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**„IP Litigation
in Europe and in Germany“**

Dr. Dirk Schulz



Outline

- Patent litigation in Europe
- German patent litigation system
- Recent landmark decisions of the German Federal Supreme Court
 - Novelty
 - Claim construction and scope of protection
 - Stay of infringement proceeding
- IP battles before German courts
 - Apple, Samsung, Motorola, ...



European patents and European patent litigation

- Not a single patent for EPC or EU (yet)
- Common examination at EPO for all EPC countries
- Grant of a European patent after examination
- Patent has to be validated in individual EPC countries
- Validation: translation and national representative
- No European patent court (yet)
- Validated patent is subject to national jurisdiction



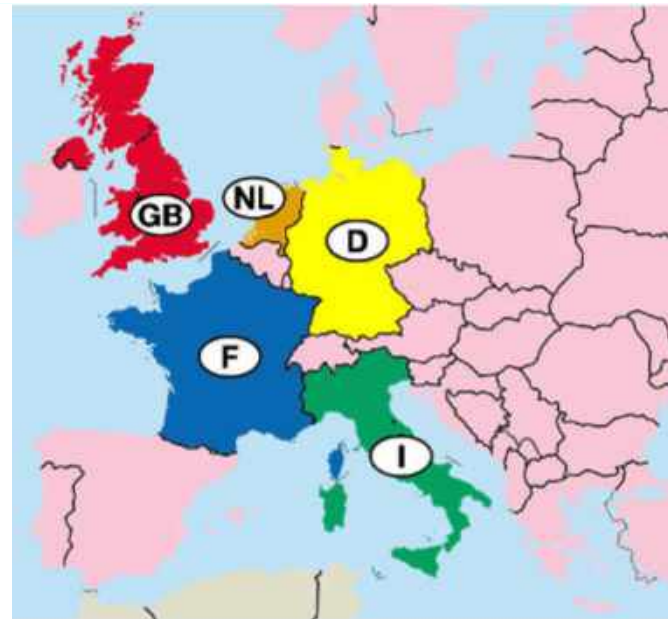
Community Patent (EU)

- Community Patent granted by the EPO
- Filing: any language of the EU
- Examination and grant: English, German or French
- Unitary effect after grant of the patent
- Unified patent litigation system:
 - Court of First Instance (central and regional divisions)
 - Court of Appeal
 - Registry
- Complaints filed by Italy and Spain



Average time to decision in first level of jurisdiction

GB: 9-15
DE: 6-15
NL: 18-24
FR: 18-22
IT: 30-36

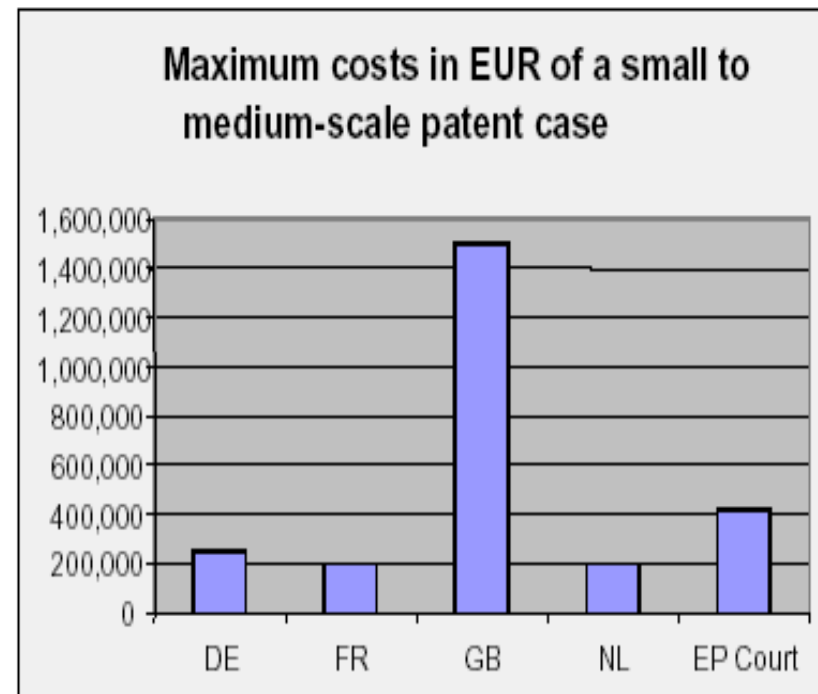
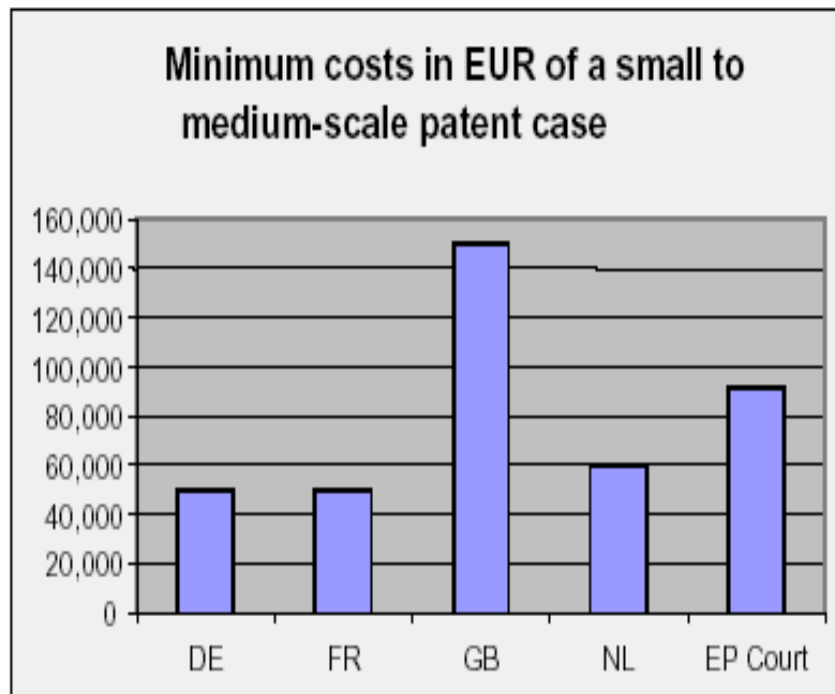


