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**INTELLECTUAL PROPERTY LITIGATION UNDER THE CIVIL  
LAW LEGAL SYSTEM; EXPERIENCE IN GERMANY**

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<sup>\*</sup> The views expressed in the Study are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

para.		para.	
I. Introduction.....	(1)	3. Definition of Infringing Object .....	(28)
II. Court System.....	(4)	4. Evidence of Infringement.....	(31)
A. Civil or Criminal Proceedings.....	(4)	5. Enforcement of Injunction.....	(38)
B. Court Structure.....	(5)	6. Interlocutory Injunction.....	(39)
C. Plea for Courts Specializing in IP .....	(8)	B. Damages .....	(43)
D. The Role of Experts .....	(9)	1. General Principles .....	(43)
1. Introductory Remarks .....	(9)	(a) Tortious Invasion of Intellectual Property.....	(43)
2. The Role of the Judge .....	(11)	(b) Negligence .....	(44)
3. The Role of the Expert.....	(14)	(c) Strict Liability for Unjust Enrichment.....	(45)
E. Costs of Court Proceedings.....	(16)	(d) Infringement before the Patent Grant? .....	(47)
F. Enforcement without Courts .....	(19)	2. Information as to Infringing Acts .....	(48)
1. Warning to Infringer .....	(19)	3. Assessment of Damages .....	(49)
2. Declaration of Submission.....	(22)	(a) Actual Loss .....	(49)
3. Costs of Warning .....	(23)	(b) Account of Profits .....	(51)
III. Remedies.....	(24)	(c) Licence Analogy .....	(53)
A. Injunctive Relief.....	(24)	4. Procedural Aspects.....	(58)
1. Nature of Remedy.....	(24)	C. Other Remedies .....	(60)
2. Threat to Infringe.....	(26)	IV. Conclusion.....	(61)

## I. INTRODUCTION

(1) At first, I should like to explain the topic of my paper. It is based, as you will understand, on the law I am most familiar with, that is the German law. The idea is that despite the differences of substantive law when it comes to enforcement of intellectual property rights, there is a lot we can learn from each other. In the first place, comparing the answers given to the same questions in different legal systems always proves helpful and widens the horizon when looking for a solution to a particular legal problem. Secondly, as we shall see, the points of discussion in intellectual property law tend to be very similar no matter whether you are looking at a common law or a civil law country.

(2) Often differences between the systems are overestimated anyhow: Although our civil law is codified, many of the details are left to the courts to decide. For instance as to remedies for infringement, the German Patent Act, the Trade Mark or Copyright Acts do not give detailed rules. The statutes only say that the right holder can ask for an injunction and, in the case of the infringer having wittingly or negligently interfered, for damages. The rest is left to jurisprudence. On the long run points of dispute are decided by the Federal Supreme Court. Although there is no formal rule of *stare decisis*, a lower court will hardly ever decide a case deliberately against the precedents. As a rule, lower court judges in civil law countries follow the case law which has been developed by the Supreme Court just as much as they follow the statute. Thus, the art of distinguishing is as important to a German lawyer as it is to a lawyer working in a country with a common law tradition.

(3) When talking about enforcement of intellectual property rights, there are two main factors to be looked at. One is a court system which provides justice at a fair price. How should the system be structured to deal best with intellectual property cases? I shall discuss these questions in the first part of my paper. In the second part I shall deal with remedies. What has to be shown to get injunctive relief either in trial or in interlocutory proceedings? What has to be paid for the violation of intellectual property rights?

## II. COURT\_SYSTEM

### A. Civil or Criminal Proceedings?

(4) In Germany an infringement of an intellectual property right is always, if committed with *mens rea*, a criminal offence. The criminal courts, however, play an important role only in the enforcement of cases of piracy. Unless there is a public interest in the prosecution, right holders reporting an infringement to the prosecutor will usually be referred to private (criminal) prosecutions, an option hardly ever chosen. Hence criminal proceedings are mostly limited to counterfeiting cases where a public interest in the prosecution is usually assumed. Those are cases of one-to-one infringements of famous trade marks or of popular pieces of music. If such cases of piracy are reported, police and prosecution are usually willing to enter into investigations. As a rule these are clear-cut cases of a trade mark or copyright infringement. In other infringement cases, however, criminal proceedings are not considered to be the appropriate way of enforcing intellectual property rights. Without denying the importance of criminal proceedings in piracy cases, for the purpose of this paper I shall focus on civil proceedings.

## B. Court Structures

(5) For reasons not be discussed at this place the number of judges in civil law countries is much higher than in common law countries. Among civil law countries Germany is probably near the top of the table with, including all kind of courts and tribunals, more than 20.000 judges. For civil cases there is a four-tier hierarchy with a maximum of three tiers for each particular case. The economically more important cases like intellectual property infringement cases start at the second tier (District Court = Landgericht). Appeal goes to the Courts of Appeal (Oberlandesgerichte) and a further appeal, which has to be allowed and which is limited to points of law, may go to the Federal Supreme Court (Bundesgerichtshof).

