

Patent Litigation

Quick Guide to Proceedings in Germany

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I. Advantages of Litigation in Germany

Speediness of proceedings

An enormous advantage of litigating in Germany is the speediness of trials. The first decision of the Regional Court (*Landgericht*) can be expected within 10 to 14 months. This judgment is enforceable if a security is posted or if no appeal is filed. The court hands down the judgment approximately 3 to 4 weeks after the oral hearing. The oral hearing normally lasts one to two hours.

Preliminary injunction

The court can issue a preliminary injunction without hearing the alleged infringer (*ex parte*). German courts can issue a preliminary injunction within a few days, sometimes even on the same day of filing. This makes it possible to enforce the cease and desist order very quickly. The court order is enforceable without providing a security.

Size of the German market/trade fairs

In the European Union, Germany is the largest marketplace and a major place of transshipment. Therefore, a judgment in Germany can have a great impact. Moreover, Germany is a place of important trade fairs, where many new products are made available to the public.



Reputation

The German courts have great experience in dealing with patent infringement cases. German courts account for more than two-thirds of patent infringement proceedings in Europe. Germany has designated 12 dedicated Regional Courts (courts of first instance) dealing with patent and utility model infringement cases. Especially the courts located in Düsseldorf, Mannheim and Munich have an excellent reputation in patent litigation worldwide.

