

# Recent Case Law in German Patent Law



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## FOREWORD

The Federal Court of Justice was able last year to concretise its case law in relation to one decisive element of patent interpretation: The prior art cited in the patent is of particular importance for the patent's interpretation. As a rule, the skilled person perceives the patent as rising above the prior art cited by himself. Accordingly, objects which have already been described in the cited prior art are generally not covered by the patent's scope of protection. Although these principles are not new, they are once again receiving special consideration – especially with regard to the grant procedure. The mere inclusion of a document as state of the art into the description of the invention can be of decisive importance for the scope of protection of the patent.

For the first time in a while, the Federal Court of Justice had to deal with the right of continued prior use. In particular, the Federal Court of Justice traces the limits of what a "prior user" may change in his product without leaving the safe ground of his right of continued prior use.

In the area of validity, the question of the "reasonable expectation of success" has recently become a perennial

issue. Here, the Federal Court of Justice clearly distances itself from the European Patent Office and also from the Dutch courts. The view of German law remains focused on the "incentive" that prior art documents offer to the skilled person for proceeding in a certain direction.

As far as FRAND is concerned, the Düsseldorf case law continues to consolidate. However, the first decision of the Karlsruhe Upper District Court has (finally) been handed down, bringing the case law of the second major venue into line with the Düsseldorf case law regarding essential aspects: the requirement of transparency and the subsequent compliance with the Huawei ZTE obligations are now also recognised by the Karlsruhe Upper District Court. Further decisions by the Düsseldorf and Mannheim courts also make it clear, however, that the right to injunctive relief is not off the table in Germany. Patent infringers who are merely passive and refuse to sign a non-disclosure agreement run the risk of being ordered to cease and desist.

April 2020

**EISENFÜHR SPEISER**

# I. PATENT INTERPRETATION

## 1. Cited prior art

*Federal Court of Justice, judgment of 27.11.2018, X ZR 16/17 – Scheinwerferbelüftungssystem*

### BACKGROUND

In its *Scheinwerferbelüftungssystem* decision, the Federal Court of Justice deals once again with the issue of patent interpretation, still the central aspect in almost all patent infringement cases in practice. Many cases are decided on the question of patent interpretation, whereas there is often no dispute over the actual design of accused products.

Although the main focus of patent interpretation is mostly on the interplay between the wording of claims,

the systematics of the claims and the description of the invention, a generally accepted principle in German patent law is that the prior art assessed in the patent (but only that prior art) must also be taken into consideration during interpretation. That principle forms the basis for the *Scheinwerferbelüftungssystem* decision discussed below.

### DECISION

The Federal Court of Justice judgment was handed down in revocation proceedings against the German part of a European patent relating to a motor vehicle headlamp with a ventilation system. The purpose of the ventilation system was, firstly, to ventilate the interior of the headlamp and thus to prevent undesirably high temperatures from developing, and, secondly, to prevent water and dirt from entering the interior of the headlamp through a ventilation hole.

To solve this problem, the contested patent claimed protection for a headlamp that included a ventilation system consisting of a housing and a cap fitted thereto. The resultant device had an air outlet and a dual air inlet, the two air inlet holes lying opposite each other and running transversely to the direction of the air inlet passage formed between them. According to the claim, the housing and the cap also formed a labyrinth or chicane that forced the air flowing from the inlet openings to the outlet to change direction twice.

This can be illustrated with reference to the following two figures:

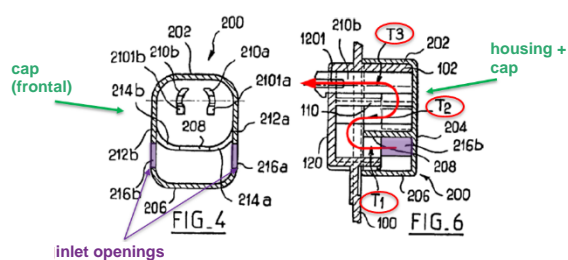


Fig. 4 shows a front view of the cap, with reference signs 214a and 214b marking the two opposite inlet openings. The inlet passage lies between them, at right angles to the two inlet openings. The combination of cap and housing can be seen in a side view in Fig. 6. Reference signs T1, T2 and T3 indicate three parallel passages in the labyrinth through which the air flows from the inlet openings to the outlet. The flow of air is thus forced to change direction several times by the labyrinth or chicanes.

In its judgment, the Federal Court of Justice begins by addressing the expression *change of direction* and notes that this does not necessarily require a 180 degree reversal of the airflow, as can be seen from Fig. 6. The figure

shows a preferred embodiment that does not limit the claim. It is sufficient, rather, that the airflow is given a different direction by means of boundaries.

The Federal Court of Justice then considered the meaning of the *two-fold* change of direction according to the claim and in particular the question whether the first of the two changes of direction required by the claim might not be achieved by the diversion of airflow into the inlet passage. This is because, in addition to a two-fold change of direction, the claim also requires that an inlet passage extends transversely to (and between) the two inlet openings. Immediately after it passes through the inlet openings, the airflow is thus diverted by 90 degrees into the transverse inlet passage. Can that already be viewed as constituting the first change of direction?

The Federal Court of Justice acknowledges that, according to general language usage, this must be seen as a

change of direction. Nevertheless, the Federal Court of Justice came to the conclusion here that the labyrinth according to the patent is not formed until the other side of the air inlet and downstream from the inlet passage, and hence that two more changes of direction are necessary. The reason it gave was that an inlet passage extending transversely to the air inlet openings was already known from the prior art mentioned in the patent.

If a change of direction were already to be seen in the deflection between the inlet opening and the inlet passage, then those features would be known from the prior art, and the aim of the contested patent, namely to improve the barrier effect in comparison with the prior art, would not be achieved. According to the Federal Court of Justice, however, the teaching of a patent must be interpreted in such a way that it delineates itself from the prior art cited in the patent.

## ASSESSMENT

The judgment adds another building block to the many principles of interpretation developed in established legal practice and underlines the importance of the assessed prior art for the extent of protection conferred by a patent. Following discussion about the importance of the cited prior art in the past couple of years, especially in the context of equivalent patent infringement, this more recent decision underlines the relevance of the cited prior art for literal infringement also.

What is new is the assessment that the cited prior art may also result in the claims being interpreted differently from the pure wording. This is all the more noteworthy in

that the wording of the claim is of major importance for its interpretation, and any interpretation that restricts or extends the wording is inadmissible.

To that extent, the Federal Court of Justice decision should indeed be viewed critically, because the claim of the contested patent did not specify that two additional changes of direction are required, besides the inlet passage running transversely to the inlet openings – nor that the labyrinth does not come until after the inlet passage. From that perspective, the interpretation by the Federal Court of Justice boils down effectively to a ‘more limited interpretation than the wording’. (Müller/Winkelmann)

## II. PATENT INFRINGEMENT / CLAIMS

### 2. Claims for damages

*Federal Court of Justice, judgment of 26.03.2019, X ZR 109/16 – Spannungsversorgungsvorrichtung*

#### BACKGROUND

The *Spannungsversorgungsvorrichtung* judgment contains some interesting findings for both doctrinal theorists and practitioners. The issue at stake is how far back into the past the patent proprietor can go with its claims for damages, and in particular for what period it can demand full compensation, including the surrender of profits.

In German patent law, the right to claim residual damages derives from Section 141 of the German Patent Act (PatG), which stipulates that the claim to damages under patent law is statute-barred after three years. However,

it is also stipulated there, and this is the crucial issue in the case under consideration, that the infringer must surrender what it gained by the patent infringement, in accordance with the general civil law rules on unjust enrichment. This reference to general civil law effectively allows the patent proprietor to assert claims beyond the normal limitation period of three years, because the claims based on enrichment are not statute-barred until ten years have elapsed. The only question is what amount can be claimed.

#### DECISION

Due to infringement of a European patent relating to a power supply device for providing a supply voltage for electrical devices, the District Court and the Upper District Court had granted injunctive relief against the defendant and had ordered it to pay compensation for damages and to provide information. The appeal court had ruled that the damages were statute-barred for the period prior to 2007, with the consequence that only a claim to residual damages was awarded.

In order to enforce said claim to residual damages, the defendant was ordered to provide full information (also for the period prior to 2007). The defendant lodged an appeal with the Federal Court of Justice, but only against the order to provide information, as in its opinion it could not be ordered to provide information about its profit, the advertising conducted and the production costs incurred in order to assess the claim for residual damages.

The Federal Court of Justice dismisses the defendant's appeal on points of law and rules that, in order to quantify the claim to residual damages, the same information may

be demanded as for calculating the 'normal' claim for damages.

The decision states, firstly, that the reference in Section 141 PatG to the general civil law rules on unjust enrichment are a reference to legal consequences. In terms of legal doctrine, therefore, the claim is a claim to damages that is limited only insofar that the infringer's duty to compensate is confined to what it has gained as a result of the infringement. A distinction must therefore be made, says the Federal Court of Justice, between what is *obtained* within the meaning of general civil law and what is *obtained* within the meaning of Section 141 PatG itself:

- As a right to damages, Section 141 PatG is based on the culpable infringement of intellectual property rights. The aim of the provision is that the infringer is deprived of the profit that it gained from the infringement, even after the claim for damages has become statute-barred, and that the infringement is sanctioned in this manner.

- In contrast, the general civil law regulations on unjust enrichment, to which Section 141 PatG refers with regard to the legal consequences, are not tied to any culpable infringement of rights. They serve, rather, to reconcile a specific transfer of assets that occurred without any legal basis.

Due to these differences, the judgment goes on to establish, the patent proprietor may demand, as residual damages, not only a hypothetical licence fee that the infringer saved by unauthorised use of the intellectual property.

Contrary to the view adopted hitherto in the legal literature and also by the presiding judge at the Düsseldorf Upper District Court, the patent proprietor may also demand, under Section 141 PatG, that the profit the infringer gained by infringing the patent be surrendered.

For that reason, the Federal Court of Justice goes on, the patent proprietor may also demand information on advertising costs, incurred production costs and the profit achieved in order to assert its claim to residual damages and to calculate the infringer's profits.

## ASSESSMENT

For practitioners, this judgment is important and must be welcomed for the simple reason that it conclusively clarifies a legal issue that has been a bone of contention among various authors and judges, and by doing so adds to legal certainty.

The decision also buttresses the rights of patent proprietors, because the Federal Court of Justice not only rules that the patent proprietor has more extensive claims for information when asserting its claim for residual damages than was assumed by prevailing opinion hitherto. The grounds for the judgment also make it clear that the claim for damages is broader in content than was mostly assumed until now, and that the patent proprietor can calculate its damages under Section 141 PatG not only by

applying the licence analogy, but also via confiscation of the infringer's profits. This has major practical consequences, particularly in those cases where patent infringement allows the entire profits to be confiscated, for example in the case of patented medicines.

For the doctrinal theorist, the fine yet very convincing distinction drawn by the Federal Court of Justice between the notion of what is *obtained*, within the meaning of Section 141 PatG on the one hand, and the general civil law governing unjust enrichment, on the other, is well worth reading. The comments in the judgment in this regard can only be outlined here, so reference is made to the decision itself for the full grounds for judgment, which make rewarding reading. (Müller)



### 3. Right of prior use

*Federal Court of Justice, judgment of 14.05.2019, X ZR 95/18 – Schutzverkleidung*

#### BACKGROUND

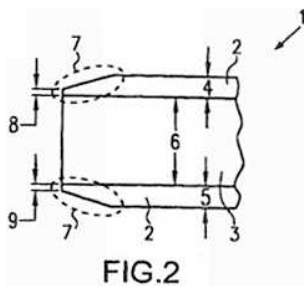
In the most recent issue of our Case Law Review, for 2018, we reported on the *Schutzverkleidung für funktechnische Anlagen* judgment handed down by the Düsseldorf Upper District Court and discussed the scope of and limits to the right of prior use. As the Federal Court of Justice had not yet addressed those questions, the Upper District Court allowed its decision to be appealed on points of law.

The Federal Court of Justice has now affirmed the Upper District Court judgment and has, further, drawn up guidelines for assessing the scope of and limits to the right of prior use.

#### DECISION

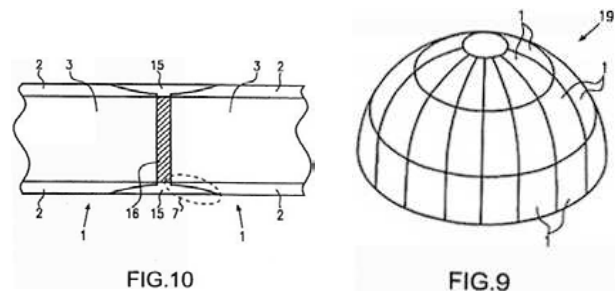
The patent in suit protected a protective covering for radio systems and a corresponding production method. Such protective coverings are also called radomes. They must have good permeability for radio waves and for that reason are often made of sandwiched components based on fibreglass-reinforced plastics.