(6) You may have heard of the Federal Patent Court in Munich. How does this court fit into the system? It is a court which is not concerned with infringement. Two functions of this court should be mentioned: Its main function is to hear appeals against decisions of the German Patent and Trade Mark Office on patent or trade mark applications. If a patent or trade mark application is refused, appeal goes to this court. Again, a further appeal on questions of law may go the Federal Supreme Court. The second function of the Patent Court is to hear patent validity cases. In Germany, once a patent has been granted, it can only be challenged before the Federal Patent Court and, on appeal, before the Federal Supreme Court. In infringement proceedings the judge has to acknowledge the grant of the patent. He can only stay infringement proceedings if in his assessment the patent is likely to be invalidated.

(7) The Patent Court is famous for one feature. In this court cases are heard by a bench of three to five judges. While in trade mark cases the judges all have a legal background, there is always a mixed bench in patent cases consisting of judges with a legal and judges with a scientific or technical background. If the Patent Court hears an appeal against a refusal of a patent for a biochemical invention, a biochemist will sit on the bench deciding the case. If the court hears a validity action concerning an electronic patent, a bench of five judges will decide the case including three physicists or engineers. Having the necessary expertise on board, it is no wonder that this court hardly ever hears expert evidence.

## C. Plea for Courts Specializing in Intellectual Property

(8) As to civil proceedings, in Germany only specialist courts deal with intellectual property cases. Take, for instance, the State of Baden-Württemberg (appr. 10 million inhabitants). In this part of the country there are 16 District Courts (Landgerichte) which deal with the more important civil cases as courts of first instance. Only two out of 16 District Courts deal with copyright and trade mark, and only one can deal with patent infringement cases. Let us have a look at patent infringement cases. All over Germany nine courts can handle such cases. As a rule the plaintiff can choose the jurisdiction of a particular court since the alleged infringement was or is about to be committed anywhere in the country (the allegedly infringing device, e.g., being offered for sale in a nationwide paper). The effect is that some of the nine courts which have jurisdiction for patent cases hardly ever see such cases. Nearly all infringement cases go to three or four courts (Düsseldorf, Mannheim, Munich and Frankfurt). Among these courts Düsseldorf has the strongest position, Mannheim being a strong runner-up. Although Munich is the capital of intellectual property in Germany the Munich court only comes third because in the Bavarian judiciary judges change positions often in order to develop an optimum of versatility. Obviously the price to be paid is a lack of specialism. Patent attorneys who have the strongest part in the choice of a venue for a patent

infringement case usually choose a court with which they are familiar. When planning a litigation they want to be able to tell their clients something about the judges who are going to decide the case. Frequent changes on the bench are not appreciated.

#### D. The Role of Experts

##### 1. Introductory Remarks

(9) Lawyers, judges in particular, often claim expertise in fields they have not been trained in. As judges we do not mind acting as self-appointed specialists deciding questions highly contested even among experts. If it is not a jury, a judge will have to decide what a skilful surgeon should have done when, as a result of an unexpected circulatory crisis, the life of the patient is at stake during heart surgery. A judge will have to decide what is best to a child who has to be given into the care of either the mother or the father. A judge will have to decide what an architect should have done better after a newly constructed bridge has collapsed. It is self-evident that a judge needs assistance when answering questions of this sort. Hence, legal systems provide for evidence by expert opinion. But they do so in quite different ways.

(10) Two extremes can be described when analysing legal systems as to their attitude towards evidence by expert opinion. One of the two is the American example with a jury as judges of fact deciding even the most complicated patent infringement cases. Whatever the reason is for sticking to the jury system, one factor certainly is the distrust of any language unintelligible to the ordinary man: When trying to convince a jury, even a technical issue of utmost complexity has to be put in simple terms. The other extreme is having an expert deciding the case on the bench. As we have seen, German patent law provides an example of this expertise within the judiciary.

##### 2. The Role of the Judge

(11) Before we look at the role of the expert we should first cast our eyes upon the role of the judge. Under common law the judge plays a rather passive part sitting back, watching, and leaving it to the parties to bring forward any evidence they want to be heard in court. Under the continental system, on the other hand, the judge has a much more inquisitive function although he does not inquire the facts but rather depends on the facts submitted by the parties. But when it comes to ascertain the facts, it is the judge who reigns over the proceedings and controls the proof-taking: On request of the parties he will call and question witnesses, he will decide whether or not the assistance of an expert is required and, in the affirmative, he decides which expert is to be called.

(12) According to the German Code of Civil Procedure the judge who thinks it necessary to be advised by an expert does not have to rely on a request of the parties, he can rather call the expert on his own accord. On the other hand, if there is a request for an expert opinion, the judge does not have to follow it. If he, properly exercising his discretion, considers his own expertise sufficient to decide the case, he will deny the request and decide the case on its merits. It may be ground for an appeal, however, that the judge overestimated his competence or, when relying on his own knowledge, did not sufficiently show the grounds for his expertise.

(13) Speaking of the judge could be misleading because in Germany – and I should think in most civil law countries – intellectual property cases are rarely decided by a judge sitting alone. As a rule, there will be a bench with three judges in the court of first instance as well as in the appellate court. Again as a rule, these judges will be specialised in intellectual property litigation.

