JUSTICE DELAYED IS JUSTICE DENIED? THE PRINCIPLE OF BIFURCATION IN THE GERMAN PATENT LITIGATION SYSTEM

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German courts are currently one of the most influential jurisdictions in which to conduct patent litigation. The specialized district courts of Germany handle nearly a thousand cases a year, constituting about sixty to seventy percent of all patent infringement cases filed annually in the European Union. However, patent litigation in Germany has a unique feature—bifurcation of infringement and validity proceedings. In a typical case of patent infringement, the defendant will usually try to raise two types of defences—that the defendant’s actions fall outside the exclusive scope of the patent, or that the defendant’s actions do infringe the scope of the patent right, but the infringed patent is actually invalid.

In German patent litigation, this type of invalidity defence is not available to the defendant, as patent infringement and nullity actions are not heard in the same instance. Because deciding the validity of a patent is technically an administrative act, nullity actions lay exclusively in federal jurisdiction—namely, of the Federal Patent Court. Patent infringement, on the other hand, is a civil matter, and here the Landgerichte and Oberlandesgerichte (District Courts and Court of Appeals) have jurisdiction. This federal–civil divide has been formally maintained in the German legal system through the system of bifurcation.

Despite the major importance of Germany as a patent jurisdiction, there has been little literature about the impacts of bifurcation on its patent litigation system. This thesis aims to answer the following question: “What are the consequences of the bifurcation in German patent litigation for the global patent ecosystem?” This thesis will argue that in spite of purported benefits of bifurcation, which have been argued as increased technical expertise or monetary/time efficiency for the parties involved, bifurcation has resulted in a German patent litigation system which is heavily skewed towards the plaintiff. As the German court system is the most trafficked in Europe and the third most trafficked in the world for patent litigation, this underlying bias of the legal system has the potential to become a dangerous fault line in the preservation of a patent system that provides the proper incentives for technological innovation.

The structure of this thesis will start with a discussion of the role of the German market as well as the German court system in European patent litigation. This will be followed by a descriptive overview of the procedural facets of patent litigation in Germany. The thesis will then offer a more in-depth analysis of one particular procedural aspect: the bifurcation of patent infringement and revocation proceedings to two different courts. This analysis will explain the historical roots of bifurcation, followed by an articulation of the two main critiques of bifurcation. Namely, these critiques focus on the time lag between infringement and revocation decisions and differing claim interpretations between the infringement and nullity court. The final section will return to the question of whether bifurcation has impacted the German patent litigation system, and what remedies might be able to ameliorate the biases of the current system.
I. ACRONYMS AND ABBREVIATIONS

EPC = European Patent Convention

EPO = European Patent Organization

DPA = *Deutsches Patentamt*, German Patent Office

DPMA = *Deutsches Patent-und Markenamt*, German Patent and Trademark Office

FRAND = Fair, Reasonable, and Non-Discriminatory

BGH = *Bundesgerichtshof*, Federal Supreme Court

NZB = *Nichtzulassungsbeschwerde*, Complaint against denial of leave to appeal

OLG = *Oberlandesgericht*, Court of Appeals

PI = preliminary injunction

PPP = purchasing power parity

PATG = *Patentgesetz*, Patent Act

ZPO = *Zivilprozeordnung*, Code of Civil Procedure
II. INTRODUCTION

Patent rights in the European Union are unlike patent rights in any other territory. On the one hand, many substantive aspects of the patent system are harmonized across national laws through the European Patent Convention (EPC), a treaty that has binding legal effect for thirty-eight European states.\(^1\) The EPC provides for a uniform patent system administered through the European Patent Organization, as well as European patents based on this patent system that are issued through the European Patent Office (EPO).\(^2\) On the other hand, a parallel system of national patent laws rests alongside the European patent system. These are the patent acts of each individual state, which give legal effect to nationally-granted patents and grant exclusive enforceability for the area of the national territory.

The reluctance of European states to give up their national patent law systems, coupled with the evident push of the EPC towards a patent law harmonized across the contracting states, has resulted in a somewhat awkward legal construction. A patent holder filing for a European patent will designate which contracting states he or she wishes the patent to have exclusive scope.\(^3\) These designated states will then validate the patent, allowing it to be enforced in the national territory of that state.\(^4\) These validated European patents will, under the EPC, have same legal conditions and exclusive scope as national patents.\(^5\) This is why European patents are often construed as a “bundle of national patents,”\(^6\) or a bundle of nationally-enforceable patent rights.

European patents, then, are assessed through both the European system and the national patent law systems chosen by the patentee. European patent grant activity is conducted through the EPO Examining Divisions, Opposition Divisions, Boards of Appeal, and Enlarged Boards of Appeal.\(^7\) As the patent rights are validated by each designated state, the members of national patent law authorities oversee the determination of the final scope of the patent. Due to the splintered nature of the patent after validation, assertion of


\(^2\) Id.

\(^3\) Id. at art. 79.

\(^4\) Id. at art. 64.

\(^5\) Id.


\(^7\) Id.
the patent through litigation and revocation through nullity actions are also handled by the national courts of each contracting state for which the patent was validated.8

In this way, each validated piece of the European patent bundle is able to capture the entirety of the exclusive rights granted to its original European patent for that designated territory. At the same time, the “bundled” approach allows the contracting national member states to control the fate of its “copy” of the patent. As the EPC has only harmonized some substantive issues of patent law, such as patentable subject matter, minimum length of protection, criteria for granting patents, priority, scope of the patent right, but not others—compulsory licensing, indirect infringement, patent litigation and nullity procedures9—there is much room for the national member states to interpret the patent according to their own judicial traditions. In the end, this means that the European patent will undergo different infringement and validity determinations in each national forum. For example, the same European patent may be invalidated in the United Kingdom, while in Germany it may be held valid and infringed as asserted.10

The strategic importance of understanding these differing national patent litigation regimes cannot be understated. Many patent-wielding companies are large, multinational corporations spanning many jurisdictions, or companies belonging to industries such as pharmaceuticals in which revenues from a patent in one country can easily compensate for the costs of litigation in many others.11 In other cases, the concentration of patent litigation in one national forum can be more beneficial. For example, patents essential to the MPEG-2 standard have for the most part been litigated in Germany, perhaps due to its status as a powerhouse of electronics engineering.12 In both cases, an understanding of how the national patent litigation systems operate—what procedural and institutional biases each system might have—gives rise to a clearer grasp about how much power lies in the patent right.

