EPO, Senior Consultant, BARDEHLE PAGENBERG and Johannes Heselberger moderating the discussion.

The discussion started with the question whether, considering the high number of invalidations, we have too many patents granted which have to be revoked or too many good patents which are revoked. Concerning the available data, attention was drawn to the fact that there is a marked difference between the different senates of the Federal Patent Court. This may be due to different technical fields, but there is also the feeling that there is an influence of the judges involved and how the proceedings are run, in particular to which extent the legally qualified Chairman is prepared to dive into the case and to make his contribution to the legal question of inventive step, not leaving the decisive role to the rapporteur. There was agreement that in a court of mixed composition there can be no separation of technical and legal questions since the court as a collegiate body has to render its decision which is as far as possible based on a broad common conviction. Nevertheless, it is a matter of personality to which extent a legally qualified judge is prepared to contribute to the discussion of technical problems and *vice versa* a technically qualified judge to legal problems. Particular attention should be given to these aspects in recruiting and evaluation procedures.

As to the question whether or not the increasingly strict application of the Rules of Procedure by the Boards of Appeal of the EPO has achieved the aim to make the procedure more efficient, the data collected confirm the impression gained from personal experience that the burden for parties and Boards has shifted from substantive to procedural and formal questions without streamlining the procedure. An imbalance has developed since there is a tendency to reject late submissions of the patentee more than those of the opponent. The Boards often don't hesitate to apply the principle of examination *ex officio* when late attacks are submitted or late objections are raised by the Board itself, maybe for the first time during oral proceedings. On the other hand, the patentee is often not given a chance for a proper and full defense. His spontaneous attempt to overcome a late objection may even be rejected on a *prima facie* basis as confirmed by the Enlarged Board of Appeal in review cases. This imbalance is enhanced by the fact that the patentee finally loses his right to defend his patent if he loses his case whereas

the opponent whose late submissions are rejected has a further chance to get the patent revoked in national proceedings. In this context, the principle of neutrality stated by some Boards does not seem to fit into the legal framework of opposition appeal proceedings if a Board may ”help” the opponent, by acting *ex officio*, without giving adequate opportunities for defense to the patentee.

For the situation in Germany, it was stated that the purpose of the possibility of preclusion of late submissions was to force the parties to present their full case at first instance proceedings. However, this does not affect the main purpose of appeal proceedings to arrive at a decision which is satisfactory as to substance. This purpose restricts the rejection of late relevant submissions which may be a last minute novelty destroying reference or a last minute allowable request. By contrast, in EPO proceedings a number of decisions of the Boards of Appeal rejecting submissions as late without considering their merits and without discussing whether they cause a delay of the proceedings are far from catching up with this standard.

As number of possible reasons for the high invalidation rates was discussed: A lowering of the level of inventive step in grant proceedings over the last decades, the submission of additional and more relevant state of the art and differences in the application of the law but also an increasing criticism of the patent system in society, in particular under headings like “no patents on life”, ”no patents on software” or “patent thickets”. In a speech given in 2008, the then President of the EPO, describing the increase in the number of patent applications, coined the phrase of a "global patent warming". Such type of general criticism and statements casts doubt on the quality of patent applications and patents and may influence the judges having the task to assess the ments of granted patents. In respect of additional prior art, a difference has to be made between prior art which is not accessible for the search examiner as the notorious hand-written thesis hidden in a remote library or a prior use on the one hand and references which are part of the search documentation on the other hand. It was observed that it happened surprisingly often that in invalidity proceedings state of the art was cited which could and should have been found applying routine search criteria. This prompted the remark that in such a situation it would be fair enough that the patentee got his money back from the patent office. On the other hand, applicants could not expect a perfect search if the search examiner has to perform his search within less than a day whereas the plaintiff in an important nullity case will not look at the cost of the search in order to develop a promising case.

