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# The Legal 500 Country Comparative Guides

## Germany

# PATENT LITIGATION

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The Linklaters logo, consisting of the word "Linklaters" in a pink, sans-serif font, centered within a white square.

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This country-specific Q&A provides an overview of patent litigation laws and regulations applicable in Germany.

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## GERMANY

# PATENT LITIGATION



### 1. What is the forum for the conduct of patent litigation?

Germany has implemented a “bifurcated system” for patent litigation in which infringement and validity are tried before different courts.

Nation-wide, twelve selected regional civil courts are competent to hear patent infringement cases. These courts decide with a panel of three legally qualified judges. Appeals in infringement cases are heard by the higher regional courts, which is usually the second and final instance, unless a certiorari-type appeal is allowed by either the appeal court or the Federal Court of Justice (FCJ). The FCJ is competent to hear a further appeal that is, however, limited to questions of law. The civil courts may not decide about patent validity. A defendant is thus not able to raise an invalidity defence or file a counterclaim challenging validity in civil court. The infringement court may only stay an infringement case pending the outcome of a separate validity proceeding.

The validity of a German patent or the German part of a European Patent can be challenged in a nullity action before the Federal Patent Court (FPC). Such action is usually filed in response to a patent infringement action. The FPC decides on nullity actions in the first instance with a senate consisting of two legally and three technically qualified judges. The FCJ is competent to hear appeals against the decision of the FPC and further appeals in infringement cases. The same panel of judges at the FCJ, which consists of five legally qualified judges, does therefore ultimately decide about all aspects of a case, though in two separate proceedings.

German infringement courts undertake a high-level review as to the expected outcome of a separate pending opposition proceeding or nullity action. If an infringement court considers it highly likely that the patent will get invalidated, it will stay the infringement proceeding pending the outcome of the separate validity proceeding. The percentage of cases that get stayed is much lower than the patent invalidation rate. It is particularly difficult to obtain a stay of the infringement

proceedings if the validity attack is based on lack of inventive step. A stay is, however, usually granted if the defendant can present novelty-destroying prior art that was not considered during the grant proceeding for the patent.

### 2. What is the typical timeline and form of first instance patent litigation proceedings?

Patent infringement proceedings are “front loaded”. The main trial is prepared by several rounds of briefs. Oral hearings are generally short (a few hours) and focus on the issues that the court considers most relevant. Hearings of more than three hours happen in complex cases but are rare. In infringement cases, the judgement is usually not pronounced at the oral hearing but only several weeks later together with the written grounds.

Invalidity proceedings are also “front loaded” and prepared by written court briefs. Several months before the oral hearing, the FPC will issue a preliminary opinion on patent validity. The oral hearing has a higher importance in nullity actions. Hearings can take several hours up to a full day. The FPC usually issues its judgement on the day of the hearing. The written grounds are, however, only provided some months after the hearing.

The decision on infringement usually issues much quicker than the decision on validity. The average duration of a first instance infringement proceeding currently ranges between 10 months (for Mannheim), 12 months (for Munich) and 16-20 months (for Düsseldorf). The FPC currently needs at least 24 months to decide a case, often longer. The invalidation of a patent by the FPC is more likely than a stay of the infringement case pending the outcome in the separate validity proceeding. This difference in timing often produces provisionally enforceable infringement decisions based on patents that are subsequently invalidated. The injunction gap is increased by the German procedural rule that a nullity action is inadmissible while an

opposition against the patent is still possible or while an opposition proceeding is pending. If a patent is opposed, it can take several years after its grant before the FPC can review validity. The German federal government is currently planning a reform of the German Patent Act. The draft law proposes an exception to this rule if an infringement case gets filed. This would allow the defendant to file a nullity action after being served with the complaint. He would not have to wait until the opposition proceedings is decided.

The usual claims of a patent litigation complaint are an injunction, information as to the scope and duration of the infringement, a declaratory judgement that the defendant is required to pay damages or compensation and often also recall and destruction. Damages are not specified in the initial infringement action. It is only determined that the defendant is under an obligation to pay damages. The plaintiff must enforce the claim for information and rendering of accounts to then calculate the damages claim. Damages as such must be enforced in a separate proceeding. In such proceeding, only the amount of damages is at issue, the infringement and its scope have already been determined. Therefore, such cases rarely go to trial. The damages claim gets settled in most cases after the defendant has rendered accounts and an injunction issued.