Germany occupies a particularly important position in the system of national patent regimes. As the fifth largest economy in the world and the largest in the European Union (in PPP),13 Germany is one of

8 Id.
9 Id. at 4.
10 See id.
12 Id.
the most important markets in the world which can be secured through exclusive patent rights. The domestic industries, strongly export-oriented and reputed for quality high tech engineering and automotive products, have also made much use of the patent system to protect their investments.\textsuperscript{14} German inventors file the third most number of patent applications in the world, after Japan and the United States.\textsuperscript{15} German courts—though not specialized \textit{per se}—are renowned for their high level of expertise regarding patent cases. The same can be said for German patent attorneys and attorneys at law. It is likely that the expertise of the German patent law body and the number of protected patent rights in Germany, coupled with the devastating impact of securing an injunction on the German market, all contribute to why over two thirds of all patent claims in Europe are filed in Germany.\textsuperscript{16}

It is unsurprising that the German system is subject to much criticism and controversy, with so much value in the form of patents disputed in its courts. The most controversial issue is that of bifurcated proceedings, in which the validity and infringement actions are heard by two separate courts.\textsuperscript{17} This system is seen as being highly—perhaps overtly—patentee friendly,\textsuperscript{18} to the detriment of global technological innovation. As one of ten countries in the world that incorporate bifurcated proceedings into the patent litigation system, Germany is certainly not alone in this controversial practice.\textsuperscript{19} However, it is the most important and influential one for

\textsuperscript{14} See generally Wild, \textit{supra} note 11, at 86.
\textsuperscript{18} See \textit{id}.
the patent sphere. In an increasingly globalized market in which German courts have great international significance and authority, an understanding of the German patent system—and in particular, its unique trait of bifurcation—will facilitate an understanding as to the changes in and future prospects of the global patent ecosystem.

This thesis will start with a discussion of the German court system. This will be followed by a descriptive overview of the procedural facets of patent litigation in Germany, covering infringement and nullity proceedings. The thesis will then offer a more in-depth analysis of one particular procedural aspect: the bifurcation of patent infringement and revocation proceedings to two different courts. This analysis will begin with the historical roots of bifurcation, followed by a critique of bifurcation which will examine the time lag between infringement and revocation decisions, as well as differing claim interpretations between the infringement and nullity court. The final section will offer conclusions based on this analysis.

III. GERMAN PATENT LITIGATION: A PROCEDURAL OVERVIEW

A. The Court System

1. Courts of First Instance

Both federal and civil courts in Germany have jurisdiction over patent litigation.20 There are no designated patent courts in Germany, as over 120 civil district courts (Landgericht) technically have jurisdiction over preliminary injunctions and exclusive jurisdiction on infringement proceedings.21 However, the sixteen federal states (Bundesländer) in which these district courts are located have, through statutory orders granted by the German Patent Act, conferred exclusive jurisdiction on patent infringement to only twelve courts.22 Infringement proceedings can thus be initiated by filing a claim in one of these twelve district courts, each of which has at least one specialized patent dispute chamber (Patentstreitkammer).23 Each of these patent dispute chambers consists of three judges who are...

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20 LUGINBUEHL, supra note 6, at 26.
21 Id.
22 Patentgesetz [PatG] [Patent Act], May 5, 1936, BUNDESGESETZBLATT, TEIL I [BGBl.I] at § 143(2) (Ger.).
legally-trained. Though these judges generally do not have a technical background, they deal exclusively with patent and utility model infringement and therefore have developed vast expertise and technical insight in these fields. In particular, the patent chambers at the Düsseldorf, Mannheim, and Munich district courts have gained a reputation for their considerable expertise in patent infringement cases, and currently handle at least eighty to ninety percent of the average one thousand patent infringement cases which arise in Germany annually. These cases in turn constitute sixty to seventy percent of all patent infringement cases filed in the Europe Union.

However, the ability for plaintiffs to forum-shop has led to a sort of “market competition” between the German district courts, particularly among Düsseldorf, Mannheim, and Munich. For example, Düsseldorf hears the highest number of cases at about 600 pending cases a year, and is about to have a third patent infringement chamber, which will allow it to hear more cases more quickly and thus better “compete” with Mannheim and Munich. Although these two courts still hear fewer cases than Düsseldorf, averaging 250 and 100 cases a year, respectively, the growing case backlog at Düsseldorf has led to a lengthier first instance infringement proceeding, and plaintiffs looking for quicker judgments have found the courts at Mannheim and Munich increasingly appealing. In particular, Mannheim has tried to attract plaintiffs to file suit at its court by shortening its first instance proceeding to only seven or eight months in comparison to the nine to twelve months needed at Düsseldorf.

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24 Id.
25 Id. at 29.
27 HARHOFF, supra note 26, at 27.
28 Id. at 16-17.
30 HARHOFF, supra note 26; Interview with Dr. jur. Carl-Richard Haarmann, Attorney at Law and Partner at Boehmert & Boehmert (July 12, 2012).
Further, in a struggle to become a local division patent infringement court in a unitary European Patent system,\(^{32}\) Mannheim has tried to raise the average number of cases it hears in a year by being even more favorable to patent owners than Düsseldorf.\(^{33}\) This type of patentee-friendly behavior by the Mannheim court was exhibited during the May 2, 2012 ruling of Motorola Mobility v. Microsoft, which dealt with standard essential patents on certain video-compression software in products, including Windows 7 and Xbox software.\(^{34}\) Typically, holders of patents that are essential to a standard can only charge royalties which are considered “fair, reasonable, and non-discriminatory” (FRAND).\(^{35}\) Accordingly, parties charged with infringing standard essential patents would be able to claim—under certain conditions—that they were forced to infringe because the licensing royalties charged by the patent holder were too high, and thus did not conform to the FRAND standard.\(^{36}\) This claim would constitute a FRAND defense, and would typically be an additional defensive option in addition to filing a nullity action.

