

ALLEN & OVERY



22 May 2015 | Basel |
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IP-Litigation in Life Sciences
Costs, Duration and Enforceability in
Germany

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1. Introduction

Introduction

- Germany is the largest marketplace in the EU and a dominant entry point for goods delivered into the European market
- Germany is considered the most attractive jurisdiction for an efficient patent enforcement strategy in Europe
- More than two-thirds of all patent litigation in Europe is conducted before German courts



Patent litigation in Germany – Key Features

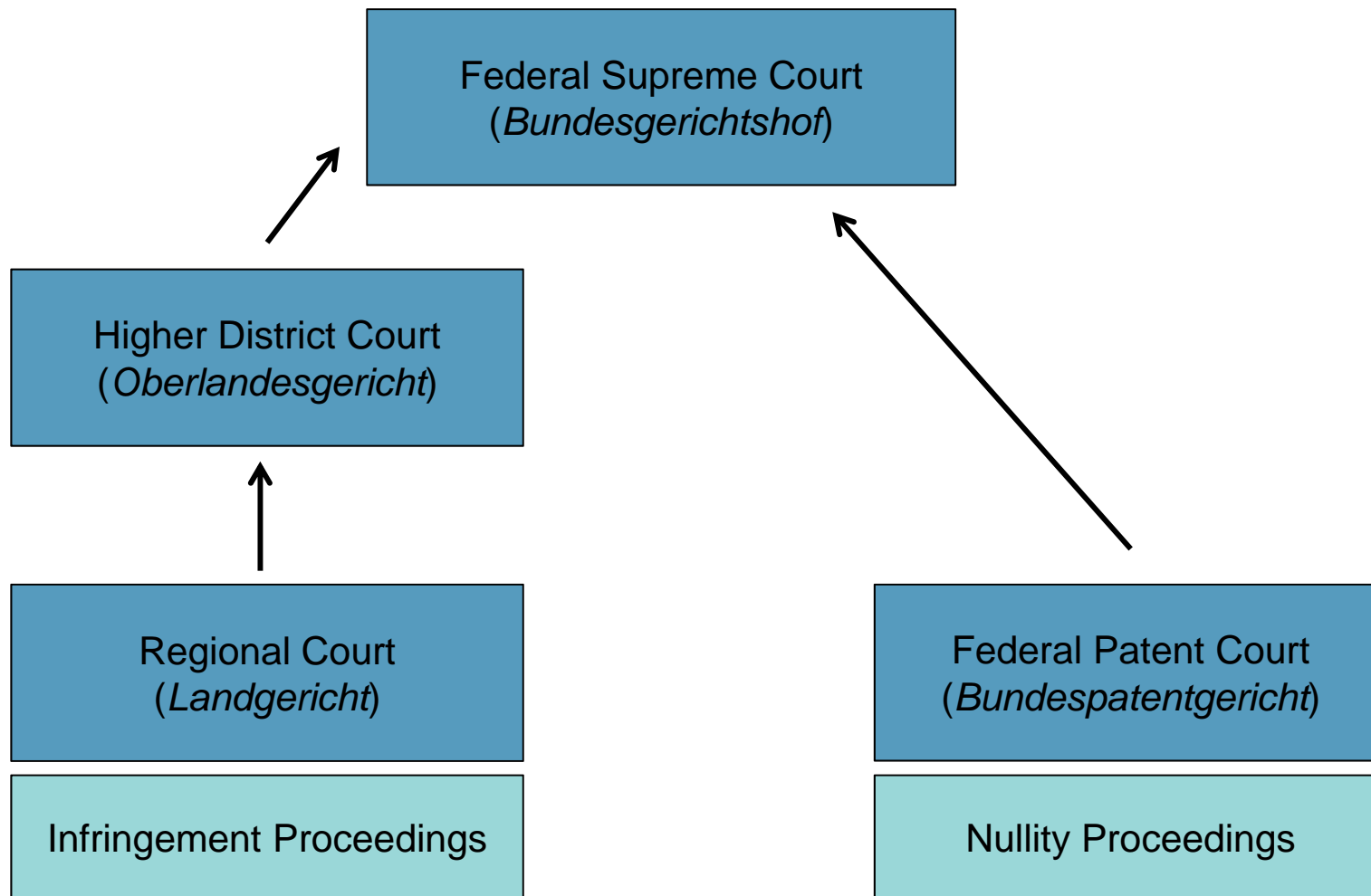
- Separate proceedings for infringement and validity
- Litigation is fast and relatively cheap
- Specialized and experienced judges
- No disclosure, no pre-trial discovery
- PI's in patent cases available (also ex parte)
- Injunctive relief will be granted as a general rule
- Injunction is immediately enforceable