(average time in months)



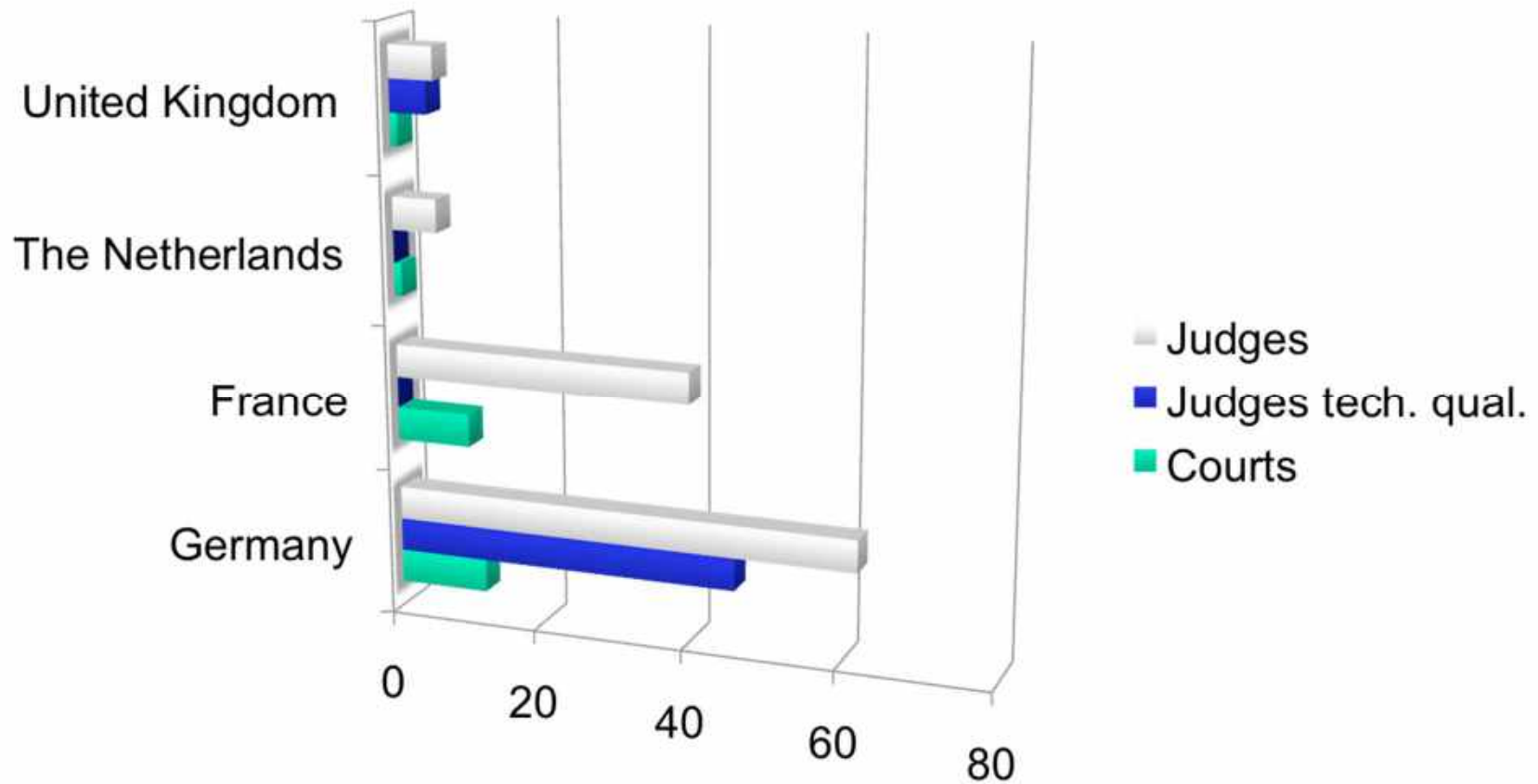
Cost comparison for first level of jurisdiction