### 3. Can interim and final decisions in patent cases be appealed?

Interim injunctions as well as decisions in a main proceeding can be appealed. If an interim injunction issues *ex parte* (which is rarely the case), an objection can be filed that is not bound to any statutory deadlines. Following the objection, the court that issued the injunction schedules an oral hearing to revisit the case. If a decision issues following an oral hearing (based on an objection or if the court schedules a hearing in the first place), such decision can be appealed similarly to a decision in the main proceeding. The appeal decision of the higher regional court is, however, final, and a further appeal is inadmissible.

Decisions of the regional courts in a main action can be appealed to the higher regional court. The length of an appeal proceeding varies from court to court and ranges between 15 and 24 months. A further appeal to the FCJ must be admitted by the appeal court or the admission needs to be requested from the FCJ in a certiorari-type proceeding, in which only the grounds for an admission are reviewed, but not the case on the merits. Such a further appeal can take up to three years if admission to further appeal needs to be requested. The decisions of the courts of the first and second instance remain

preliminarily enforceable during an appeal.

The FPC's decisions in nullity actions can also be appealed and will be heard by the FCJ. Appeals in nullity actions require a full review of all issues of the case, both (with some limitations) factual and legal. Appeals in nullity actions currently take about 24 months.

### 4. Which acts constitute direct patent infringement?

The following acts directly infringe a patent:

- manufacturing, offering, putting on the market or using a patented product, or importing or possessing such product for the aforementioned purposes;
- using the patented method or offering the method for use in Germany without the patentee's consent, if the offering party knows or it is obvious from the circumstances that the use of the method is prohibited; and
- offering, putting on the market or using a product immediately manufactured with a patented method, or importing or possessing such product for the aforementioned purposes.

Patent infringement in Germany requires the infringing action to take place in Germany. German courts are, however, generous with determining when an action has taken place in Germany. An offer that is directed to the German market is a domestic act regardless of where it originates. A product is put on the market in Germany if it is sent from Germany to a destination abroad or from a source abroad to a destination in Germany. The FCJ even found a foreign manufacturer who delivered the infringing product to a third party abroad but knew or had reason to know that the third party would later import the product to Germany liable for patent infringement in Germany. For method patents, the case law is stricter. All process steps must generally be performed domestically, or at least, the steps performed abroad must be attributable to the domestic steps.

### 5. Do the concepts of indirect patent infringement or contributory infringement exist? If, so what are the elements of such forms of infringement?

German patent law has a concept of indirect patent infringement, which is provided for in Section 10 of the German Patent Act. It is relevant for cases in which a third party supplies or offers to supply (in Germany) an

unauthorized person with means relating to an essential element of the invention for implementation in Germany if the third party knows, or it is obvious from the circumstances, that the means are suitable and intended to be used for implementation of the invention. Indirect infringement requires that the indirect act of infringement, the supply of the means, and the direct implementation of the invention take place in Germany (so-called double domestic nexus). If the supplied means are products that are generally available on the market, the supply does not constitute indirect infringement.

In addition to the concept of indirect infringement, not only the person who commits the infringement is liable as infringer. Liability for infringement extends to third parties whose negligent behaviour enabled the infringement or who (knowingly) aided and abetted in the infringement of another person. This allows holding third parties liable for infringement who contributed to the infringement in other ways than the statutory regime of indirect infringement.

## 6. How is the scope of protection of patent claims construed?

Under German law, patent claims must be interpreted in line with the understanding of a person of ordinary skill in the relevant field of the art. The description and drawings are crucial for the interpretation. The patent is considered its "own dictionary" and the general meaning of a term in the art is not decisive if the patent ascribes another meaning to such term. German courts tend to interpret claims broadly, relying heavily on the function to be achieved by a feature in addition to its literal meaning. German courts put little to no relevance on the prosecution history of a patent when interpreting its scope.

The doctrine of equivalence applies when an accused embodiment does not fall within the literal scope of a patent. According to this doctrine, a patent is also infringed if,

1. the embodiment solves the problem underlying the invention by modified means which objectively have the same effect (equal effect)
2. the person skilled in the art is capable of developing the modified means with equivalent effect without any inventive step (obviousness)
3. the necessary considerations for identifying the modified means are based on the technical teaching of the patent, so that the skilled person considers the amendment as an

equivalent solution (equivalence).

Additionally, the accused embodiment, including the modified means, must be new and inventive at the priority date (so-called *Formstein* defence).

## 7. What are the key defences to patent infringement?

The most relevant defence against patent infringement allegations is the **denial of the infringement**. The German bifurcation system does not allow the defendant to challenge the **validity of a patent** as direct defence in an infringement case. The defendant can, however, request a stay of the infringement proceedings pending the outcome of a separate opposition proceeding or nullity action. The court will grant such request if it considers the invalidation of the patent highly likely.

