

AMENDMENTS TO THE GERMAN PATENT ACT: INTRODUCTION AND DISCUSSION OF THE DRAFT OF A SECOND ACT FOR SIMPLIFYING AND MODERNISING PATENT LAW

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On 14 January 2020, the German Ministry of Justice and Consumer Protection (BMJV) published the draft of a Second Act for simplifying and modernising patent law (hereinafter referred to as: "Modernisation Draft"). In this latest Insight, we discuss the most significant amendments.

1. Limitation of the cease-and-desist claim(?)

a) Problems

There has hardly been another topic that dominated discussions of patent law in recent times as much as whether the principle of proportionality should be applied to cease-and-desist claims for patent infringement under sec. 139 (1) of the German Patent Act (PatG).

One of the reasons for the discussion was the fact that due to the rapid speed of technological development, digitisation and networking, modern-day products tend to encompass an ever-growing proportion of patented and frequently mandatorily required technologies. These products may turn out to become the objectives of cease-and-desist claims in their entirety, even if the specific patent at issue only relates to a minor functional detail.

The Modernisation Draft explains that this may result in considerable damage to the patent infringer, which may in a particular case, be disproportionate to the value of the invention in dispute. The Modernisation Draft further states, that although the principle of

proportionality must already be taken into account de lege lata as a principle of constitution through sec. 242 and sec. 275 (2) of the German Civil Code (BGB), it has hardly found its way into the relevant case law yet.

b) Suggested solution

Therefore, the Modernisation Draft provides for an explicit "clarification" of sec. 139 (1) PatG according to which the claim is "excluded as far as the enforcement of the cease-and-desist claim is disproportionate because, due to special circumstances taking into account the interests of the patentee vis-à-vis the infringer and the principles of good faith, it constitutes undue hardship not justified by the exclusive right."

This clarification is believed to be in line with the Enforcement Directive (RL 2004/48/EC), according to which the enforcement of a cease-and-desist claim might be disproportionate in a particular case. It is considered necessary to take into account that the cease-and-desist claim is independent of fault and must remain the "regular corrective" in patent infringements. Therefore, the plaintiff asserting a cease-and-desist claim shall not be required to initially set forth proportionality considerations. Argument by the plaintiff in this respect is said to be required only if the patent infringer first sets forth "notable grounds" for an exceptional limitation of the cease-and-desist claim.

The Modernisation Draft deliberately refrains from setting out explicit criteria or regular examples of applying the principle of proportionality in the proposed legal text itself. The grounds, however, discuss a number of aspects or case groups, which are supposed to be considered in the scope of case examination namely, (1.) the interest of the patent proprietor in the injunction, (2.) the economic impact of the injunction, (3.) the complexity of the products, (4.) subjective elements, and (5.) third-party interests.

Of particular relevance is the first case group, which primarily focuses on mere patent exploiters. These are patent proprietors, who are not themselves active in producing and/or offering for sale in the relevant product market. It is stated in the Modernisation Draft, that in such a situation the cease-and-desist claim would primarily be directed at concluding license agreements but not at protecting the party's own activities in development and production. In such a case, the attempt to enforce "clearly excessive license demands" in breach of good faith by means of a cease-and-desist claim, might speak against granting the claim. However, the fact alone that the patent proprietor is not active on the relevant product market is not believed to be sufficient for such classification.

c) Comment

As an alleged mere clarification, the principle of proportionality seemingly tries to attract less attention. In any case, the assertion that this principle "had always been" applicable, is at least not in line with applied practice, as the Modernisation Draft concedes. The principle of proportionality lies in the legal political field of tension between the relevance (and - from the perspective of the plaintiff - attraction) of the "automatic injunction", which has thus far been relatively easy to obtain in Germany, on the one hand, and the need for protection of the implementing parties on the other hand. On a positive note, the specific interpretation and application of the principle is to remain reserved for the courts, which must establish an equitable balance, albeit significant criteria for considerations are already predefined.