Proceedings before first instance courts:



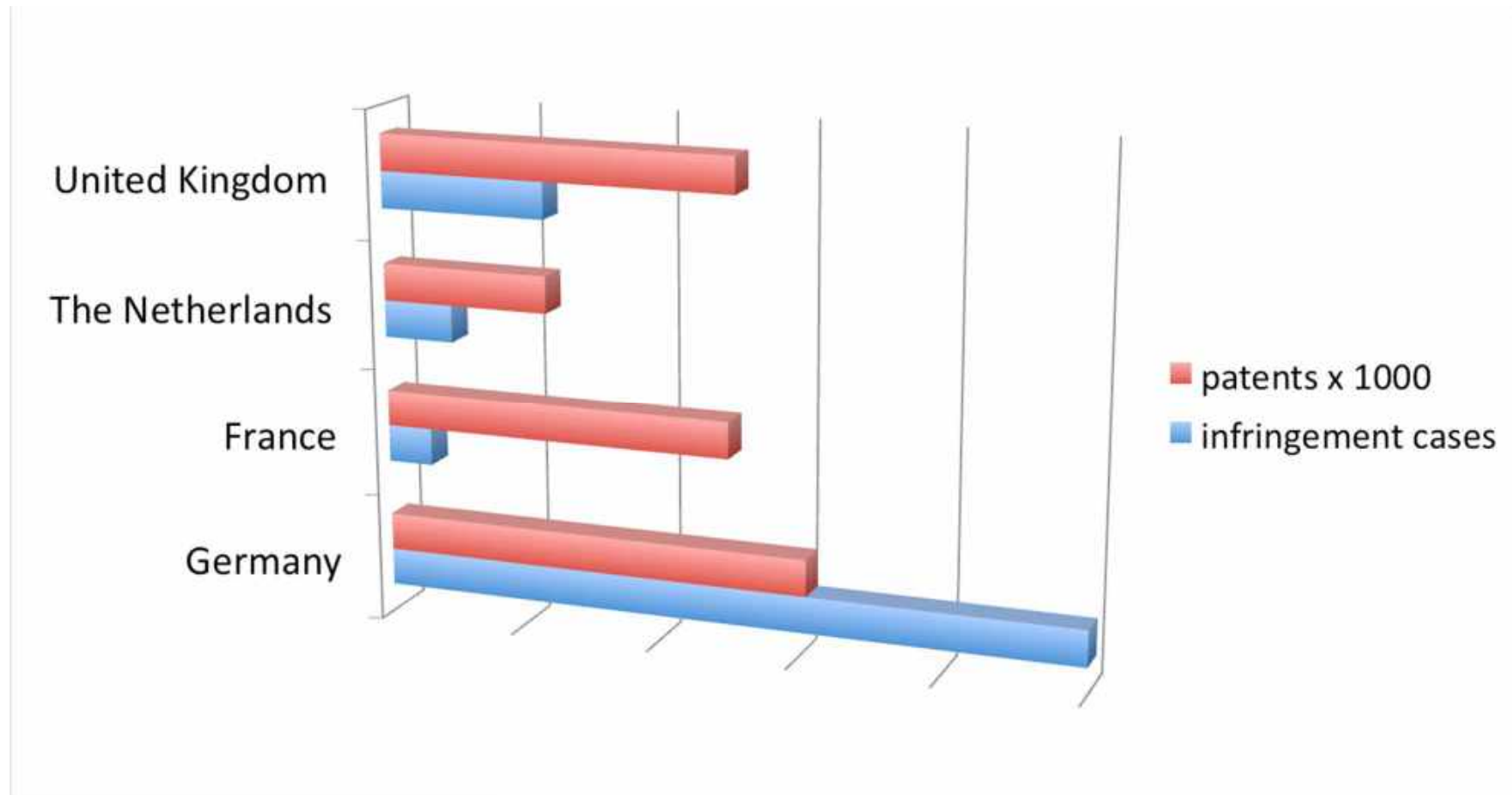


Patent courts and judges in the EC





Infringement cases vs. EP patents in force





Characteristics of German patent litigation

- Reasonable costs and reimbursement of costs
- Decision within reasonable time span
- Busy and experienced (specialized) patent jurisdiction
- Opposition proceedings following grant
- Pending opposition blocks invalidity proceedings