\(^{32}\) According to many practitioners, the competition to be the local division patent infringement court has caused Mannheim and Düsseldorf to engage in increasingly patenette-friendly behavior. This is because the decision of which court will be the German local division patent infringement court—and other decisions related to promotion of judges—are evaluated on the basis of judicial experience. A judge who has presided over more patent infringement cases will be seen as more experienced, and therefore more promotable, than one who has not. Therefore the role of the judge’s personal ambitions in the patentee friendliness of Mannheim and Düsseldorf should not be underestimated.

\(^{33}\) Haarmann, supra note 30.


\(^{35}\) This standard is set in order to try to prevent abusive anticompetitive effects of granting a patent monopoly on a technology that is necessary to meet an industry standard. Setting royalties that conform to this FRAND standard has been a very controversial topic. However, at the very least, these royalties must be set at the lower end of the scale.

\(^{36}\) In Germany, these conditions have been articulated by the *Orange Book Standard* ruling. First, the prospective licensee must have first approached the licensor with an unconditional offer, which the licensor could not have refused without violating competition law principles. Secondly, the potential licensee must act as though it has already secured the license by, for example, depositing said offered license fee into an escrow account. Florian Mueller, *Mannheim Court Continues to Weaken the FRAND Defense -- Bad News for Apple, Nokia, HTC, Others* (Feb. 9, 2012), http://www.fosspatents.com/2012/02/mannheim-court-continues-to-weaken.html.
In Motorola, the Mannheim court forced Microsoft to stay nullity proceedings contesting the validity of Motorola’s asserted standard essential patent in order for the court to consider a FRAND defense—to, in effect, choose between either a FRAND defense or an invalidity defense. The court argued that to assert that the patent in question was invalid would not fulfill the second condition of the Orange Book Standard—that the prospective licensee must act as though it has signed a license agreement. In an extreme interpretation of the Orange Book Standard ruling, the Mannheim court also stated that only in cases where there was an “obvious violation” of antitrust law in the rejection of a licensing offer would the court deny an injunction on allegedly-infringing embodiments of standard essential patents. In comparison to Mannheim and Düsseldorf, Munich is generally seen as being the most “defendant-friendly,” and therefore attracts the fewest number of plaintiffs.

a. The Federal Patent Court

In contrast to the twelve district courts that have jurisdiction on patent infringement issues, the Bundespatentgericht (Federal Patent Court) is exclusively competent to handle patent nullity proceedings. Based in Munich, the Federal Patent Court is composed of chambers, or senates, which are separated into chambers for appeal and nullity chambers for deciding on patent validity. Each nullity chamber is composed of five judges, of which three have technical training and two are legally trained, with the presiding judge always a judge with legal training.

The Federal Patent Court is relatively young court that was established in 1961 through an amendment to the German Constitution, which granted the state the authority to create a

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37 Id.
38 This is similar to the United States common law doctrine of licensee estoppel. However, this doctrine was overturned under Lear v. Adkins, 395 U.S. 653 (1969) and further under Medimmune v. Genentech, 549 U.S. 118 (Wash. 2007).
39 The extremely advantageous ability to enforce injunction based on a standard essential patent was compared by Motorola’s legal team to having a powerful weapon in which, “it takes only one bullet to kill.” For more on these two rulings, as well as English translations of the ruling, see Mueller, supra note 34; Florian Mueller, The German Approach to FRAND: Let's Err on the Side of Injunctions (May 23, 2012), http://www.fossпатент.com/2012/05/german-approach-to-frand-lets-err-on.html.
40 Haarman, supra note 30.
41 PATG AT § 65(1).
42 PATG AT § 66(1).
43 PATG AT § 67(2).
specialized court for intellectual property disputes.\textsuperscript{44} Prior to its creation, patent nullity and revocation was decided solely by the Deutsches Patentamt (German Patent Office ("DPA"), now Deutsches Patent-und Markenamt ("DPMA")) in an effort to maintain consistency concerning patent applications.\textsuperscript{45} The proceedings before the DPMA were subsequently classed as administrative acts by the Bundesverwaltungsgericht (Federal Administrative Court).\textsuperscript{46} However, implementation of that decision without the independent judicial body of the Federal Patent Court would have necessitated very complicated legal proceedings, with up to five instances.\textsuperscript{47} Therefore, the existing Nichtigkeitssenate (nullity senates) and boards of appeal in the DPMA were transferred to create a new, independent judicial body.\textsuperscript{48}

The makeup of the Federal Patent Court is conducive to sound judicial rulings on patent validity. Out of the five judges who make up the Federal Patent Court, three must have a technical background, and are assigned to nullity proceedings in their realm of technical expertise.\textsuperscript{49} Because of their technical background, this panel of judges is able to assess the technical configuration necessary to determine patent validity without resorting to an expert opinion.\textsuperscript{50} This not only results in a technically sound judgment which grants patent holders security in their rights, but also nullity proceedings which are more cost effective and time efficient.\textsuperscript{51}

2. Courts of Higher Instance

The decisions of the Landgericht may be appealed to the second instance Court of Appeals (Oberlandesgericht, ("OLG")), which has

\textsuperscript{44} Grundgezet für die Bundesrepublik Deutschland [Grundgezet][GG][Basic Law], May 23, 1949, BGBl. § 96(1) (Ger.).
\textsuperscript{45} Eustace Hopkins, Handbook of the German Patent Law preface (1902).
\textsuperscript{46} Lugnibuehl, supra note 6, at 25.
\textsuperscript{47} Id. (citing Rüdiger RoGge, preface to Die Zuständigkeit des Bunsegerichtshofs als Berufungsinstanz im Patentnichtigkeitsverfahren—Ein alter Zopf?, in Gebundene Ausgabe, Festschrift für Walter Odersky zum 65 Geburtstag am 17. Juli 1996 639, 642-643 (Reinhard Böttcher ed., 1996)).
\textsuperscript{48} Id.
\textsuperscript{49} Id. supra note 6, at 25.
competence to decide on matters of both fact and law. However, appeals are limited to those cases which have disputed values of over 600 EUR, or in which there is a matter of great legal significance for the development of the law or maintenance of uniform adjudication. As in the District Courts, three judges with legal training sit on the Senate of the Court of Appeals. Theoretically speaking, the OLG conducts a de novo study of the case. However, since the revision of the German Civil Procedure Act in 2002, appellants must specify exactly how the first instance court erred in establishing the facts of the case in order for the OLG to perform a de novo review of the facts. Therefore, the OLG gives deference to the facts established by the first instance court in most cases. In practice, about a third of district court judgments are appealed to the Oberlandesgericht.