### 3. The Role of the Expert

(14) Explaining the different role of judges in the hearing of evidence has already shed light on the role of the expert which differs just as much from the concept ruling procedure in common law countries. Under the continental rule the expert is not an adviser to either party, but rather an adviser to the court. Thus, he is expected to be free of any bias and just as impartial as the judge. It follows that a party can seek to disqualify an expert on the same grounds as a judge can be objected to. The basic difference, therefore, is that the expert has to be absolutely impartial. He must not have any connection to either party nor give other justified concern for bias. The second basic difference is that, as a rule, there will be only one expert. The dialectic principle which rules procedure in common law countries (thesis and antithesis lead to a synthesis) does not apply. A second expert will only be called when the evidence given by the first turns out to be insufficient.

(15) When I refer to the expert as an adviser of the court, I do not want to suggest, however, that any judicial power is conveyed to the expert. Although the expert's opinion may have a decisive function, the decision is only made by the judge. With him lies the sole responsibility for the judgment. On the ground of the expert's testimony, he has to form his own opinion and put it down in his judgment. For the most part, the judge will follow the expert on the technical issue in question or, if he is not convinced, call in another expert. But, as a scarce event, it may happen that the court is convinced of the contrary to what the expert testified and will rule accordingly on the grounds of the expertise gained in the hearing.

### E. Costs of Court Proceedings

(16) In Article 41(2) the TRIPS Agreement calls for “procedures concerning the enforcement of intellectual property rights” which are “fair and equitable”. “They shall not be unnecessarily complicated or costly”. In English colleague of mine who tries many intellectual property cases in London claims that the American and British court systems are not in compliance with this provision because of the tremendous costs of litigation. He claims that perhaps in London they may be offering the Rolls Royce in enforcement of intellectual property rights, but to get from A to B an ordinary car would fulfil the same purpose for a much more reasonable price.

(17) Germany offers a less expensive way for enforcing intellectual property rights. For the more reasonable price one does not get a Rolls Royce: no discovery, no cross-examination of experts going on for days, no brilliant QC's who lead a team of junior barristers, solicitors and patent attorneys, no cases which take weeks to be heard. But for the ordinary case, it is submitted, the less lavish procedure also comes to a good end. There are a number of factors which show the differences:

- As already mentioned there is no costly discovery in German procedure. Hence, a plaintiff who wants to rely on documents or on other evidence in possession of the defendant has a more difficult position in German courts.
- It is the judge who decides whether or not a witness or an expert needs to be heard. No evidence is heard which is irrelevant for the legal solutions found in judgment.
- As a rule, German lawyers are not paid by the hour, but rather earn a lump sum which depends on the amount in dispute, not on the time spent on the case. It should be noted, however, that lawyers are free to enter agreements with their clients in order to be paid by the hour. International law firms often operate only on the ground of such agreements.
- With every judgment there is a ruling on costs. Litigation costs have to be borne by the losing party. The successful party does not have to bear court costs. The losing party has to reimburse the legal costs of the winning party.

(18) To give an idea as to costs I shall give three examples: The first is a case in which 10.000 € are at stake. The court of first instance hears evidence. The judgment is not appealed against. In this case court costs will amount to appr. 650 €. Costs for counsel on each side will be about 1.750 €, amounting to total costs of 4.150€. The second example is a case in which an amount of 100.000 € is in dispute. Again the court of first instance hears evidence, but this time there is an appeal. The Court of Appeal hears and decides the case relying on the evidence heard at first instance. This time court fees for two instances will be about 6.500 €, and the lawyers on each side will charge appr. 10.300 € bringing the total costs up to 27.200 €. The value of the third case is 1.000.000 €. This time no evidence is heard but the case goes up all the way to and is decided by the Federal Supreme Court. This time court fees amount to appr. 56.000 €, and the costs for the lawyers on each side will amount to appr. 42.000 € bringing total costs up to 140.000€.

## F. Settling a Dispute without the Help of the Court

### 1. Warning to Infringer

(19) Before a case goes to court the right holder or rather his attorney will normally issue a warning to the alleged infringer. If the plaintiff has failed to give such a warning before asking the court for injunctive relief, this will not jeopardize the success of his action. The plaintiff, however, will risk being charged with costs including the fees of the defendant's attorney. According to the German Code of Civil Procedure the defendant can acknowledge the claim right away in the first hearing. In this case, the court will grant the injunction applied for, but will impose costs on the plaintiff if the defendant has not given rise to the proceedings. As a rule, this will be assumed in a case in which the plaintiff has failed to give a warning to the defendant in advance.

(20) It should be noted, however, that such a warning can cause substantial damages when the alleged infringer, for instance, stops the production and distribution of the (allegedly) infringing product. For these damages the right holder may be held liable in case the warning turns out to be unjustified. Therefore a cautious attorney will ask the alleged infringer to state

the reasons why he considers himself entitled to make use of the intellectual property rights of his client. If this question is not answered to his satisfaction, he will then issue the warning.