The other key substantive defences are:

- Section 11 of the German Patent Act exempts several activities from patent infringement as "**permitted use**". This applies to private, non-commercial use, experimental use (provided that the experiment relates to the subject matter of the invention), the *Roche-Bolar* exemption, individual preparation of drugs in pharmacies based on a physician's prescription and the use of the patent in vessels or vehicles that only temporarily enter the German territory.
- The defendant can raise a **right of prior use** if the defendant had already begun to use the invention in Germany or had made the necessary arrangements for doing so at the relevant priority date. Under these circumstances, the defendant is entitled to continue using the invention for purposes of its own business.
- The patentee is precluded from enforcing its patent against a party having a valid **licence** to use the patent.
- If the patentee places the patented product on the market in the EU or EEA (or provides its consent), the patentee's rights with respect to that specific product are **exhausted**. German law accepts a concept of EU/EEA-wide exhaustion, but not worldwide exhaustion.
- The general **statute of limitations** of three years from the end of the year in which the claim arose and the claimant became aware (or grossly negligently did not become aware) of the identity of the defendant and the grounds giving rise to the claim also applies to

patent infringement. Irrespective of the knowledge about the claim, infringement claims become time-barred 10 years after the claim arose. In practice, the effect of the statute of limitations is limited. The claim for damages gets replaced with a “residual compensation claim” after the statutory period, which only lapses 10 years after the infringement. This residual claim also entitles the patentee to claiming the infringer’s profit or a hypothetical licensee fee, the two most common damages calculation methods.

- **Disproportionality** of an injunction is not (yet) a uniformly accepted defence to patent infringement. In 2016, the FCJ accepted the concept of limiting the scope of an injunction for a transitional period in principle to allow the infringer to remove the infringing device from a complex product to avoid grossly disproportionate results. Until today such potential defence has, however, not yet resulted in the limitation of the scope of an injunction. This may change with the reform of the German Patent Act that the German Ministry of Justice has started. It wants to limit the injunction in exceptional cases if an injunction causes disproportionate results in the individual case. The interest that could be considered in this context is broad. Seeking an injunction based on an infringing small component of a complex product against the complex product is one example. The last proposal explicitly recognizes third-party interests, mentioning the interest in keeping life-saving drugs available to patients. Until now, other than in the UK, German infringement courts disregarded such interests in patent infringement cases, pointing to the availability of a compulsory license the requirements of which should not be undermined. The planned reform is hotly debated and is currently discussed in the legislative process.
- A defendant that faces an injunction or other claims with injunctive character for infringement of a standard-essential patent (SEP) can raise an **antitrust defence** arguing that the patentee has a duty to license the SEP at fair, reasonable and non-discriminatory (FRAND) terms and by asserting that the patentee abuses its dominant market position that follows from the SEP and violates antitrust laws. The leading EU case on this defence against SEP enforcement remains the European Court of Justice (ECJ) Huawei v. ZTE decision from 2015. German courts are still

working out the details of the required process for enforcing SEPs. In 2020, the FCJ finally issued its first FRAND ruling since Huawei v. ZTE in the case Sisvel v. Haier. The decision provides guidance on at least some FRAND issues, however, leaving various important points undecided. The FCJ ultimately ruled in favour of the patentee. It found the defendant not to be a willing licensee. The court applied a strict standard to the defendant’s obligations in reaction to a notification of infringement. The defendant must show that it is willing to take a license at FRAND terms, whatever such terms are ultimately determined to be, and engage in actual good faith negotiations instead of delay tactics. The decision, however, provides little guidance into the questions of determining FRAND terms. Key questions remain unanswered. Among these are whether only one specific offer or a range of terms can be FRAND, whether a FRAND offer requires patentees to license the SEP at a certain level in the manufacturing chain, for example, the component manufacturer as opposed to the end-product manufacturer, and whether German courts will determine royalty rates for the non-German parts of patent portfolios.

## 8. What are the key grounds of patent invalidity?

A nullity action against a German patent or the German part of a European patent may be based on the following grounds:

- **Lack of patentability.** This ground for invalidity applies if the conditions in Sections 1 - 5 of the German Patent Act are not fulfilled.
- **Insufficient disclosure.** This ground for invalidity is relevant if the disclosure of the patent is not sufficiently clear to enable a person skilled in the art to carry it out.
- **Usurpation.** This ground for invalidity applies if the essential content of the patent has been taken from the descriptions of another person without consent. This ground of invalidity is only available to the person from whom the invention has been taken.
- **Added subject matter.** This ground for invalidity is relevant if the subject-matter of the patent claims extends beyond the content of the application as originally filed.