From the Court of Appeals, a further appeal may be made to Bundesgerichtshof (Federal Supreme Court (“BGH”)). This is the court of last instance for both nullity and infringement proceedings, though appeals against the decision of the Federal Patent Court in nullity proceedings are filed directly at the BGH with no intermediary appellate court. Located in Karlsruhe, the Federal Supreme Court is divided into twenty-five senates composed of five judges each.

Patent appeal matters are heard by the Tenth Senate of the Federal Court of Justice of the BGH. These judges, all of which have legal training but not a technical background, are recruited from patent infringement chambers and senates of District and Appellate courts as well as the Federal Patent Court, and are specialized in handling intellectual property issues. One criterion that is particular to the BGH is that attorneys at law who wish to represent a client before the BGH must be admitted to its exclusive bar. Patent attorneys, however, are entitled in invalidation proceedings to represent clients without additional qualifications and even without the assistance of an attorney at law.

52 Lugibuehl, supra note 6, at 29.
53 Zivilprozessordnung [ZPO][Code of Civil Procedure], Dec. 5, 2005, Bunengezetzblatt [BGBL.] 1, as amended, § 511(2), (4) (Ger.).
54 Goddar & Haarmann, supra note 17, at 68.
55 See ZPO § 529(1).
56 Lugibuehl, supra note 6, at 30.
57 Id.
58 Id.
59 Goddar & Haarmann, supra note 17, at 68.
60 Id.
61 Id. at 69.
62 Id.
Federal Supreme Court revisions of patent infringement cases only arise in appeals concerning a point of law, and require the Court of Appeals to expressly allow the appeal in its judgment, or the BGH to allow the appeal based on a complaint by a participating party.\(^63\) Similar to the OLG, BGH revisions arise only if an issue to be decided is of basic importance or if the decision is necessary for the further development of the law or uniform adjudication.\(^64\) This decision can be unconditionally enforced without a security deposit.\(^65\) “In most cases, only a general decision on awarding of damage claims can be made, with the specific amount of damage claims to be determined only following full disclosure of information.”\(^66\)

In contrast to infringement appeals, a nullity appeal before the BGH comprises a de novo review of both the factual and legal questions of the case.\(^67\) Judgment is rendered at the end of the oral hearing and remanded down to the Federal Patent Court if the appealed court order has been reversed.\(^68\) Further, this judgment is final and effective immediately with no possibility of appeal or dissenting opinion—the Federal Patent Court is bound by the legal assessment of the BGH.\(^69\) There are three possible outcomes: the patent is maintained, maintained with amended and limited claims, or declared invalid as covered by the German designation of the European patent.\(^70\)

**B. Procedural Aspects of Infringement Proceedings**

1. **Preliminary Injunctions**

German national patents and European patents with effect in Germany allow the patent holder to enforce sole, exclusive rights.\(^71\) If a patent proprietor feels that his or her patent right has been infringed, German and European Union law grants the patent holder the right to file for a cease and desist order—commonly known as a preliminary injunction (PI)—on the allegedly infringing product.\(^72\)

\(^{63}\) Id. at 72.
\(^{64}\) Id.
\(^{65}\) Id.
\(^{66}\) Id. at 69.
\(^{67}\) Id.
\(^{68}\) Id.
\(^{69}\) Id.
\(^{70}\) Id.
\(^{71}\) See, e.g., PATG at §§ 139–42.
\(^{72}\) See PATG § 139; ZPO § 935; Directive 2004/48/EC of the European
A PI order is obtainable by having an attorney at law file an application for injunctive relief at a civil court possessing the relevant jurisdiction. This is typically over areas where infringement took place or at the business seat or domicile of the defendant. In order to secure a PI order from the court, the plaintiff must clearly prove three issues: that he or she is the proprietor of a valid patent right enforceable in Germany, that there is an obvious and easily understood case of infringement and that curtailment of the purported infringement is urgent. Regarding this last point, at least the courts of Munich and Düsseldorf will usually require that the plaintiff file the application for the PI order within a month of cognizance of the infringement.

After receiving the application, the court will typically reach its decision to reject the requested PI order, grant it, or order oral proceedings in no more than forty-eight hours. The Zivilprozessordnung (Code of Civil Procedure) does not require any kind of mandatory oral hearing or discovery prior to the issuance of the PI order—this is one of the reasons why German courts are able to deliver swift judgments for a preliminary injunction. However, the court will generally order oral proceedings unless patent in question has had a history of unsuccessful opposition or nullity litigation. One way for a defendant to elevate the chances of a court requesting oral proceedings is to file a protective memorandum or protective writ, as well as filing a nullity action or nullity complaint and attaching it to the protective memorandum. This will typically raise

Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, art. 9. This right, with which a patent proprietor can always access a preliminary injunction, differs greatly from the rights of a patent holder in the United States, who must first satisfy the Ebay v MercExchange “four-factor test” in order to be entitled to a PI order.


74 Id.

75 Alexander R. Klett, Matthias Sonntag & Stephan Wilske, INTELLECTUAL PROPERTY LAW IN GERMANY: PROTECTION, ENFORCEMENT, AND DISPUTE RESOLUTION 26 (2008). However, the timeline differs from court to court. For example, the court of Hamburg tolerates later filings, even up to 6 months after the applicant discovers the infringing activities.

76 Goddar & Haarmann, supra note 73.

77 Id.

78 Id.

79 A legal instrument filed with the competent courts. The aim is to show lack of infringement by the letter filer, lack of validity of patents which may be infringed, or at least that the matter is too complicated for a PI order to be granted ex parte. See also Goddar & Haarmann, supra note 73.
doubt on the validity of the asserted patent right and encourage the court to order oral proceedings prior to the issuance of the PI order.\textsuperscript{80}

If the court decides to grant a PI order, it will notify the applicant, who must then serve the judgment to the alleged infringer within one month of the grant.\textsuperscript{81} “A preliminary injunction of a civil court must be unconditionally observed by the opposing party immediately upon being served.”\textsuperscript{82} If there is a violation of the PI order, the court will typically issue a large monetary fine of up to 250,000 EUR or a six month imprisonment sentence on the party which violated the PI order.\textsuperscript{83}

For many years, German practitioners saw the preliminary injunction as only a theoretical option, because no one could ever remember having successfully obtained one.\textsuperscript{84} This was because infringement courts, in particular the Court of Düsseldorf, had strong principles that complicated issues, such as the principle that patent infringement cases should not be decided without prior oral hearing.\textsuperscript{85} Accordingly, the filing of a protective memorandum was, in the past, an effective preventive measure against unexpected PI orders.