Characteristics of German patent litigation (continued)

- Separate proceedings for infringement and invalidity
- Preliminary injunctions in patent cases possible
- No duty of disclosure, no pre-trial discovery
- Right to inspection, enforceable by preliminary injunction
- Damages on accounting (no punitive damages)



German court system for infringement

- First level of jurisdiction
 - District Court (3 judges, 12 courts)
- Second level of jurisdiction: appeal (legal issues)
 - Higher Regional Court (3 judges)
- Third level of jurisdiction: Second level appeal
 - Federal Supreme Court (5 judges)
 - Strictly limited to legal issues



German court system for invalidity

- National jurisdiction for national part of EP patents
- First level of jurisdiction
 - Federal Patent Court
 - 2 legal judges and 3 technical judges
- Second level of jurisdiction, appeal
 - Federal Supreme Court
 - 5 legal judges and court expert



Dual-track proceedings

- Representation by attorney-at-law and patent attorney
- Alleged invalidity of the patent no defense in litigation
- Infringement court bound to validity of the patent



Stay of proceedings

- Stay of infringement proceedings possible if
 - opposition or invalidity suit is filed before or directly after infringement law suit is served, and
 - alleged infringer presents prior art (publications, no prior use) which is suitable for invalidating the patent without any reasonable doubt
- Stay of infringement proceedings rarely granted
- High risk for defendant for injunctive relief



Judgment, sentencing for patent infringement

- Injunctive relief
- Render accounts (for calculation of damages)
- Damages, calculated based on
 - License analogy
 - Patentee's lost profits
 - Infringer's profits
- Recall of infringing products
- Destruction of infringing products
- Publication of judgment



Costs of infringement proceedings

- Reimbursement of costs by the losing party
 - Court fees
 - Attorney's fees calculated on litigation value
- Cost risk for typical case (litigation value EUR 1 million):
 - First level of jurisdiction: EUR 60,000.–
 - Second level of jurisdiction: EUR 70,000. –
- Cost risk rises if invalidity suit is filed



Preliminary injunctions

- In general, preliminary injunctions possible for patent cases
- Courts were reluctant to grant interim relief
- Recently, preliminary injunctions are granted more often
- Prerequisites:
 - Validity of the patent and infringement beyond doubt



Prerequisites for preliminary injunction

- Clear infringement:
 - No case of infringement under the doctrine of equivalence
 - Infringement is easy to show and understand
- Validity of the patent:
 - Patent has survived inter partes proceedings like opposition or invalidity suit, or
 - Patent has been uncontested for a long time