## 9. How is prior art considered in the context of an invalidity action?

Prior art in an invalidity action is relevant for both, the determination of novelty and of inventive step. Prior art under German law includes all knowledge which was made available to the public anywhere in the world by written or oral description, through use or in any other way before the date relevant for the priority of the application. The content of patent applications that were filed before the priority date of the attacked patent but published thereafter also constitutes prior art, but only with respect to novelty. Such content is irrelevant for determining inventive step.

For a utility model, which is an unexamined intellectual property right that is quite similar to a patent, the concept of prior art is different. Only written descriptions (anywhere in the world) and public prior use (in Germany) constitute prior art. A disclosure that occurred within six months before the priority date that is attributable to the applicant does not constitute prior art.

## 10. Can a patentee seek to amend a patent that is in the midst of patent litigation?

In nullity proceedings, it is possible to defend a patent only with limited scope by amending the claims. The main claim as granted is usually defended in the main request with more limited claims as auxiliary requests. Such auxiliary requests consider potential nullity grounds and seek to distinguish the subject matter of the attacked patent from the prior art.

If the patentee defends the patent only with limited scope (other than in mere auxiliary requests), parallel infringement proceedings are usually stayed, because the limited patent claim must have been subjected to a full examination by the patent office for a validity court. The infringement court is not competent to evaluate if this is the case.

## 11. Is some form of patent term extension available?

The regular term of protection for patents (20 years) covering pharmaceutical or plant protection products that require a marketing authorisation can be extended for up to five years with the grant of a supplementary protection certificate (SPC). The SPC is meant as a compensation for the portion of the term of protection during which the patent cannot be commercialised because of the marketing authorisation proceeding. An SPC comes into force after the basic patent has expired.

Regulation (EC) No. 469/2009 of 6 May 2009 applies to SPC protection in Germany, in addition to Section 16a of the Patent Act.

## 12. How are technical matters considered in patent litigation proceedings?

If decisive facts and relevant technical details are in dispute between the parties, the court may order to take formal evidence and appoint an expert. Such court appointed expert first drafts a written report. The court can then order the expert to be heard *ex officio*, like a witness. If the court does not do so, the parties may request the expert to be heard and, if necessary, submit supplementary questions. Due to the regular technical complexity, this can take time. The parties may question the expert. This is, however, not comparable to cross-examination. As court-appointed expert, the expert is under a statutory duty to be neutral.

In some cases, the parties also engage their own experts. Such private experts can substantiate the party's submissions but their statements will be considered as argument and statement of the submitting party. The party experts are not formally heard in a hearing. Their argument may, however, trigger the appointment of an expert by the court.

## 13. Is some form of discovery/disclosure and/or court-mandated evidence seizure/protection (e.g. saisie-contrefaçon) available, either before the commencement of or during patent litigation proceedings?

If a patentee has indications of an infringement, it can seek to gather additional information that would allow to substantiate a complaint for patent infringement through an "inspection proceeding". Such proceeding requires a certain likelihood of an infringement. It has a much lower standard of proof than an infringement proceeding. The information can relate to the details of the product or the method to confirm whether it falls within the scope of the patent and whether and where a third party commits infringing acts. The patentee must seek a court order for the inspection and can then conduct the inspection on site through the court-appointed expert and, if necessary, also a bailiff. The attorney and potentially also a patent attorney would be present but not get access to the information. The inspection may involve a visual or other inspection by the expert and the production of documents from the defendant. Inspection orders are almost always granted *ex parte* to avoid that the respondent gets advance notice that the inspection

will take place, thereby defeating its purpose. The defendant's confidentiality interests are protected by excluding the patentee from the inspection, requiring confidentiality from its counsel (*vis-a-vis* the patentee) and only allowing the patentee access following a separate review process in which the court, together with the defendant and the patentee's counsel, determines which parts of the expert report can be disclosed to the patentee. While not as far reaching as the French *saisie-contrefaçon*, the German inspection remains a useful tool to investigate defendants and gather evidence for an infringement proceeding.

**14. Are there procedures available which would assist a patentee to determine infringement of a process patent?**

For process patents, the burden of proof to show infringement is also on the plaintiff. If the process that was used is not evident from the product created by the patented process or otherwise, the inspection proceeding (see previous question 13) is a key tool to find out if a patented process was carried out. German procedural law follows a staggered approach to pleading of facts and denial of pleadings. If the plaintiff merely asserts but does not substantiate how the process works, the defendant can simply deny such allegations. If the plaintiff, however, substantiates the process steps, e.g. with reference to facts from which a certain process step can be derived or to industry standards, the defendant must make a substantiated response with the same level of detail, why a patented process was not implemented.

German law provides for a reversal of the burden of proof for manufacturing processes. If the claimed process produces a new product, it is presumed that a product with the relevant characteristics was manufactured by using the protected process. The defendant must then prove that the product was manufactured differently.