However, the courts of Düsseldorf and Mannheim have apparently moved away from their traditional anti-PI order stance towards a more favorable treatment of PI order applications.\textsuperscript{86} The competition for “market share,” and the prestige of becoming a local division court of the European Unitary Patent have triggered a series of patentee-courting changes in these two courts towards the grant of PI orders.\textsuperscript{87} First, the Court of Düsseldorf began to treat PI orders more liberally.\textsuperscript{88} PI orders were usually not granted \textit{ex parte}, but the court would usually hold two to three week written proceedings, followed by an oral hearing that often resulted in the granting of a PI order.

\textsuperscript{80} Id.
\textsuperscript{81} Id.
\textsuperscript{82} Id.
\textsuperscript{83} Dieter Kehl & Meiting Zhu, \textit{German IP Legal System and Judicial Protection—From the Special Perspective of Temporary Injunction for Exhibition}, 21 CHINA INTELL. PROP. (Dec. 2007).
\textsuperscript{84} Haarmann, \textit{supra} note 30.
\textsuperscript{85} Id.
\textsuperscript{87} Haarmann, \textit{supra} note 30.
\textsuperscript{88} Id.
Mannheim followed by granting more PI orders ex parte. In turn, Düsseldorf—in particular the 4b chamber—began to grant PI orders in high litigation value cases without oral proceedings or the chance for the targeted party to provide a defense.

These changes have accordingly led to a rise in the number of preliminary injunction applications filed by patent holders wishing to enforce their rights, leading to growing concern among prospective defendants. As practitioners have suggested, almost all PI orders which are issued are enforced, as the risk of the plaintiff enforcing a PI order even if they are not completely sure they can later defend it is not high.

PI orders are often issued before the allegedly infringing product enters the market, so one may assume that damages suffered by the defendant from a PI order would thus be less than the damages from a regular injunction. However, estimates have shown that the defendant suffers damages in at least fifty percent of all cases where there is a wrongful enforcement of a PI order. In an industry such as pharmaceuticals, the enforcement of such a preliminary injunction may effectually sign a “death warrant for the defendant.”

Another exacerbating factor is the flawed and generally unavailable “no-fault liability” remedy within the German Zivilprozessordnung. This provision grants statutory grounds to defendants who have suffered damages due to a wrongly enforced preliminary injunction to file for compensation from the plaintiff, and will be further discussed in a later section. Suffice it to say, the general lack of a security bond necessary for PI order enforcement and the difficulty of successfully enforcing the no-fault liability provision combine for a very favorable situation for the patent holder.

However, it is important to note that the successful application for a preliminary injunction is still quite difficult and far from a standard

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89 Id.
90 Id.
91 Id.
92 Id.
93 Id.
94 Quoted from a conversation with an industry practitioner who was at one time involved in such a case. However, it should be noted that the damages which a patentee can collect for infringement are quite low in comparison to many other jurisdictions, such that the system might overall be slightly more balanced than is usually depicted. See Haarmann, supra note 30.
95 ZIVILPROZESSORDNUNG [ZPO][CIVIL CODE] § 945 (Ger.).
96 Namely, because the patent right turned out to be invalid, or the PI order was later lifted.
97 See discussion infra Section VA.2(b).
case. An estimated five percent of all current patent litigation cases in Germany involve PI orders, most likely all issued by the District Courts of Düsseldorf and Mannheim.\footnote{Haarmann, supra note 30.} At these courts, then, the ratio of cases involving PI orders may be higher than five percent, but not more than ten percent.\footnote{Id.}

Moreover, the courts of higher instance have not indulged in the trend toward granting PI orders, and have made efforts to restrain liberal the tendencies of the District Courts.\footnote{Id.} The Court of Appeals of Düsseldorf is still quite reluctant to issue PI orders, and has lifted several PI orders which were granted in the first instance by the Düsseldorf District Court.\footnote{Haarmann, supra note 30. Dr. Haarmann also noted that the Federal Supreme Court, although it does not have jurisdiction over PI orders, is not happy with the prevalence of PI order grants. He felt that this sentiment, along with the activities of the OLG, indicates that there is “some kind of reverse movement currently going on, with the High Courts trying to fence in a too liberal approach by the District Courts to granting PI orders.” Id.} Whether these efforts will bear fruit in terms of changes by the lower District Courts remains to be seen.

2. **Infringement Proceedings**

If the plaintiff does not wish to obtain a preliminary injunction, he or she may directly file an infringement suit in any civil court that has jurisdiction over the alleged infringement case. A typical infringement action will proceed as follows: once selected, the court will serve the defendant with the writ of claims.\footnote{Id. at 139.} In the court of Düsseldorf, there is typically a first oral hearing, which takes place approximately four to six weeks after the claim has been served.\footnote{Id. at 138.} Formalities and procedural issues compose the bulk of this oral hearing—terms for filing defense as well as counterarguments (Replik) and the second defense (Duplik) are set in this initial oral hearing, and the date for main oral proceedings is fixed.\footnote{Id. at 162.} In other courts, preliminary written proceedings substitute for these first oral hearings, and the date for main oral proceedings is typically only fixed after the defence writ.
All facts and evidence must be presented in writing prior to oral hearing. The plaintiff has the burden of proof to submit facts and evidence supporting that the invention as understood from the teachings of the claim has been used, as well as the details of the infringement in case the alleged infringer refutes the alleged infringement as such. The defendant must show that at least one feature is not realized. To prove infringement under the doctrine of equivalence, the plaintiff must show that the defendant’s invention achieves the essential advantages of the allegedly infringed invention to a practically significant extent.