(21) The right holder should be even more cautious when it comes to warning (potential) customers of the alleged infringer. Since everybody is liable for infringement of a patent who, for commercial purposes, uses the patented product or a product obtained directly by means of the patented process, the customer is another potential infringer. Therefore, the right holder must be able to issue a warning not only to the manufacturer but also to the customer. However, such a warning having a very negative effect on the manufacturer's reputation has to be worded carefully. It should show that the right holder's position is contested. And if the right holder reports of a success in court he should also mention that the judgment in his favour was appealed against. In 1995, the following case was decided by the German Federal Supreme Court: Plaintiff, a Swedish company, and defendant, a Swiss company, were competitors on the small market for a specific clutch system. Defendant claimed that plaintiff's product violated his European patent. Defendant went to court and received a judgment in his favour. He then circulated this judgment among plaintiff's customers with boastful comments about how clear-cut his case of patent infringement had been. The fact that the plaintiff had appealed the judgment was not mentioned. Subsequently, the appellate court quashed the judgment and referred the case back to the lower court. When the plaintiff sued for damages the defendant was held liable on the grounds that the customers were given the (wrong) impression as though the judgment had been a final decision in defendant's favour.

## 2. Declaration of Submission

(22) What can the infringer, who recognizes the weakness of his position, do to prevent court proceedings? In order to eliminate the danger of repetition – being a prerequisite to the injunction – he will give a formal undertaking in which he promises to restrain from continuing the wrongful act. He will also commit himself to paying a (substantial) penalty to the right holder in case of any new violation. As long as the promised penalty is high enough to deter the infringer from violations in the future, a threat of further infringement cannot be assumed. Thus, an injunction will not be granted.

## 3. Costs of Warning

(23) Since the warning given by the right holder opens the way for an out-of-court settlement of the case, it is really in the interest of the infringer who can settle the case by giving a declaration of submission without being charged with high litigation costs. According to German case law the right holder can ask for reimbursement of the costs for sending out the warning which will usually amount to the costs of a lawyer whom the right holder has asked for legal advice.

# III. REMEDIES

## A. Injunctive Relief

### 1. Nature of Remedy

(24) The most important remedy in German court proceedings is the (prohibitory) injunction. In general, it is the major aim of the right holder to restrain the infringer from making use of the patent, the trade mark or the copyright work in the future. Frequently, the



infringer will be a competitor on the market offering his products at a lower price. A court order will not only stop further infringement, it will also paralyse the competitor and tarnish his reputation.

(25) Furthermore, the injunction is the easiest available remedy. Showing that an infringement has taken place in the past will normally suffice. The state of mind of the infringer, who did not know or could not reasonably know that his action constituted an infringement, is no defence, fault or negligence not being a prerequisite to an injunction. According to German law, this applies even in cases of secondary infringement when a defendant has imported illicit goods or is dealing with them *bona fide*. And, I may submit, there is a point to this strict rule: Once infringement has been shown, the law should not allow further violations to take place. In the future – and the injunction only concerns the future – defendant will not be *bona fide* anyhow after having been taken to court.

## 2. Threat to Infringe

(26) As in most other legal systems, the basis of an injunction is the threat on the part of the defendant that he is about to violate the rights of the plaintiff. In general, this is shown through an infringement which has been committed in the past. Such an infringement will be sufficient grounds for the plaintiff to ask for an injunction. Even in a case, where the defendant has gone out of business in the meantime, a violation committed in the past will be grounds for assuming a danger of repetition. As long as he can take up business again, he remains a potential infringer for the future.

(27) On the other hand, the need for an injunction can not only be shown through an infringement already committed. If other circumstances give reason to believe that an infringement is imminent, an injunction will also be granted. For instance, in a case, in which a domestic manufacturer distributed, at a fair in Moscow, a prospectus offering a machine for continuous laminating which made use of plaintiff's invention patented in Germany, the manufacturer was, by way of an injunction, restrained from infringing the patent although no infringement had yet taken place. Indeed, just offering a patented product constitutes an infringement, but in this case the offer had been made in a country where the particular invention was not patented. The defendant, however, was only manufacturing at home, hence the danger of him producing the patented machinery and infringing the patent in the near future.

## 3. Definition of Infringing Object

(28) If an injunction is granted, it must become clear to the infringer what exactly he is restrained from doing. Accordingly, the statement of claim filed in court by the right holder must clearly identify the infringing object. In a patent litigation, for instance, according to our understanding it will not suffice to apply for an order restraining the defendant „from infringing Patent X“. This would be self-evident and would not need corroboration by a court order. Besides, since a prohibitory injunction, in case of breach, gives ground for a quasi-criminal sanction, such an order would not be considered sufficiently clear and definite. In contempt proceedings such an order would not stand up to the scrutiny of our Constitutional Court (*nullum crimen sine lege certa*).

(29) Furthermore, an order „not to infringe Patent X“ could turn out to be of little help to the parties to the litigation. When I was a judge at one of the appellate courts, our Court had

decided a number of infringement cases in which the two leading manufacturers of hydraulic cylinders for motorized cranes were parties. The plaintiff had a valuable patent for a special type of two-way-valve to be built into the cylinder. The defendant, on the other hand, tried to make use of the new technology without interfering with the patent. Starting with a device which came down to a textual infringement, he kept changing one or the other feature of the valve bringing forth complicated questions of an infringement by equivalent technical means. The Court, however, held that he was still within the scope of protection and therefore liable for patent infringement. In each of the judgments the new valve which had given rise to the new action was described precisely. Had the Court, in the first case, restrained the defendant from „infringing patent X“, the question of further infringements would have been just a matter of enforcing this first injunction. However, contempt proceedings, it is submitted, should not be the place where it is decided whether or not the defendant has made use of the patented invention.