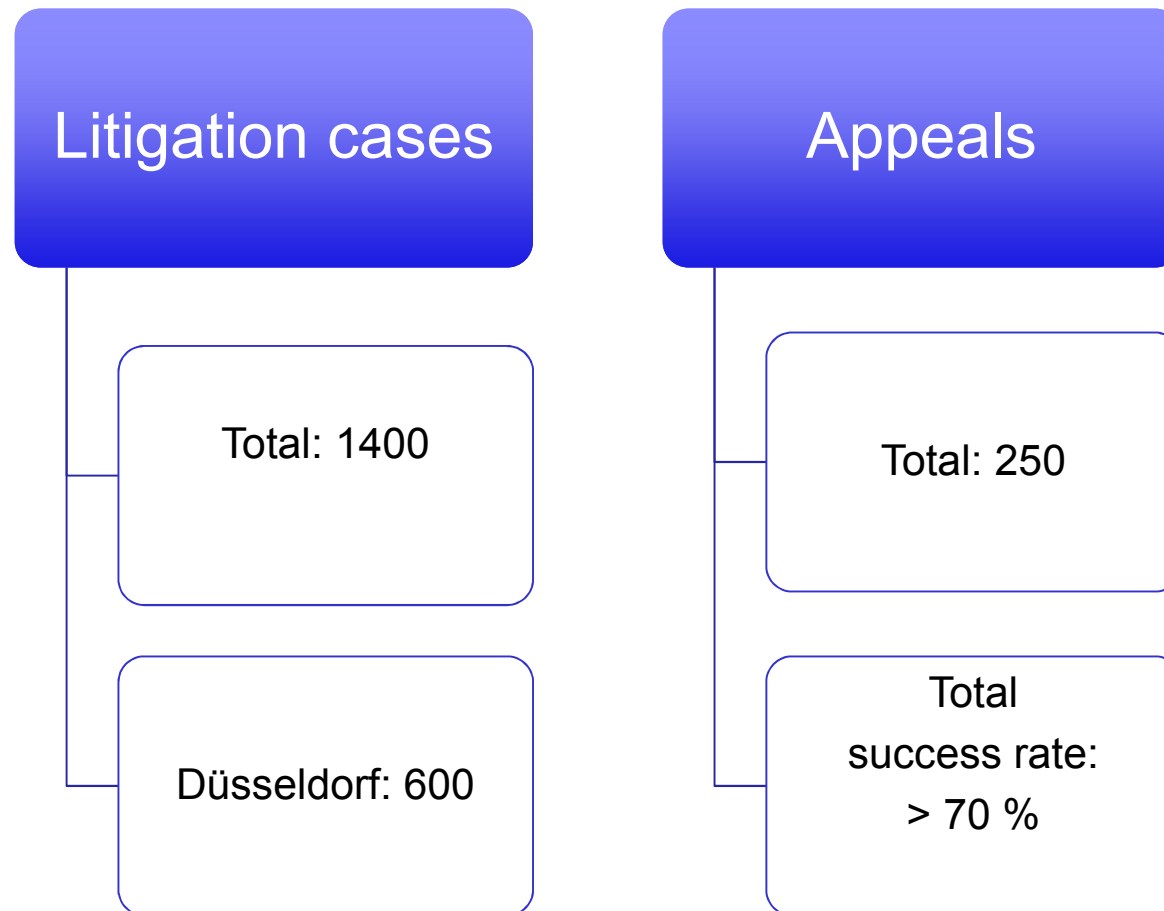


Specialities of preliminary injunctions

- Patentee has to act quickly (4 weeks)
- No hard proof required, affidavits sufficient
- Ex parte decisions in solid cases (in one day)
- Inter partes cases with oral hearing within weeks
- Court order: injunctive relief (no damages etc.)



Statistics for German patent litigation cases (per year)





Olanzapine (2008)

Definition of novelty

Former definition of German Federal Supreme Court:

Novelty bar if the disclosure in a prior publication with respect to a chemical compound enables the man skilled in the art without inventive activity to obtain this chemical compound; although claimed compound is not directly mentioned.



Olanzapine (continued)

Jurisdiction of the European Patent Office:

“Photographical” novelty concept

Only those technical teachings which disclose a substance as the inevitable result of a described process or in a specific, i.e. individualized manner are disclosed and, thus, relevant for novelty.



Olanzapine (continued)

- The fact that a chemical compound is comprised by a formula is irrelevant.
- The more general disclosure is no novelty bar for the more detailed teaching.
- Instructions and hints required for obtaining the compound without inventive activity.
- Features must be directly disclosed or read along.



Occluding Device (2011)

Infringement in a literal sense or under the doctrine of equivalence

- The claim:
 - Clamps are provided at the opposed ends of the device
- The alleged infringement:
 - A single clamp is provided at one end of the device



Occluding Device (continued)

- The Higher District Court:
 - Patent infringement affirmed
 - Clamps (plural) is a generic name and not to be understood literally
 - The literal sense would be “a clamp where required”



Occluding Device (continued)

- Claim construction:
 - Description
 - Figures
 - Prior art mentioned in and on the patent document
 - Description: Embodiment with one clamp
 - However: This embodiment is not part of the claim
 - Federal Supreme Court: no literal patent infringement
- Embodiments which are not encompassed by the literal sense of the claim may not be used for claim construction



Occluding Device (continued)

- Patent infringement under the doctrine of equivalence requires equivalent substitute means
 1. which has the same function,
 2. which can be found by the man skilled in the art without inventive activity on the basis of the patent description and the prior art, and
 3. which is consistent with the general idea of the invention

- Federal Supreme Court: precondition 3 not fulfilled



Occluding Device (continued)

No patent infringement under the doctrine of equivalence since

- the idea (one single clamp) is disclosed in the patent but
- has not become part of the subject-matter of the claim.

Advice: Thoughtful claim drafting: “Less can be more.”



