The Interaction between Infringement and Invalidation Decisions in German Patent Disputes

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Differing from most countries of the world, the decision on infringement of a patent and the decision on the invalidity of said patent are strictly separated in Germany and Austria. Such a separation is also known in Japan. However, in recent times it has gradually been removed, first by the case law of the Supreme Court and then by legislation.[1] In Germany, there are also exceptions to this principle of separation, but only to a very small extent. A comprehensive simultaneous examination of both issues, i.e. infringement and validity of the IP right, is known only in utility model infringement proceedings. Here, the defendant can raise the objection that the utility model right has not come into effect since its subject matter does not meet the statutory requirements of protection, in particular is not novel or based on an inventive step (Section 13(1) in conjunction with Section 15(1) No. 1 Utility Model Act).[2] But utility model infringement actions are not that important in Germany as they are few in number. Therefore, they have no impact on the debate of infringement and validity of technical IP rights, neither in daily practice nor in the public and international perception of the controversy. The second "exception" to the separation is also of rather minor importance in practice: the so-called "*Formstein* defence" allows the defendant in infringement proceedings to raise the objection in response to the claim of patent infringement by equivalent means that

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1 See MIMURA, The Interaction between Infringement and Invalidation Decisions in Japanese Patent Disputes; *supra*, preceding chapter.

2 See Appendix.

the equivalent embodiment of the invention allegedly used would not have been patentable for lack of novelty or inventive step if it had been applied for patent protection instead of the subject matter stated in the claim.[3] Infringement proceedings and invalidation proceedings are close here. However, the Formstein defence is also rarely decisive in infringement proceedings. Nevertheless, both exceptions – the utility model infringement proceedings and the Formstein defence – are not unimportant when taking a closer look at the interaction between infringement and invalidation proceedings in German patent disputes.

I. ADMINISTRATIVE PROCEEDINGS AND CIVIL LAWSUITS

Infringement and invalidation proceedings concern two quite different subject matters. Invalidation proceedings are in fact administrative proceedings. Indeed, according to the law, the adverse parties are not the private party (invalidation plaintiff) that wishes to have the administrative act (the grant of the patent) rescinded by the court and the authority (Patent Office) that has granted the patent; instead, the party to whom the patent was granted (patentee) has a right to defend the patent (capacity to be sued).[4] However, notwithstanding this rule of party participation that deviates from administrative proceedings, the issue here is one of public law – namely, whether when granting the patent, the requirements under substantive law were fulfilled under which the patent office alone is authorized to grant to the applicant an absolute right that limits the rights of third parties, i.e. the patentee's competitors. In contrast, the infringement lawsuit is not an administrative proceeding but a civil law dispute. Such a suit deals with the private law claims arising from an unlawful act (tort), which the plaintiff asserts with the allegation that the defendant is using a subject matter to which only the plaintiff is entitled and is thus infringing the rights arising from the granted patent.

Hence, it is not surprising that in Germany different courts deal with these two different proceedings: a special administrative court (the Federal Patent Court, *Bundespatentgericht*) and the ordinary courts (regional and higher regional courts as civil courts of the first and second instance). These are not merely different jurisdictions, such as the jurisdiction for first-instance civil matters that lies with the local court (*Amtsgericht*) or regional court (*Landgericht*). On the contrary, the competent courts are also structured and composed differently. The infringement court is a civil division (*Zivilkammer*) of the regional court (Section 143(1) Patent Act[5]); accordingly, it is composed of three jurists who are qualified for judicial office. In contrast, the invalidation court is an in-

3 BGHZ 98, 12, 21 *et seq.* – *Formstein*; BGHZ 134, 353, 355 *et seq.* – *Kabeldurchführung I*; BGH GRUR 1999, 914, 916 – *Kontaktfederblock*.

4 Pursuant to Section 81(1), sentence 2, German Patent Act (see Appendix), the invalidation action shall be directed at the patentee registered in the patent register.

