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Patent Litigation Strategies: Europe, Germany and UPC

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General Aspects from an Attacker's Perspective



Who should be sued?



Several members of a distribution chain may be involved in infringement

Parts supplier → Manufacturer → Distributor → Dealer

- The members of the chain may or may not be affiliated
- IP rightsholder may sue any member of the chain, provided that this member commits infringing acts
- May sue several members of the chain

Who should be sued?

Cutting off the head of the snake?

Parts supplier → Manufacturer → Distributor → Dealer

Pros:

- Suing the manufacturer may have the greatest impact
 - May stop worldwide distribution if you have a patent in the country of manufacture
 - Suing a member higher up in the chain can prevent that injunction is circumvented by using other importers/distributors/dealers

Who should be sued?

Cutting off the head of the snake?

Parts supplier → Manufacturer → Distributor → Dealer

Cons:

- May not have a patent in the country of manufacture, or patent enforcement in that country may be difficult
- Service of complaint in a foreign country may be time-consuming and expensive (translation!)

Who should be sued?

Cutting off the head of the snake?

Parts supplier → Manufacturer → Distributor → Dealer

- Manufacturing company may not be impressed and try to sit out the lawsuit
- But even infringers with a “thick skin” get nervous when their customers/dealers are sued

→ Select your targets wisely

Who should sue?

Who can sue at all?

- Usually, the (registered) **rightsholder** has standing to sue
- In the case of several rightsholders, usually each of them can sue separately
- The **exclusive licensee** may have standing to sue
 - Typically, the non-exclusive licensee does not have standing to sue
 - But right to sue may be transferred to non-exclusive licensee from the rightsholder or the exclusive licensee

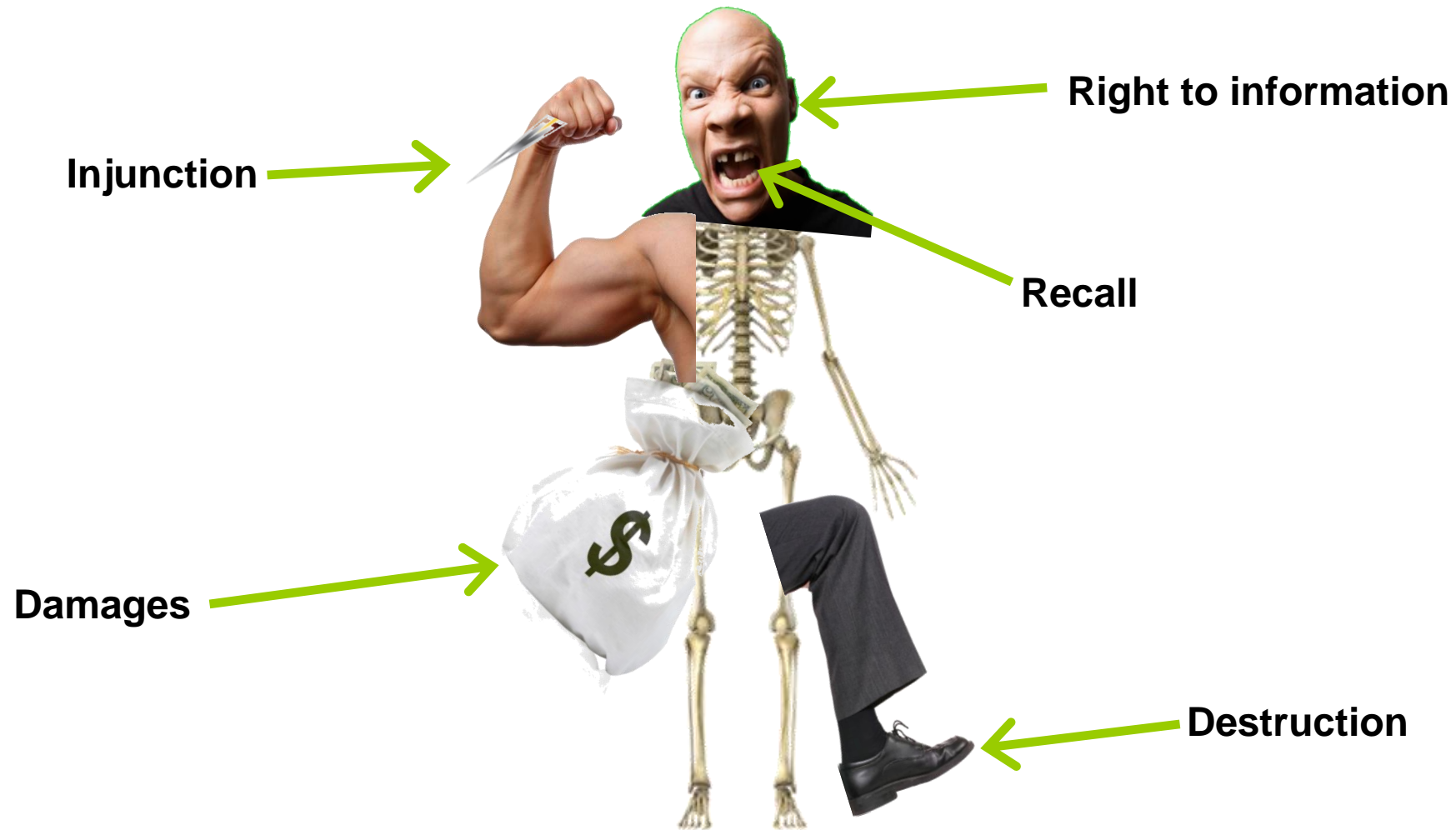
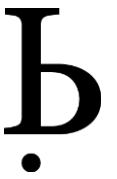
Who should sue?