Diglycide Compound (2011)

Infringement under the doctrine of equivalence only

- if equivalent solution is not mentioned in the description as an embodiment which has not been encompassed in the claim (exclusion from protection according to “Occluding Device”), and
- if the differences between the subject-matter of the claim in a literal sense and the other embodiments in the description which are not part of the claim are generally the same as the differences between the equivalent use and the other embodiments



Toll Calculation (2011)

Stay of infringement proceedings

Preconditions for stay:

- Patent has to be contested (opposition, invalidity suit)
- If court has to assume that patent will be revoked
- Novelty destroying prior art which has not been produced in previous proceedings
- Prior use not accepted

- Stay of proceedings is the exception



Toll Calculation (continued)

Non-admissibility of invalidity suit if opposition is on

- Non-admissibility clearly stated in the German Patent Law Act
- Reason: Prevention of decision which deviate from each other
- The law applies to German and European opposition proceedings without any difference



Toll Calculation (continued)

- However, different prior art can be relevant for the question of novelty for German and EP patents:
 - Germany: German patent applications filed earlier but published later are considered for (and only for) novelty
 - EP: do. for EP patent applications



Toll Calculation (continued)

- Decision of the Federal Supreme Court:
 - Non-admissibility of parallel invalidity action applies
 - However: Court has to consider the chances of success that the patent will be revoked in national invalidity proceedings because of prior art which can only be considered there, **stay of proceedings** possible though invalidity law suit has not even begun



Machine Group (2010)

Stay of infringement proceedings

- Patentee had restricted the claims in invalidity suit
- Only restricted claims were enforced in infringement suit
- Decision of the Federal Supreme Court:
 - Infringement court decides based on restricted claims
 - Practical experience: If claims are restricted, no stay



Apple vs. Samsung

- Apple and Samsung were companions
- Up to now: 20 IP law suits pending
- Some never heard of: interim relief never granted
- Battle grounds in US, Germany, ...

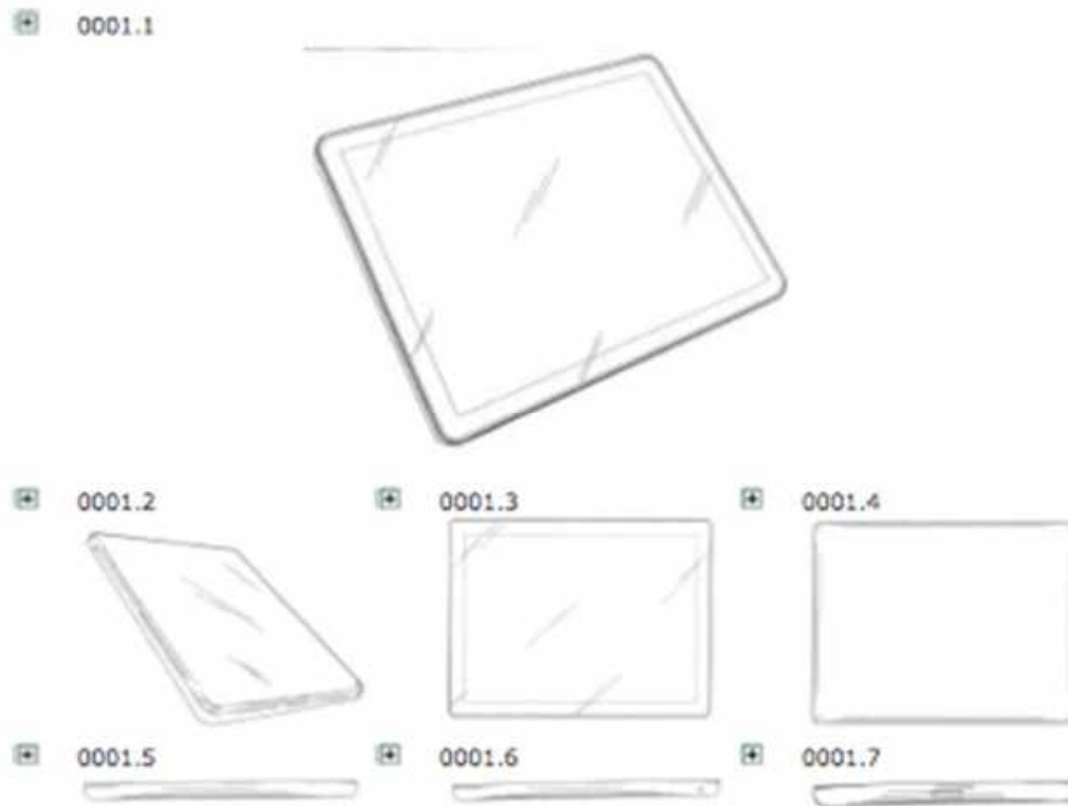


Apple vs. Samsung (continued)

- Samsung's Galaxy Tab 10.1 alleged to be
 - design patent infringement
 - unfair competition
 - (no patent claims)
- Request for interim injunction at Düsseldorf district court:
 - interim injunction granted because of design patent infringement (after appeal and oral hearing)



Apple's Community Design (000181607-0001)





Samsungs Galaxy Tab 10.1





Prior art: Stanley Kubrick's „2001“?