2. Bifurcation

Bifurcation

- A defining characteristic of the German system: Separation of infringement and invalidity proceedings
- District courts handling patent infringement have no jurisdiction over the validity of the patent and are bound to enforce the patent as it is
- Separate attack on validity before EPO (opposition) or Federal Patent Court (nullity action)
- Infringement court may then suspend its proceedings to allow the corresponding opposition/nullity action to resolve validity first, if
 - validity attack is pending and
 - there is a high likelihood that the validity attack will be successful

The German Court System



3. Infringement Proceedings

Venue for infringement action

- **Flexible system of domestic jurisdiction:**

- District where defendant has residence or principal place of business, or
- District where infringing activities were committed (often allows forum shopping, e.g. in cases of an offer for sale over the internet)

- The **selection of the court** is usually based on strategic considerations:

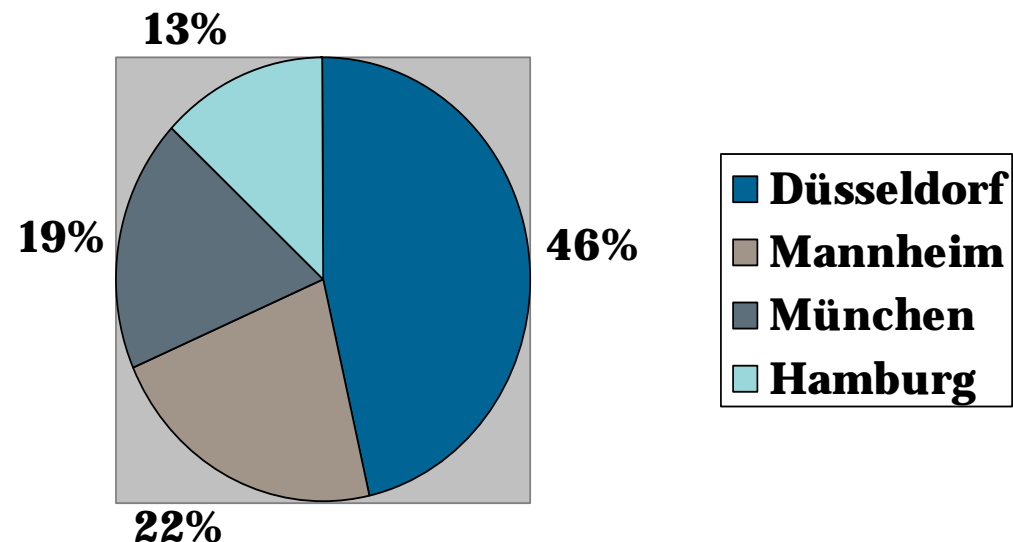
- Experience of court and judges concerning a certain technology or procedural situation
- Duration of litigation
- Likelihood of stay (in case of parallel validity attack)
- ...

Infringement Courts



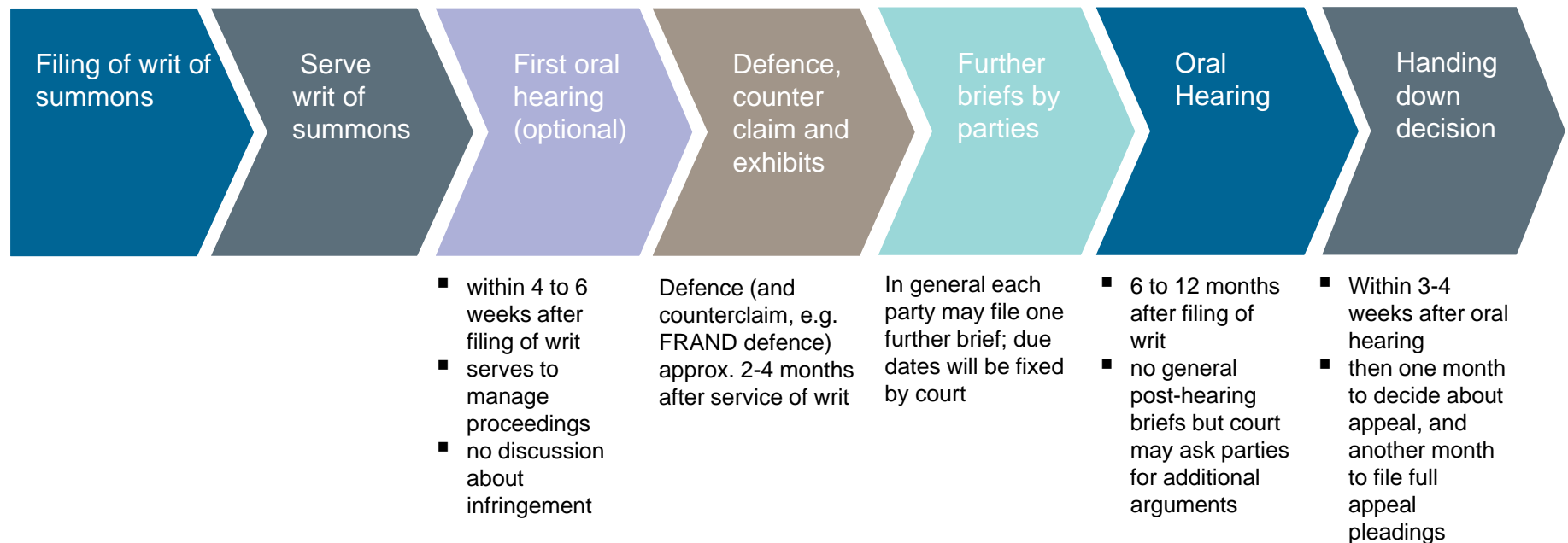
Proceedings on the merits - Duration

- The most active and most important patent court is the District court Düsseldorf, hearing around 600 cases a year, followed by the Courts in Mannheim, Munich and Hamburg