**15. Are there established mechanisms to protect confidential information required to be disclosed/exchanged in the course of patent litigation (e.g. confidentiality clubs)?**

The court files of an infringement proceeding are usually not accessible to third parties, as they contain confidential information. Oral hearings are, however, public. German procedural law allows to exclude the public from an oral hearing, which is sometimes used for certain facts of a hearing that are subject to increased

confidentiality interests. Such measures do not provide extensive protection of confidential information. The draft proposal for the planned reform of the German Patent Act includes provisions to increase protection of confidentiality in patent litigation proceedings. Such provisions require all participants (parties, counsels, witnesses, experts and others) to treat such information confidential, even after the proceedings have concluded. Violations can be enforced by the court with administrative fines. Such information is also excluded from any file inspection.

**16. Is there a system of post-grant opposition proceedings? If so, how does this system interact with the patent litigation system?**

Anyone may challenge a granted patent with an opposition within a period of nine months as from grant. Opposition proceedings re-examine if the conditions for the grant of the patent existed. After the opposition period has expired, only a nullity action can be filed to review a patent's validity. The burden of proof for showing invalidity is on the plaintiff in a nullity action, while in an opposition proceeding the patentee must show that the patentability requirements were met. Opposition proceedings cost much less than nullity actions. The interplay with a patent infringement proceeding in both cases is similar: the defendant cannot directly challenge a patent's validity in the infringement case but only request a stay of the infringement proceeding. A stay is available when an opposition proceeding and also when a nullity action is pending. The requirements for a stay are substantially similar in both cases.

**17. To what extent are decisions from other fora/jurisdictions relevant or influential, and if so, are there any particularly influential fora/jurisdictions?**

If a question of law arises in a patent litigation that has already been decided in another member state of the European Patent Convention or by the European Patent Office, German courts are required to consider, but do not necessarily have to follow such decisions. Decisions by the European Patent Office in an opposition proceeding are fully acknowledged with respect to the decision whether to stay the case. With respect to a nullity action, however, the infringement court looks at the case law of the German courts rather than that of the European Patent Office. German courts are generally interested in achieving uniform rules for substantive questions of patent law but acknowledge differences

between the legal systems. Decisions from the UK courts, but also from French and Dutch courts, are of relevance for German courts.

### 18. How does a court determine whether it has jurisdiction to hear a patent action?

The jurisdiction in patent infringement proceedings is usually not heavily disputed. The regional courts are competent to hear all patent infringement cases. Regarding venue, courts apply a broad approach and consider every court in Germany competent to hear the case if the infringement occurred nation-wide, which is mostly the case, if offers of the accused product have been made on the internet or national television. This allows a plaintiff to choose the venue for bringing the infringement action, and the best court for a case. The court only reviews the matter of venue if the defendant challenges it.

### 19. What are the options for alternative dispute resolution (ADR) in patent cases? Are they commonly used? Are there any mandatory ADR provisions in patent cases?

The most relevant alternative to the state courts are arbitration panels. Arbitration proceedings achieve an equally binding decision between the parties. Advantages of arbitration are the ability of the parties to influence the composition of the arbitral tribunal. They can introduce technical or commercial expertise into the tribunal and the general confidentiality of the proceedings. For infringement cases, ADR proceedings are hardly relevant. They are not mandatory in patent infringement cases. In some circumstances an ADR mechanism with the German Patent and Trademark Office is mandatory in disputes between an employee inventor and its employer over inventions of the employee and the corresponding remuneration.

### 20. What are the key procedural steps that must be satisfied before a patent action can be commenced? Are there any limitation periods for commencing an action?

In Germany it is common, although not mandatory, to send an out-of-court warning letter to a patent infringer before filing a lawsuit. If the plaintiff fails to do so and the defendant immediately acknowledges the claim in the proceeding, the plaintiff must bear the costs of the proceedings as an exception to the general rule that the losing party pays those statutory costs. In SEP cases,

there are some mandatory steps that must be taken before filing a lawsuit that were set by the Huawei v. ZTE regime.

For patent infringement, the general statute of limitations applies. Claims lapse three years after the end of the year in which the patentee became aware of the infringement and the identity of infringer. Claims lapse without the patentee's knowledge within 10 years of the infringement.

### 21. Which parties have standing to bring a patent infringement action? Under which circumstances will a patent licensee have standing to bring an action?

The patentee has standing to bring a patent infringement action *per se* but it is a procedural requirement that he must be registered as patent owner in the patent register. An exclusive licensee may also assert claims resulting from patent infringement as own right within the scope of the exclusive licence. In case of an exclusive licence the patentee's standing can be excluded when the patentee has no monetary interest in stopping an infringement because it does not affect royalty payments (e.g. in case of a free licence or lump-sum royalty).