Apple vs. Samsung

- Decision of Düsseldorf district court appealed
- Düsseldorf higher district court (legally binding):
 - No design patent infringement (no 2-piece but 3-piece concept)
 - However, unfair competition confirmed (same „look-and-feel“)



Relevant prior art: Ozolin-Design

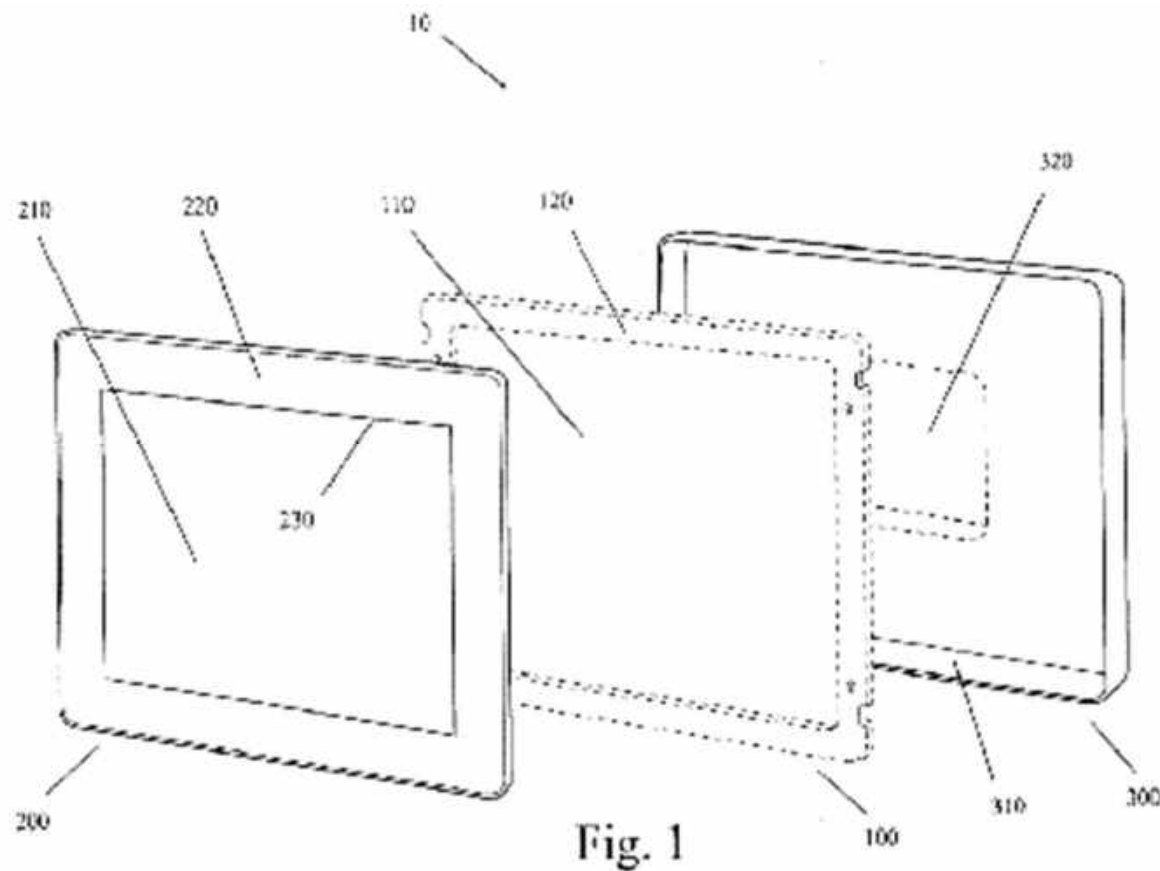


Fig. 1



Samsung's Galaxy Tab 10.1N (no infringement)





Standards and patents: ETSI

- European Telecommunications Standards Institute
- Recognized European standardization body
- Independent, non-profit organization under French law
- More than 650 members from more than 50 countries
- Leading body for telecommunication standards (GSM, TETRA, DVB, UMTS, DECT, etc.)