The protective covering according to the patent comprised sandwiched components marked with reference sign 1 in Figure 2, inserted below. These sandwich components 1 have an insulation layer 3 and two support elements 2 that taper towards the end of the components (broken oval lines 7).



As can be seen from Figures 9 and 10, the space produced by tapers 7 is filled when two sandwich components 1 are joined. Material 15 is used, which is identical

to the material of support elements 2. The protective covering 19 is produced by joining several sandwich components 1 together.



The patent in suit claimed protection not only for the device itself, but also included a corresponding method claim relating to the fabrication of said protective covering. The decision discussed below involved both these claims.

The defendant produced protective coverings which (undisputably) infringed both the device claim and the method claim of the patent in suit. The issue at stake was whether the prior use successfully invoked by the defendant meant that the effects of the patent in suit did not apply to it.

As in many cases of prior use, in practice, the actual prior use differed, however, from the claim when precisely read: the defendant merely supplied the *components* of the protective covering according to the invention, and these were *assembled* by its respective customers in accordance with the patented method to produce the patented covering. Another difference between actual prior use and the claim concerned the application of strips of fabric in the transition between two components: according to the claim, these strips are to be arranged in an overlapping manner, but in the actual prior use, the components were joined in an abutting fashion.

The Federal Court of Justice affirms, to begin with, that the principles of direct infringement are applicable to the device claim. A direct infringement already exists if the accused product has all the essential features of the patented inventive concept and all that is needed for its completion, at most, is the addition of trivial elements. With regard to the method claim, the Federal Court of Justice likewise affirmed the analysis by the Düsseldorf Upper District Court: the method claim merely contains the teaching that the components according to the device claim are connected together. Another aspect is that producing and supplying the components for an overall device protected by patent cannot be seen without further ado as constituting direct use of the method claim to produce the overall device. However, if the patented method is the only technically and financially sensible way for a third party to assemble the supplied components, and the method claim is exhausted in teaching this method of assembly, then the right of prior use must take hold, since otherwise it would lead nowhere economically. The Federal Court of Justice also emphasises that production is not strictly confined to the final activity immediately resulting in production of the patented overall device. Production begins, rather, as soon as essential individual parts are made, and includes the entire activity by which the patented device is produced. Producing individual parts thus also constitutes production of the product itself if assembly by a third party can be expected with certainty and can therefore be ascribed to the producer of the individual parts.

The Federal Court of Justice provides some further guidance for assessing the scope of and limits to the right of

prior use, over and beyond this specific case. The right of prior use is limited, in principle, to use of that part of the acquired vested right for which the prior user had, before the filing or priority date, fulfilled all the conditions for the exception to apply. The prior user is not permitted to make further developments if these infringe against the subject-matter of the protected invention. This is the case, for example, if the product accused of infringing a patent realises all the features of the claim, whereas this was not yet the case with the product constituting prior use.

The right of prior use also comes up against its limits when the user uses the invention to a greater extent or in a different way than in its prior use. The decisive aspect here, according to the Federal Court of Justice, is whether the modifications affect whether and in what way the technical principle is realised. In an overall assessment, a reasonable balance is to be found between the respective interests of the prior user and the patent proprietor: the prior user wants to derive a meaningful financial benefit from the acquired status, whereas the patent proprietor must tolerate the use of its protective right only to the extent that the protected teaching was recognized and implemented by the prior user before the priority date.

The limits to the right of prior use are transgressed whenever an additional advantage is realised by means of a modification that goes beyond the properties of the product constituting prior use. That is the case, in particular, when the modified product is emphasised in a dependent claim or in the description of the patent on account of that additional advantage.

On the other hand, the right of prior use takes hold when two fully equivalent alternatives are mentioned in a claim, and where the modification is an obvious variant of the invention possessed by the prior user at the date of priority.

On the basis of those principles, the Federal Court of Justice also assessed the technical modifications claimed by the appeal on points of law, and ruled in this specific case that the difference did not go beyond the scope of the acquired right of prior use. The Federal Court of Justice

does not consider the transition from overlapping to abutting edges to be a modification leading away from the scope of protection conferred by claim 1. No technically relevant differences or advantages would result from the differences, neither with regard to the behaviour of ice and snow on the surface, nor as regards the absorption of electromagnetic radiation.

In this case, the prior use successfully proved by the defendant thus led to the patent in suit having no effect on the defendant. The appeal on points of law was dismissed for that reason.

## ASSESSMENT

Achieving a balance between the economic interests of the prior user and those of the patent proprietor, already a key element in the Düsseldorf Upper District Court judgment, is also important in the decision reached by the Federal Court of Justice. Invitations to tender are only issued for the special systems at issue here, namely protective coverings for radio systems, when the need arises, and in most cases only single orders are awarded per contractor. The individual components supplied are therefore assembled at the customer to produce the complete patented device using the patented method (and this is 'reliably foreseeable' by the producer/defendant). These special aspects of the case were important for the present decision. The limits to the right of prior use could easily be exceeded, in contrast, in a different commercial environment and, in particular, where there are different variations from the current instance of prior use.

In practice, instances of prior use (occurring before the priority date of the patent in suit) are not identical in most cases to the current products to which the infringement dispute relates. For such cases, the Federal Court of Justice outlines the range of assessment between the prior art having protective effect, and the patent asserting its protective force. Variations relating to embodiments explicitly described in the patent as advantageous are no longer covered by the right of prior use; equivalent alternatives, or modifications that are obvious to a skilled person, do, however.

For patent proprietors, the quality of the patent is therefore of increasing importance. Patents with descriptions in which different variations are not only mentioned, but also described along with their advantages, may provide better protection against prior users than patents which are kept very brief. (Winkelmann)

## 4. Cross-label use

### *Düsseldorf Upper District Court, judgment of 09.01.2019, 2 U 27/18 – Fulvestrant*

#### BACKGROUND

This decision by the Düsseldorf Upper District Court is not to be confused with the **Fulvestrant** decision by the Federal Court of Justice, which we also discuss in this year's Case Law Review. The Düsseldorf appeal court decision addresses the issue of 'manifest arrangement' (sinnfällige Herrichtung), by which is meant a specific act of infringement that only arises with use patents, i.e. patents claiming protection for using a previously known substance for a new and inventive purpose. In practice, these are mostly inventions in the field of pharmaceuticals and other chemical products.

In cases of manifest arrangement (or apparent preparation), case law extends the protection conferred by a patent to the area that precedes any actual use according to the patent – anyone who manufactures or offers a substance for use in accordance with the patent is just as liable, as an infringer, as someone who then actually engages in the use protected by the patent. The former infringement generally requires that the infringer also refers at least, in its instructions for use, in its advertising or in

similar materials, to the possibility of using the substance in accordance with the patent. The fact that other uses are possible and are likewise recommended alongside use according to the patent does not mean there is no manifest arrangement.

In exceptional cases, however, there is no need even to mention the use covered by the patent. That means that a patent may be infringed even when there is no reference to the patented use, if (a) the product is fit for the purpose and (b) the seller exploits circumstances which ensure, similar to instructions for use, that the substance is used in a patent-infringing manner. This predicates that there are not only isolated cases of the substance being used in accordance with the patent, and that the supplier knows of such use or ignores such knowledge in breach of good faith, at least.

The present decision addresses this exception and its details.

#### DECISION

The plaintiff asserted that its patent was infringed by 'manifest arrangement'. It based that claim on the exception, outlined above, that was elaborated by the Düsseldorf Upper District Court in a previous decision, according to which there may be a patent infringement even without any reference to the patented use.

The dispute related to infringement of a patent having a claim that appears simple at first sight: *Use of Fulvestrant in the preparation of a medicament for the treatment of a patient with breast cancer who previously has been treated with an aromatase inhibitor and Tamoxifen and has failed with such previous treatment.* There was no dispute that the defendant had neither mentioned in its instructions for use nor in its prescribing information that its Fulvestrant drug could be used for that purpose. Thus,

there was no manifest arrangement in the strict sense, so the issue then was whether, by way of exception, there was a manifest arrangement even in the absence of measures by the seller itself.

To answer that question, the Upper District Court began by interpreting the patent in suit in some detail. It found, first of all, that the claim related to a use of Fulvestrant in patients who had initially been treated with both an aromatase inhibitor and with Tamoxifen. A chronological order could also be found in the claim, which meant that, prior to the use of Fulvestrant, the two forms of treatment had to be carried out sequentially and not parallel in time. In making its interpretation, the court also considers the limitation important that sequential treatment with said agents must have failed. This specifically precluded

any adjuvant treatment in which aromatase inhibitors and Tamoxifen are prescribed only as a precaution following surgical removal of a tumour. Although it is quite common in this situation to provide switch therapy, where the two pharmaceutical agents are administered one after the other, subsequent occurrence of cancer cells no longer allows the conclusion to be drawn that the therapy with one of the two active substances has failed. Instead, it is quite possible that the drug initially administered was successful. The patent, however, is limited to use in a situation where the therapy with both substances was unsuccessful.

In that context, the judgment then addresses the question of whether or not the defendant infringed the patent in suit, according to the principles of manifest arrangement, despite its own references to the use of Fulvestrant according to the patent. The court upholds its exceptional case law, outlined at the beginning, and takes the view that liability may arise not only when the substance being offered is used, in practice, exclusively or almost exclusively in a patent-infringing manner. What is decisive, rather, is the certain knowledge that use in accordance with the patent will occur. It must be established that use in accordance with the patent occurs to such an extent that it cannot have escaped the notice of the party offering the substance.

The Düsseldorf Upper District Court emphasises in this regard that it makes a major difference in law whether

the seller bears liability due to its own arranging measures, or merely because it knows and utilises third parties' usage practices. In the case of its own measures, the seller already bears liability if there is a single action. However, if it makes no reference of its own to the possibility of the substance being used in accordance with the patent, liability can only be considered if there is still such usage in practice at the end of the hearing. If there is a change in usage practice, in contrast, then the risk of repetition giving rise to liability is also removed.

In applying these principles to the case under consideration, the Düsseldorf Upper District Court concludes that there is no infringement. The consequence of the interpretation presented above, according to which the patent protects the use of Fulvestrant only where previous and sequential palliative treatment with both aromatase inhibitors and with Tamoxifen has failed, is that use in accordance with the patent could only be established for a relatively small percentage of patients, according to the data presented by the plaintiff. According to those figures, a maximum of 7% of patients had been treated in accordance with the patent in the past, which in the view of the court constitutes sporadic prescription that may well have escaped the notice of the defendant. Moreover, not a single case of patent-protected use could be verified for the last four years prior to the hearing, so no use of Fulvestrant within the scope of protection could be proved. In the view of the court, therefore, there was not even a risk of repetition – regardless of whether the defendant knew.

## ASSESSMENT

The present judgment addresses a niche within patent infringement, but one that should not be underestimated in practice for the simple reason that liability may ensue from the actions of third parties. Selling a substance that (in itself) is off-patent may turn into a patent infringement over the years if customers go over to patent-infringing use to a significant extent.

On the matter itself, the decision specifies the exceptional circumstances drafted by the same court. On the one hand, it is clear there is no requirement that the substance be used almost exclusively in accordance with the patent. Conversely, however, it is also not sufficient that

the patent-protected use occurs in less than 10% of all cases. Another aspect, and one that should not be underestimated, is that such usage practice must be identifiable at the time of the hearing – which means that the situation at the end of the proceedings may well differ from that at the time the action was brought.

The patent proprietor therefore has a burden of presentation and proof of evidence that in many cases will be difficult to fulfil. For that reason alone, this case law will always be limited to exceptional cases. However, once such an exception arises, the infringer may be taken by surprise and hit where it hurts. (Müller)

## 5. Derivative product protection

*Düsseldorf District Court, judgment of 08.01.2019, 4 c O 12/17 – Codierverfahren*

### BACKGROUND

Including different categories of claims in patents relating to inventions in the field of mobile communications and coding technology is common practice nowadays, and for good reason. A coding method and a coding device are typically claimed. That is not the end of the story, however, as in most cases the applicant can also claim protection for the corresponding decoding method and decoding devices. A system claim is sometimes involved as well.

In 'modern' patents with such scope, it is an easy matter for the patent proprietor to choose the right claim for infringement proceedings – namely according to the target

of his claim. His key interest often centres on licensing the respective terminal devices, which is why claims relating to decoding devices (direct infringement) and decoding methods (contributory infringement) are made the subject of the infringement proceedings.

The present case is a prime (and very convincing) example of how the patent proprietor can help himself when this bunch of different claim categories is not available. In some circumstances, he can also bring an action against a terminal device with a coding claim, even though, when all is said and done, only the reciprocal decoding method is used in the device.

### DECISION

The application underlying the patent in suit had been filed as early as 1998 and contained just one encoding claim, which claimed protection for an encoding method that later became essential to the AVC video codec. The defendant produced smartphones, tablets and notebooks that nowadays can normally decode AVC video data so that the respective films can be displayed on the terminal devices. The patent had meanwhile expired, so the main proceedings were only about claims for damages and information.

The District Court awarded those claims with a three-step rationale.