A non-exclusive licensee has no own standing to sue. The licensee can therefore not claim damages suffered **from the patent infringement of its own right**. The patentee can, however, have a right of action derived from the patentee. The patentee can authorise the non-exclusive licensee to seek an injunction on the patentee's behalf and other claims with an injunctive character (e.g. recall and destruction) if the licensee has a legitimate interest in asserting such claims. This requires the licence to be commercially exercised. The claims for damages, accounting and compensation are freely assignable. The patentee can therefore simply assign such claims to the non-exclusive licensee, which allows the licensee to enforce the damages claim originally incurred by the patent owner on its own behalf.

### 22. Who has standing to bring an invalidity action against a patent? Is any particular connection to the patentee or patent required?

Anyone can seek to invalidate a German patent or the German part of a European Patent by filing a nullity action before the FPC. No specific legal interest is required for standing to bring such nullity action. This is different if the patent has expired with or expires during



the proceedings. In such case, a special legal interest must be shown. Such an interest can, for example, be derived from the fact that the patentee has asserted claims for patent infringement against the party bringing the nullity action.

### 23. Are interim injunctions available in patent litigation proceedings?

The patentee can seek an injunction in a preliminary proceeding, because preliminary injunctions can even be issued in *ex parte* decisions if there is a particular urgency. Preliminary injunctions in patent cases are usually granted after an oral hearing. Such proceedings take a few months. There is no requirement that a main action is pending.

Preliminary injunctions are, however, subject to even stricter requirements than injunctions that are granted in a main action. The validity of the patent must be beyond doubt (which is generally only the case if the patent has survived a contradictory validity proceeding such as an opposition or nullity action in the first instance), the patent must be clearly infringed, and the matter must be urgent. The urgency will be assessed based on whether the patentee acted swiftly upon learning of the infringement. This usually requires the patentee to initiate preliminary injunction proceedings within one, at the maximum two months after discovering the infringement.

For the court to grant an *ex parte* preliminary injunction, the case must be very urgent. Since 2018, the Federal Constitutional Court (FCC) increased the requirements for the granting of an *ex parte* preliminary injunction, making them only permissible if the purpose of the proceeding would otherwise be undermined. This limits *ex-parte* preliminary injunctions to particularly urgent cases, such as infringements at trade fairs.

### 24. What final remedies, both monetary and non-monetary, are available for patent infringement? Of these, which are most commonly sought and which are typically ordered?

Both monetary and non-monetary remedies are available for patent infringement. The non-monetary remedies include injunctive relief, recall, destruction, claims for information and rendering of accounts and the publication of the judgement:

- The (current) statutory provision for an injunction to issue only requires the risk of a

future patent infringement, either as recurring infringement (in which case an infringement that has already occurred creates a presumption that future infringements will occur) or a first infringement.

- The patentee is entitled to require the infringer to **recall** infringing products from commercial customers and to **destroy** infringing embodiments in its possession. Recall and destruction do not require negligence but are subject to an explicit proportionality requirement.
- The patentee can **seek information** with a view to the extent of the infringement (including **rendering of accounts**) or the identity of third parties involved in the infringement, which allows the patentee to assert claims against others in the production or distribution channels. Information about the extent of the infringement and rendering of accounts allows the patentee to calculate its damages claim based on the sales figures from the infringer.
- The **judgement** in favour of the patentee can be **published** at the request of the patentee and at the cost of the infringer if the patentee can demonstrate a legitimate interest in the publication which requires a high standard.

The available monetary remedies are damages, claims for unjust enrichment and adequate compensation:

- The infringer is liable for **damages** if it committed the infringement intentionally or negligently. The courts apply a strict negligence standard, generally requiring manufacturers (and distributors) to review the relevant patent landscape and identify patent infringements, and therefore find most infringers to be at fault. The patentee can choose between the following three methods to calculate damages: (i) patentee's lost profits, (ii) hypothetical licence fee (licence analogy) and (iii) infringer's profit (see question 25 below for details).
- The claim for **unjust enrichment** is mostly relevant in cases where either the defendant did not act negligently, or the damages claim has lapsed (residual damages claim). The claim for unjust enrichment does not extend to all methods for damage calculation. However, with respect to the residual damages claim at least the hypothetical licence fee and infringer's profit are available.
- The patentee can claim **adequate compensation** (generally in the form of a

hypothetical licence fee) for any use of the patent between the publication of the application and the grant, which therefore does not constitute infringement and does not incur a damage claim.