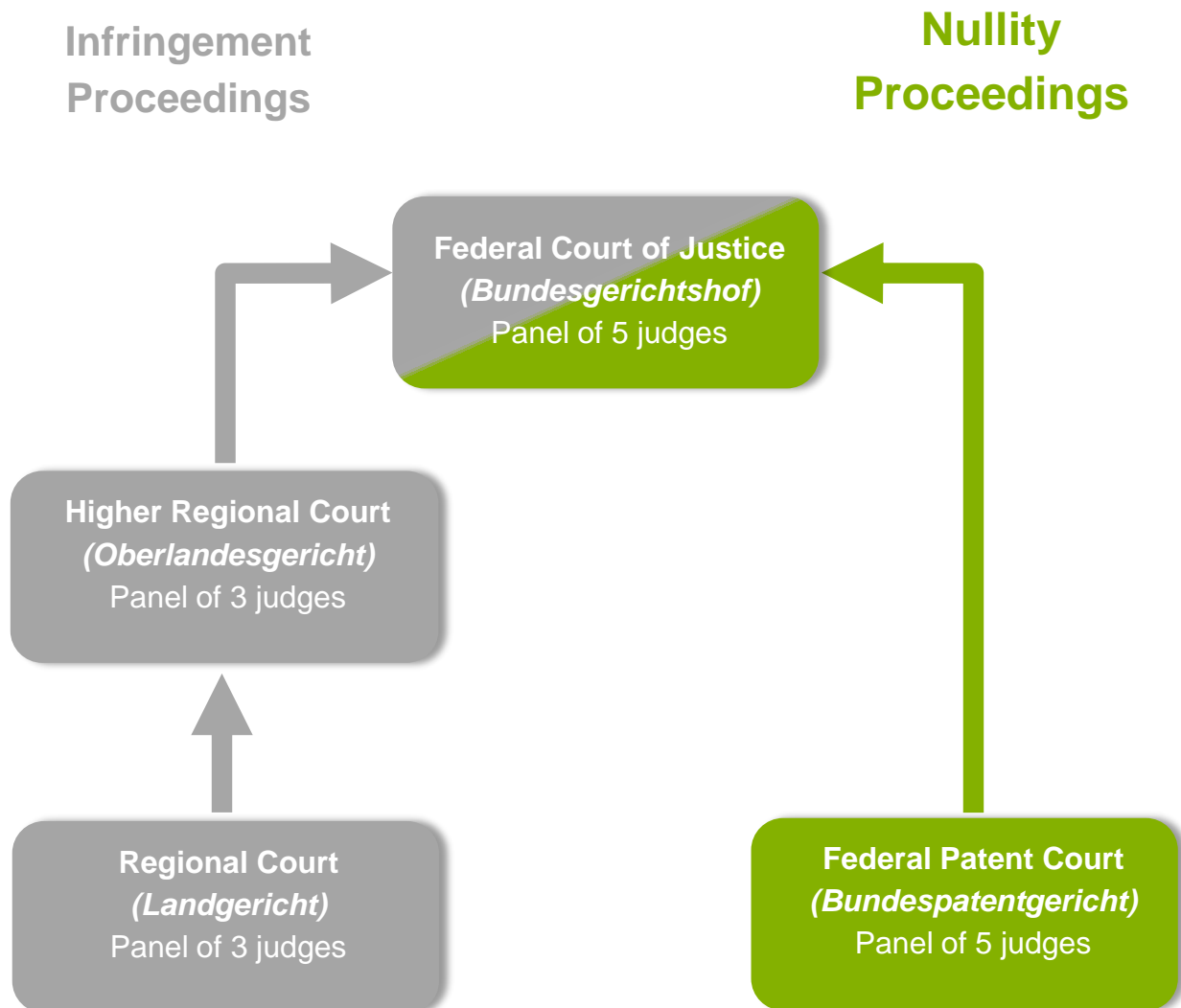
Cost efficiency

The underlying principle is: The losing party bears all costs. The reimbursable costs for German proceedings are relatively foreseeable as they are regulated by law. The court fees, the lawyers' fees and the patent attorneys' fees are calculated according to a formula based on the value in dispute. These fees are the basis for the reimbursement of costs. As obtaining a legal expert's opinion and hearing a witness is rare, German proceedings are relatively cost efficient.

II. Patent Litigation System

In the German patent litigation system, patent infringement and validity (nullity) proceedings are separated (“bifurcated system”). Infringement proceedings are heard by the civil courts, in the first instance by the Regional Courts (*Landgerichte*).

The nullity proceedings are exclusively heard by the Federal Patent Court (*Bundespatentgericht*) located in Munich. The civil courts have to assume the validity of the patent and therefore they have no jurisdiction to decide on its validity. If there is a pending nullity case, the Regional Court might stay infringement proceedings if it is likely that the patent will be revoked by the Federal Patent Court (see page 12).



III. Infringement and Nullity Courts

Patent infringement courts

In Germany there are 12 dedicated Regional Courts (*Landgerichte*) dealing with patent infringement cases. The most renowned courts are Düsseldorf, München (Munich) and Mannheim. The decision of the first instance courts can be appealed. This appeal can be filed with the Higher Regional Court (*Oberlandesgerichte*) which has jurisdiction over the respective Regional Court. Further appeal against the decision of the Higher Regional Court is possible. The jurisdiction lies with the X. Senate of the Federal Court of Justice (*Bundesgerichtshof*).

- Regional Court of Düsseldorf:
3 patent chambers
- Regional Court of Munich:
2 IP chambers
- Regional Court of Mannheim:
2 IP chambers
- Federal Court of Justice in Karlsruhe



Nullity court

The jurisdiction for a nullity action lies with the Federal Patent Court (*Bundespatentgericht*) in Munich. The federal patent court has 5 senates dedicated to nullity proceedings. The losing party may file an appeal to the Federal Court of Justice (*Bundesgerichtshof*) in Karlsruhe. The competence lies with the X. Senate. Therefore this Senate has jurisdiction for nullity appeal proceedings and the second appeal in infringement proceedings.

IV. Infringement of a Patent - Options of the Patentee

Proprietary notice (Schutzrechtshinweis)

By issuing a proprietary notice, the patentee informs the alleged infringer about the patentee's registered right. It could be understood as a mere notice of the existing patent.

Offering a license (Lizenzangebot)

The patentee may offer a license to the alleged infringer. This is a friendly starting point. If the offer is not accepted, the patentee could resort to other options (see below).

Request for legitimacy (Berechtigungsanfrage)

This request is an informal way to get a first contact to the opposing party. The request for legitimacy usually contains information about the existing patent and raises the question why the alleged infringer might be entitled to use the right. In contrast to a warning letter, the request does not contain any demand to cease and desist.

Warning letter (Abmahnung)

A warning letter is the request to the alleged infringing party to cease and desist. The warning letter consists of a threat of taking legal action in the event that the alleged infringer refuses to sign the cease and desist declaration. The warning letter must contain information about the patent and its enforceability and precise information about the accused infringing activities. The letter should contain a prepared cease and desist declaration and a reasonable deadline to sign and return it. An unjustified warning letter could have legal consequences (damages) for the patentee.

Inspection order (Besichtigungsanordnung)

In infringement proceedings, the claimant has the burden of proof. Therefore, he is entitled to claim an inspection of the devices which allegedly infringe his rights before starting infringement proceedings. The inspection order will only be issued if the inspection procedure is necessary and if there is a likelihood that the patent has been infringed.