Firstly, the court scholastically dissected the features of the claim and concluded that the AVC standard uses the features of said claim (on the encoder side).

Secondly, argued the court, the sequence of signals obtained by encoding in accordance with the patent is a product-by-process within the meaning of Section 9 sentence 2 no. 3 of the German Patent Act (PatG), according to which the same level of protection is conferred on

products made directly with a patented method as on devices that are explicitly mentioned in a claim itself. The background to this additional protection for the product-by-process is the German legislator's notion that the proprietor of a method patent is unable to exploit to a reasonable extent the commercial value of the invention to which he is entitled unless trade in the products directly resulting from the method is also reserved for him, in addition to offering and using the method. A distinction must be made, again and again in practice, between a pure working methods and manufacturing methods. The former are exhausted in their commercial value solely by being carried out, whereas the latter result in products-by-process, which then enjoy the protection afforded by Section 9 sentence 2 no. 3 PatG.

In the case under consideration, the Düsseldorf District Court found that the encoded sequence of signals is such a product (of a manufacturing method), and referred specifically to the **MPEG-2-Videosignalcodierung** decision by the Federal Court of Justice. A data sequence would be like a physical object and can be used as often as wanted, particularly when it can be played back any num-

ber of times. It is therefore like a physical object in the way it is used. That this product of a method is also a product-by-process under patent law derives from the fact that the result of the encoding method according to the claim is a sequence of signals that did not yet exist before the encoding process, which means it is only by performing the method that the sequence of signals is produced. It had thus been shown (in an intermediate step) that the defendant's final commercial customers used the products-by-process (the sequence of signals) produced in accordance with the patent in suit, in contravention of the Patent Act.

Proceeding from that interim conclusion, however, the Düsseldorf District Court then had to go one, third, step further in its argumentation, because it was not the final customers themselves who were being sued, but the defendant. Contributory infringement could not be considered here, but the court resolved the case by reference to the general liability of an accessory – a person who, by breaching his own duties, enables a protected object to be used by a third party, must also bear responsibility for any patent infringement that results. That principle applies not only in the case of wilful involvement in acts of

infringement by third parties, but also when such acts of infringement are made possible or fostered by a negligent breach of duty. This is consistent with the established and now generally accepted case law of the Federal Court of Justice, and the Düsseldorf District Court is now applying that case law also to the case to be ruled upon here. In light of the aforementioned case law, the defendant must bear liability for use by its commercial customers, because it explicitly advertises the ability to play back sequences of signals complying with the standard, and therefore knowingly accepts such use within the meaning of Section 9 sentence 2 no. 3 PatG, and thus wilfully makes it possible.

The point that then had to be clarified, as regards the general liability as accessory, concerned which defensive measures could reasonably be expected of the obligated party in order to prevent patent infringements by its customers. That point, too, was ultimately decided in favour of the plaintiff, which meant that full compensation and rendering of accounts were awarded. (That the judgment resulted in surrender of costs and profits is another aspect of this decision that we discuss below in the FRAND section of this Case Law Review.)

## ASSESSMENT

The decision presented here is highly felicitous. It fills a justice gap that can arise when not all aspects of the invention are considered when drafting the claims. The Düsseldorf District Court was faced with the task of ensuring that the rationale of the statutory protection is also extended to products-by-process, even when there are no claims directed to a decoder. The court succeeded in

that endeavour via the combination with the general liability as accessory.

As already noted, the aforementioned problem is unlikely to arise with modern, well-drafted patents. However, patent proprietors now know what needs to be done in such cases. (Henke)

### III. VALIDITY

#### 6. Impermissible extension of the scope of protection

*Federal Court of Justice, judgment of 20.12.2018, X ZR 56/17 – Schaltungsanordnung III*

##### BACKGROUND

In opposition and revocation proceedings, it is possible to defend a patent in amended form – but not in such a way that its scope of protection is extended. This is generally the case when an act would constitute patent infringement according to the amended claim, but not according to the claims as granted. This occurs, in the case of a product claim, when the amended claim includes embodiments that did not come under the scope of the granted claim.

In the judgment discussed below, the Federal Court of Justice focused once again on another set of cases involving impermissible extension of the scope of protection, and reaffirmed its established legal practice.

##### DECISION

The judgment to be discussed here was handed down in revocation proceedings in which the patent proprietor had sought to reverse the revocation of the contested patent at first instance. The contested patent related to a 'driver circuit' for an LED light source. Such circuits convert the power supplied by the power grid so that it can be used to drive the LED light source.

Claim 1 of the contested patent, as granted, related to a *circuit arrangement for operating a semiconductor light source* and provided with input terminals for connecting a supply voltage, input filter means, a current converter, and output terminals for connecting the semiconductor light source. The circuit arrangement also included voltage detection means for voltage detection at the output terminals. According to the detailed embodiments of the contested patent, the purpose of the latter was to detect overvoltages. The semiconductor light source was also described in the contested patent, but was not part of the claimed circuit arrangement.

In revocation proceedings before the Federal Patent Court, the patent proprietor had defended the patent with

several auxiliary requests. According to some of those requests, the *circuit arrangement for operating a semiconductor light source* according to claim 1 additionally included said *semiconductor light source*, wherein *the semiconductor light source is connected to the output terminals*. The semiconductor light source itself was thus included in the claim.

This amendment had been considered inadmissible by the Federal Patent Court because it leads to the patent's scope of protection being extended. By adding an item (in this case the *semiconductor light source*) that was not included in the subject-matter of claim 1 as granted (in this case the *circuit arrangement*), the resultant subject-matter was broader in scope than the subject-matter of the granted claim 1.

In the appeal instance, the Federal Court of Justice has now affirmed that view.

In its grounds for judgment, it refers to its earlier *Elektronisches Modul* decision from the year 2004, in which it ruled that an item that is disclosed by the granted pa-



tent but not protected by it cannot subsequently be included in the patent during revocation proceedings and thus acquire protection. At the time, the Federal Court of Justice had argued in this regard that, although revocation proceedings gave the patent proprietor opportunities to defend its patent on merits, which also includes a limited defence of the patent, such proceedings were not to be used to design the patent; that function was the preserve of the patent granting procedure. However, amending the patent in revocation proceedings to include items not covered by the patent is not a limitation of the patent, but a corrective resumption of the granting procedure for the benefit of the patent proprietor. This is out of the question, even if it were established in the specific case that extending of the scope of protection could be precluded.

When a claim is amended in revocation proceedings, the Federal Court of Justice makes a distinction between an

admissible 'limitation' of the claimed subject-matter and impermissible 'design' of the patent. Such design is present when items not covered by the patent are included in the claim.

In its recent decision, the Federal Court of Justice also addresses the case law of the Boards of Appeal of the European Patent Office, according to which an additional feature introduced into the granted claim does not extend the scope of protection if it functionally interacts with the subject-matter of the granted claim (see decision **T 57/12** of Technical Board of Appeal 3.2.06 at the EPO). The present decision does not conflict with that case law, because in the contested patent there is no functional interaction between the circuit arrangement and the semiconductor light source. The latter is used to generate light, so it does not relate to the circuit arrangement.

## ASSESSMENT

In this decision, the Federal Court of Justice recalls its earlier *Elektronisches Modul* judgment, which may not necessarily be familiar to many practitioners. It reaffirms the basic principle of the previous judgment, according to which, in terms of impermissible extension of the scope of protection, a patent may not be amended in such a way in revocation proceedings that an item which is not protected by the patent is then included in the patent.

Such an amendment of the patent is also precluded even if, strictly speaking, there is no extending of the scope of protection such that an act conforming to the amended claim would constitute a patent infringement, but was not an infringement according to the claim as granted. In the case ruled upon, the protection conferred on the granted claim related not only to *circuit arrangements* that are connected to a semiconductor light source, but also to *circuit arrangements* that are not connected to the semiconductor light source. Only the latter were covered by the scope of protection of the amended claim, however, so the scope of protection was in fact reduced in the present case.

In effect, the principle reaffirmed by the decision results in a further criterion for assessing amendments of the granted patent – in addition to the question whether there is an extension of the scope of protection in the stricter sense. This additional criterion must also be taken into consideration when drafting amended claims in revocation proceedings and opposition proceedings.

According to this decision, however, adding further items to a claim in the course of revocation or opposition proceedings is not precluded per se. It may still be possible if there is a functional interaction between the additional item and the subject-matter of the granted claim. The Federal Court of Justice did not discuss the admissibility of such amendments any further in its decision. However, it may be assumed that such amendments are to be deemed an admissible limited defence of the patent. (Wiethoff)

## 7. Reasonable expectation of success: Federal Court of Justice vs. EPO

*Federal Court of Justice, judgment of 16.04.2019, X ZR 59/17 – Fulvestrant*

### BACKGROUND

It is in the nature of the European patent bundle that, after being granted by the European Patent Office, its validity is assessed under national law in the respective validation state. This poses an inherent risk of different positions being adopted by the Technical Boards of Appeal of the European Patent Office and by the (subsequently involved) national courts. That is not just unfortunate as far as legal certainty is concerned, but is also anathema for a 'unitary patent system' in Europe – the Member State courts that are individually seised may rule differently on the validity of national patents derived from a single grant of patent.

The present decision gave different deciding bodies an opportunity to rule simultaneously on the German part of an EP patent (Federal Court of Justice) and on a divisional application based on the same EP patent (Technical Board of Appeal of the European Patent Office). It is impressive to see how European and German practices can result in different procedures and assessments, even in the context of one and the same relevant prior art.

### DECISION

The revocation appeal proceedings concerning the German (DE) part of the contested European patent were preceded by opposition/appeal proceedings before the EPO. In those opposition proceedings, the competent Board of Appeal of the EPO, in its **T 0336/09** decision, had referred the case back to the Opposition Division with the order that further prior art be taken into consideration – without itself reaching a final decision on patentability. The patent was subsequently upheld by the Opposition Division on the basis of claims in the purposive, 'Swiss-type' form (relating to a medical indication), and no longer with product claims, as originally requested.

In this amended form, the contested patent related to the medical use of Fulvestrant (free international name; brand name: Faslodex), an oestrogen receptor antagonist, in the production of a pharmaceutical formulation for the treatment of benign and malignant diseases of the breast or the reproductive tract.

It is noteworthy that exactly the same prior art that the Board of Appeal had ordered the Opposition Division to take into consideration (namely documents NiK10 and

NiK16 in the present proceedings) should decisively influence the proceedings before the Federal Patent Court and also before the Federal Court of Justice concerning the German part of the European patent.

In the revocation proceedings at first instance, the Federal Patent Court had ruled that the German part of the contested European patent did not involve an inventive step, in any of the defended versions, over the disclosure of NiK16 and further in view of NiK10.

In the subsequent revocation appeal proceedings, the Federal Court of Justice not only focused very thoroughly on the decision at first instance and on the prior art. Parallel to that, the Federal Court of Justice also acknowledged the rulings of deciding bodies in other countries – namely the *Gerechtshof Den Haag (200.237.828/01)*, the Swiss Federal Patent Court (**O2018\_009**) and an EPO Board of Appeal (**T 1680/17**) – the latter two both relating to a European divisional application based on the contested patent, the subject-matter of its claims being identical to those of the contested patent in all its essential features. What all these proceedings had in common is the key role played by documents NiK16 and NiK10.

NiK16 describes the data of a successful clinical study on the long-term efficacy and toxicity of Fulvestrant as administered intramuscularly, to treat advanced breast cancer. NiK10 only describes results of experiments on animals, but discloses a Fulvestrant formulation similar to the one claimed by the contested patent.

In its assessment of inventive step, the Federal Court of Justice acknowledges first of all that NiK16 is a plausible starting point for a person skilled in the art and also provides a skilled person a strong incentive to give further consideration to the clinical study in NiK16. Nor did NiK16 contain any insurmountable reservations that might have deterred a skilled person from further analysing the results in the clinical context. The Federal Court of Justice and all the aforementioned decided bodies are still in broad agreement on these points. When assessing whether the subject-matter of the contested patent or the divisional European application is obvious from the combination of NiK16 and NiK10, both the Federal Court of Justice and the EPO Board of Appeal question whether a skilled person would have considered the teaching of NiK10 (Fulvestrant in animal experiments) with a reasonable expectation of success.

The Federal Court of Justice also based its arguments specifically on its established legal practice and developed it further for the criterion 'reasonable expectation of success'. The Federal Court of Justice emphasised in this regard that the requirements to be met for there to be a reasonable expectation of success must always be defined by taking the circumstances of the individual case into consideration. In addition to the specialised field (medicinal products for human use), it was also necessary to give due consideration to the incentive for a skilled person, the anticipated effort and expense involved in adopting and pursuing the approach in question, and any alternatives that might be available, before a reasonable expectation of success could be affirmed or negated.

Adhering to those principles, the Federal Court of Justice left any doubts aside that NiK10 discloses a formulation that is unusual for clinical purposes. For the Federal Court of Justice, there were already plenty of reasons to focus on NiK16 in greater depth. A skilled person would also have considered the teaching of NiK10 with a reasonable expectation of success (especially the Fulvestrant formulation described therein) in order to arrive at the solution proposed by the contested patent.