Strategy

- May pick a European entity as the claimant in order to avoid posting of a security for defendant's legal fees
- May pick the entity with the greatest damages (lost profits)
- May pick the registered rightsholder to avoid discussion about validity of license or transfer of right

Remedies



Injunctive relief



- In an injunction, the court prohibits the defendant the continuation of the infringing activity
- The defendant has to stop making, offering, putting on the market etc. the protected products, carrying out the protected method, using the protected trademark, etc.

→ strongest weapon, which may force the defendant into a settlement with unbalanced terms

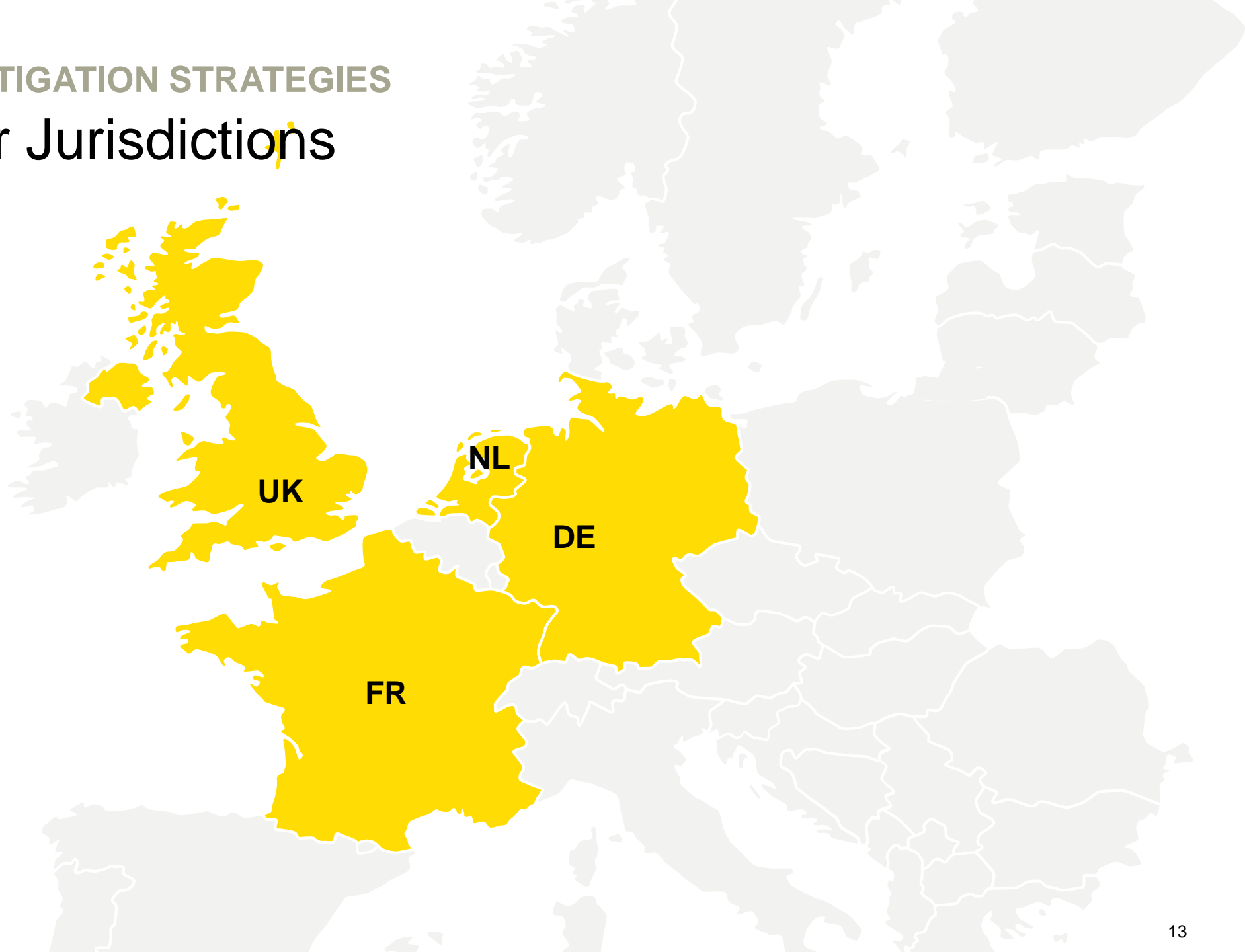
Other reliefs


- **Damages:** Rightsowner is to be compensated for past damages he suffered due to the infringement of his patent
- **Disclosure of information:** Disclose information about sales and costs so that claimant can calculate damages
- **Corrective measures:** Court may order that the infringing goods are
 - **recalled** and definitely removed from the channels of commerce, or even
 - **destroyed**, but only as far as these measures are proportionate.

Popular Jurisdictions in Europe

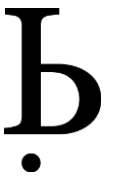


Popular Jurisdictions



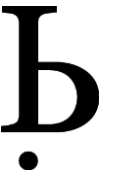
- 
- A map of the United Kingdom, including Great Britain and Northern Ireland, highlighted in yellow. The map is positioned on the left side of the slide, with the rest of Europe visible in a light gray background.
- Predictable decisions by experienced and often technically qualified judges
 - “Streamlined” and “Intellectual Property Enterprise Court” (IPEC) proceedings
 - Initial Disclosure
 - FRAND competence
 - Proactive revocation actions
 - High costs
 - High likelihood of invalidation

France, Netherlands



- France: saisie contrefaçon (evidence seizure proceedings)
- Netherlands: kort geding proceedings, innovative pro-patent judges
- Netherlands: Fast decisions
- Proactive revocation actions