- Cases in Düsseldorf will take approx. 10-12 months in first instance; before the courts in Munich, Mannheim and Hamburg the hearing will generally take place within 6-8 months

Proceedings on the merits - Timeline



Courts have quite some discretion as to how they organize the proceedings

Proceedings on the merits - Costs

Approximate costs of litigation in first instance:

Value in dispute	1 Million	5 Million	15 Million
Court fees	EUR 20,000	EUR 60,000	EUR 170,000
2 Lawyers, 2 Patent Attorneys	EUR 60,000	EUR 210,000	EUR 570,000

- The losing party must reimburse costs incurred by the winning party, but no compensation of costs actually incurred
- A statutory table of costs applies: The costs to be reimbursed depend on the value in dispute to be set by the court with a view to the economic importance of the infringed right (very, very rough estimate without reference to actual economics)
- If plaintiff is a US company, defendant may ask for upfront security covering the litigation costs
- Non-quantifiable costs: time and other resources spent for preparation of and in court proceedings

Proceedings on the merits - Enforceability

- Infringement decision is enforceable title, first instance decision provisionally enforceable against payment of a security bond
- Security bond is to secure against potential disadvantages from unjustified enforcement, in particular claim for damages
- Claim for injunction is enforced by administrative fine up to EUR 250,000 or imprisonment of the managing directors up to six months

4. Preliminary Injunction

Preliminary Injunction - Duration

- Courts have recently become more open towards granting PI's
- PI may be awarded ex parte within a day; in case an oral hearing is scheduled proceedings will take several weeks, depending on the complexity of the case
- Decision can be appealed



Prerequisites:

- No reasonable doubt about infringement
- Urgency of the case (approx. within one month from having obtained sufficient knowledge of infringement and infringer)
- Validity of the patent, Higher Regional Court Düsseldorf (Judgment of 17 January 2013 – I 2 U 87/12): no positive validity decision necessary in case of infringement by generic companies because impending harm for the patentee is irreversible

Preliminary Injunction - Costs

Approximate costs of litigation in preliminary injunction:

Value in dispute	1 Million	5 Million	15 Million
Court fees with oral hearing and judgement	EUR 20,000	EUR 60,000	EUR 170,000
2 Lawyers, 2 Patent Attorneys	EUR 60,000	EUR 210,000	EUR 570,000

- If court decides in the way of a court decision instead of a judgement the court fees reduce to approximately 1/2 to 1/3 of the given amounts. Without oral proceedings the reimbursable lawyers fees reduce to nearly 1/2 of the given values
- Caveat: Most attorneys are paid at the basis of an hourly fee exceeding often substantially the reimbursable costs
- Non-quantifiable costs: time and other resources spent for preparation of and in court proceedings

Preliminary Injunction - Enforceability

- Injunction can be enforced immediately without a security
- Petitioner has to take measures to ensure that decision is enforced within one month, regularly service on the respondent ex parte
- Risk: If the preliminary injunction is later found to be unjustified, the plaintiff has to pay damages to the defendant

5. Validity Proceedings

Invalidity Proceedings



Invalidity Proceedings – Duration

- Federal Patent Court (FPC) as a separate Court for invalidity proceedings; appeal will go to the Federal Supreme Court
- FPC is generally slower than infringement courts
 - First instance in nullity action may take 18-24 months depending on which court division (Senate) hears the case
- Written proceedings followed by an oral hearing
- Case will be heard by technical and legal judges

Invalidity Proceedings – Costs

Approximate costs of litigation in invalidity proceedings:

Value in dispute	1 Million	5 Million	15 Million
Court fees	EUR 25,000	EUR 90,000	EUR 260,000
2 Lawyers, 2 Patent Attorneys	EUR 60,000	EUR 210,000	EUR 570,000

– Costs of attorney at law are regularly to be reimbursed if infringement action is pending

– Caveat: Most attorneys are paid at the basis of an hourly fee exceeding often substantially the reimbursable costs

Invalidity Proceedings – Effect of Judgment

- Effect of validity decision: if patent is nullified: Judgment has erga omnes and ex tunc effect
- If patent is upheld: Judgment has inter partes effect
- Judgment is enforceable as regards costs, enforcement of first instance only against payment of security bond


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Questions?

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