The paramount aspect for the Federal Court of Justice was that both documents describe the key effect of Fulvestrant as an anti-oestrogen, and thus its fundamental and purposive suitability for treating oestrogen-dependent tumour growth. To put it differently, the reasonable expectation of success from using the unusual formulation described in NiK10, in the context of the teaching of NiK16, outweighs any doubts about doing so, for a person skilled in the art.

The EPO Board of Appeal ruled differently, in contrast. It takes the view that a person skilled in the art would not have considered NiK10 with any reasonable expectation of success. The incentive to do so was too small – and the reservations were too great about using a formulation that was unusual in the clinical context at least.

Unlike the *Gerechtshof Den Haag*, the EPO Board of Appeal and subsequently also the Swiss Federal Patent Court, the Federal Court of Justice finally came to the conclusion that none of the defended versions of the contested patent involved an inventive step, because in this specific case a person skilled in the art proceeding from NiK16, in combination with NiK10, would not have arrived at the subject-matter of the contested patent with any reasonable expectation of success. The appeal had therefore to be dismissed and the contested patent had to be revoked in its entirety. That decision in the German proceedings is now final.

## ASSESSMENT

The present decision shows very clearly that one and the same prior art can lead to different judgments before the German courts and before the European Patent Office, due to the differences in examination practices when assessing inventive step.

However, that is not only due to the question as to whether or not a reasonable expectation of success can be assumed in the specific case. For the Federal Court of Justice, no differently than for the European Patent Office, establishing the latter comes at the end of the assessment

of inventive step, when an assessment of obviousness is required. However, the main differences in assessment can be identified in the preceding examination steps. The predominant reason for these diverging assessments of the cases becomes clearer when the competing decisions are looked at in closer detail. The European Patent Office sticks very rigidly but conformingly to the rules of the problem-solution approach, which is now effectively standardised in the established practice of the European Patent Office and which is aimed, in particular, at avoiding any ex-post assessment of inventive step. Once the relevant skilled person, the closest prior art and the objective problem to be solved have been defined, a skilled person is, according to the logic of the European Patent Office, already 'blinkered' to some extent when considering other prior art documents. For example, when examining the criterion of a reasonable expectation of success, the European Patent Office critically assesses any reservations regarding whether or not a document would be taken into consideration.

The Federal Court of Justice takes a different approach. When assessing inventive step, it adopts an approach that is equally formal in its individual steps, but one that is much less dogmatic. At a more detailed level, one difference in examination practices is that the Federal Court of Justice defines the problem addressed by a contested patent very rigorously on the basis of its technical principle as a clearly defined point of departure. This results, as in the present case, in what is often a significantly broader formulation of the problem to be solved, which conversely leaves a person skilled in the art a significantly greater degree of freedom in considering and assessing the prior art. Another difference is that the Federal Court of Justice assumes, in line with its established case law (see only the *Gurtstraffer* judgment), that a person skilled in the art will not immediately discard a solution associated with various disadvantages if it can be advantageously combined with advantages that compensate for the negative aspects. These two aspects then allow greater latitude on the whole when finally assessing whether or not a skilled person would have taken a route to a solution with a reasonable expectation of success.

Finally, the Federal Court of Justice states in its first headnote on the present decision that, when assessing a reasonable expectation of success, a person skilled in the art may – and indeed must – look around in every direction, just as the circumstances of the individual case require. In the headnote to its decision, the Federal Court of Justice thus specifies the criteria for the existence of a reasonable expectation of success that must always be taken into consideration in the individual case. This makes it easier to comprehend the rationale behind the Federal Court of Justice's decision.

The approach taken by the Federal Court of Justice is no less objective as a result, and in some cases it may even be closer in real terms to the fictitious skilled person's knowledge at the date of priority. The problem-solution approach applied by the European Patent Office allows a high level of standardisation, but its strongly unidirectional approach sometimes fails to take due account, when assessing for inventive step, of the incentive that a document may actually have given a skilled person.

In the final analysis, however, the present decision remains an individual case, despite the different outcome of the judgment. There is no cause to conclude that a decision on validity by a Technical Board of Appeal will always have annoyingly low predictive relevance for subsequent revocation proceedings before German courts.

In this specific case, the point is that a person skilled in the art, at least in the field of developing medicinal products for humans, would also have considered results from animal models in establishing a new pharmaceutical product. In this special field, therefore, a reasonable expectation of success that a compound is also suitable for treating humans may arise from the sheer possibility of finding an effective compound in animal experiments. This broadens the potential prior art that needs to be taken into consideration when assessing the inventiveness of a patent relating to a medicinal product for human use. (Cirl)

## 8. Inventive step

*Federal Court of Justice, judgment of 07.08.2018, X ZR 110/16 – Rifaximin  $\alpha$*

### BACKGROUND

The Federal Court of Justice has addressed the question of inventive step in many decisions in recent years and has continuously refined its established practice in that regard. The decisions were, and this is presumably a coincident, in the technical fields of mechanical and electrical engineering (see the *Farbversorgungssystem*, *Airbag-Auslösesteuerung*, *Kinderbett*, and *Spinfrequenz* decisions).

In the field of chemistry and pharmaceuticals, it was back in 2012, in its *Leflunomid* decision, that the Federal Court of Justice last ruled on the obviousness of novel products/products-by-process from measures known or obvious from the prior art. At the time, the Federal Court of Justice concluded that the combination of two active

substances was at least obvious from the prior art if, from a known process, a skilled person would have received a mono-preparation which is then converted into the combination of said two active substances by a chemical reaction that inevitably occurs during a customary storage period. Whether or not a skilled person actually had the intention to obtain that combination is not important as far as obviousness is concerned – the decisive point, rather, is that the claimed product inevitably results from customary procedures.

This established practice has now been continued by the Federal Court of Justice in the *Rifaximin  $\alpha$*  decision discussed below.

### DECISION

The decision concerned the German part of European patent EP 1 557 421, which relates to a crystalline form of the antibiotic Rifaximin (Rifaximin  $\alpha$ ) and a process for the production of that crystalline form and compositions containing said crystalline form.

In the revocation proceedings, the applicant for revocation had presented a citation from which the chemical composition and the production of Rifaximin and its use as a pharmaceutical substance were known. The applicant for revocation had also submitted test reports about reproducing the process disclosed in the citation, and showed how reproduction had resulted in the claimed crystalline form, Rifaximin  $\alpha$ . These reproductions included steps that were not disclosed in the citation.

The Federal Court of Justice now considers the subject-matter of the contested patent to be obvious from the combination of said citation and the general technical knowledge of a person skilled in the art. The reasons it

gives for that view is that it is evident from the test reports cited in the proceedings that the reproduction steps which are not detailed in the citation in question are standard steps in normal crystallisation processes. Those steps were therefore obvious to a skilled person, even if they were not explicitly mentioned in the citation.

With regard to the specific variants of those steps that lead to the claimed Rifaximin  $\alpha$  as a product-from-process, the Federal Court of Justice notes that said variants are part of the procedure that a skilled person would be expected to adopt when reproducing the process disclosed by the citation. The subject-matter of the contested patent was therefore a product which a person skilled in the art will invariably obtain by reproducing that process.

Whether the claimed subject-matter obtained by the process is also in fact recognised as such is of no relevance in this regard. The only decisive factor for the

question of obviousness is whether the production process known from the prior art reliably results in the claimed subject-matter being obtained if the routine practice of a person skilled in the art is applied when carrying out the process.

In that respect, the subject-matter of the contested patent does not involve an inventive step. Therefore, the contested patent had to be revoked.

## ASSESSMENT

With this decision, the Federal Court of Justice has confirmed once again the case law it established with its *Leflunomid* decision, according to which a product that is an inevitable result and within the routine practice of a skilled person, of at least a variation of a known process, must be considered obvious from the prior art. In this regard, it is without any relevance whether that product is also actually identified by a skilled person.

That is a convincing rationale – the reason why inventions must involve an inventive step in order to be patentable is so that the exclusive rights provided by a patent be subject to a certain minimum requirement that ensures that

not every development, no matter how slight, can be monopolised.

If that minimum requirement were not made, but any as yet unknown development that is merely the (coincidental) result of a skilled person's routine work were patentable as an invention, then the whole purpose of granting patents – namely to further technical progress – would no longer be achieved. In such a case, a skilled person would no longer be motivated to think 'outside the box' so as to achieve further advancements. (Heintz)

## 9. Disclosure in revocation proceedings

*Federal Court of Justice, judgment of 19.03.2019, X ZR 11/17 – Bitratenreduktion II*

### BACKGROUND

Grounds for appeal in revocation proceedings normally need to nail down specific legal errors in the judgment (of the Federal Patent Court) at first instance. In many cases, these involve questions of patent interpretation that constitute a legal issue and are thus fully eligible for appeal. The scope of priority rights and the structuring of arguments regarding inventive step have been another main focus of appeal case law in the past.

The judgment discussed below, in which we were involved as representatives of the successful patent proprietor, is noteworthy. The Federal Court of Justice took the case in question as an opportunity to show that an incorrect interpretation of cited prior art documents also constitutes a legal error that may be impugned by an appeal.

### DECISION

The dispute over the contested patent had gotten rather long in the tooth. The patent in question is probably the oldest contested patent ever to have its validity established in court: filed in 1987, essential to the jpeg image encoding standard, and expired in 2007. Nevertheless, the parties were still arguing in 2019 over whether or not the contested patent had been valid at the time. The Federal Patent Court had initially revoked the contested patent due to impermissible broadening of claims. That judgment was then set aside by the Federal Court of Justice in its *Bitratenreduktion I* judgment, and the case was referred back to the Federal Patent Court for reconsideration. Now, the second time through, so to speak, the case centred on the usual validity criteria, namely inventive step. The Federal Patent Court revoked the contested patent yet again at first instance, but the Federal Court of Justice has now corrected its lower court and has upheld the contested patent – once and for all – with effect for the past.

This time round, it was not the correct interpretation of the patent that lay at the heart of the dispute (because that had already been clarified by and large by the Federal Court of Justice in the first proceedings), but only a single prior art document, when all was said and done. To be more precise, the case centred on the actual disclosure of that document.

The technical facts of the matter can be summarised in all brevity as follows: the contested patent conferred pro-

tection on a method of bitrate reduction when coding a signal, and specifically used ‘Huffman coding’ in that regard. This meant that signals that occur particularly frequently are encoded into very short codewords, each codeword beginning with a different bit sequence. It is possible in this way to work with codewords of differing lengths, compared to conventional coding methods. The trick behind the contested patent was that this previously known Huffman coding was combined with runlength coding: instead of encoding ‘0’ five times, a single codeword for ‘5x0’ is used. Such runlength coding was also known as such, and the contested patent now conferred protection on the specific concept of encoding, as the ‘event’ to be encoded, a run of zeros together with the preceding or subsequent signal value, to form a single Huffman codeword.

Cited document K14 likewise taught runlength coding of signals, albeit in a different way. Two types of runs were defined in that document – runs of the most frequently occurring value were distinguished from runs of all other (possible) values. That in itself would not have endangered the contested patent, because the combination of runs with a respective ‘different’ value (specific to the contested patent) was not shown there. However, a kind of escape clause could be found in the final paragraphs of document K14, where the description disclosed that the definition of a run (as a series of successive input values having the same value) could also be modified without diminishing the advantages of the invention. Such a mod-

ification could consist, in particular, in a run being defined as a series of successive words having the same value and the next (subsequent) word with a different value.

The Federal Patent Court had jumped on that paragraph in the first-instance proceedings and had taken the view that this (the mere possibility of a modified runlength definition) could already be seen as a suggestion to develop the teaching of the contested patent.

The Federal Court of Justice rejected that view. It analysed the actual disclosure of the cited document K14 in considerable depth and focused specifically on what a skilled person actually understood by this broader, generally worded definition of a runlength. It is merely a definition of a run, namely – but not a definition of an event to be encoded. The crucial discovery in the contested patent that a run and the subsequent signal value could be treated as a single joint event in the Huffman table is certainly not taught there, nor is it disclosed to a person skilled in the art.

The Federal Court of Justice thus reads the paragraph in question from document K14 in its own context. It avoids any dissection of the prior art when reading it, and does exactly what any court must do when determining the ac-

tual disclosure of documents: the point is to determine what technical principle a person skilled in the art can find (clearly and unambiguously) in the document in question. However, a skilled person will not read the last three paragraphs of the description of the invention in isolation, but will read them in the context of the entire document.

The Federal Court of Justice then ruled that the Federal Patent Court had departed from the basic principles of the technical solution disclosed in citation K14, without the quoted passage providing sufficient support. By doing so, the Federal Patent Court had disregarded the characteristic feature of the technical principle of K14, to provide a hybrid method which allows the signal value to be encoded only for the relatively few non-zero words with any meaning and to be satisfied with merely counting runlengths, for the rest. If anticipation of the invention, or a suggestion leading to the technical principle of the contested patent, is derived in patent revocation proceedings from a single technical aspect described in a citation, then in order to avoid any retrospective perspective, that single technical aspect may not, as a basic principle, be viewed in isolation when examining that citation for its actual disclosure. The essential technical meaning that said aspect has in the context of the entire citation is what is authoritative when examining the actual disclosure.