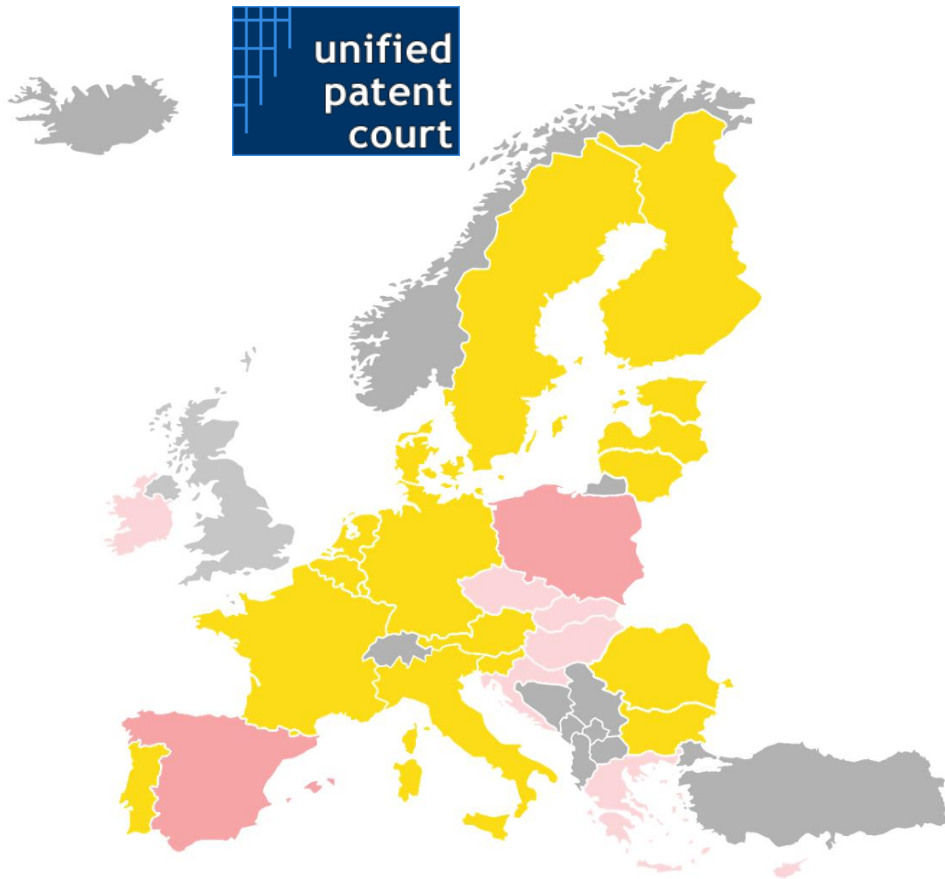
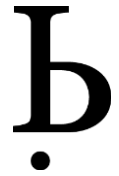
Germany



Roughly 60 % of all contentious patent infringement disputes in Europe are litigated before German infringement courts.

Germany is often the first choice!

Future: UP Land



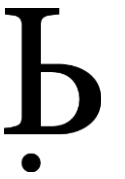
What is to be expected:

- Predictable decisions by experienced and qualified judges (strongly influenced by German system)
- Fast decisions
- No bifurcation (counter claim for invalidity)
- Huge leverage due to large territory
- Likely lower invalidation rate
- High costs

Why is Germany often first Choice?