No depositions are allowed in the evidence, and each party must present all evidence in support of its claims and statements, as well as on the disputed facts, in the form of exhibits sent to the court. The court does not investigate facts autonomously, but relies completely on the facts and evidence presented by the parties. Parties may name witnesses, but witness statements are rarely given much weight by the court, as there is no cross examination process and witness statements are rarely sworn in. In addition, parties may present expert opinions and test results, but a court typically does not order expert testimony unless the two parties present contradictory expert statements. Following the parties’ pleadings, the court will render a decision a few days after oral hearing, with written grounds issued after four weeks. The losing party may file an appeal to the Oberlandesgericht within the appeal term, which is one month after the service of the first instance judgment with grounds.

106 Id. at 199.
107 Id. at 133.
110 However, as articulated below, the courts have demonstrated their willingness to apply provisions of the EU Enforcement Directive for the benefit of the patentee.
112 Radcliffe, supra note 109.
113 ZIVILPROZESSORDNUNG [ZPO][CODE OF CIVIL PROCEDURE], Jan. 30, 1877, Bundesgesetzblatt I [BGBl. I] 3202, as amended, § 517 (Ger.).
The European Union Enforcement Directive—in force since 2006—has presented some new changes to the situation of patent infringement litigation in Germany. Among these changes is a provision in Chapter II, Section 2, Article 6 of the Enforcement Directive, in which courts may order supporting evidence in the control of the defendant be given over to a patent holder who has “presented reasonably available evidence sufficient to support its claims.”\textsuperscript{114}

Even more favorable to the patent holder is Article 7 of the Enforcement Directive, which allows a patent holder who has “presented reasonably available evidence to support his/her claims that his/her intellectual property right has been infringed or is about to be infringed” to secure ex parte purportedly necessary evidence from the defendant, including “physical seizure of the infringing goods, and, in appropriate cases, the materials and implements used in the production and/or distribution of these goods and the documents relating thereto.”\textsuperscript{115} It is important to note that this provision could be exercised by the court when no actual infringement has occurred yet and, if used abusively, could provide the plaintiff with a way to illicitly gain information about the defendant’s manufacturing processes, distribution channels, or other commercially damaging materials.\textsuperscript{116}

Overall, the cost and speed of German infringement proceedings are two of its most highly-regarded and favorable aspects, as the bifurcation of infringement and nullity actions allows judges in patent infringement cases to consider questions of infringement separately from questions related to the examination and validity of the patent, enabling issuance of judgments anywhere between eight months at the

\textsuperscript{114} Compare 2004 O.J. (L 195) 16, 20 (stating the E.U. position), with PATG § 140(c)(1) (explaining that, under German Law, the plaintiff can require that the defendant hand over any documents or objects in her possession that might “substantiate” the plaintiff’s claims). This procedure had been previously established by a BGH decision in the 2002 case Faxkarte I. See Alexander Duisberg & Henriette Picot, Implementation of EU Enforcement Directive—Codification of Rights to Inspect Infringing Goods, LEXOLOGY (Feb. 4, 2009), http://www.lexology.com/library/detail.aspx?g=c3b0434a-ee3-45d4-a2a2-6e40b482a942.

\textsuperscript{115} 2004 O.J. (L 195) 16, 20–21.

\textsuperscript{116} There are ways a defendant could curb against abusive evidence taking practices in the German system, such as claiming damages incurred during disclosure of evidence or establishing that there are other ways the IP owner could prove infringement without securing disclosure. Interestingly, one way many practitioners seek evidence disclosure is to file a proceeding on the parallel U.S. patent and use discovery practices to gain information that then can be used in the German proceeding.
district court of Mannheim and twelve months at the district court of Düsseldorf.

Moreover, separate consideration also limits the involvement of court appointed experts, which further reduces the cost and time of proceedings. German practitioners and scholars have often characterized questions of validity as much more technically difficult than those of infringement, and in most cases require an expert technical opinion.117 However, the general understanding of practitioners is that obtaining an expert technical opinion is expensive and requires a great deal of time.118 Furthermore, some experts are even sometimes considered to be quite unreliable, and both parties must agree on the expert, necessitating more time and attorney’s fees.119 Bifurcation thus avoids the involvement of experts in most infringement proceedings, allowing them to be cost effective and time efficient.

Indeed, sample calculations for the total budget needed to litigate on patent disputes support this characterization of the German patent litigation system. For a disputed patent or patent portfolio valued at 1,000,000 EUR the average amount the losing party would have to pay would only be around 229,015 EUR through all three instances of infringement proceedings.120 This amount includes the cost of paying for the legal fees—namely, court and attorney’s fees—incurred by the winning party as dictated by Germany’s procedural rules.121 For a disputed patent or patent portfolio valued at five million euro, the average budget needed through all three instances would be 841,015 EUR122—far less expensive than the 2,800,000 USD price tag of similarly-valued patent litigation in the United States.123


118 Haarmann, supra note 30.

119 Id.

120 KLETT, SONNTAG, & WILSKE, supra note 75, at 605.

121 Zivilprozessordnung [ZPO][CODE OF CIVIL PROCEDURE], Jan. 30, 1877, Bundesgesetzblatt I [BGBl. I] 3202, as amended, § 91 (Ger.).

122 KLETT, SONNTAG, & WILSKE, supra note 75, at 605.

123 AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATES (AIPLA), 2011 REPORT OF THE ECONOMIC SURVEY (2011), available at http://www.aipla.org/learningcenter/library/books/econsurvey2011/Pages/default.aspx. 2.8 million dollars is the cost of patent litigation for disputes valued between one and 25 million dollars; according to the report, 57% of this cost went towards continued . . .
However, though the overall price is much more affordable for small to medium sized parties, with their correspondingly smaller litigation budgets, the actual interplay of bifurcated nullity and infringement proceedings may exact its own cost—particularly for defendants. This idea will be further discussed in later sections.  

C. Procedural Aspects of Nullity Proceedings

Nullity proceedings can be initiated independently of pending infringement action on the same patent if there are grounds for the nullity action, though they are only admissible after the end of the opposition term and finalization of opposition proceedings. Proceedings may be filed against the patent as a whole or only selected claims of the patent, particularly if the patent holder asserts that only certain claims in the patent have been infringed.