5 See Appendix.

validation panel (*Nichtigkeitssenat*) of the Federal Patent Court (Section 66(1) No. 2 Patent Act[6]) and is composed of a jurist qualified for judicial office as presiding judge, one additional such legal member and three technical judges who are cognizant in the technical field to which the invention protected by the patent in dispute belongs (Section 67(2) Patent Act[7]). As is frequently the case in the general and special administrative jurisdiction (in particular the financial jurisdiction), a number of judges come from the administrative body that has issued the decisions under review. For technical judges, in particular, moving from the patent office to the patent court is practically a career imperative (presiding judges of the Technical Boards of Appeal repeatedly changing from the office to the court and back). The procedural law in infringement proceedings is that of the Code of Civil Procedure, no different from any other civil lawsuit. On the other hand, the special procedural law of the Patent Act applies in invalidation proceedings, which permits recourse to the Code of Civil Procedure only in the absence of special provisions and if this is not precluded by the particularities of the proceedings before the patent court (Section 99(1) Patent Act[8]). Infringement court and invalidation court could thus hardly be more different!

II. THE PATENT CLAIM AS THE SUBJECT MATTER UNDER EXAMINATION

Prima facie, it may thus appear as if the two proceedings – validity and infringement disputes – do not have much in common and are quite rightly handled and decided separately for this reason alone. A look at the law underscores this conclusion: the invalidation panel of the Patent Court decides whether the subject matter of the invention is patentable pursuant to Sections 1 to 5 Patent Act[9] or to the corresponding provisions of the European Patent Convention (EPC). This is of no concern to the infringement court. The infringement court, conversely, determines the scope of protection of the patent pursuant to Section 14 Patent Act[10] or Article 69 (1) EPC,[11] and this in turn need not be of interest to the Patent Court.

However, nothing could be more wrong than the assumption that invalidation and infringement proceedings have nothing to do with one another. The opposite is true: the pivotal point of both proceedings is one and the same, i.e. the patent claim.

It is the patent claim that defines the subject matter which has to be reviewed by the patent court as to patentability. The "subject matter of the invention" is that technical teaching which is formulated in its most general form in the patent claim and which must satisfy, in this most general form, the requirements of patentability such that it can

6 See Appendix.
7 See Appendix.
8 See Appendix.
9 See Appendix.
10 See Appendix.
11 See Appendix.

remain protected to the benefit of the patentee, and the invalidation action accordingly shall be rejected. The patent claim, however, also defines that subject matter to which the patentee has the sole right of use (Section 9, sentence 1, Patent Act[12]) by virtue of the grant of the patent (by the Patent and Trademark Office or by the European Patent Office with effect in the territory of the Federal Republic of Germany). Finally, the patent claim defines the subject matter by which the scope of protection of a patent is determined, since this scope of protection is determined pursuant to Section 14 Patent Act and Article 69(1) EPC,[13] by the patent claim (or the patent claims); the description and drawings shall (merely) be consulted for the interpretation of the claim.

III. UNIFORM CRITERIA FOR INTERPRETATION

The significance of this common subject matter cannot be overestimated. It means that the examination of patentability and the examination of whether the subject matter of the invention is being used by a third party (infringer) must be based on one and the same understanding of the patent claim. In other words, the patent claim must be understood and interpreted in a consistent manner, regardless of whether the outcome of this interpretation is required to examine whether the subject matter of the claim, understood in this way, is patentable, or whether this interpretation is required to examine whether an attacked embodiment corresponds to that technical teaching which is expressed in the patent claim according to the result of the interpretation. The Federal Court of Justice has emphasized this several times in recent years.[14] The methodology of interpretation is not a topic of my paper and shall therefore only be dealt with briefly here. What is important is that the patent claim is read from the viewpoint of the skilled person, i.e. taking into account the expertise of that person who is engaged in the development of the subject matters as defined in the patent claim. It is important that the terms and features of the patent claim are understood in a function-oriented manner, i.e. taking into account what the respective feature is supposed to accomplish according to the invention. Finally, it is important that the individual features of the patent claim are read and understood in their context and that the patent claim be read and understood within the context of the description (context-oriented interpretation).[15]

It is imperative that these criteria of claim interpretation are applied not only by the infringement judge but also by the invalidation judge who has to attach to them the same

12 See Appendix.

13 For both provisions, see Appendix.

14 See BGHZ 156, 179, 186 – *Blasenfreie Gummibahn*; BGHZ 172, 108, marginal no. 13 – *Informationsübermittlungsverfahren*; BGHZ 172, 298, marginal no. 22 – *Zerfallszeitmessgerät*; BGH GRUR 2001, 232, 233 – *Brieflocher*.