## ASSESSMENT

This is a most satisfying judgment!

Again and again in recent years, the Federal Court of Justice has had to stop its lower court from adopting a hindsight perspective characterised by knowledge of the contested patent's teaching. This 'lecturing' (to put it plainly) is bearing fruit in the meantime. It is now common practice, also in judgments by the Federal Patent Court, that the actual dispute over novelty and inventive step is preceded by a separate chapter in which only the contested patent itself is assessed, and in which the claims are interpreted.

A similar issue as when interpreting the contested patent also arises, however, when determining the actual disclosure of the cited document. The crucial aspect is how a skilled person viewed the document at the date of priority.

To avoid falling into a hindsight view at this point, one must ensure that the cited document is taken seriously, namely in accordance with how it was written for those skilled in the art at the date of priority. A dissecting approach that picks out individual passages is not permitted, not only because this does not conform to a skilled person's perspective, but also because one is liable to fall into a hindsight perspective.

After a long march through the courts, the validity of the contested patent has now affirmed – twelve years after it expired, and for the very best reasons. For experts, it is self-evident that the rationale applied by the Federal Court of Justice can also be applied in future to the examination as to novelty and to the question of impermissible broadening. (Henke)



## V. OTHER ISSUES IN SUBSTANTIVE LAW

### 10. Standard-essential patents / FRAND principles

*Düsseldorf Upper District Court, judgment of 22.03.2019, 2 U 31/16 – Improving Handovers*

*Karlsruhe Upper District Court, judgment of 30.10.2019, 6 U 183/16 – Datenpaketverarbeitung*

*Mannheim District Court, judgment of 04.09.2019, 7 O 115/16 – Vorübergehende Identität*

*Düsseldorf District Court, judgment of 08.01.2019, 4 CO 12/17 – Decodiervorrichtung*

#### BACKGROUND

To start with the most important finding in this year's FRAND update: the German courts are sticking to the line established by their precedents. The questions raised by the Huawei/ZTE judgment and its subsequent reception have been broken down into smaller details in the meantime. The requirement for transparency is basically still in place, but the limits were specified in greater detail in the course of the year. Prohibitory injunctions are still the order of the day, when all is said and done.

A special highlight of the past year we can report on is a judgment handed down by the Karlsruhe Upper District Court, in which this important court of appeal had to rule for the first time on the interpretation of the Huawei/ZTE criteria.

We were involved in the two cases ruled upon by the courts in Mannheim and Karlsruhe.

#### DECISION

The issue in the *Improving Handovers* decision handed down by the Düsseldorf Upper District Court concerned the **binding force of the FRAND commitment** and whether a patent included in the FRAND commitment can be removed from that commitment by being transferred from the original patent applicant to a buyer. This situation arises frequently – in many cases, the developers of a technology are not the ones who ultimately want to translate the patents into practical reality, never mind license them out or enforce them. This can be because they sell an entire business unit, including the patents it owns, or because they balk at the effort and expense of defending against patent infringements and because they prefer to monetise the patent in the form of a once-only payment (of the purchase price).

This was also the situation in the case considered here: the original patent proprietor had filed a FRAND commitment

with the ETSI standards organisation, had subsequently sold the patent, and the buyer, obviously a non-producing entity, had also filed its own FRAND commitment after transfer of the patent in suit.

The question that now arose was whether such a patent transfer might be of concern to the antitrust authorities and to what extent the original FRAND commitment made by the original patent proprietor continues to be in force.

The answer from the Upper District Court is in two parts: although the patent transfers themselves are unobjectionable under antitrust law, the buyer remains directly and inalienably bound by the FRAND commitment made by its legal predecessor. From the perspective of the standard-essential patent, the promise to grant licences limits the patent proprietor's extensive monopoly right

and right to prohibit. The proprietor sacrifices the freedom not to license so that the technical principle of the patent can be incorporated in the technical standard. Because the FRAND commitment limits and defines the rights deriving from the patent in an irrevocable manner and thus ‘in rem’, the patent can essentially only be transferred to the buyer in this same limited form, namely with its content modified by the FRAND commitment. The standard patent is also transferable under antitrust law, therefore – but the buyer is bound by the original FRAND commitment made by the previous proprietor just as much as the latter was.

In particular, the buyer’s offer to grant FRAND licences may not discriminate against current licence applicants compared to licensees of the previous owner, and in the course of the ‘Huawei/ZTE negotiations’, the buyer must therefore provide information about those older agreements as well. When concluding the purchase agreement, the buyer must therefore ensure it is informed about those licence agreements that the seller concluded during its proprietorship. In other words, it cannot barricade itself behind its purported ignorance.

In its *Datenpaketverarbeitung* decision, the Karlsruhe Upper District Court had to rule on two crucial questions that we discuss separately below.

The first question concerned the extent to which ‘**subsequent compliance**’ with the FRAND duties is allowed. The specific case at hand related to the patent infringer’s duty to indicate its willingness to license, and to request a licence from the patent proprietor. However, the rationale of the judgment can probably be applied to all the other obligations as well – both to those of the patent proprietor and to those of the patent infringer.

In the case under consideration, the patent proprietor had properly alerted the patent infringer to its infringement of the patent, providing sufficient technical details. However, the patent infringer responded too late to that alert (as the previous instance had already ruled), and it was not until three months had elapsed that it made a general request for a licence. In the meantime, however, the patent proprietor had already brought an action, and the Mannheim District Court issued a prohibitory injunction at

first instance on the basis of these facts alone. It argued, in essence, that it is not the last day of the hearing that is the crucial date for fulfilling the Huawei/ZTE obligations (as is common in German procedural law). Rather, the set of obligations laid down by the European Court of Justice would be a system that has to be viewed independently of German procedural law. It would follow from the rationale applied by the ECJ that it wanted to provide an impetus to negotiate that requires the parties to engage in bilateral negotiations and to thus relieve the court from the question as to which offers are actually FRAND. This meant that the defendant was not allowed to make up for its earlier failure to comply, and a prohibitory injunction was therefore imposed on it by the judgment at first instance.

The Karlsruhe Upper District Court has now rejected such refusal to allow subsequent compliance. Obligations that the infringer fails to comply with before an action is brought could be subsequently complied with during the pending legal dispute. Although the European Court of Justice refers only to ‘bringing an action’ as such, this does not rule out the possibility that the ‘continuation of the legal dispute’ may constitute an abuse of law in a particular case – for example when requests for prohibitory injunction are maintained even though the relevant facts of the case have subsequently changed (after subsequent compliance with the Huawei/ZTE obligations). Acknowledging that obligations and duties can be complied with at a later stage would also be consistent with national (German) procedural law and would correspond to the legal situation in patent law regarding compulsory licences. Referring to the *Alirocumab* judgment of the Federal Court of Justice (see our extensive discussion elsewhere in this Case Law Review), the Karlsruhe Upper District Court was thus taking the view that the duty to negotiate could still be honoured at a later date, but not at the last minute prior to the hearing.

Above all, however, it would conflict with the principle of proportionality if antitrust duties and obligations could not subsequently be complied with. The intention was that licensing negotiations for standard-essential patents were to be free of any immediate pressure from pending court proceedings. It would generally be up to the litigating party in the patent infringement dispute to work towards such a

procedural situation, therefore, for example by requesting that the infringement proceedings be suspended. Allowing the infringer to comply with its obligations at some later date does not grant it the opportunity to prevent the fair enforcement of rights or to delay the infringement proceedings. That is, if the infringer fulfills its obligations too late, the SEP proprietor would not have to agree without further ado to any suspension of the infringement proceedings proposed by the defendant.

The judgment hence took a broader view, and a decision had thus to be reached on whether the patent proprietor had complied for its part with the antitrust obligations imposed on it by the Huawei/ZTE judgment. That question was taken as an opportunity for the Karlsruhe Upper District Court to elaborate its opinion on the **requirement for transparency**.

The court basically takes the side of the Düsseldorf courts. The SEP proprietor has an obligation, as part of its negotiation obligations, to explain and provide information about the FRAND licence offer it presented. These obligations are a direct expression of the fairness criterion inherent in its commitment to license. The scope and extent to which these explanations must be substantiated will depend on the licensing situation in the individual case. If the SEP proprietor has already granted licences to third parties, then it is necessary to provide details of the SEP proprietor's licensing practices and of the licensing agreements concluded with third parties.

If the licence offer is consistent with a standard licensing programme that is operated exclusively in contractual practice and accepted by third parties, it will generally be sufficient to enforce the licensing programme and to refer to the licence offer being the same as the standard licensing agreement. If the SEP proprietor believes it is prevented from providing such details for legitimate confidentiality reasons, he will have to substantiate such interests and enable a confidentiality agreement to be concluded – which is not uncommon in negotiating practice – with the consequence that further details can then be provided.

However, the dictum of the Karlsruhe Upper District Court includes what may turn out, for practitioners, to be

a key modification of the established case law of the Düsseldorf courts, namely the following: if the courts there (in Düsseldorf) require that the SEP proprietor must explain its licensing agreement, with reference to the entire content of all the licences it has granted, the Karlsruhe Upper District Court is unable to identify any adequate basis for such a requirement. Providing the minimum degree of transparency that the FRAND criterion of 'fairness' requires of the licence offer, namely by explaining and providing information, serves to ensure that FRAND licensing negotiations are conducted in good faith. Full disclosure of third-party agreements would not generally be customary in negotiating practice for FRAND licensing agreements (nor may anything to that effect be required in the judicial proceedings).

As far as the case under consideration is concerned, however, the Karlsruhe Upper District Court then acknowledges that the duties to explain were not fulfilled by the plaintiff. Although the latter had provided information about licensing agreements with running royalties, it had not explained its agreements involving lump-sum payment terms for acts of use. The plaintiff had neither explained whether the specific once-only payments were merely a different method of payment that is economically equivalent to the running royalty that is otherwise customary, nor had it stated that, even though the lump-sum payment is a much more favourable royalty rate by comparison, there are objective and justifying circumstances for charging such royalty rates.

The ***Vorübergehende Identität*** judgment handed down by the Mannheim District Court also fits into this context. It clearly delineates the limits to the requirement for transparency and argues, in particular, that the patent proprietor may insist on a **non-disclosure agreement** in order to fulfil its obligations in respect of transparency.

In the case in question, the plaintiff had made a licence offer and had referred to an existing licensing programme. To fulfil the Huawei/ZTE obligations, it had offered to present a selection of licensing agreements with third parties, with blacked-out sections, provided that the defendant was willing to commit to secrecy regarding the content of the agreements. The defendant had not responded to that offer, had not committed to maintain secrecy, and during

the proceedings had relentlessly argued instead that the plaintiff, for its part, had failed to honour its duties to inform.

The Mannheim District Court does not accept this contradictory behaviour on the part of the defendant. In sum, therefore, the defendant did not respond to the plaintiff's licence offer within a reasonable period of time, like a negotiating partner who is basically willing to conclude a licensing agreement. It was merely using delaying tactics, instead. The court produced two separate arguments in this regard that are of fundamental importance.

Firstly, even if the SEP proprietor is bound to antitrust law, which impose limitations on its freedom to determine the amount of the royalty, it still retains a range of options that are unobjectionable under antitrust law, which is why it can also be accorded a legitimate interest in secrecy, depending on the circumstances of the case. A nullity verdict based on antitrust law does not affect such confidentiality agreements straight away and in all cases, therefore, but not until, and only if, there do not appear to be any legitimate interests in confidentiality.

Secondly, the patent proprietor's offer to conclude a licensing agreement imposes, in itself, certain duties on the infringer to respond. By failing to take up the offer to conclude a non-disclosure agreement (as in this case), and by not even engaging in negotiations in that regard, it did not discharge those duties. The plaintiff's burden of assertion was thus reduced, conversely, and could be fulfilled purely by means of lists providing an overview of previously-concluded agreements.

A prohibitory injunction was therefore imposed on the defendant as a result.

In the most recent edition of our Case Law Review, we reported on the view taken by the Düsseldorf courts regarding different ways of implementing the FRAND commitment in the context of **patent pool campaigns**. This series of decisions was handed down in connection with the MPEG-LA patent pool relating to the AVC video stand-

ard, and this established legal practice has now been specified in further detail in the *Decodiervorrichtung* (decoding device) decision handed down by Civil Division 4c.

The pool manager had already concluded a four-digit number of licensing agreements worldwide, and had then made a (standardised) licence offer to the defendant. That offer to conclude a pool licence was turned down by the defendant, who then offered to take a portfolio licence as part of a bilateral agreement with the plaintiff in this specific case.