(30) In the most frequent cases of an infringement already having been committed, the right holder will have to describe fully the infringing object unless there are other means of clear identification. This may be true, for instance, in a copyright litigation where the title of an infringing book or film enables a clear qualification. In trade mark and unfair competition cases it is often possible to attach a copy of the infringing object, for instance a newspaper advertisement, to the court order, but in most patent cases the application for an injunction, and accordingly the court order, will have to describe verbally the features of the infringing device (or procedure). The right holder who applies for a more general injunction which is not limited to the particulars of the infringing object A but includes the similar objects B, C and D, will have to show that an infringement through the production or distribution of B, C and D was also imminent, hence there was a threat to infringe.

#### 4. Evidence of Infringement

(31) Talking about the details of the infringing object brings forth the question of how the right holder can find out about the particulars. If you come from a common law country you will be familiar with the *Anton Piller* order. Since 1975 English courts have been allowing the right holder to secure evidence of an alleged infringement by way of an *ex parte* order for inspection of defendant's premises and seizure of material relevant to the infringement. The *Anton Piller* order has to be seen as part of pre-trial discovery going, in two respects, far beyond: (a) it can be granted without the defendant having been given notice of the application and (b) it will give the right to search for items and seize material which have not been listed in the application, hence allowing a true „fishing expedition“ on which plaintiff does not have to rely on defendant's co-operation. Although such orders will only be granted after plaintiff has shown a strong *prima facie* case of infringement and has convinced the court that defendant has incriminating material in his possession, they are in daily use in England having become an important weapon in the combat of piracy.

(32) It is not least because of the overwhelming success of *Anton Piller* in most common law jurisdictions that a similar provision was included to the TRIPS Agreement: According to Art. 50 „the judicial authorities shall have the authority to order prompt and effective provisional measures ... to prevent an infringement of any intellectual property right from occurring ... (and) to preserve relevant evidence in regard to the alleged infringement“. And it is also made clear that such an order can be granted *ex parte* („... *inaudita altera parte* where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed“).

(33) The German Civil Code has always included a provision which gives a right for inspection of an object or a document to everybody who may have a legal claim relating to that particular object or document. But in the past, German courts have denied such a right in intellectual property cases unless the right holder had more or less proved the infringement. In addition, the right to inspection was construed in a way that it was, more or less, limited to an inspection from the outside, thus refusing the right holder a look to the inside of a machinery. Furthermore, no right of inspection was granted when defendant's trade secrets were at stake. In general, not only this kind of a search warrant, but any pre-trial discovery of documents or names was considered quite alien to our principles of civil procedure. The understanding was that, before starting an action, the right holder needs to have a clear conception of the infringement; it was not considered the job of the defendant to assist in an action brought against him. Therefore, any application to hear evidence which is not based on particulars was turned down on the grounds that the law does not allow an exploration, it does not allow „fishing expeditions“. Only after an infringement had been shown, the right holder, as a matter of substantial law, may ask for details which he may need to measure damages.

(34) In 2002 our Court, has handed down a judgment in which the right to ask for an inspection of an object which may prove an infringement was construed in a more generous way. It was a case dealing with software. Defendant was a software programmer who had left plaintiff's software company in order to set up a company of his own. Shortly after the start of the new company he offered software in the market which was very similar to the product of the plaintiff which had been developed by the defendant. Plaintiff had the suspicion but, being just in possession of the object code, he could not prove that defendant had indeed copied his programme. In order to prove an infringement plaintiff needed the source code of defendant's software which defendant was not willing to deliver. Overruling the older judgment, the Court held that for the right of inspection a certain likelihood of infringement would suffice. Defendant's legitimate interest not to reveal any business secrets to his competitor could be protected by other means, *e.g.* by bringing in an expert who would look at the source code and answer questions as to the identity of the two programmes.

(35) Earlier the legislator had come to the aid of the right holder. In 1990, the Piracy Act introduced new provisions to our Trade Mark, Copyright and Patent Acts making it a statutory obligation for the infringer to give details such as the names and addresses of the producer, vendor or commercial purchaser of illicit goods. But, again, this obligation only applies *after* an infringement has been shown. As under English legislation, self-incrimination is not a defence since any information obtained under these provisions must not be used in equivalent criminal proceedings. According to the German Piracy Act of 1990 a court order for the discovery of names or other information cannot not only be made in a judgment after trial, but can also be obtained by a court order in summary proceedings (*cf. Norwich Pharmaceutical Order* in English law).

(36) If it comes down to a particular point, however, German Courts often have come to the assistance of the right holder: In copyright, for example, collecting societies may find it difficult to show that the music, which has been played in a concert, is actually part of their repertoire. If the collecting society finds out about a performance only afterwards, it will most likely be ignorant of the particular pieces of music which have been performed. If it takes the organizer of the concert to court, it could not rely on him for the missing information because an infringement has to be shown first before the defendant is obliged to give any information. In order to help the collecting society out of this circle, the court will presume that music played for entertainment (a) is a work still under copyright protection and (b) is represented

by GEMA, the German collecting society for musical rights, leaving it to the defendant to show that in the particular case the presumption was wrong. Other collecting societies can rely on a similar presumption which has been introduced by statute.