Germany's Bifurcated Litigation System

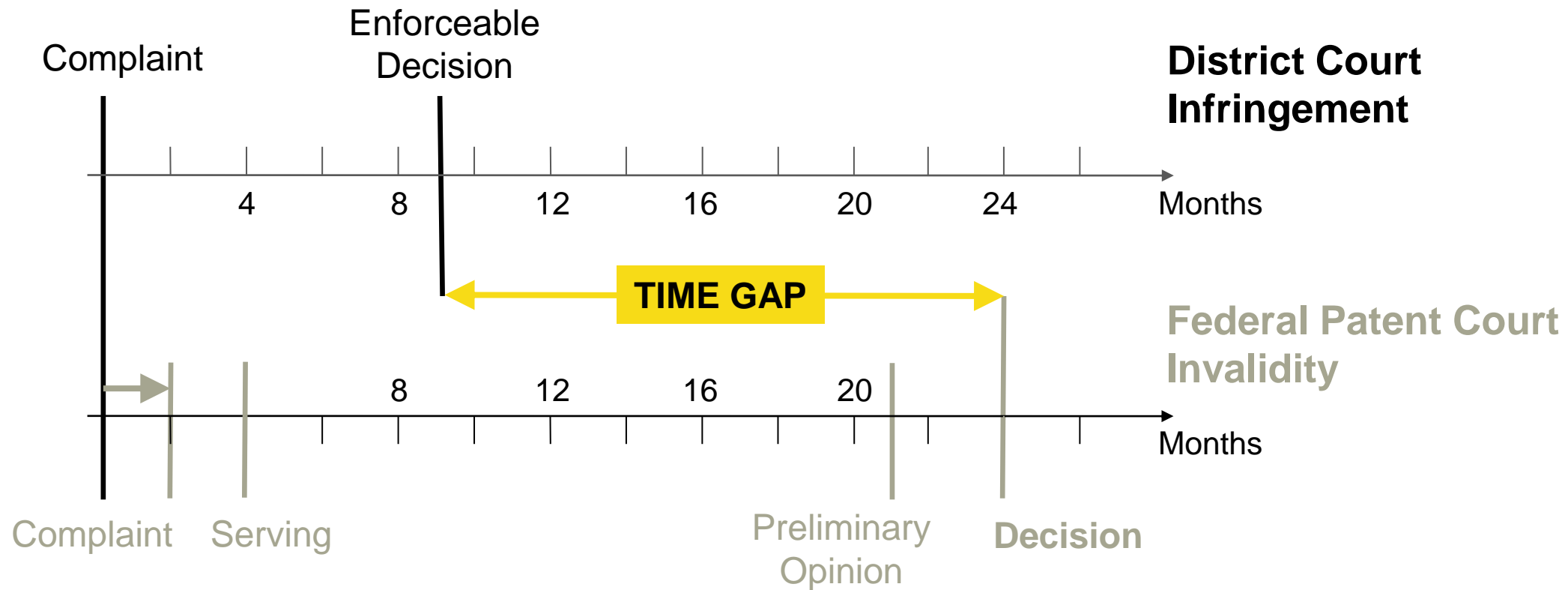


Germany's Bifurcated Litigation System



- **NO** counterclaim of invalidity
- **NO** invalidity defense
- **Instead:** stay of infringement case pending a validity challenge;
only, if high likelihood of invalidation (typically: „new“ novelty destroying prior art)

Germany: Infringement and invalidity (before May '22)



Note: Might change in the future due to revision of Section 83 Patent Act in May '22:
Preliminary opinion Shall be issued within six months after service of nullity action

Germany: Infringement procedure

Hearing (no real trial)

- Only 1 – 4 hours
- Very focused discussion based on oral preliminary opinion of the presiding judge
- No cross examination of experts
- No technology training for the judges
- Decision handed down a few weeks later

→ **Front-loaded system: Written procedure very important!**

Special Tools in Germany



Strategic tool: preliminary injunction

Available in cases of urgency

- Rule of thumb: only within 1 month as of knowledge of infringement (depends on court's practice)
- Typical case: trade show
- Infringement and validity must be reasonably clear
- Balancing of interests: loss of significant business; significant price cutting vs. harm for defendant
- Timing: *ex parte* within hours / days; *inter partes* within weeks
- Only injunction, to some extent information, no damages
- Keep in mind: Liability for damages if injunction is enforced and later lifted

Strategic tool: utility model



Available while PCT, EP or DE patent application (parent) is pending

- Until 2 months after parent application was finally dealt with or until termination of opposition proceedings
- Claims may be **tailored** to infringement within disclosure of “parent”
- Cheap registration within a few weeks → directly enforceable!
- Limited prior art: 6 months grace period; public use outside Germany no prior art
- Only product claims, no process claims

Strategical options



Strategical options



- File infringement action in Germany
 - Infringement action likely stayed only if novelty-relevant prior art is available
- Supplement German complaint with complaint in France or Netherlands due to saisie contrefaçon and kort geding proceedings (evidence seizure proceedings)
- Supplement German complaint with complaint in UK due to initial disclosure (be aware of high costs!)

UP Land: The Unified Patent Court



UPC: Who is in, who is out?



Agreements ratified (*UP Land*)

Austria, Belgium, Bulgaria,
Denmark, Estonia, Finland,
France, Germany, Italy,
Latvia, Lithuania,
Luxembourg, Malta, **the
Netherlands**, Portugal,
Slovenia, Sweden