The Düsseldorf District Court now ruled that the defendant had no right to a bilateral licence. A limitation to pool licences would not be justified per se simply because no use had been made hitherto of the option to grant individual licences (in the respective technical field). The choice (made by the defendant in this case) to only take out a licence to the plaintiff's portfolio was therefore, in itself, neutral from the antitrust perspective. However, the option to take out a licence other than the pool licence on offer is not without its limitations, either: rather, the licence seeker's conduct must also be assessed on the basis of antitrust criteria. If a licensee wants to diverge from the equal treatment accorded to all licensees hitherto, then it has to present compelling and objectively comprehensible reasons for doing so. Such reasons for seeking an individual licence could include the licence seeker using only the standard-essential patents of that one patent proprietor, or the license seeker also intending, insofar as it uses other patents, to take out individual licences from the other SEP proprietors. It is not acceptable, in any case, if a licence seeker who knows that it uses third-party patents only takes out isolated and selected individual portfolio licences, without having an objective reason for doing so.

That was the case here, however. The defendant infringed all the patents in the patent pool and was, further, unable to show that it had contacted any of the other patent proprietors. A prohibitory injunction was therefore imposed on it.

## ASSESSMENT

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Recently, the conflicting interests of SEP proprietors and infringers have been weighed up more and more frequently to the benefit of the patent proprietor. Two aspects in particular are likely to make life before the German courts easier for patent proprietors in future.

One is that antitrust constraints apply also to the patent infringer. It must give intensive consideration to the licensing agreements offered to it and must accept that the patent proprietor will not explain its licensing practices (and the licensing agreements it has already concluded) in greater detail unless the infringer signs a non-disclosure agreement. That appears to be a reasonable requirement, because in such cases the patent infringer does not normally have a special and legitimate interest in protection – a commitment to confidentiality in connection with licens-

ing negotiations is nothing but customary business practice.

On the other hand, the courts in Mannheim and Karlsruhe have again made it quite clear that the requirement not to discriminate is anything but a requirement to provide equality of treatment. FRAND is and remains a range within which the patent proprietor can operate.

We are still waiting for the first rulings from the Federal Court of Justice, however. The hearing on the first post-Huawei/ZTE case, scheduled for the end of March 2020, was postponed on account of the coronavirus crisis. We will no doubt be able to report on further progress in our next Case Law Review. (Henke)

## 11. Compulsory licence

*Federal Court of Justice, judgment of 04.06.2019, X ZB 2/19 – Alirocumab*

### BACKGROUND

In its landmark *Raltegravir* and *Isentress* decisions, the Federal Court of Justice had focused in detail on the requirements to be met before for a compulsory licence must be granted. The main issues concerned the scope, quality and timing of the negotiations that need to have been conducted by the parties before a compulsory licence can be applied for in court, or granted by a court. Section 24 PatG stipulates that, before it can turn to the courts, the potential licensee must have tried unsuccessfully over a reasonable period to obtain a license. The Federal Court of Justice ruled at the time that what consti-

tutes such 'sufficient effort' must always be assessed on the basis of the circumstances of the individual case. In particular, there are no fixed deadlines or time limits in that regard.

The Federal Court of Justice has now clarified this established case law in further detail. In the decision discussed below, it also addresses the question of the conditions to be met for there to be a public interest justifying the grant of a compulsory licence. Such a public interest is the second requirement stipulated by Section 24 PatG.

### DECISION

An infringement suit for, inter alia, prohibitory injunctive relief had been brought by the patent proprietor against the applicant for compulsory licence. The patent in suit was for the drug Praluent, which contains the agent Alirocumab for use to lower serum cholesterol. The patent proprietor produced a drug containing the agent Evolocumab, which acts via a similar mechanism to lower the cholesterol level. Both drugs were approved for the same indications. The infringement proceedings had been stayed due to opposition proceedings pending before the European Patent Office.

Before the opposition proceedings were completed and the infringement proceedings could be resumed, the applicant for a compulsory license brought an action for a grant of a compulsory license to the contested patent and requested a temporary injunction provisionally allowing it to use the invention. The Federal Patent Court had dismissed the application for temporary injunction on the grounds that neither of the requirements under Section 24 PatG were met.

The Federal Court of Justice upheld the Federal Patent Court decision and used the opportunity to comment,

from a different perspective, on the requirements for granting a compulsory licence.

Firstly, the applicant for a compulsory licence did not endeavour within a reasonable period of time to obtain the consent of the contested patent's proprietor to use the invention on reasonable and customary terms. Substantive law collides with general procedural law in Germany on this issue. Endeavouring to obtain a licence is a material requirement for granting a compulsory licence, and the question arises as to when the 'endeavours' must be present – at the time the action is brought, or at the time of the hearing (as is normal under German procedural law)?

The Federal Court of Justice has now handed down a syllable decision: although it is basically sufficient that this first requirement stipulated by Section 24 PatG be fulfilled at the time of the hearing, the statutory requirement that endeavours have to extend over a reasonable period means that it is not enough if the licence-seeker expresses its willingness to pay a royalty for the licence, during the proceedings at the last minute. Instead, it should have attempted over a certain period and in a manner appropriate

to the respective situation, to reach agreement with the patent proprietor on a grant of licence.

In this specific case, the Federal Court of Justice saw no evidence of such sustained endeavours. The applicant for a licence (the patent infringer) had first offered to conclude a licence agreement approximately three months before the hearing at first instance and had then (given the increasing time pressure) failed to respond to a letter of reply from the patent proprietor.

Secondly, the applicant for a compulsory licence did not furnish any evidence that the public interest requires the grant of a compulsory licence. In contrast to the cases on which the *Raltegravir* and *Isentress* decisions were based, the public interest (in good treatment of patients) could be met with other, essentially equivalent alternatives. Praluent did not have any superior properties that would have substantiated the public interest that is required, as compared to Repatha, the competitor's drug.

## ASSESSMENT

The instrument of compulsory licensing is something that we barely took notice of for many years, but the picture seems to have changed in recent years. In the field of human medicine, applications for a grant of compulsory licence can indeed be made with prospects of success. *Isentress* and *Raltegravir* were cases where the patent provided a monopoly over an agent that promised a significant advantage over competing products for serious diseases and for certain groups of patients. Compulsory licenses were granted in those cases.

*Alirocumab* is now a case that clearly shows that this trend towards compulsory licensing is not a one-way street. The public interest required by Section 24 PatG continues to be a high hurdle. From the outset, it can only exist if there is no equally effective alternative to treatment with the protected agent.

However, the established case law of the Federal Court of Justice on the defence of compulsory licensing could also gain importance in a completely different field – namely standard-essential patents. It is now being discussed whether the pressure to negotiate imposed on the licence seeker by the Federal Court of Justice in *Alirocumab* can also be transferred to FRAND licence negotiations. That would mean that the applicant for a licence can make its request for a licence (and, where applicable, submit its FRAND licence offer) at a later date, after an action has been brought against it – but that it would need to do so with all due haste. Licensing requests and offers that are made at such short notice before the court hearing that the patent proprietor is no longer able to properly respond are likely to be too late and may result in a prohibitory injunction being awarded against the patent infringer. (Heintz/Henke)

## 12. Employee inventions law

*Federal Court of Justice, judgment of 04.09.2018, XZR 14/17 – Drahtloses Kommunikationsnetz*

### BACKGROUND

The present case involved two separate issues (worth reporting on): transfer of the priority right, in particular in the context of the employer-employee relationship, and whether and in which cases the particular time of day (not just the date) may be relevant for a publication.

We discuss each of these two aspects separately and leave aside all the factual details of the case. The points that practitioners need to note can be summarised relatively quickly.

### DECISION

#### 1. Priority rights in employment relationships

The invention involved here stemmed from a German employment relationship. The employer was a private limited German company (GmbH) that had claimed the invention under German law and had then transferred it to its international parent company. The issue in the revocation proceedings was whether and to what extent the parent company could also claim the associated priority right. Depending on the answer, various documents had become obstructing prior art.

The problem was that the US application whose priority was being claimed was in the name of the inventor (this is common practice in US law – the invention is first made in the name of the inventor, who then transfers the application to his employer in a legal transaction). The German inventor's employer had claimed the invention, and the principle in German law is also that all rights to the invention are transferred to the employer by law when the declaration that the employer lays claim to the invention is served on the employee. (The case was conducted under old law. The same principle applies *mutatis mutandis* under the new employee invention law). According to the case law of the Federal Court of Justice, however, that principle does not apply to patent rights or patent applications based on the invention that were held by the employee at the time of claiming.

What follows from that alone is what patent attorneys must always take into account in daily practice: the prior-

ity right to a prior US application (as in this case) must be separately transferred in a legal transaction. The effect of claiming the invention under German law cannot be taken automatically for granted.

The present case could also be resolved in this manner (and to the satisfaction of the parties). The inventor had given his employer the number of the prior US application, and this notification could then be understood, taking all the circumstances into account, not only as a mere 'communication of knowledge', but also as a (legal) commitment by the employee to offer the transfer of the priority right of the prior application.

However, the Federal Court of Justice took this opportunity to make further statements concerning international civil procedure law. The validity of the statutory transfer of rights to an invention by claiming it as a service invention derives from the employment statute, in this case according to German law. Which particular rights and obligations ensue from a legal transaction transferring a priority right is not judged, however, according to the laws governing the initial application, but according to the substantive law governing the contract. In cases like the one under consideration here, however, the law governing the contract is normally the law governing the employment relationship – so German law was applicable to that aspect also, which is why the Federal Court of Justice was able to rule on the matter without applying any foreign law.



## 2. Is the time of day relevant?

The case acquired a special twist from the fact that a critical prior art document had been published precisely on the date of priority. (A situation like this is not unusual when it comes to conference papers of standards organisations: we often see inventions being made and filed at the last minute before the developers travel to the standardisation bodies. One can then see from the priority applications sometimes that they were hastily put together.)

That was now the crucial aspect: according to Article 54(2), in combination with Article 89 EPC, the prior art is whatever entered the public domain before the filing date or the priority date of the European patent application. The following principle thus applies when comparing times: the exact hour that an application was filed cannot be decisive for the patent application itself. What counts, according to the explicit legal situation, is merely the day – namely its date. The situation might be different for the citation, however: the applicant for revocation had found out the particular time of day that the conference

paper had been uploaded to the server of the 3GPP standardisation group, and the applicant for revocation had then argued that, elsewhere in the world, the priority date of the contested patent had not yet begun at that exact point in time. It was approximately 22:36 hours (Yukon time) in Alaska, but 21:36 hours on Hawaii, for example.

The Federal Court of Justice rejected this interpretation of the law by the applicant for revocation (contrary to an Examining Division at the European Patent Office) and thus took the side of the High Court in London. The reference point for determining the time that something becomes publicly available is either the time zone applying at the location of the office where the patent or priority application is filed, or alternatively the time zone at the location where the action occurred that made the technical principle of the invention available to the public. Focusing artificially on Hawaii and Alaska, in contrast, extends the reference frame from the time zone where the act of publication occurred, to all time zones, without any relationship existing to the act of publication and thus to a reason justifying such extension.

## ASSESSMENT

Both elements of the appeal make sense and are worthy of note.

One is reminded once again, with regard to the law governing employee inventions, that the priority right is not automatically included in the statutory effect of claiming the invention, and that it may be necessary to deal with that aspect separately.

By focusing on the ‘actual’ time, the Federal Court of Justice has prevented patenting chaos. It is still the case that the patent proprietor, the party attacking the patent and attorneys can simply rely on the date shown on the cited documents. They do not have to conduct further investigations into the exact time of publication. (Henke)

## 13. Review of proportionality in claim for injunctive relief

*Munich District Court I, judgment of 13.06.2019, 7 O 10261/18 – Verhältnismäßigkeitsprüfung beim Unterlassungsanspruch*

### BACKGROUND

From the perspective of international patent law, Germany is THE country where there is a right to injunctive relief. Whereas in jurisdictions such as the United Kingdom or the United States of America it is possible to sue for high amounts of damages, the German legal system refers primarily to the monopoly (limited in time and content) that is granted by a patent as the means of sanctioning patent infringements. In international campaigns, patent proprietors certainly do make use of these specific characteristics of individual jurisdictions by applying different kinds of pressure on the infringer, depending on the venue. Here, too, the 'German' right to injunctive relief is often conducive to an agreement being reached.

This right to injunctive relief has been attracting criticism for some time now and is the subject of a lobbying campaign by the automotive industry. Its critics argue that the right to injunctive relief is unjustified in connection with very complex products (such as cars), if the infringement only occurs in one of the many components. Moreover,

the dual and bifurcated system (i.e. the coexistence of infringement suits and actions for revocation) is particularly noticeable at this point: after a judgment has been handed down in infringement proceedings, there is often an 'injunction gap' of one and a half years until a first-instance ruling on the validity of the patent is obtained. At least during that period, it is hard to justify enforcement of the prohibitory injunction.

The German government has now presented a bill that subjects the enforcement of injunctive relief to the proviso of proportionality.

This amending law might not be necessary, however. The decision discussed below is an example of how patent infringement does not always and automatically result in injunctive relief being granted. There is also, *de lege lata*, a certain proviso of proportionality already, albeit one that is more narrowly defined than in other jurisdictions.