In practice, the enforcement of the claim for an injunction, for information and rendering of accounts, the recall claim and the claim for damages are most common. Injunctions are still granted automatically if infringement is confirmed. The claims for destruction and adequate compensation are subject to additional requirements that are not always fulfilled and therefore only enforced if the case allows it (possession of infringing products in Germany for the destruction claim and publication of a German translation of the patent application for adequate compensation, respectively). In the initial patent infringement action, the monetary remedies, such as damages, cannot be asserted in a specified amount but merely in the form of a declaratory judgement. Once infringement is confirmed and the claim for rendering of accounts has been enforced, the patentee can calculate the damages suffered based on the information provided and seek payment of damages in a second lawsuit.

## 25. On what basis are damages for patent infringement calculated? Is it possible to obtain additional or exemplary damages?

The patentee can calculate the damage in three ways:

- Lost profits. This calculation method is not relevant in practice because it is difficult to prove and would require the patentee to disclose its price calculation.
- Hypothetical licence fee. This method is based on the hypothetical royalty that reasonable parties would have agreed for the use of the patent.
- Infringer's profit. This method is very popular with plaintiffs because courts calculate the infringer's profits based on the revenues made with the infringing product and only allow subtracting costs that are directly attributable to such product and no deductions of general overhead costs.

The patentee can choose which calculation method to apply. German law does not provide for further damages, e.g. punitive damages or exemplary damages.

## 26. How readily are final injunctions

## granted in patent litigation proceedings?

If infringement of a patent is established, the statute does not require additional elements for granting a final injunction. Final injunction is thus the typical remedy for patent infringement, provided that the patent is still in force at the time of the judgement. Recently, debate has sparked on whether proportionality considerations must be made before granting a final injunction for patent infringement. While some case law from the FCJ allows such considerations in exceptional cases to justify a grace period before the injunction takes effect, such limitations for granting an injunction have not led to limitations in practice. The planned reform of the German Patent Act (see questions 7, 32) may change this, as it would introduce an explicit statutory provision that requires to refuse the grant of an injunction in exceptional cases where an injunction would lead to disproportionate results for the defendant or third parties.

## 27. Are there provisions for obtaining declaratory relief, and if so, what are the legal and procedural requirements for obtaining such relief?

The plaintiff can seek a declaratory action that the infringer is liable for all monetary damages resulting from an infringement (damages, unjust enrichment, adequate compensation) if the plaintiff is currently not able to specify the amount of such claims. This is generally the case before the infringer has rendered accounts. This type of declaratory relief is therefore the usual first step in patent litigation cases.

A declaratory action that a patent has been infringed is inadmissible. The patentee is required to enforce the remedies that are available for infringement. He has thus no interest in such declaration.

An accused infringer can request a declaratory judgement of non-infringement if it can show a legitimate interest in such declaration (e.g. after it received a warning letter). Unlike in a cross-border context, such declaratory action in Germany does not prevent a separate infringing action before another court. A declaratory action of non-infringement becomes inadmissible once the patentee can no longer unilaterally withdraw its separate infringement action, which applies after the first oral hearing.

## 28. What are the costs typically incurred by each party to patent litigation

### proceedings at first instance? What are the typical costs of an appeal at each appellate level?

Statutory court and reimbursable attorney fees are both calculated based on the value in dispute. The statutory maximum is €30 million. If the value in an infringement case is, for example, €1 million, which is representative of a “run of the mill” patent litigation case, statutory court fees in the first instance will amount to approx. €16,000. The court fees are higher for appeals (i.e., €21,500 at this value for the appeal to the higher regional court). A further appeal to the FCJ in such case, if admitted, would trigger court fees in the amount of €26,680. In addition, each party bears the costs of its attorney (and typically also its patent attorney). The respective statutory costs are approx. €12,000, €13,500 and € 18,000 for the first, second and third instances, respectively. Patent attorney costs are in addition to this. The statutory costs are not proportionate to the amount in dispute but roughly aligned in magnitude. For instance, statutory fees for an amount in dispute of €30 million are approx. 20 times the fees for an amount in dispute of €1 million.

The costs of a first instance nullity proceeding range between the costs of an appeal and a further appeal in an infringement proceeding for the same value in dispute. The FPC usually uses the value in dispute of the infringement proceeding and adds 25 percent.

### 29. Can the successful party to a patent litigation action recover its costs?

The losing party must bear the statutory costs of the litigation, i.e. its own attorney’s statutory fees, the statutory court fees and the winning party’s attorney’s (and patent attorney’s) fees as well as other reasonable expenses, such as travel and translation costs. Cost reimbursement for attorney’s fees is limited to the statutory fees. The actual fees are usually significantly higher. Therefore, if the winning party agreed on higher fees than the statutory amount with its own attorney, it must bear the difference. The plaintiff must advance the court fees after filing the complaint and can recover these fees if it prevails in the litigation.