Considering the interests involved, the revocation rates were evaluated differently. The patentee is interested in legal certainty. He has not only invested into his technical innovation and in the prosecution of the application. His efforts in marketing the invention may involve still higher investments and the patented invention is an asset which may be licensed and be the object of other forms of transfer of technology. The grant of the patent creates an economic value and the retrospective invalidation of the patent disappoints expectations based on this value. On the other hand, the patent restricts the competitors’ freedom to act on the market. Since they were not a party to grant proceedings, they have to have the right of a full review whether or not the criteria of patentability are fulfilled. An imbalance exists

insofar, as competitors have the possibility of multiple attacks against the patent whereas the patentee finally loses his right if one of these attacks is successful. In addition, the danger of an assessment of obviousness based on hindsight becomes the greater the later the judgment on inventive step is taken since imagining the skilled person's perspective presents increasing difficulties with an increasing distance of time from the date of filing.

The suggestion was made to raise the threshold for invalidity attacks if previous attacks were in vain and to limit later attacks to cases based on substantial new issues not already dealt with in previous proceedings, as it is the situation in US post-grant review proceedings. It is self-explanatory that a patent should only be revoked for good reasons. In addition, there was agreement that the requirement of inventive step should be examined in a structured manner providing foreseeable and reviewable results. Therefore, formulations like "the combination of documents 1, 2 and 3 was within the scope of the abilities of the skilled person" are meaningless. In this respect, the fact that the Federal Court of Justice had come closer to the EPO's "could - would" approach was welcomed. Situations in which a combination of references was considered as obvious on the basis of common general knowledge without any pointer in the state of the art to the possibility of combining should remain a rare exception. More far-reaching suggestions included the assessment of obviousness on the basis of more objective criteria like secondary considerations or the application of a more formalized "multi-item index system".[4]

From a legal point of view, the criteria of patentability are the same for grant and invalidity proceedings and they should be applied in the same way. As a matter of principle, it should not happen that a patent is revoked on the basis of the same state of the art as already considered in grant proceedings. However, the approach taken in grant proceedings, when applying the criteria of patentability, may differ from that in invalidity proceedings. The examiner in grant proceedings may grant the patent in cases of doubt. First, he has to give proper reasons for rejecting the application and second, he may rely on the possibility of opposition should his doubts turn out to be justified. In inter partes proceedings, the situation is different, the Opposition Division or the Court may clarify with the help of the patentee's adversary whether the pre-existing doubts where justified and this may change the picture.

Whereas the figures for revocation and maintenance as granted give a clear picture for success or failure, the figures for maintenance as amended do not. This is not only due to the fact that it is a matter of psychology whether to define the same glass of water as half-full or half-empty. Rather, one cannot know from statistics which value of the patent remains after partial invalidation (or partial maintenance). In any case, one cannot simply add up invalidation and partial invalidation to 80 % failure. A reason for frequent partial invalidation may be seen in the fact that invalidation proceedings are more focused on the breadth of the claims than grant proceedings, in particular if they are parallel to infringement proceedings and that judges in specialist courts are more trained in this business than examiners.

4 See Dolder/Ann/Buser, Beurteilung der Erfindungshöhe mit Hilfe eines additiven multi-item Indexes, GRUR 2011, 177.

Summary

In summary, the discussion reflected the participants' concern about high invalidation rates. For a proper functioning of the patent system, it is a precondition that patents are not revoked light-heartedly and that the applicant has not only a proper chance to obtain a patent but also appropriate opportunities to enforce it. Otherwise, the incentive for an early disclosure of new technical knowledge to the advantage of society may decrease. Such a development would not be in the public interest.

Whereas streamlining of proceedings is a general tendency in many legal systems, it seems surprising that recent practice of the Boards of Appeal of the EPO produces more procedural hardship for the patentee than national court proceedings, having in mind that the European patent system produces high surpluses whereas budgets for national courts have traditionally not been far from humble. In this respect, the present understaffing of the Boards of Appeal does not promise any change of direction of the prevailing practice. The continuing call of the President of the EPO for increasing efficiency of the Boards of Appeal accompanied by his recent claim that appeal proceedings should be more cost covering may be seen as indication to the contrary.