### DECISION

The facts of the case, insofar as they are of interest here, are quickly summarised. The patent in suit conferred protection on a specific control valve that could be used in automotive camshaft adjusters. The defendant was a supplier and offered the control valves to big-name car manufacturers, who were, however, not co-defendants. (The facts of the case were not so far-reaching, in other words, that the plaintiff was attacking the entire car ('complex product'). Had that been the case, the judgment would have involved even more suspense.)

In the course of the proceedings, the plaintiff declared that it would refrain from enforcing the injunctive relief provisionally, in other words not before a final judgment

in appeal proceedings had been handed down. The intention behind that declaration (and this is the only way of understanding it) was presumably to counteract any objection by the defendant that the claim to injunctive relief was disproportionate. In a separate part of the grounds for judgment, the Munich District Court firstly established that such a waiver of enforcement has no effect on the plaintiff's legitimate interest in protection. The limits imposed by the prohibition of acting contrary to good faith means that the holder of a title is under no obligation to enforce it immediately. The plaintiff could also waive enforcement on the simple grounds that it wants to minimise its own risk (if a provisionally enforceable judgment subsequently proves in the appeal instance to be wrong,

the plaintiff is liable for any damages incurred as a result of enforcement.) The title alone could compel the defendant to respect the plaintiff's rights.

In the case before the Munich District Court, the main issues were then about whether the asserted claim to injunctive relief was disproportionate and whether a period in which to use up the products in question should be granted. Both points had already been discussed by the Federal Court of Justice in its (almost 'famous') *Wärmetauscher* decision, and the Munich District Court adopted the rulings therein for this specific case. However, both questions were ultimately answered in the negative.

The disproportionate nature of the claim to injunctive relief may ensue from Section 242 of the German Civil Code (BGB), if granting injunctive relief results in unreasonable hardship that is not justified by exclusivity rights, and is therefore in bad faith. A tough criterion must be applied here, however, given that a prohibitory injunction is ultimately the only effective means that can be deployed against a patent infringement. If the patent proprietor were merely referred to a claim for damages, that would be tantamount to a compulsory licence. The right to exclusivity would effectively be undermined, unless

the law ordered a codified form of compensation in that respect.

However, there were no circumstances in the present case that could meet this tough criterion, and the defendant had not presented any 'special hardship'. It is irrelevant, in particular, that the car manufacturers also infringed the patent in suit – whether and against whom the plaintiff took action was at its own discretion. Nor is the required proportionality precluded by the fact that the defendant, as one of the plaintiff's competitors, has an interest in its business relationship with their mutual customers.

For similar reasons, the Munich District Court also refused a period for using up the accused products. Such a period can only be considered under very narrowly defined conditions, which are not met in the present case. More specifically, the defendant had known of the asserted patent infringement for more than a year, so it could have developed a workaround.

In conclusion, therefore, the Munich District Court granted the claim to injunctive relief in full.

## ASSESSMENT

Under applicable German laws, no other decision could have been reached. At no point had the defendant been able to present any element of 'special hardship' that differed from the normal disadvantages typically associated with claims to injunctive relief. Of course, a prohibitory injunction can also have adverse impacts on customer relations, but German law considers this to be justified. These are constitutionally protected intellectual property rights, after all, and they are unjustifiably infringed. It is good, nevertheless, that the court took the opportunity to show the interested public that, under existing law, Section 242 of the German Civil Code may already provide a review of proportionality.

In our view, the proposed amended law is therefore unnecessary – as far as can be seen from the federal government's stated rationale for the bill, application of the proportionality test planned for the future should not go beyond what is already applicable law today. With its current bill, the federal government merely intends to translate prevailing case law into codified law. That might comfort the advocates of a strong right to injunctive relief in Germany, but even if the proposed law is implemented, it is unlikely that much will change in practice. Patent infringers in the Federal Republic of Germany would still need to prepare themselves for the impacts of effective injunctive relief. (Henke)

## VI. PROCEDURAL LAW ISSUES

### 14. Division of application

*Federal Court of Justice, court order of 07.05.2019, X ZB 9/18 – Abstandsberechnungsverfahren*

#### BACKGROUND

According to Section 39 (1) of the German Patent Act (PatG), a patent application may be divided at any time – i.e. as long as the parent application still exists legally as an ‘application’. Until now, the applicant could divide his application as long as a decision in the appeal instance had not yet become final.

The following specific rules have applied hitherto: as long as the application is pending at the patent office, the application can be divided by filing a declaration of division with the patent office. As soon as the applicant’s appeal has become pending before the patent court, the latter has competence, and until now the right to divide the application has ceased when the patent court’s decision has been announced – even when an appeal on a point of law was pending. This is because the Federal Court of Justice had ruled in its *Kupplungsgewinde* decision that, in the case of a non-admitted appeal on a point of law, only the

deficiency complained about could be reviewed. In other words, the Federal Court of Justice itself did not consider itself to have competence for examining a divisional application.

In the case to be discussed here, the Federal Court of Justice had to decide whether an application can be divided after the Patent Court has rejected the application. The Federal Court of Justice also had to decide which court then had competence for the divisional application. The Federal Court of Justice was thus addressing once again the question as to when a final decision has been reached on the parent application. Could it be that the applicant can indeed divide an application during the time limit for filing an appeal on points of law, or even beyond that? And if so, who has competence for examining the declaration of division?

#### DECISION

The Federal Patent Court had rejected an applicant’s appeal. Within the time limit for filing an appeal, the application declared a division of the patent application to the German Patent Office. However, the Patent Office did not send the declaration of division and the associated documents to the Patent Court until after the time limit for appeal had expired. The Patent Court then rejected the declaration of division as invalid, because it had not received the declaration (as the instance with ostensible competence) until the parent application was no longer pending. The applicant lodged an appeal on points of law against that decision, which was allowed by the Patent Court.

The Federal Court of Justice considers that appeal to be justified.

The Federal Court of Justice states that the patent application could still be divided during the time limit for filing an appeal, because the parent application still existed from a legal point of view. This is because the parent application remains pending until the decision in appeal proceedings on points of law has become final. The applicant therefore keeps the right to divide an application.

The patent applicant had also done everything correctly when it filed the declaration of division with the Patent Office. In the view of the Federal Court of Justice, the Patent Office is bound by the appeal decision once it is decreed, and for that reason can no longer have competence for examining a divisional application that is subsequently filed. For that reason, the division no longer needs to be declared

to the Patent Court (not mandatorily, in any case). However, the Federal Court of Justice does not have competence either because it only reviews the appeal decision. Therefore, the division can be declared before the Patent Office as this is the competent body.

That meant that the declaration of division vis-à-vis the Patent Office was legal effective. Whether the division could, alternatively, also have been declared to the Patent Court is a question that remains unanswered after the dictum of the Federal Court of Justice.

## ASSESSMENT

One can essentially agree the decision reached by the Federal Court of Justice.

The previous argument advanced by the Federal Court of Justice, namely that once the instances of fact had ended it was no longer possible to change an application and therefore that a divisional application was no longer possible, had not been convincing. That the Federal Court of Justice has now rectified matters and ruled that the application may be divided until such time as a decision on it has become final – i.e. even during the period for filing an appeal on points of law and during the appeal proceedings – is to be welcomed to that extent.

However, the Federal Court of Justice's ruling on the question of competence is not entirely consistent. The Federal Court of Justice is of the opinion that it would be procedurally inefficient if the Patent Office had competence while the application is pending before the Patent Court. The reason given is that the Patent Court has already concerned itself with the application and could therefore examine the divisional application as well. However, that would mean that competence for divisional applications then returns from the Patent Court back to the

Patent Office as soon as the court has announced its decision. This appears to contradict the argument of procedural efficiency, as decreeing the Patent Court's decision changed nothing in terms of content.

The problem with the Federal Court of Justice's decision is that the Patent Court now has competence for divisional applications for a period of time in which the parent application is pending before it, whereas, for all other periods, the Patent Office has competence for the divisional application. An interim period is thus created, in which dividing the application results in the divisional application being examined by just one instance for hearing the facts. That means that the applicant can decide, by timing the divisional application, whether the application is to be examined in two or only in one instance of fact.

It would therefore have made sense if the Federal Court of Justice had gone even further and ruled that the Patent Office always has competence at first instance for divisional applications. Any problems with delineation would then be avoided, and the German proceedings would be harmonised even further with the procedure before the European Patent Office. (Dumlich)

## 15. Interest in declaratory judgment in light of inspection proceedings

*Federal Court of Justice, judgment of 02.10.2018, X ZR 62/16 – Schneckenköder*

### BACKGROUND

In this decision, the Federal Court of Justice concerns itself with the relationship between the separate procedure for taking evidence, and a negative declaratory action.

The separate procedure for taking evidence has become an established instrument in intellectual property cases. In the case of method inventions, particularly, the holder of an intellectual property right often has no other option but to prepare the infringement action and to obtain information from the alleged infringer about the substantive legal facts substantiating the asserted claims. Patent pro-

tection for method inventions has gained in importance in recent years as a result.

The present decision related to a negative declaratory action (brought by the patent infringer). In the decision, the Federal Court of Justice answers the question as to when, and in what circumstances, a patent proprietor faces the risk of the alleged infringer filing an action for declaratory judgment of non-infringement, if the patent proprietor pursues or has pursued a separate procedure for taking of evidence.

### DECISION

The respondent was the proprietor of a patent for a manufacturing method. There was no written communication between the parties prior to court action (in particular no authorisation enquiry, warning of IP rights being infringed, or assertion of a claim). At the request of the patent proprietor, a separate procedure for taking of evidence had been ordered for the purpose of inspecting and assessing the production facilities of an alleged patent infringer, who was ordered by temporary injunction (as commonly happens) to tolerate such measures. The court-appointed expert now concluded, however, that the patented method could not be used in the alleged infringer's production process and that there was therefore no patent infringement. While still in the separate procedure for taking evidence, the patent proprietor then demanded, unsuccessfully, that the expert's opinion be handed over. It was only after an appeal by the patent proprietor that the court of appeal ordered the expert's opinion to be released, with passages blackened out.

Before the separate procedure for taking evidence was even completed, the alleged infringer then brought a claim for a negative declaratory action and requested that the court establish that it did not use particular features of the protected method.

After the proceedings had been resumed (they had been stayed until the separate procedure for taking of evidence had ended), the district court issued the declaration being sought by the claimant. Following an appeal lodged by the respondent, however, the action was dismissed by the court of appeal (the Upper District Court in Dresden) as inadmissible, because in its view there was no legitimate interest in a declaratory judgment, as required by Section 256 of the Code of Civil Procedure (ZPO). The decisive factor for the court of appeal was firstly that the patent proprietor had not arrogated a claim of patent infringement against the claimant prior to the proceedings. The request to initiate a separate procedure for taking of evidence does not constitute an arrogation of rights (*Berühmung*). The purpose of such a judicial procedure is to enable the patent proprietor to ascertain the facts substantiating a claim, without automatically exposing itself to the risk of thereby giving cause for a negative declaratory action. The argument presented by the patent proprietor in the current proceedings, that regardless of the outcome of the inspection proceedings, it had a claim due to patent infringement, was not accepted by the court of appeal, either, because that argument was explicitly presented by the respondent patent proprietor by way of alternative and as a legal defence.

The claimant's appeal on points of law against that judgment has now been successful. In the view of the Federal Court of Justice, an arrogation of patent rights also exists if the patent proprietor's assertion that it is entitled to claims for infringement was made only as an alternative legal defence against a negative declaratory action that has already been filed.

However, the Federal Court of Justice agrees with the court of appeal that initiation of a separate procedure for taking of evidence does not in itself constitute an arrogation of rights, and stated the principles applying. In the view of the Federal Court of Justice, a distinction must be made between two different cases for the arrogation of rights. In those cases where it is asserted that, under certain conditions, an assessment will be made to determine whether a claim exists, then there is no arrogation of rights. In contrast, such arrogation of rights does exist when the claim is asserted unconditionally, or the argument is made that a claim exists under certain conditions.

The whole purpose of the separate procedure for taking of evidence is to obtain or secure evidence. The Federal Court of Justice does not want to rule out individual cases in which the claimant must be considered to have asserted a claim regardless of the separate procedure for taking of evidence. However, the Federal Court of Justice does not acknowledge such a case here, even though the patent proprietor had presented written claims for patent infringement in the separate procedure for taking of evidence. The Federal Court of Justice (like the appeal court before it) took into account the background to the procedure, in particular that the patent proprietor had attempted in the evidentiary procedure to obtain the expertise in its entirety. In the view of the Federal Court of Justice, this was an indication that the patent proprietor first

wanted to assess whether there was any patent infringement.

However, different principles apply once the separate procedure for taking of evidence has been completed.

