

What You Need To Know About Patent Litigation In Germany

By **Matthew Bultman**

Law360 (July 27, 2018, 6:00 PM EDT) -- Almost two-thirds of Europe's patent infringement cases are lodged in Germany, where the losing side has to pay and injunctions are granted as of right, the first stop on Law360's look at prominent patent jurisdictions around the globe.

Germany has long been a major hub for patent litigation, handling over 1,200 new patent cases each year. This is by far the most of any country in Europe and puts Germany third in the world, after the United States and China.

With courts that offer relatively fast, cost-effective proceedings, along with the allure of powerful injunctions, attorneys said it should be on the radar of companies looking to put together a **global patent enforcement strategy**.

"Any company that is really thinking about one of these large-scale patent wars will have to look very carefully at Germany," Michael Plimack of Covington & Burling LLP said.

Here's a look at what you need to know about patent litigation in Germany.

Bifurcated System

Germany operates on a split system, with different courts handling validity and infringement.

There are 12 regional courts in Germany that have jurisdiction over the infringement side of litigation. The court in Düsseldorf is the most prominent for patent disputes, hearing over 40 percent of the cases filed in the country.

Validity challenges are handled either through opposition proceedings at the patent office that granted the patent or at the German Federal Patent Court, where cases are heard by judges who are technically trained.

This bifurcated system is different from the U.S., where federal district courts can decide infringement and validity simultaneously. It is also unusual within Europe; only a handful of other countries, such as Austria and Hungary, use a similar system.

The two types of German patent courts don't move at the same speed. A decision on infringement can come in as little as eight months, whereas validity proceedings at the Federal Patent Court normally last about two years, according to Sandeep Basra, an attorney at European intellectual property firm Haseltine Lake LLP.

This can work to the advantage of patent owners who are able to prove infringement and secure an injunction.

"If you're the patentee, that's advantageous because you very quickly have an injunction and you can enforce it, even though your patent might turn out invalid," said Anette Gärtner, an attorney at Reed Smith LLP's office in Frankfurt.

Although the regional courts can pause an infringement case to await the outcome of a parallel validity challenge, this happens only when the challenger can show there is a good chance that the patent will be invalidated.

In 2014, researchers from the Centre for European Economic Research, Max Planck Institute for Innovation and Competition, and Santa Clara University found that 12 percent of cases with parallel proceedings led to decisions where a patent was "invalid but infringed."

The report, which concluded the bifurcated system strongly favors patent owners, also found that fewer patents were challenged than would be expected if infringement and validity were dealt with jointly.

Injunctions Are the Norm

Money awards are often not what patent owners are most interested in when bringing a case in Germany. The main draw, attorneys said, is the availability of injunctions.

In contrast to the U.S., where such orders can be difficult to obtain, injunctions are granted as of right under German law. That means if the court finds infringement, as a general rule, the patent owner will be awarded an injunction.

"An injunction is the norm rather than the exception," Michael Renaud of Mintz Levin Cohn Ferris Glovsky and Popeo PC said.

This can be a powerful tool in a dispute with a competitor and provides valuable leverage in settlement discussions. Germany has the largest economy in Europe and fourth largest in the world. An order blocking import or export from Germany can touch a lot of neighboring countries.

"If you can get an injunction in Germany, you've got leverage over all of Europe," Wayne Stacy of Baker Botts LLP said.

While damages are available to plaintiffs, these awards are relatively modest compared with the U.S. The actual amount is determined in a separate proceeding in the regional courts, after a decision has been made on infringement.

But in reality, these proceedings rarely take place, attorneys said. Cases often settle before they can begin, driven in large part by the threat of the injunction.

"That, I think, is the main reason why we hardly see any decisions on how damages should be calculated: Proceedings don't go that far," Gärtner said.

Pretrial Discovery Is Limited

Germany doesn't allow for the same scope of pretrial discovery as the U.S. This is part of the reason infringement proceedings are less expensive and cases typically move faster, which can work to the benefit of well-prepared patent owners.

"If you can establish infringement evidence without a lot of discovery, you can get to trial quickly in Germany as a patent holder without risking the invalidity of your patent," Plimack said.

But there are situations where the lack of discovery can be problematic, such as when nonpublic information would be helpful to showing infringement. This can often arise in cases involving technologies like software and semiconductors, according to Renaud.

That said, there are ways to reverse-engineer or test that can close that gap, even if that means higher upfront costs, he said. There can also be opportunities for patent owners to get hold of additional information in other jurisdictions.

In France, for example, there is what is known as *saisie-contrefaçon*, a procedure for seizing corporate records at the beginning of a lawsuit. That evidence can be used in a parallel case in Germany. The same is true for evidence that is uncovered in the U.S.

This is where a multijurisdictional enforcement strategy can be effective.

"What you're always trying to do as a European patent litigator, you're trying to keep track of what is happening in your own jurisdiction but also other EU jurisdictions or perhaps in the U.S. because you're trying to combine the best of both worlds," Gärtner said.

No Jury Trials, Specialized Judges, Losing Side Pays

There are no jury trials in either infringement or validity proceedings. Rather, the cases are decided by judges. Attorneys said judges in the regional courts are well versed in patent litigation and widely viewed as predictable and balanced.

"They are quite sophisticated from a legal standpoint," Fabio Marino of Polsinelli PC said.

The court proceedings are conducted in German, not English. And if an expert witness is required in infringement proceedings, one will be appointed by the court. Experts don't play a large a role in validity proceedings at the Federal Patent Court, attorneys said.

"Because there are technically trained judges hearing nullity proceedings, the assumption is that they're able to evaluate the evidence put in front of them themselves, and a lot less emphasis is put on expert witnesses," Basra said.

Also, in Germany the winning side is able to recoup a chunk of its litigation costs. There is a sort of loser-pays system, where the losing party is responsible for the court costs and the attorney fees of the other side, within limits.

"There is a statutory amount that can be claimed from the losing party," Basra said. "However, in these proceedings the costs usually go above the statutory limit and it is expected that not all your costs will be covered even if you win."

The reimbursement award is calculated based on the value of the claim in dispute, which is capped at €30 million. The most the losing side in an infringement proceeding could be on the hook for is €330,000 in court fees and €270,000 in attorney fees for the other side, around \$384,000 and \$314,000, respectively.

--Editing by Brian Baresch and Aaron Pelc.

*This story is part of a series highlighting some of the world's most prominent patent venues. Previous coverage looked at how more companies are **adopting** global patent enforcement strategies.*