Preliminary injunction
(Einstweilige Verfügung)

In cases of particular urgency, the patentee may request a preliminary injunction. Relief can be very quick. It is an essential requirement for the preliminary injunction that the validity of the patent is not questionable. A preliminary injunction is enforceable. In contrast to the main lawsuit, it is not possible to claim damages.

Lawsuit
(Klage)

The patentee or the holder of an exclusive license may file a lawsuit against the alleged infringing party. This lawsuit must be filed either at the defendant's residence or principal place of business, or at the place where the infringing activities were carried out. Every federal state has designated a special court which has jurisdiction in patent matters.

V. Defenses of the alleged infringer

Action for a declaratory judgment

(negative Feststellungsklage)

In case of an unjustified warning letter, the alleged infringer may apply for a declaratory judgment. However, this is not very common. If done, it will not prejudice the venue for later infringement proceedings. It must be noted that any action for a declaratory judgment becomes inadmissible once the patentee has brought an infringement action.

Preventive petition

(Schutzschrift)

In Germany a court can issue a preliminary injunction ex parte. The preventive petition is a measure to ensure that the defendant's arguments are heard before the court issues the preliminary injunction. The alleged infringer has to file the preventive petition before the patentee has filed his application for preliminary injunction. The petition is submitted to the courts which are likely to receive the application for a preliminary injunction. Preventive petitions are usually kept by the courts for 3 to 24 months.

Cease & desist declaration

(Unterlassungserklärung)

If the patent was infringed, it could be advisable to sign a cease and desist declaration. In general, the patentee attaches a draft of a cease and desist letter to the warning letter. Such a declaration usually has a very broad wording. Therefore, it might be advisable to amend the declaration or to draft a new one with a more restrictive wording.

Statement of defense

(Klageerwiderung)

& separate nullity action

(Nichtigkeitsklage)

In pending infringement proceedings the defendant can file a statement of defense and put forward his arguments. The Regional Courts are bound by the validity of a patent and have no jurisdiction to decide on validity arguments. If the defendant wants to challenge the validity of a patent, he must either file an opposition or a nullity action with the Federal Patent Court. That results in two pending proceedings tried by different courts. In order to avoid a patentee enforcing an invalid patent, the Regional Court might stay proceedings if it is likely that the patent will be declared null and void by the Federal Patent Court (see page 12).

VI. Remedies

Injunctive Relief

The most important remedy for the injured party is injunctive relief. The infringing party is not permitted to continue the infringing activities. Each case of contravention if committed after the enforceability of the judgment is punishable by a fine of up to EUR 250,000 or imprisonment of up to 6 months. The fine will be levied by the competent court and is payable to the government.

Damages

Damages serve the purpose of compensation for infringements already committed. In the first judgment, the court does not determine the amount of damages. The court only decides whether the injured party can claim damages or not. The claimant has various options to calculate the damages: Surrender of infringer's profit, fictitious license fee (reasonable royalties) and lost profits. The first method (extraction of infringer's profit) is the most promising and recommendable method in most cases. If the infringer does not pay, the claimant has to start additional court proceedings.

Disclosure and rendering of accounts

These supporting rights help to calculate the damages. The infringing party has to inform the claimant about the origin and the distribution channel of the products and to disclose documents relating to the trading with these products. As the infringer has to disclose all data, these claims are very inconvenient for him.



Destruction of the products

The infringing party may be obliged to destroy all infringing products which are in his possession.

Removal of the products

The infringing party can be sued by the patentee to remove all infringing products from the distribution channels.

VII. Burden of Pleading and Proof

A basic principle of German infringement proceedings is that all facts and evidence must be presented by the parties. They are obliged to submit the facts in writing prior to the court hearing. The court does not conduct any investigations on its own. Therefore, it is up to each party to substantiate its claim or counterclaim. The claimant has to investigate the facts of the infringement of the patent and present the facts to the court (usually in his first written submission, the complaint). There is no pre-trial discovery in Germany.

In particular the claimant is obliged to:

- identify the infringing product which should be attacked
- identify the infringer
- substantiate details of the infringing act (manufacturing, offering for sale, importing, exporting or using)
- present all facts establishing the patent infringement (all features of the relevant claim of the patent in suit must be present in the infringing product)

Only facts which are contested by the defendant need to be proven by the claimant. There are several means of evidence: Documents, questioning witnesses, expert opinions, inspection by the court.