Not yet ratified, but expected to ratify

Croatia, Czechia, Ireland,
Greece, Cyprus, Hungary,
Romania, Slovakia

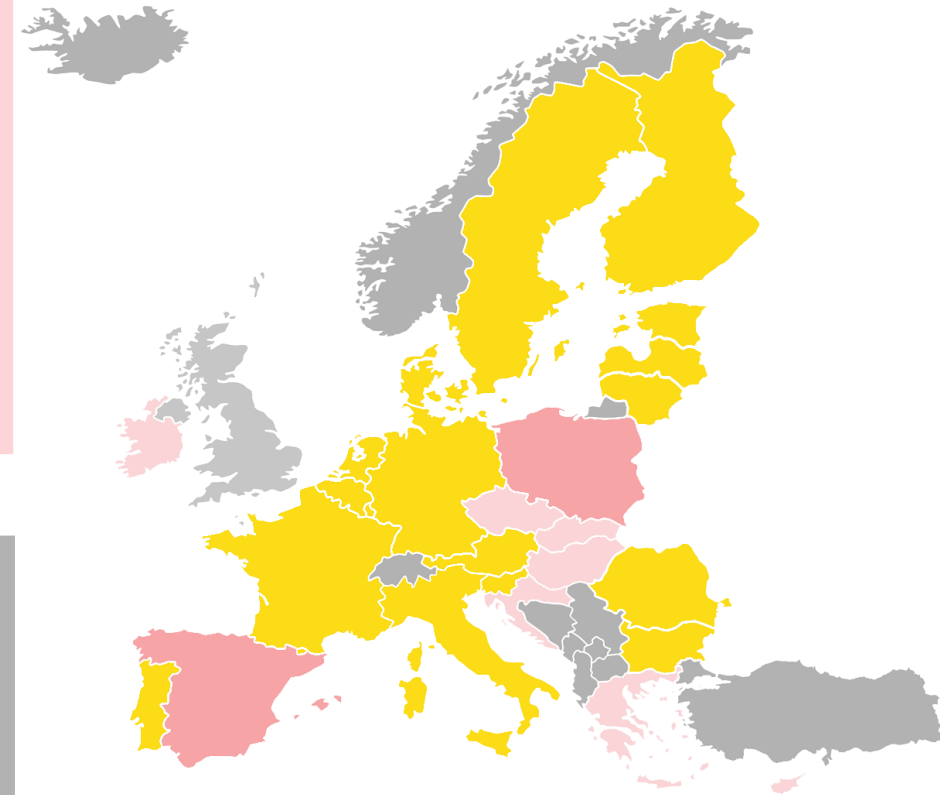


Unlikely to ratify

Spain, Poland

No ratification possible

Albania, Iceland, Monaco,
Liechtenstein, Norway,
North Macedonia, San
Marino, Serbia, Switzerland,
Turkey, **United Kingdom**



German local divisions will lead the way