15 Regarding the methodology of claim interpretation, see BGH GRUR 1999, 909, 911 – *Spannschraube;* BGH GRUR 2001, 232, 233 – *Brieflocher*; SCHAREN, in: Benkard, *EPÜ,* Article 69, marginal no. 7, 14: MEIER-BECK, GRUR 2000, 355, 359.

relevance as the infringement judge. It is not trivial to emphasise this since the task of interpreting a claim has traditionally been attributed mainly to the infringement judge, whereas the invalidation judge felt more obliged to adhere to the wording of the claim. Obviously, however, the conclusions in invalidation proceedings and in infringement proceedings will not match if the respective competent courts put emphasis in varying degrees on the wording itself or the technical meaning, which the respective wording is considered to have according to the whole contents of the patent specification.

It is frequently criticized and considered to be a weakness of the German separation principle that the patentee attempts to extend the scope (of protection) of the patent in the infringement proceedings while trying to "look small" in the invalidation proceedings.[16] This phenomenon surely cannot be denied. However, it should also not be overlooked that the patentee's adversary often acts in the same manner. In the infringement proceedings, the adversary attempts to "belittle" the patent, so that the adversary's own product will not appear to be in accordance with the invention, and in invalidation proceedings the adversary presents a broad understanding of the patent claim so that its subject matter will come close to the prior art or – if interpreted broadly enough – even comprise the prior art, so that the patent may be found to be null and void. These two forces balance each other out and the judge – the infringement judge as well as the invalidation judge – must resist both to avoid interpreting the patent too broadly or too narrowly, but correctly.

Of course, it will be easier to interpret the patent claim neither too broadly nor too narrowly if the judge knows both lines of arguments, not only that advocated by the patentee in the infringement proceedings, but also the line of argument which the patentee has put forth as the correct interpretation in the invalidation proceedings, and not only the line of argument which the defendant in the infringement proceedings defends as being the only appropriate one, but also the line of argument with which the defendant attempts to destroy the patent-in-suit in the invalidation proceedings. It would therefore be a misconception to understand the principle of separation as the invalidation judge turning a blind eye on the embodiment attacked in the infringement proceedings, and the arguments in the invalidation proceedings being a matter of no concern for the infringement judge. It is, of course, not always possible to take the respective other proceedings and arguments exchanged therein into account since occasionally there are infringement proceedings without invalidation proceedings and invalidation proceedings without infringement proceedings. The "angora cat phenomenon" is therefore not a specific feature of the German separation principle. If there are both disputes – i.e. one regarding infringement and one regarding validity – the German as well as the Japanese judge or the

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16 See LJ Jacob in the judgment of 19 March 2008 [2008] EWCA Civ. 192 – *European Central Bank v Document Security Systems Inc.*, with reference to Franzosi's image of an angora cat: "When validity is challenged, the patentee says his patent is very small: the cat with its fur smoothed down, cuddly and sleepy. But when the patentee goes on the attack, the fur bristles, the cat is twice the size with teeth bared and eyes ablaze."

English, French, American or Chinese judge would be well advised not to consider the one without the other.