In contrast to infringement proceedings, in nullity proceedings the court – in theory – investigates the facts autonomously. However, in practice the parties submit the facts and, if necessary, pieces of evidence.



VIII. Structure of the Infringement Proceedings

Complaint

Infringement proceedings are initiated by filing a complaint. This complaint consists of a presentation of the facts, especially the alleged infringement, as well as of legal arguments. Due to the fact that the court only decides on the facts which are presented by the parties and does not conduct any investigations on its own, the complaint must be detailed. The claimant has to file the lawsuit either at the Regional Court of the defendant's residence or main place of business, or at the place where the infringing activity has taken place. If the infringing embodiment is offered for sale via internet, each of the 12 Regional Courts might have jurisdiction and the claimant is free to choose the court he or she prefers.

Course of trial

Provided that the claimant has paid an advance on the court fees, the court will serve the complaint on the defendant. Then the defendant has to appoint the lawyers within two weeks and to declare whether he wants to defend himself or not. The further course of trial differs between the courts. One option is that the court asks for written representations. In this case the defendant has to file a statement of defense within the set deadline. The other option is that the court soon schedules a hearing (case management conference) in which procedural questions are discussed and deadlines set.

Written submissions

Usually the defendant has 2 to 3 months to file the statement of defense. Thereafter the claimant must file a reply which is followed by the next submission of the defendant.

Main oral hearing

After this phase of presenting submissions the main oral hearing will be scheduled. This oral hearing is generally very brief and lasts only 1 to 2 hours. The hearing starts with an introduction of the case by the presiding judge (the chamber has a panel of three judges), and the court usually provides a preliminary opinion based on the written submissions. Afterwards relevant questions are discussed with the lawyers. Judgment will be rendered within 2 months after the oral hearing.

Appeal

The losing party may file an appeal against the decision with the Higher Regional Court (*Oberlandesgericht*) within one month after service of the judgment. The appeal proceedings will normally last between 18 and 22 months. An appeal against the decision of a Higher Regional Court can be filed with the Federal Court of Justice (*Bundesgerichtshof*). The decision of this court is non-appealable.

IX. Stay of Proceedings



As already mentioned, nullity proceedings and infringement proceedings are tried by different courts (“bifurcated system“). For this reason invalidity is not a valid defense argument in infringement proceedings. But the defendant may request the infringement court to stay proceedings. This requires that the defendant must either file an opposition or a nullity action with the Federal Patent Court. German law does not define a fixed deadline for taking these legal measures. Nevertheless, the infringement courts prefer to request stay of proceedings and file the opposition/nullity action up to the time of issuing the statement of defense in the infringement proceedings.

The court will stay proceedings if there is a high probability that the nullity action is successful and the patent will be declared null and void. The limited term of protection of a patent, however, calls for a degree of caution. Therefore the stay of proceedings in practice typically requires novelty destroying documents (which were not considered during the granting procedure) or a very clear lack of inventive step.

X. Costs

The total costs of the proceedings are hardly foreseeable as they depend on several factors, e.g. the complexity of the case. However, some elements of the cost calculation are foreseeable as they are regulated by law. These are the court fees and the reimbursable lawyers' and patent attorneys' fees. These fees depend on the value in dispute.

The value in dispute of infringement proceedings corresponds to the economic interest of the plaintiff and therefore is estimated by the plaintiff when filing his complaint. If the court considers this estimated value in dispute not as adequate, it is authorized to change it at its own discretion. Usually the value in dispute is between EUR 500,000 and EUR 5 million but can be even higher.

The value in dispute of nullity proceedings depends on the general economic interest in nullifying the corresponding patent. In case of parallel infringement proceedings, the value in dispute for the nullity proceedings often amounts to 125% of the value in dispute of the infringement proceedings, in order to reflect the general impact of nullifying a patent.

In order to give a useful guidance to the approximate costs of the proceedings, the following pages show some calculation examples. These examples are based on three elements:

1. Investment

The investment you have to make to start infringement proceedings (see page 14).

2. Best Case

The costs which the opposing party has to reimburse if you prevail (see page 15).

3. Worst Case

The costs you have to pay to the opposing party – in addition to the investment – if you lose (see page 16).



1. Investment

The court will only serve the statement of claim on the alleged infringer if the claimant pays an advance on the court fees which depend on the value in dispute.

Advance on court fees (payable by the claimant)

Value in dispute (in Euro)	Advance (in Euro)
500,000	10,608
1,000,000	16,008
2,000,000	26,808
5,000,000	59,208
10,000,000	113,208

The claimant might incur additional costs for translations in case service has to be effected abroad.