- 4 German local divisions
each: 2 German judges, 1 foreign judge
→ **“import” of high-quality German approach to cover Europe**



- 1 Dutch local division (Workload? Patentee-Friendly?)



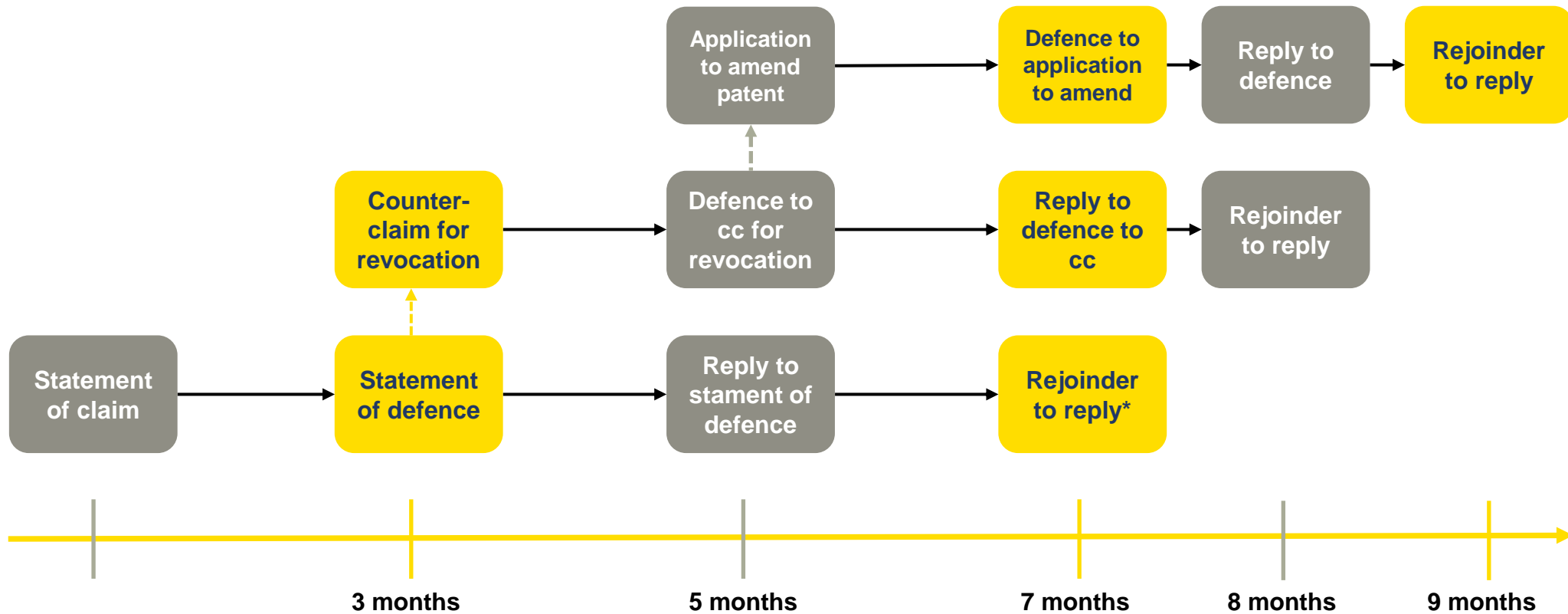
- 1 French local division (Judges? Workload?)
- Central Division (Pool of Judges ...; but mostly avoidable)
- No UK division (Brexit)