### 30. What are the biggest patent litigation growth areas in your jurisdiction in terms of industry sector?

The biggest patent litigation growth areas in Germany are in the healthcare and technology sectors. Over the past decade, the number of disputes in the healthcare

sector between originator companies over parallel developments has been increasing. Often several pharma companies focus on finding new or better treatments for specific diseases, develop similar drugs in parallel and thus often patent the same technologies. The research focus on vaccines and treatments against COVID-19 is a very striking example. Patent protection that is sought is often broad, and a patent therefore may cover an independent development.

We also expect to see continued growth of litigation over standard essential patents (SEPs). In recent years, car manufacturers have been the focus of such disputes. With the rising number of connected products, it is merely a question of time when these disputes will spill over to other sectors. We also expect to see an increasing number of patent disputes against complex products over small parts in these products.

The German bifurcated system and the (still) automatic injunctions attract plaintiffs. It remains to be seen to what extent the reform of the German Patent Act, with which a proportionality test is planned to be introduced into the statute, will change that. The pushback against such a change from judges as well as practitioners has been very strong.

### 31. What do you predict will be the most contentious patent litigation issues in your jurisdiction over the next twelve months?

The most contentious issues will relate to the planned reform of the German Patent Act and the further development of the German case law for standard essential patents (SEPs) litigation. The planned reform of the German Patent Act is handled in a very public manner with several rounds of consultations on the various drafts from the Ministry of Justice. Many market participants, industry associations, groups of scholars and judges have commented on the drafts and the views on the provisions greatly vary. As the project is moving further into the legislative process, the political dimension is expected to grow further.

For SEP cases, after the FCJ has decided its first FRAND case in 2020, further cases are up for a decision. These are expected to further shape the case law for SEP litigation, on which the FCJ has already taken a patent owner-friendly approach. A parallel development relates to the influence of the anti-trust authorities on patent litigation proceedings. The German Federal Cartel Office has already weighed in on a pending SEP litigation, pushing for a second referral to the European Court of Justice, mainly on the question on which manufacturing level a SEP owner must license the patent. It remains to

be seen whether this will lead to a further ground-breaking decision from the ECJ.

**32. Which aspects of patent litigation, either substantive or procedural, are most in need of reform in your jurisdiction?**

Automatic injunctions covering complex products, the relevance of third-party interests, the possibility to proceed with a German nullity action while an opposition proceeding before the EPO or GTPO is pending and the different timelines of infringement and validity proceedings are in need of reform. These aspects are addressed in the draft act to reform the German Patent Act published on 1 September 2020.

While the debate is very heated for complex products, one has to notice an increase in patent litigation over patents that cover small products against complex and expensive products that allow the patent owner to gain significant leverage and an injunction which reaches far beyond the scope of protection of the patent.

The German approach to third-party interests in litigation over life-saving drugs and medical devices has been very different from, for example, the approach in the UK. It has been settled German case law that third-party interests in an infringement action are only relevant for the decision whether to grant a compulsory licence. In the UK, courts have ruled that they cannot think why third-party interests should not be relevant. This change will be very relevant for injunctions sought against life-saving drugs. In the US, it has become usual to refrain from even seeking an injunction that would deprive patients from their life-saving treatments. This is still very different in Europe.

Unlike in almost all other countries within the EU, it is currently not possible to proceed with a nullity action in Germany while an opposition proceeding is pending. An alleged infringer therefore has to wait until the opposition is concluded before he is able to seek an invalidation from the FPC. The FPC does, however, look at validity differently than the EPO. Consequently, selected patents that would survive an EPO opposition would not survive a nullity action before the FPC. The proposed reform would allow to significantly reduce this injunction gap, if a German nullity action could proceed pending due opposition in response to an infringement action.

**33. What are the biggest challenges and opportunities confronting the international patent system?**

A key challenge will be dealing with the influence of AI on the industry and R&D. This relates not only to questions of whether machines or AI can make inventions but also to whether the increasing use of AI will raise the bar for patent protection and inventiveness.

A further key challenge lies in the continuing need to enforce patents on a national level and the deviating legal standards and rules between jurisdictions. Further harmonisation of such standards would add to legal certainty across jurisdictions. Of course, the Unified Patent Court would bring a high level of harmonisation across many EU jurisdiction. This project's future is, however, uncertain after the German Federal Constitutional Court invalidated Germany's ratification (although the government is pushing hard for a second attempt), and, even more importantly, the UK's decision not to participate.

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