Security for claimants

Only citizens of certain countries have to provide a security for costs, e.g. citizens of the USA and of the People's Republic of China. It is not necessary to deposit the security when filing the lawsuit, but upon request by the defendant. Citizens from EU member states, Japan or Russia are not obliged to provide a security.

Fees for own legal representative

Usually the own legal representatives are billed on a basis of an agreed hourly fee. These fees depend on several factors e.g. the complexity of the case and the team members.

2. Best Case – Cost Reimbursement Claims

In the best case - if you are the claimant and you win - the defendant has to reimburse your court fees and your lawyers' and patent attorneys' fees (not the actual costs, but the statutory fees which depend on the value in dispute).

Infringement Action

	Value in Dispute EUR 500,000	Value in Dispute EUR 1,000,000	Value in Dispute EUR 2,000,000	Value in Dispute EUR 5,000,000	Value in Dispute EUR 10,000,000
Lawyer	EUR 8,052	EUR 11,802	EUR 19,302	EUR 41,802	EUR 79,302
Patent Attorney	EUR 8,052	EUR 11,802	EUR 19,302	EUR 41,802	EUR 79,302
Court Fees	EUR 10,608	EUR 16,008	EUR 26,808	EUR 59,208	EUR 113,208
Total reimbursement	EUR 26,712	EUR 39,612	EUR 65,412	EUR 142,812	EUR 271,812

Nullity Action (if any)

	Value in Dispute EUR 625,000	Value in Dispute EUR 1,250,000	Value in Dispute EUR 2,500,000	Value in Dispute EUR 6,250,000	Value in Dispute EUR 12,500,000
Lawyer	EUR 9,178	EUR 13,678	EUR 23,053	EUR 53,053	EUR 98,053
Patent Attorney	EUR 9,178	EUR 13,678	EUR 23,053	EUR 53,053	EUR 98,053
Total reimbursement	EUR 18,356	EUR 27,356	EUR 46,106	EUR 106,106	EUR 196,106

Both proceedings **EUR 45,068** **EUR 66,968** **EUR 111,518** **EUR 248,918** **EUR 467,918**

Moreover, the additional expenses (in particular costs of pre-judicial warning letters, technical analysis of products, costs for party experts, travel costs) will be reimbursed by the losing party.

In addition to this reimbursement of the fees, the defendant has to pay damages for infringing your patent.

3. Worst Case – Additional Costs

If you are the claimant and the defendant wins (the infringement proceedings and the nullity proceedings), you have to reimburse the lawyers' and patent attorneys' fees of the defendant (only the statutory fees which depend on the value in dispute), as well as the court fees for the nullity proceedings. In such an event, you have to pay the following amounts in addition to the amounts mentioned on page 15:

Infringement Action

	Value in Dispute EUR 500,000	Value in Dispute EUR 1,000,000	Value in Dispute EUR 2,000,000	Value in Dispute EUR 5,000,000	Value in Dispute EUR 10,000,000
Lawyer	EUR 8,052	EUR 11,802	EUR 19,302	EUR 41,802	EUR 79,302
Patent Attorney	EUR 8,052	EUR 11,802	EUR 19,302	EUR 41,802	EUR 79,302
Total risk exposure	EUR 16,104	EUR 23,604	EUR 38,604	EUR 83,604	EUR 158,604

Nullity Action (if any)

	Value in Dispute EUR 625,000	Value in Dispute EUR 1,250,000	Value in Dispute EUR 2,500,000	Value in Dispute EUR 6,250,000	Value in Dispute EUR 12,500,000
Lawyer	EUR 9,178	EUR 13,678	EUR 23,053	EUR 53,053	EUR 98,053
Patent Attorney	EUR 9,178	EUR 13,678	EUR 23,053	EUR 53,053	EUR 98,053
Court Fees	EUR 18,342	EUR 28,062	EUR 48,312	EUR 113,112	EUR 210,312
Total risk exposure	EUR 36,698	EUR 55,418	EUR 94,418	EUR 219,218	EUR 406,418
Both proceedings	EUR 52,802	EUR 79,022	EUR 133,022	EUR 302,822	EUR 565,022

About Heuking Kühn Lüer Wojtek

Heuking Kühn Lüer Wojtek is a large independent German law firm. 3 countries, 10 offices, 350 specialized attorneys. We represent the interests of national and international clients. Further information is available at www.heuking.de.

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