Conflict between standards and patents

- ETSI: Call for patents and publication of patents (IPR online database)
 - Early disclosure requested
 - Late disclosure: patent ambush
- ETSI: Requests patentee to grant licenses under **FRAND** conditions (fair reasonable and non-discriminatory)
 - IPR owner has the free choice to give or to refuse FRAND licensing declaration
 - Inclusion of IPR in a standard requires the explicit consent of the IPR owner



FRAND licensing declaration (patent pool)

- Disclosure of standard relevant patents is voluntary
 - No obligation to indicate licensing terms
 - Lack of disclosure has no consequences
 - FRAND licensing declaration sufficient for inclusion into standard
- Problem of non-disclosure of relevant patents



Apple's letter to ETSI (November 2011)



November 11, 2011

Via email to legal@etsi.org
Confirmation via Google Mail

Luis Jorge Romero Saro
ETSI Director General
ETSI
650, route des Lucioles
F-06921 Sophia Antipolis Cedex
France

Dear Mr. Romero Saro

Apple owns a portfolio of cellular standards essential patents relevant to certain cellular standards of ETSI and other standards setting organizations.

Apple made its first cellular declaration to ETSI in 2007, the same year Apple introduced the iPhone. And when it did, Apple committed to license its cellular standards essential patents under Fair, Reasonable and Non-Discriminatory terms ("FRAND").

It is apparent that our industry suffers from a lack of consistent adherence to FRAND principles in the cellular standards arena. Apple believes the industry would benefit from a more consistent and transparent application of FRAND, especially related to the licensing of cellular standards essential patents. To this end, Apple is committed to a FRAND licensing framework for cellular standards essential patents based on three basic elements – appropriate royalty rate, common royalty base and no injunction. Apple is committed to this framework, provided that other parties reciprocate.

Appropriate Royalty Rate: A party who made a FRAND commitment to license its cellular standards essential patents or otherwise acquired essential rights from a party who made the FRAND commitment must license these patents at an appropriate rate. An appropriate rate is one that is reflective of the party's portfolio of cellular standards essential patents and patent applications as compared to the total, industry-wide pool of such patents and applications. This commitment should guide each party's initial offer, as well as the final terms of any license.

Common Royalty Base: A party who made a FRAND commitment to license its cellular standards essential patents or otherwise acquired essential rights from a party who made the FRAND commitment must apply its appropriate rate to a common base. This common base, as between two negotiating parties, should be no higher than the industry average sales price for a basic communications device that is capable of both voice and data communication.

No Injunction: A party who made a FRAND commitment to license its cellular standards essential patents or otherwise acquired essential rights from a party who made the FRAND commitment must not seek injunctive relief on such patents. Seeking an injunction would be a violation of the party's commitment to FRAND licensing.

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As a follow-up to its 2007 disclosure, Apple recently took the initiative to submit a supplemental disclosure to ETSI. Apple's supplemental disclosure identifies 140 Apple patents and patent applications that may be or may become essential to LTE, UMTS, EDGE, GPRS, and GSM. This collection includes newly issued Apple patents and published applications, as well as assets acquired from third parties.

Apple's supplemental disclosure reflects its good faith commitment to timely disclose patents and patent applications it owns or controls that may be or may become essential to certain cellular standards. We expect others to do the same, and we encourage ETSI and its members to abide by the foregoing FRAND licensing framework.

Best regards,

Bruce A. Wilson, Jr.
Vice President and Chief IP Counsel
Intellectual Property and Licensing

BHW:ab

Enclosure: Apple's IPR Licensing Declaration Forms



Apple's letter to ETSI (continued)

- Apple's first declaration in 2007 (year of the iPhone)
- FRAND principles are not well established
 - Appropriate royalty rate
 - Common royalty base
 - No injunction
- Recently supplemental disclosure of Apple (140 patents)
- ETSI and members encouraged to abide by FRAND licensing framework



Orange Book (2009)

- License must be granted unter FRAND conditions for standard relevant patents
- Alleged infringer has to make an offer for taking a license
 - all terms (royalties, ...) must be defined
 - not as an auxiliary request
- If alleged infringer considers royalties to be too high:
Offer to accept a reasonable license sufficient
- Using the patent only allowed after grant of license
- Royalties have to be deposited at court



Motorola vs. Apple

- Motorola sued Apple for patent infringement on the basis of EP 1 010 336 at district court Mannheim
- Court affirmed patent infringement due to GPRS standard
 - Render accounting
 - Damages
 - Injunctive relief
- Deposit of of EUR 100 million required but not deposited
- Decision appealed by Apple
- Grant of FRAND license only afters Apple's capitulation



Thank you for your kind attention.



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ありがとうございました

ご質問等ございましたら、下記までお気軽に
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