In the two systems, it certainly may occur that with regard to validity and with regard to infringement, the "scope" of completely different features must be examined. It then becomes clear that it is only possible to a limited extent to determine the meaning of the chosen terms in all conceivable directions. Language is not mathematics, and even the supposed unambiguousness of a definition is always only relative. The interpreters of a claim can never rule out that the definition with which they believe to have clearly delimited the subject matter of the invention in a specific direction might prove to be insufficient and ambiguous when viewed from another direction. This is also the reason why it will never be possible when formulating a patent claim to anticipate all conceivable equivalents to a solution according to the invention (by incorporation into the wording of the claim) and why it seems, in principle, questionable to exclude *foreseeable equivalents* from the protection of the patentee against the infringement of a property right by equivalent variants of the invention.[17]

IV. STAY OF INFRINGEMENT PROCEEDINGS

The German principle of separation entails a fundamental problem: when the German infringement judge has to decide on the infringement of a patent-in-suit and concludes that the – correctly interpreted – patent-in-suit is indeed being infringed, the judge usually does not know whether the patent-in-suit will withstand the attacks of the defendant in the invalidation proceedings. In most cases, the invalidation action is not filed until the infringement action is already pending. The invalidation action is a typical means of defence of the infringement defendant and is frequently filed at the time of response to the infringement action. In some cases, the invalidation action may even be filed much later, for example if the defendant first files only the defence against the accusation of infringement and then files the invalidation action when the infringement proceedings are already pending in the second instance before the higher regional court. In other words, when the infringement judge has to decide on the infringement action, the judge usually does not yet know the outcome of the (first-instance) invalidation proceedings.

In this situation, infringement judges have essentially two options. They can either hold the defendant liable for infringement as requested – at the risk that the patent-in-suit will later prove to be invalid, with the judgment thus having been based on a patent that is null and void – or they can stay the infringement proceedings pursuant to Section 148 Code of Civil Procedure,[18] i.e. they can first await the outcome of the invalidation proceedings (first-instance or final) and hold infringement only when it is clear that

17 This is, however, the tendency of the US case law (see in this regard, e.g. CAFC, GRUR Int. 2004, 70 – *Festo v Shoketsu*, with comment by ADAM.)

18 See Appendix.

the patent-in-suit has withstood the invalidation action. However, this dilemma cannot be avoided by the "non-separation systems" either. In each system the involved parties only know when the last instance has decided on the validity of the patent whether the infringement that was affirmed by the previous instances will indeed prove to be an unlawful act or is, in the end, lawful since the patent is not valid.

Furthermore, all efforts to provide uniform criteria for the interpretation of patent claims cannot, of course, prevent that occasionally a patent will be interpreted differently as patent-in-suit in infringement proceedings than as a contested patent in nullity proceedings. This can and must be taken into account, however, by the judges in the two proceedings.

First, a divergent understanding of the patent in the respective other proceedings must give reason to the court to examine extra critically whether its own understanding of the patent claim is indeed correct. By no means should a divergent reading of the patent claim be simply ignored.[19] If this responsibility is taken seriously, the principle of separation may even warrant to a greater extent the correctness of the decision by requiring increased efforts to ensure that the claim interpretation is correct in consideration of a conceivable different understanding.

If the infringement judge recognizes that the Federal Patent Court has based its decision on a different understanding of the patent claim than the judge considers to be correct – even after a critical examination of the judge's own point of view – the infringement judge will have to examine particularly carefully whether the infringement proceedings shall be stayed under these circumstances until a final decision in the invalidation proceedings has been reached. The reason for this is that it would not be appropriate to hold the infringement defendant liable on the basis of a claim interpretation which – if it were also applied in the examination of validity – would result in the invalidation of the patent-in-suit.

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19 Moreover, this should also apply if e.g. the Technical Board of Appeal in opposition proceedings were to develop an understanding of the patent claim which does not concur with that which the infringement or invalidation court considers to be protected by the patent claim. The case law of the Federal Court of Justice has previously qualified assessments of patentability by the Technical Boards of Appeal (TBA) of the European Patent Office as "expert opinions carrying considerable weight", which accordingly should be taken into consideration when reaching a decision in invalidation proceedings (BGH GRUR 1998, 895, 2896 – *Regenbecken*). This has largely become obsolete due to more recent case law that essentially understands the assessment of patentability to be a question of the law (BGHZ 142, 7, 15 – *Räumschild;* BGHZ 160, 204, 213 – *Bodenseitige Vereinzelungseinrichtung*; BGHZ 171, 120, marginal no. 18 – *Kettenradanordnung*; BGHZ 172, 298, marginal no. 38 – *Zerfallszeitmessgerät*; BGHZ 176, 311, marginal no. 17 – *Tintenpatrone*). When the TBA has assessed patentability differently, it must therefore be examined whether this assessment is based on a different legal rule or whether the reason for this deviation is perhaps due to different prior art (e.g. in the case of the Federal Court of Justice decision of 30 July 2009 – Xa ZR 22/06 – *Beutelverpackung für flüssige Arzneimittel*).