The force behind the plaintiff of a nullity proceeding is typically a company being attacked in a parallel infringement proceeding. However, the actual plaintiff could be any third party appointed by the company to file the nullity claim, ranging from a trustee of company board to an appointed representative, and this third party cannot be forced to disclose the party behind him. Unsolicited nullity actions are also possible, unless there is an abuse of rights such as an unsolicited attack on a large number of patents owned by the same patentee.

A typical nullity action would go as follows: the nullity suit would be filed with Federal Patent Court in Munich. In addition, written proceedings in the form of two or more writs by each party would be exchanged in preparation for the oral hearing.

discovery. Id.

124 See discussion infra sections VA., VB., & Further Consequences.

125 PATG at § 81(1).

126 PATG at § 81(2).

127 PATG at § 81(1).

128 PATG § 99 and ZPO § 325 effectively make a validity judgment binding, such that a plaintiff would not be able to file a second nullity action based on the same grounds of the first failed action. Typically, this plaintiff could hire a representative to file the nullity action. However, a third party representative would not be able to file a second nullity action based on the same grounds of the first if the plaintiff could not file the nullity action because of the previously binding judgment via PATG § 99 and ZPO § 325. Thus, the judgment has res judicata effect even for a so-called “straw man.” PATG § 99; ZIVILPROZESSORDNUNG [ZPO] [CODE OF CIVIL PROCEDURE], Dec. 5, 2005, BUNDESGESETZBLATT, Teil I [BGBl. I] at § 325 (Ger.).

129 HARGUTH & CARLSON, supra note 102, at 96-101.

130 Id.
would be able to submit reports on experiments or expert opinions in these writs.\textsuperscript{131} Prior to the oral hearing, a written opinion on validity of patent in consideration of the submitted writs would be provided to parties by the court.\textsuperscript{132}

Typically, there are no witnesses or experts summoned for the first oral hearing.\textsuperscript{133} The presiding judge introduces into case and court’s opinion. There is a step-by-step approach in the oral proceedings; first, a discussion on novelty is initiated, followed by a discussion on inventiveness. The Court’s opinion resulting from these discussions is conveyed to the parties, with a possible ensuing discussion on auxiliary request. The Court’s decision is either a summoning of witnesses or expert opinion to clarify on a point—a less common occurrence—or a judgment on the proceedings.

For a judgment in nullity proceedings, the patent can be maintained, completely invalidated, or partially invalidated.\textsuperscript{134} This possibility of partial invalidation is the main reason for a patent litigator or attorney at law responsible for infringement proceedings to attend oral hearing in a nullity suit in addition to a patent attorney—in case of partial invalidation, the patent litigator can make certain that the patent maintains useful claims for the continuation of infringement action, as well as verifying that the patent is not maintained with a claim that is hazardous for the infringement case.\textsuperscript{135}

The decision of the Federal Patent Court is always rendered at the end of oral proceedings.\textsuperscript{136} However, this decision is only presented as a rough outline of the court’s reasoning as verbally explained to the parties.\textsuperscript{137} The written judgment without grounds is typically issued within four weeks after oral proceedings, with the full judgment with grounds issued within three to five month after the oral proceedings.\textsuperscript{138}

As previously stated, the decision by the Federal Patent Court may be appealed directly to the Federal Supreme Court. These appeals are very often granted.\textsuperscript{139} However, a problematic aspect of appeals to the BGH is that in these appeals, the BGH performs a \textit{de}

\begin{thebibliography}{99}
\bibitem{131} \textit{Id}.
\bibitem{132} \textit{Id}.
\bibitem{133} \textit{Id}.
\bibitem{134} \textit{Id}.
\bibitem{135} \textit{Id}.
\bibitem{136} \textit{Id}.
\bibitem{137} \textit{Id}.
\bibitem{138} \textit{Id}.
\end{thebibliography}
... review of the factual and legal questions of the case. However, the BGH is not a specialized court, and does not have the technical requirements for its judges as does the Federal Patent Court. It seems, then, that many of the positive consequences of bifurcating nullity proceedings to a technically specialized court are lost in this final appeal.

Problematically, the number of nullity actions initiated has increased substantially over the last decade, leading to a growing backlog of cases awaiting adjudication, as illustrated in Chart 1.

**CHART 1: THE FEDERAL PATENT COURT CASELOAD (IN MONTHS)**

The consequences of this caseload is that overall, first instance nullity proceedings require a considerably longer amount of time to process—a little over two years—as compared to the eight to twelve months needed for the first instance district court judgment. This can be seen in Chart 2.

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140 *Id.*
141 *Id.*
143 HARGUTH & CARLSON, *supra* note 102.
CHART 2: THE INCREASING DURATION OF NULLITY ACTIONS (IN MONTHS)

The nullity appeals process is even lengthier. As the BGH is not a technical court, yet must conduct a *de novo* review of validity issues, court-appointed experts are often used in these appeal procedures. As experts typically take two years to come to a recommendation, nullity appeals at the BGH have an average length of five years. A 2009 change in the appeal suit procedure sought to make proceedings at the Federal Supreme Court faster, as well as ameliorating the negative consequences of a *de novo* review by a non-specialized court by enforcing that all technical decisions would be made at the Federal Patent Court. This effectively removed the necessity of the BGH to regularly obtain court-appointed experts for consultation on highly technical issues. However, Federal Patent Court nullity proceedings are bound to become even lengthier, as the necessity of establishing all technical decisions increases the complexity of each case.

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145 *Id.*

146 *Id.*

IV. BIFURCATION IN GERMAN PATENT LITIGATION PROCEEDINGS

A. The Historical Roots of Bifurcation

The earliest form of bifurcation in German patent proceedings is found in the first unified patent act of Germany. 148 Passed in 1877, the Patentgesetz (German Patent Act) was the culmination of a long struggle between German engineering and industry interests, who saw patents as a way to protect their technical inventions, and their economist counterparts who criticized patent rights as detrimental to commerce. 149 When the Patentgesetz finally entered into force, it was accordingly viewed as a triumph for members of the new professional organization of German civil engineers, as well the cementing of bifurcation into Germany’s legal history. 150 Perhaps this view of bifurcating nullity and infringement proceedings—as part of a rightly venerable legal tradition—contributes to its vigorous defense today.