UPC: No Bifurcation

UPC decides on infringement and validity

- Independent actions for revocation at the Central Division
 - But: LD/RD if infringement action relating to the same patent is pending there
- **Counterclaim for revocation available in infringement actions**
 - LD/RD can decide how to proceed – with/without bifurcation
 - In Germany clear indication that Local Divisions will not bifurcate
 - Even with bifurcation: aligned timelines of infringement and revocation actions

Timeline: Time to decision in about 1 year!



*in case of no counter-claim for revocation, rejoinder is due one month after reply brief, i.e. after 6 months

Strategical thoughts: double patenting

New option

- **EP-GER + UP** : no double protection allowed ✗
 - EP-GER is deemed to have no effect in Germany, after grant of UP is published in the European Patent Bulletin
- **Double protection possible** for
 - **GER + EP-GER** (no opt-out), and ✓
 - **GER + UP** ✓



Cost example

Scenario

- Value of infringement action: EUR 5 million
- Value of invalidity action: EUR 6.25 million

German national actions

	Infringement action	Nullity action	Total
Court fees	EUR 65,163.00	EUR 120,019.50	EUR 185,182.50
Recoverable costs	EUR 91,945.00	EUR 112,570.00	EUR 204,515.00

UPC actions

	Infringement action (fixed fee + value of action)	Counterclaim for revocation	Total
Court fees	EUR 43,000.00	EUR 20,000.00	EUR 63,000.00
Recoverable costs			Up to EUR 800,000.00

General Aspects from a Defendant's Perspective



How to defend?

- **Monitor** patent activities of competitors
- **Non-Infringement:** Freedom-to-operate analysis & design-around analysis
- **Attack validity** proactively (opposition; nullity action; straw man possible)
- **Protective brief** against *ex parte* preliminary injunction

How to defend?

- **Exhaustion:** If goods have been put on the European market by or with the consent of the rightsholder (not relevant for processes)
- **License agreement**
- **Prior use right:** Defendant has been using the invention at the date of priority
- **Compulsary license:** E.g., if the right to use a patent is in the public interest
- FRAND defense if patent is standard-essential

How to defend?

- **Gain time with “Italian Torpedo”:**
 - When expecting to be sued, e.g., in Germany, file action for non-infringement of the German part of EP patent in Italian court
 - German courts have to stay infringement proceedings filed later in Germany, until proceedings in Italy are over
 - It is clear that Italian court does not have jurisdiction. But Italian courts take up to 4 years to find this
 - Torpedo does not work everywhere (e.g., not in France).
 - In Germany, it still works quite well, but can possibly be circumvented by patent owner by licensing patent to subsidiary, which then brings suit

How to defend?

- Other measures you can take in order to put pressure on the patent owner:
 - Preparing for counterattacks on the basis of your own patents
 - May think about acquiring patents that read on attackers products
 - This is obviously a costly and time-consuming undertaking and will be worthwhile only in important cases
 - File proactive nullity action in other jurisdiction against national counterpart to influence validity decisions in other countries (Netherlands = fast decision; UK = high revocation rate (costs!))

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