(37) Nonetheless, German intellectual property lawyers look across the Channel with envy: In cases of copyright and trade mark piracy there is an unquestionable need for an efficient means to get hold of infringing goods such as illicit sound recordings, video tapes, computer software and prestige items with counterfeited trade marks. In absence of *Anton Piller* the right holders have to rely on their newly defined inspection right and on investigations by the prosecution and the police. Fortunately, a change in attitude can be observed among prosecutors who more and more acknowledge that intellectual property rights may need further protection by means of criminal procedure. As to the right of inspection, the Federal Supreme Court, as mentioned above, has applied a less restrictive approach, and lately some lower courts have granted inspection orders *ex parte* in copyright infringement cases. This goes to show that the traditional reluctance of German civil courts makes way for a more generous attitude. With these decisions German courts acknowledge the fact that Germany stands under the international obligation of the TRIPS Agreement.

#### 5. Enforcement of Injunction

(38) The enforcement of a prohibitory injunction works much in the same way as, I believe, contempt proceedings under the common law. On the application of the plaintiff the defendant who is guilty of a breach of the injunction will be fined up to 250.000 €. Imprisonment, though provided for in the Code of Civil Procedure, will not be ordered in practice. Of course, the injunction, being limited to a particular act of infringement, will only allow for a fine if defendant more or less repeats the behaviour described in the court order. If he has changed one of the features of the infringing object which were put down in the injunction, the court order, as a rule, cannot serve as grounds for fining the defendant. Although the changed object may, again, constitute an infringement of the particular intellectual property right, the right holder will have to seek injunctive relief anew before the courts.

#### 6. Interlocutory Injunction

(39) There are fields in intellectual property law where preliminary injunctions are commonly applied for and commonly granted. This is true for clear-cut trade mark infringements and some copyright cases. In the field of unfair competition even the majority of court proceedings commence with an interlocutory injunction which is granted *ex parte*. In patent litigation, however, interlocutory injunctions are quite rare. It is widely considered that the complexity of the questions involved in patent litigation does not, as a rule, allow for summary proceedings.

(40) In English law there has been a lively discussion as to the approach towards interlocutory injunctions in cases of an alleged patent infringement. From what I understand, the first question used to be whether the plaintiff had made out a *prima facie* case of infringement. Only after this had been established, the courts then would consider whether the balance of convenience lay either in favour of restraining the defendant until the trial or in favour of referring the plaintiff to the possibility of recovering damages in case of any infringements committed by the defendant in the meantime. According to the new rule established by the House of Lords in *American Cyanamid v. Ethicon*, the question whether or

not an interlocutory injunction should be granted should be decided mainly on the balance of convenience. A *prima facie* case of infringement no longer has to be shown, the court must only be satisfied that there is a „serious question to be tried“.

(41) According to German law, the test for an interlocutory injunction remains to be twofold: Firstly, infringement of the intellectual property right does not have to be proven, but it has to be likely. This means that the courts are hesitant in granting preliminary relief in patent infringement cases because the merits of the case can hardly be adjudged in summary proceedings. Secondly, there has to be a need of urgency. This will involve a balance of interests similar to the balance of convenience applied in the *American Cyanamid* case. Factors which have to be taken into consideration are among others: the chance for the plaintiff to recover damages in case of further infringements; the chance for the defendant to recover damages in case of an interlocutory injunction turning out to be unjustified; chances of the patent to be revoked in nullity proceedings.

(42) Regarding the damage which may be caused, in patent infringement cases the interlocutory injunction will, in general, not be granted *ex parte*. Hence, immediate relief is not available anyhow. Furthermore, since some of the courts dealing with patent infringement litigation carry through their cases within three or four months, the need for interim relief seems to be limited. This may explain why interlocutory injunctions in patent infringement cases are not very often applied for and even less often granted in German courts.

## B. Damages

### 1. General Principles

#### (a) *Tortious Invasion of Intellectual Property*

(43) It can be considered common ground that the kind of infringement we are concerned with is treated as a tortious invasion of property. Therefore, as regards damages, the same principles as for other torts apply. Damages for tortious actions aim to put the right holder back to his position before the tort. Although German law primarily provides for restoration in kind, monetary compensation can be granted – and this is the rule in intellectual property litigation – if restoration in kind is not feasible or not sufficient. Two policy considerations, which sometimes seem to contradict each other, influence the discussion on damages for the violation of intellectual property rights: On the one hand, damages should be assessed in a way that no advantage is left to the infringer. The right must not be invaded with impunity. On the other hand, granting damages is not a means of punishment. Thus, exemplary damages or triple damages as awarded in the United States are alien to our law.

#### (b) *Negligence*

(44) As I suppose is true in your countries, if damages are to be awarded, it has to be shown that the infringer acted at least negligently. However, ignorance in regard to the infringed right is no defence. A company, for instance, has to take notice of the patents and trade marks concerning their field of business. After the grant of a new patent it is generally accepted that a business man must be allowed to examine the new patent in order to find out whether or not he is infringing. But after a period of four weeks no excuse for further infringements will be accepted. As regards the question of infringement, the standard is set very high. The genuine belief that there was no infringement is not a defence unless the

infringer had asked an expert. If it comes down to a question of law, the infringer may not even rely on a lower court decision answering the legal question in his favour. The philosophy behind this strict rule is that any risk the infringer runs should lie with him and not with the right holder.