2. Closing the "Injunction Gap" (?)

a) Problems

The downside of the principle of bifurcation as it is valid and proven in Germany is known: While patent infringement proceedings before the civil courts may often result in a (preliminarily) enforceable cease-and-desist title within a relatively short time, the separate patent nullity proceedings before the Federal Patent Court tend to take considerably longer. This results in allowing the enforcement of prohibitive rights based on patents before their legal validity had been reviewed.

The Modernisation Draft criticizes that this leads to considerable legal uncertainty, which may disadvantageously affect research and development activities and production. Investments are deferred until the legal validity of the patent is clarified, or used for developing unnecessary workarounds. Infringement and nullity proceedings thus require better synchronization.

b) Suggested solution

For this purpose, the Modernisation Draft provides for very comprehensive amendments to sec. 82 and 83 PatG, which regulate the course of nullity proceedings.

The proposed new sec. 82 (3) PatG provides for a statutory period of two months from service of the nullity action for the defendant to substantiate the opposition. An extension of time of one month is only possible if the defendant sets forth and shows probable

cause for "considerable grounds".

The further modifications of sec. 83 (1) PatG relate to the preliminary opinion of the Federal Patent Court, which is essentially a preliminary assessment of the validity of the patent in dispute. The revision provides that it "should" be rendered within six months from service of the complaint. This is intended to achieve that the preliminary opinion will, as a rule, be available to the infringement court before a first instance decision is issued.

Finally, the Federal Patent Court should be able to set a term for the parties to submit concluding written statements in preparation of the preliminary opinion. It does not need to consider for the purpose of the preliminary opinion any argument received after expiry of the term. This is intended to prevent the parties from delaying the preliminary opinion for tactical reasons (in particular in respect of parallel infringement proceedings).

c) Comment

There seems to be a broad consensus on the urgent need for better synchronisation of infringement and nullity proceedings, in particular with regard to timing. Therefore, the intended modifications to the Patent Act are to be welcomed in principle. Whether these regulations achieve the intended effects, will probably depend on the extent to which the Federal Patent Court will in fact be able to implement them, which might at any rate be facilitated by increasing the staff.

3. Maintaining secrecy in patent infringement proceedings

a) Problems

Another long-running issue in recent discussions regarding patent law has been the question of safeguarding confidentiality interests in patent infringement proceedings. The discussion was particularly intensified in the context of "FRAND proceedings" following the "Huawei/ZTE" decision by the CJEU, i.e. in cases of asserting a claim for injunctive relief based on standard-essential patents. In these cases, some courts require the plaintiff to submit license agreements previously concluded with third parties to substantiate that the license conditions they suggest do not discriminate the defendant in relation to other licensees. However, the measures provided by the German Code of Civil Procedure (ZPO) for protecting confidential information are limited and more moderate compared to

measures available in other jurisdictions.

In this respect, the Modernisation Draft acknowledges that (also) in patent litigation cases, there is a specific need for procedural protection of the confidentiality of trade secrets.

b) Suggested solution

Against this background, the Modernisation Draft suggests a new sec. 145a PatG according to which sec. 16 through 20 of the Trade Secrets Protection Act of 18 April 2019 (GeschGehG) must be applied accordingly in patent litigation cases.

Sec. 16 - 20 GeschGehG provide that upon the request of any party the court may classify specific pieces of information as confidential, which must then be kept confidential by all parties to the proceedings, during and even after the conclusion of the proceedings. Furthermore, the court may, under specific circumstances restrict access to business secrets to a specific number of reliable persons.

c) Comment

Recently, the question of protecting confidentiality has led to numerous discussions and considerable legal uncertainty, specifically in the context of possible presentation of third-party license agreements in "FRAND proceedings". This affects the attractiveness of Germany as the place of jurisdiction. With this in mind, the pertaining application of the protection mechanisms of the GeschGehG intended under the Modernisation Draft is to be welcomed.

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