Firstly, in the view of the Federal Court of Justice, the case law concerning cases where there is a risk of first infringement is irrelevant for assessing whether there is any arrogation of rights. In the view of the Federal Court of Justice, a risk of first infringement cannot be assumed in such cases, if the existence of the claim is merely presented by way of alternative and as a legal defence. The case law on those cases where an arrogation of rights has already occurred is of no relevance, either. In those cases, according to the Federal Court of Justice, the claims must be waived if the legitimate interest in a negative declaratory action is to be removed. It is also irrelevant, in the opinion of the Court, that the claim for alleged infringement of the patent was asserted by way of alternative in the course of the procedure, because the situation at the time of the last oral proceedings is decisive for the admissibility and substantiation of the action.

In the case to be ruled upon, the Federal Court of Justice then established the principle that, after completion of the separate procedure for taking of evidence, arrogation of a claim must be assumed if the patent proprietor defends itself with substantive legal arguments – even if this is done only as an alternative and as legal defence.

The negative declaratory action was therefore admissible. The Federal Court of Justice referred the dispute back to the court of appeal so that it could establish whether claims due to infringement of the patent existed or not.

## ASSESSMENT

One can only agree with the view adopted by the Federal Court of Justice.

It follows from the purpose of the separate procedure for taking of evidence that the patent proprietor merely wishes to discover the facts that substantiate a claim. Al-

though the patent proprietor in the case decided upon here had stated several times in the separate procedure for taking of evidence that it had claims for patent infringement, the fact that it demanded release of the expert's opinion in the separate evidentiary procedure was sufficient, in any case, to assume that it first wanted to

assess whether there was any claim due to patent infringement. The crucial factor, therefore, was that the negative declaratory action had been stayed until completion of the separate procedure for taking of evidence.

One can well imagine a situation, however, in which a persistent patent proprietor refers the alleged infringer – during an ongoing separate procedure for taking of evidence – to its patent (e.g. out of court) and creates the impression of having a claim for patent infringement. One will not be able in every case then to refer the alleged infringer to the outcome of the separate procedure for taking of evidence, and the latter may then seek legal certainty of its own accord by filing a negative declaratory action. The Federal Court of Justice, too, does not rule out that there may be individual cases where arrogation of rights must be assumed. Patent proprietors are strongly advised, therefore, not to assert claims for patent infringement while a separate procedure for taking of evidence is still ongoing. When asserting the right to inspect under Section 140c (1) sentence 1 PatG, it is sufficient, in any case, to substantiate a ‘sufficient likelihood’ that the patent is infringed. A patent proprietor should leave it at that.

One must also agree with the Federal Court of Justice in its view that, after completing a separate procedure for

taking of evidence, a patent proprietor should not assert claims for patent infringement by way of alternative and in legal defence, either, in principle, if it does not wish to provide cause for a negative declaratory action. This is an either–or matter. The patent proprietor must lay its own cards on the table and bear the consequences of its arguments.

The Federal Court of Justice expressly left open the question (because it did not have to be ruled upon) as to whether a patent proprietor has to state explicitly, after completion of the evidentiary proceedings (in the event of the expert opinion denying any patent infringement), that it no longer maintains the legal viewpoint expressed in those proceedings. There are good reasons that there is no need for such an explicit declaration by the patent proprietor. This should apply in any case if statements by the patent proprietor in the separate procedure for taking of evidence are not to be regarded – according to the aforementioned principles – as arrogation of rights, and if the patent proprietor has not arrogated a claim out of court or after completion of the separate procedure for taking of evidence. (Wiegeleben)



## 16. Stay of infringement proceedings

*Karlsruhe Upper District Court, court order of 02.01.2019, 6 W 69/18 – Empfangsanordnung*

### BACKGROUND

If it becomes evident, in the course of infringement proceedings or when preparing them, that the validity of the asserted patent claim is not entirely beyond doubt, it may be an option to assert the claim in limited form. In most cases, the patent proprietor will then sue on a combination of the main claim and one or more dependent claims. However, it is also possible to add features from the description to the main claim.

If the patent proprietor chooses this route, the defendant in the infringement proceedings will generally insist on a stay of proceedings in view of the revocation proceedings. The German courts of instance will normally stay infringement proceedings only if they see a strong likelihood that the patent will be nullified in the parallel revo-

cation proceedings. However, if the patent is sued upon in limited form, as outlined above, the infringer will usually argue that, by limiting the patent, the patent proprietor's trust in the actual grant of patent is undermined and that a lower benchmark must therefore be applied with regard to the prospects of success in the revocation proceedings. Practical experience has taught that, in those cases where the patent proprietor itself has limited its patent, a stay of proceedings is granted almost automatically, especially by the District Court in Mannheim.

The present decision by the Karlsruhe Upper District Court addresses the issue of whether and in what way the criterion for staying proceedings is to be relaxed in such a situation.

### DECISION

The Karlsruhe Upper District Court had to rule on an appeal against a stay of proceedings order granted by the Mannheim District Court, before which the patent in suit had been asserted in a limited form. A feature from the description had been added to the granted independent claim. The District Court had then stayed the infringement proceedings until a final decision had been reached in the revocation proceedings – thus adhering to the normal practice of said court.

In its appeal, the plaintiff challenged the stay and complained that, because of the limitation, the District Court had broadly applied the same criterion for staying proceedings as when the validity of a utility model registered without examination is considered. The Karlsruhe Upper District Court, which in these proceedings could only review whether the Mannheim District Court decision was free of errors in the exercise of discretion, has now dismissed the appeal.

In its grounds for judgment, the court states that the District Court did not broadly apply the criteria for staying

proceedings that are used in cases of unexamined property rights. Rather, the District Court had correctly examined, in a first step, whether the granted claim would be likely to withstand revocation proceedings, and it answered that question in the negative, in any case without committing an error in the exercise of discretion. The Upper District Court then states that all that still needed to be done, in a second step, was to check whether there was any reasonable doubt that the claim would be upheld in its limited version in the revocation proceedings. In this second step, the District Court had correctly applied the criterion to be applied when predicting the validity of an unexamined utility model.

This two-step examination could not be equated with the broad application of a criterion for staying proceedings that is to be applied to utility models, and it is also compliant with the established practice of the Düsseldorf courts. The Karlsruhe Upper District Court dismissed the appeal on those grounds and upheld the order to stay.

## ASSESSMENT

The decision by the Karlsruhe Upper District Court does not come unexpectedly, but it does need to be viewed critically.

It does make a difference in terms of legal doctrine, and to that extent one must agree with the court, whether the low benchmark for staying proceedings, as applicable for utility models, is broadly to be applied to every patent asserted in limited form, or only when a previous examination has shown that the granted claim will probably be invalidated. In a situation where the granted claim itself is valid, then the stricter criterion would also have to be applied to the patent asserted in limited form.

At the same time, however, this shows up the effective weakness of the view adopted by the Upper District Court, because only if the limitation was unnecessary because the validity of the unlimited claim was sufficiently assured does that approach produce different results from broadly applying the criterion for unexamined property rights. However, if the validity of the granted version is sufficiently assured, the patent proprietor will in practice only very rarely assert a limited version of claims. The

approach taken in the established legal practice of the Mannheim/Karlsruhe courts almost always produces the same results as when a lower benchmark for staying proceedings is broadly applied.

Above all, however, the Karlsruhe Upper District Court errs in believing that the Düsseldorf courts pursue a similar approach. What is correct, rather, is that the Düsseldorf courts basically adhere to the presumption of correctness in respect of a grant of patent, unless the limitation of the granted claim results in its technical principle being given a completely different weighting (for example by making the characterising portion of the granted claim the preamble of the limited claim). What this means, in effect, is that in cases where patents are asserted in limited form, proceedings are stayed much less frequently in Düsseldorf than in Mannheim.

If, before bringing an action, it looks as if it might be necessary to assert the patent in limited form, then Düsseldorf should be the preferred venue. Unfortunately, this was not foreseeable beforehand in the case discussed here, in which we represented the plaintiff. (Müller)

## 17. Opponents as necessarily joined parties

*Federal Court of Justice, court order of 22.10.2019, X ZB 16/17 – Karusselltüranlage*

### BACKGROUND

Until now, there has been no supreme court clarification of the relationship between several opponents of a patent, particularly when only one of them has filed an appeal. The Federal Patent Court had previously ruled that an opponent who does not file an appeal is not a party to appeal proceedings brought by another opponent. In the present case also, the Federal Patent Court had upheld that view and had removed a non-appealing opponent from the proceedings.

What initially looks like a purely intellectual distinction in procedural law may have considerable consequences for

the parties' tactics. The question that arises, in particular, is whether a plurality of opponents are 'necessarily joined parties' within the meaning of Section 62 of the Code of Civil Procedure (ZPO). If they are, they can rely on the actions of one also taking effect for the other. There is no need then for the joined parties to do everything alone all the time, nor do they have to file separate appeals in order to exercise their rights.

### DECISION

Two opponents had separately filed an opposition against the contested patent, which related to an automatic revolving door assembly. The GPTO had upheld the contested patent in limited form, and only one of the two opponents had filed an appeal within the time limit. The other opponent had then claimed before the Federal Patent Court that it was involved in the appeal proceedings and sought admission as a party.

The Federal Patent Court removed the non-appealing opponent from the appeal proceedings and dismissed the appeal of the other opponent. In the appeal proceedings on points of law before the Federal Court of Justice, one issue concerned the involvement of that non-appealing opponent.

The Federal Court of Justice had previously ruled that, in patent revocation proceedings and due to the stipulation in Section 99 of the German Patent Act (PatG) that the Code of Civil Procedure (ZPO) applies additionally to proceedings before the Patent Court, Section 62 ZPO applies accordingly. Accordingly, the claimants for revocation are necessarily joined parties if the claim for revocation was

filed by several claimants, or if several claims for revocation against the same patent are joined.

The Federal Court of Justice was prompted by the present case to clarify that Section 62 ZPO also applies to the status of opponents in opposition appeal proceedings. A plurality of opponents in opposition appeal proceedings are 'necessarily joined parties' within the meaning of Section 62 ZPO. The reason for this is that the aspects relevant to this issue are largely identical in opposition appeal proceedings and in revocation proceedings.

The Federal Court of Justice focuses here on four legal issues.

Firstly, it is possible in both types of proceedings for the patent proprietor, who is necessarily a party, to prevent complete revocation or nullification by defending the patent in limited form. The decision in opposition appeal proceedings, with which the patent is revoked in whole or in part, can only be made uniformly due to its constitutive effect – no differently than an affirmative decision in revocation proceedings to revoke a patent.

A second issue concerns the consequences of an ancillary appeal by the patent proprietor. An opponent who has achieved partial success in opposition proceedings, in the form of the patent in suit being upheld in limited form only, might be put in a worse position, with no possibility of influencing the proceedings, if another opponent filed an appeal and the patent proprietor filed an ancillary appeal. In revocation appeal proceedings, such a situation even leads to the claimant for revocation being prevented from attacking the contested patent (again), due to the legal effect of the decision (that is not in its favour). Although there is nothing to stop the non-appealing opponent in such a case from filing an action for revocation against the contested patent on the same grounds as those on which its opposition was based, the Federal Court of Justice sees a contradiction here with the design of the opposition proceedings as a simple procedure for quickly clarifying the legal status of a patent, namely if the only remaining option, after an ancillary appeal by the patent proprietor is successful, is to file an action for revocation.

Thirdly, the application of Section 62 ZPO in opposition appeal proceedings would also be consistent with the

rules governing opposition appeal proceedings before the European Patent Office. According to Article 107 sentence 2 EPC, any party entitled to appeal, but who does not file an appeal, is a party as of right to the appeal proceedings initiated by another party with entitlement to appeal.

Fourthly and finally, the appropriate application of Section 62 ZPO in opposition appeal proceedings does not stand in contradiction to the peculiarities of opposition proceedings. Although opposition proceedings are administrative in nature, the position of the parties in such proceedings is essentially the same as that of necessarily joined parties in judicial proceedings.

Since the Federal Patent Court decision on the appeal might have been different had the non-appealing opponent been involved in the appeal proceedings, the Federal Court of Justice set aside the court order to dismiss the appeal and referred the matter back for reconsideration.

## ASSESSMENT

The Federal Court of Justice decision is to be welcomed, because it helps to prevent appeal proceedings that are motivated by purely tactical considerations. If the decision had turned out differently, one would otherwise expect, in cases with more than one opponent, that these opponents would file an appeal as a matter of principle if the patent is upheld in limited form, even if the patent in its upheld form no longer bothers them at all. The case described above could namely arise where the limited upheld version of the contested patent (which is no longer bothersome in that form) is broadened again following an appeal by another opponent and an ancillary appeal by the patent proprietor. To counteract that risk, it would be required in cases involving several opponents that all the

opponents file an appeal, if only for tactical reasons. By ruling as it did, the Federal Court of Justice prevents such *reformatio in peius*, against which the opponents at first instance would be powerless if they had no wish to file their own appeal.

Nevertheless, a separate appeal may still be appropriate in important cases, because a non-appealing opponent is dependent on the appeal of co-opponents and is unable to prevent premature termination of the appeal proceedings, for example by the other parties reaching a settlement and withdrawing the appeal(s) – not even as a necessarily joined party. (Winkelmann)

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