*(c) Strict Liability for Unjust Enrichment*

(45) I should like to make a short remark on another remedy which, strictly speaking, does not fall under the heading „Damages“, but is closely related. There has been a long controversy whether the provision in the German Civil Code referring to unjust enrichment should be applied in cases of infringement of intellectual property rights. According to this provision a person has to deliver up a (monetary) advantage which he has gained unjustly at the cost of another. While in copyright law it has always been accepted that, in case of infringement, a claim for unjust enrichment can be raised, this was highly controversial in trade mark and patent law until our Supreme Court overruled a number of old decisions which had denied such claims.

(46) The action for unjust enrichment may be preferable for two reasons: Firstly, no negligence has to be shown, and, secondly, the statutory limitation is thirty years instead of the three-year-limitation applying to actions for damages. On the other hand, the claim does not reach as far as the claim for damages. It will only cover a reasonable royalty for making use of the patent, trade mark or copyright work. The actual loss of the right holder cannot be recovered in this way nor can the defendant be forced to turn out his profits on a claim for unjust enrichment.

*(d) Infringement before the Patent Grant?*

(47) I should like to emphasize at this point that according to German law only a patent which has been granted can be infringed. Before the patent is granted there can be no patent infringement. I believe in most patent systems no injunction will be available before the patent grant, but for instance in English law damages can be claimed for an infringement which has taken place between the publishing of the application and the patent grant. Of course, German law also provides for a protection of an invention which has been made public in patent grant proceedings. But in this case only an equitable compensation has to be paid which can be somewhat lower than full damages.

2. Information as to Infringing Acts

(48) Before the right holder can assess the damage he has suffered through an infringement he needs information as to what the infringer exactly has done. In patent litigation, for instance, he needs to find out how many infringing articles were produced at which costs; how many articles were sold; when were they sold and to whom at which price. Always provided that at least one act of infringement is proved, the infringer is obliged to give this information on a petition for rendering account. Many of these items of information are delicate business secrets. In order to give the defendant as much secrecy as possible, he will be allowed to give the names and addresses of his clients to an auditor. The auditor will then answer on the specific request of the plaintiff whether or not a particular client of his has been supplied by the defendant with the infringing product. Thus, he can find out to what extent his own business connections were jeopardized.

### 3. Assessment of Damages

#### *(a) Actual Loss*

(49) As we have seen, the right holder should, by way of monetary compensation, be put into the position as though the infringement had not occurred. But even if the plaintiff is provided with all the necessary information, it will be extremely difficult to show that his sales figures have suffered to a particular extent. The defendant, having undercut the prices of the right holder, will submit that his success was only due to the lower prices, to his excellent business connections and to the special reputation he enjoyed among his customers. Although the courts are entitled to make a rough estimate when assessing damages, the foundation for assessment will often be too narrow.

(50) With regard to these difficulties German courts accept, by tradition, other means of assessing damages for infringement. Besides the actual loss, the plaintiff can ask for an account of profits – being an equitable remedy under the common law – or for a reasonable royalty. The right holder is free to choose the way he wants his damage to be assessed. However, he cannot make use of a combination of assessment methods, but rather has to stick to one way of calculating his loss.

#### *(b) Account of Profits*

(51) In the past, plaintiffs rarely made use of this method of calculating their damages. Perhaps it was not sufficiently favourable to the right holder because it relied heavily on the information of the infringer. On the other hand, in petitions for rendering account plaintiffs have always asked for details concerning the calculation of the defendant. As it seems, right holders take advantage of the possibility of finding out valuable details concerning their competitors. In the end, most cases were settled on the basis of a reasonable royalty.

(52) The situation has changed considerably during the last two years. Today account of profits is indeed a frequent way of calculating damages. The reason for this change is a judgment by our court which introduced a way of calculating the profits in a way more favourable for the right holder. In order to calculate the profit one has to look at the turnover from which the costs have to be deducted. In the past infringers were always able to show that, indeed, they had made hardly a profit or even a loss with the infringing item. The reason was that the courts had allowed the infringer to include general overheads in the costs to be deducted. Hence, when it came to damages you could find all kinds of general expenses which limited the profit gained by the infringement. In November 2000 our Court overruled an older judgment when deciding that costs and overheads could only be deducted if they were clearly assigned to the production of the infringing item. Take, for instance, a case in which a postcard printer has made use of a photography protected under copyright. Let us assume that although he has printed and sold 10.000 copies for 20 cent each he did not have to employ any additional personnel nor buy any additional machinery for the printing of these postcards. Hence, the variable costs for the paper and the electricity for running the printing machines are absolutely insignificant. According to our judgment nearly the entire turnover of 2.000 € would be profit. If, on the other hand, he were allowed to deduct the general overheads including his own salary as president of this own company, the profit would probably be nil.