If, in reverse, the invalidation judge recognizes that the infringement court has taken a different view of the patent claim as the basis for its decision than the invalidation judge considers to be correct – again after having critically examined his or her own point of view – the option of a stay of proceedings is, of course, not available. On the other hand, the judge cannot construe the contested patent against the judge's better knowledge such that the decision "fits" the decision in the infringement proceedings. In such a case, there is only the possibility to tolerate for the time being the divergence of the interpretation results and to leave it to the Federal Court of Justice, where infringement and invalidation proceedings converge, to resolve the divergence and to render a binding decision for both proceedings as to which understanding of the patent claim is correct. Fortunately, such incompatible results of the proceedings are extremely rare.

V. THE *FORMSTEIN* DEFENCE

If the *Formstein* defence is raised, the infringement court suddenly finds itself in the role of the invalidation judge, should it consider the defence to be relevant to its decision – which, however, is generally not the case. In such a case, the infringement judge must – without being bound to a decision of the Patent Office or the Federal Patent Court – undertake what is otherwise the responsibility of the invalidation judge: the judge must examine a fictitious patent claim as to whether its subject matter was novel on the priority date of the patent-in-suit or whether it was rendered obvious to the skilled person by the prior art.

What is meant by a fictitious patent claim is the following: the *Formstein* defence is available only if the infringement plaintiff does not claim literal infringement but asserts that the attacked embodiment infringes the patent-in-suit (in part with literal means, in part) with means which deviate from those of the wording of the patent claim but have the same effect and which the skilled person could find on the basis of patent claim-oriented considerations and which therefore are assessed to be equivalent means.[20] In such a case, the defendant can object that a patent with a corresponding claim (i.e. a claim in which the features not literally realized are replaced by its equivalents) should not have been granted since its subject matter was not novel or based on inventive step on the priority date. This question was not examined in the granting proceedings (or in opposition or nullity proceedings) in which the Patent Office or Patent Court had to decide whether the subject matter of the invention was patentable, but not whether a variant of the invention, which could perhaps fall within the scope of protection of the patent under the aspect of equivalence, is patentable.[21] Here we are therefore dealing with a fictitious patent claim that is made the subject of an examination regarding

20 BGHZ 98, 12, 21 *et seq.* – *Formstein;* BGHZ 134, 353, 355 *et seq.* – *Kabeldurchführung I*; BGH GRUR 1999, 914, 916 – *Kontaktfederblock.*

21 BGHZ 134, 353, 357, 360 – *Kabeldurchführung I.*

patentability by a fictitious patent office or patent court, namely the infringement judge. Otherwise, the infringement court would grant protection for something that was not examined nor could have been examined as to its protectability.

This "gap-filling" function of the infringement judge can be cited to justify that the case law provides the infringement judge with a competency to examine patentability only if the *Formstein* defence concerns a design of the attacked embodiment that deviates from the literal wording of the patent claim, and not as a defence against the protectability of the subject matter of the patent as such.[22] Otherwise, an attack against the patentability of the subject matter of the invention in the case of an equivalent infringement could generally also be presented as a *Formstein* defence. However, it is not the purpose of this defence to have protectability examined twice, but to have this examination referred to the infringement court if and only if the invalidation judge cannot undertake it.

VI. PATENTS IN SUIT AND CONTESTED PATENTS BEFORE THE FEDERAL COURT OF JUSTICE

In the German system of separation, the Federal Court of Justice is the link-up between invalidation proceedings and infringement proceedings. Nevertheless, this does not mean that the separation principle is put aside when one of the proceedings reaches the Federal Court of Justice. The procedural role of the highest German civil court is as different as are invalidation and infringement proceedings.