(c) *Licence Analogy*

(53) The most common way of measuring damages for the infringement of intellectual property rights is licence analogy. This means that the plaintiff can ask for a reasonable royalty for each infringement. To our understanding this royalty stands for the minimum damage the right holder has suffered. It shall be awarded no matter whether the plaintiff would have granted the licence if only defendant had sought it.

(54) Naturally, the views of the parties differ substantially when it comes to calculating the fictitious licence. The plaintiff will claim that a high percentage of the selling-price, for instance 15 %, would be adequate while the defendant tries to show that in other licence agreements 2 or 3 % are common. Often there will also be different views as to the reference figure: Is the price of the patented device relevant or rather the selling-price of the entire product to which the patented device is an essential part? These questions have to be answered by referring to a fictitious licence agreement as it would have been concluded by reasonable businessmen.

(55) A similar question arose in a recent copyright case decided by the German Supreme Court. At defendant's premises the police had seized a large number of illicit video cassettes. Plaintiff, a collecting society to which the video rights had been assigned, asked for damages. One of the problems, the Supreme Court had to deal with, was how the customary royalty as grounds for measuring the damages should be calculated. Defendant claimed that the customary royalty should not be applied because it covered both production *and* distribution while he had only produced the pirate video tapes but had (not yet) distributed them. The Supreme Court did not agree: since only a licence for production *and* distribution would have been available in advance, damages had to be assessed on the basis of such a full licence.

(56) As regards percentage, the rates which are customary in licence agreements will be the basis of further calculations. There are, however, many economic differences between a licence agreement concluded in advance and a subsequent assessment. These factors have to be taken into account. They will, in general, lead to rates higher than commonly agreed upon in advance. But, as a rule, they have to be shown in every case. A general surcharge for infringement is not admissible. In copyright litigation, an exception has been made for the German collecting society „GEMA“: Taking into account the enormous costs of the controlling system which GEMA has built up in order to trace infringements, a 100 per cent surcharge has long been accepted.

(57) In other cases the factors which can be ground for a higher licence rate have to be shown in detail. For instance:

- It has to be taken into account that in case of infringement the licence will only be paid years in delay so that the infringer has saved substantial interest.
- In case of a voluntary licence agreement the licensee must frequently bear the risk of marketing when accepting a minimum royalty per year.
- The licensee, as a rule, is under an obligation not to attack the patent. On the contrary, the infringer is free to start revocation proceedings and, thus, destroy the basis of the claim for damages.



- In case of revocation the licensee cannot ask for a reimbursement of the royalties paid under the licence agreement. The infringer, on the other hand, will be free of any obligation in that case; even if he had already paid damages according to a final court judgment, he can ask the payment to be refunded if later the patent is revoked.

#### 4. Procedural Aspects

(58) When proceedings commence, the right holder will normally not be in the position to give particulars regarding the damage he has suffered from the infringement. Hence, proceedings will be started with a claim for injunctive relief and for rendering account. The plaintiff will also apply for a declaration stating that the defendant is liable to pay damages. This action will prevent the claim for damages from falling under the statute of limitations. The Code of Civil Procedure also allows for a combined action in which the plaintiff, in a first stage, seeks an injunction and a judgment for rendering account. When, in a later stage, he can give particulars as to the damage suffered, he can take up the proceedings and enter a substantiated claim for damages.

(59) The German Code of Civil Procedure, a statute which has been in force for more than 130 years, has always provided for retention of assets belonging to the defendant which may be needed to satisfy a judgment for damages. This statutory remedy compares to the *Mareva* injunctions which have been established by English Courts in 1975. Although there are a number of differences in operating these remedies, the economic function is the same. It should be noted, however, that German courts are again rather hesitant in granting such an injunction: the plaintiff not only has to show a *prima facie* case of infringement, but he must bring affidavit or documentary evidence to show that the defendant is just about to remove his assets.

#### C. Other Remedies

(60) An order for delivery up or destruction of infringing articles has recently been introduced to German law as an additional remedy for infringement of intellectual property rights. It should be noted that, as to trade marks, the right holder can ask for the illicitly marked goods to be destroyed. Removing just the illicit trade mark will, thus, not suffice. This applies no matter whether or not the goods are infringer's property. It is sufficient that they are found in his possession. On another issue the German Piracy Act has stopped short of an efficient protection: It provides for the machinery used for the production of illicit goods to be destroyed only in case it has been used more or less exclusively for this purpose. Hence, a machine for copying films cannot be asked to be destroyed or delivered up as long as the infringer can claim that the machine had also been used for legal copying. This shows again that the law is hesitant to change the character of a civil law remedy to a kind of punishment. Finally, upon application of the right holder, infringing items which are to be imported or exported can be seized by customs authorities. This has become an important means of fighting piracy at the root preventing illicit goods from entering the country.

#### IV. CONCLUSION

(61) In conclusion I should like to suggest that the German perspective, which I have had the honour to introduce to you, has brought up questions which are, indeed, very similar if not identical to the problems involved with the infringement of intellectual property anywhere in the world. Despite of the characteristic differences in legal tradition, courts are united in their endeavour to give intellectual property rights an efficient protection. It should be kept in mind that a sophisticated system of granting rights will be of little value unless, in case of infringement, remedies are provided which show that, in the end, infringement does not pay.

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