In invalidation proceedings, the Federal Court of Justice, with its Xth (Tenth) Civil Panel (and in addition, in 2009 and 2010 the Xa Civil Panel as an auxiliary panel) is a second-instance appeal court and as such a trial court. This did not change even when the Act on the Simplification and Modernization of Patent Law (*Gesetz zur Vereinfachung und Modernisierung des Patentrechts*) of 28 May 2009 came into force on 1 October 2009, transferring the main burden of fact-finding from the Federal Court of Justice to the Patent Court and limiting the possibility of the parties in the second instance to submit new prior art material, but leaving the function of the Federal Court of Justice as a second-instance appeal court unaffected.

However, in infringement proceedings, the Federal Court of Justice is a third-instance appeal court at which redress may only be sought if the second-instance appeal court (i.e. the higher regional court) has given leave to appeal on points of law (*Revision)*, or this appeal has been granted by the Federal Court of Justice upon appeal against denial of leave to appeal. Pursuant to the provision in Section 543 (2) Code of Civil Procedure,[23] which is also applicable in patent dispute proceedings, leave to appeal on points of law

22 BGHZ 134, 353, 360 et seq. – *Kabeldurchführung I*; critical comment by KEUKENSCHRIJVER, in: Busse, Patentgesetz, 6th ed., Section 14, marginal no. 107, with further references.

23 See Appendix.

may only be granted – by either the second-instance appeal court or the Federal Court of Justice – if the legal matter has basic significance or if the development of the law, or securing a uniform case law, requires a decision of the third-instance appeal court. The most important reason for giving leave to appeal on points of law from the point of view of a patent dispute – namely, to avoid diverging assessments of a patent in infringement and in invalidation proceedings – is not easily justified on the basis of this legal provision that does not take into account the particularities of patent disputes. In its *Druckmaschinen-Temperierungs-System* decision, the Federal Court of Justice has derived from "securing a uniform case law" as a ground for granting leave to appeal on points of law that leave to appeal is to be granted if the patent at issue in the appealed infringement judgment is held to be invalid in its entirety or in part, and if this decision can have an effect on the infringement proceedings.[24] As long as the outcome of the invalidation proceedings is uncertain, the decision on the appeal may be stayed pursuant to Section 148 Code of Civil Procedure.[25] The Federal Court of Justice makes ample use of this possibility in order to avoid a judgment becoming final on the basis of a patent that may finally be held to lack validity in the invalidation proceedings.

Since according to the case law of the Federal Court of Justice the correct interpretation of a patent claim is a question of the law,[26] it can thus be (largely)[27] ensured that the interpretation in the infringement proceedings and in the invalidation proceedings do not diverge. The liberal practice of staying proceedings admittedly also means that the final conclusion of the infringement proceedings is linked to the final conclusion of the invalidation proceedings and thus to the considerable duration of these proceedings. It is therefore to be hoped not only for invalidation proceedings but also for infringement proceedings that due to the court and legislative measures taken in 2008 – i.e. the establishment of the auxiliary (tenth) panel Xa at the Federal Court of Justice and the streamlining of the invalidation proceedings by the Act to Modernize Patent Law – a significant reduction of the average duration of patent invalidation proceedings will be achieved.

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24 BGHZ 158, 372, 376 – *Druckmaschinen-Temperierungssystem I*.

25 BGHZ 158, 372, 374 et seq. – *Druckmaschinen-Temperierungssystem I*; for an English translation of the provision, see Appendix.

26 BGHZ 142, 7, 15 – *Räumschild*; BGHZ 160, 204, 213 – *Bodenseitige Vereinzelungseinrichtung*; BGHZ 171, 120, marginal no. 18 – *Kettenradanordnung*; BGHZ 172, 298 marginal no. 38 – *Zerfallszeitmessgerät*; BGHZ 176, 311, marginal no. 17 – *Tintenpatrone*.

27 This cannot be fully ensured since it cannot be ruled out that different findings are made with regard to the factual bases of the interpretations in the trial courts of the infringement and the invalidation proceedings that justify different interpretation results. Essentially, however, such a divergence of interpretation results should remain a purely theoretical possibility.