However, it is important to note that Germany’s patent law, including bifurcation, is not based on the German legal tradition. This is because uniform statutory patent laws in Germany prior to the enactment of the 1877 Patentgesetz did not exist. 151 Prior to the establishment of the German Empire under Prussian Chancellor Otto von Bismarck in 1871, nearly forty free cities, earldoms, kingdoms, and states comprised a large territory that was loosely tied together into a political league termed the German Confederation (Deutscher Bund). 152

Although there were some aspects of legal harmonization across the Confederation, such as the establishment of an internal free trade agreement unifying tariff rates (Zollverein), patent laws existed heterogeneously on a state-by-state basis. 153 In some territories, patent protection was granted through an administrative regime to remunerate those inventors and manufacturers who had successfully

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149 Id.

150 Victor von Bojanowski, President of the Imperial Patent Office, stated in 1890 that, “German engineers and industry can congratulate themselves on this Act.” Id.

151 Id.

152 Richard Hudson, The Formation of the North German Confederation, 6 POL. SCI. Q. 424, 424 (1891).

promoted their technologies, though this did not always succeed in practice.\textsuperscript{154} For example, Prussian law offered patent protection, with the tradeoff that publication of patent documents was extremely costly and the term of protection was arbitrary.\textsuperscript{155} In others, the grant of patents—in a display of the historical tension between patent and competition law—was considered by believers of the dominant free trade school to be “monopolies or privileges . . . considered as an obstacle to the free development of art and industry.”\textsuperscript{156}

Even after unification, the need for a uniform patent law system was widely debated. It was only after considerable persuasion by industry interests, as well as the recognition by the German public of the need for patents to create a sustainable and competitive economy, that the German government reluctantly began the process of drafting the first German Patent Act.\textsuperscript{157} In the course of constructing a new patent law system, the German government looked not to its own fragmented legal history, but to the existing models abroad.\textsuperscript{158}

At the time, there were three principal patent laws—those of the British Empire, the French Empire, and the United States of America. After careful study of each system, the German government decided to base its patent legislation on the American system, including retaining a formalistic codification of the American division between the power to decide the validity of a patent and infringement of said patent.\textsuperscript{159}

In the 1887 Patentgesetz, the power to decide validity lay solely with the Patentamt (Patent Office), which could grant patents after a preliminary examination.\textsuperscript{160} Likewise, patents could only be annulled by an action brought before the Patentamt, with no equivalent revocation or annulment action possible by the court.\textsuperscript{161} Patents granted would thus have a “constitutive” or attributive effect.\textsuperscript{162} In other words, German courts—like American courts—assume patent validity during the course of infringement hearing, even if there are ongoing patent nullity proceedings and the patent in question might later be found invalid. Of course, the power to decide the validity of

\textsuperscript{154} Seckelman, supra note 148, at 234.
\textsuperscript{155} Id.
\textsuperscript{156} Osterrieth, supra note 51, at 195.
\textsuperscript{157} Seckelman, supra note 148, at 238-239.
\textsuperscript{158} Osterrieth, supra note 51, at 196.
\textsuperscript{159} Id. at 197.
\textsuperscript{160} Id.
\textsuperscript{161} Id.
\textsuperscript{162} Id.
a patent in the German patent system was later separated and placed in the jurisdiction of the Federal Patent Court, while the power to grant patents remained with the German Patent Office. However, the separation of validity and infringement rulings in German patent proceedings—with its roots in a transplanted American legal history—has remained to this day.

V. CONSEQUENCES OF BIFURCATION FOR THE GERMAN PATENT SYSTEM

A. Differing Claim Interpretations Between the Federal Patent Court and Civil Courts

One side effect of a split system is the ability for differing claim interpretations between the infringement action and the nullity action. Commonly termed the “Angora Cat” approach, the argument goes that because infringement and nullity are treated in two separate actions, a patentee will create different claim interpretations for each action. Typically, the patentee will seek in nullity proceedings to construe his patent claims as very narrow, in order to escape revocation. However, the same patent will have a broad claim interpretation in infringement proceedings in order to cover the largest possible scope. This situation can also appear in the actions of the defendant. In the infringement action, an alleged infringer would seek to minimize the inventiveness of the asserted patent in order to exclude their product from the scope of the patent, whereas nullity proceedings would see an enlarged scope of the patent so as to bring it as close as possible to the state of the art.

The judges in the German bifurcated system are aware of this possibility, as evidenced by the BGH decision, which ruled that judges should accurately interpret a patent by applying the same principles of interpretation to the nullity action as to the infringement action, rather than granting one action a more restrictive principle of interpretation than the other. Further, infringement courts will typically view claim constructions arising from the nullity action as persuasive authority.

163 Id.
164 Lord Justice Jacob in a March 19, 2008 ruling: “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.” [EWCA Civ 192—European Centr. Bank vs. Document Sec. Sys. Inc.].
165 Meier-Beck, supra note 147 (citing BGH blasenfreie Gummibahn I (Bubbleless Gummy Track), 2004 GRUR 47).
However, there are several situations in which handling claim interpretation in two separate actions may become problematic. If the nullity action reaches a decision upholding a patent under a certain claim interpretation, is this claim interpretation binding for the appellate infringement court?\textsuperscript{166} Even if the nullity action has not reached a decision, is the claim interpretation presented by the patentee in this action binding for the parallel infringement action? If the nullity action restricts or revokes the patent, does this amendment or revocation retroactively affect the decision of the infringement court?

These types of questions have typically been answered by BGH decisions and the case law established therein. As the BGH is the court of last instance for all patent disputes in both infringement and nullity actions, the BGH handles infringement appeals from the OLG as the Supreme Court of Appeals in procedure called a Revision.\textsuperscript{167} In nullity proceedings, the BGH is the direct court of appeal.\textsuperscript{168}

As the court of final instance, the BGH has considerable power to create case law rectifying differing claim interpretations. For example, the BGH case \textit{Ziehmaschinenzugeinheit} (Drawing Machine) ruled that if the patent in question was partially revoked, the new patent claim construction resulting from this nullity decision would form the basis for claim construction of the patent in an infringement action.\textsuperscript{169} In a similar situation where the patent was partially revoked but there were pending infringement proceedings, the BGH ruled that the limited claim is binding on the infringement court such that the infringement court must consider the limited claim before rendering a decision.\textsuperscript{170} In addition, the BGH stated that to avoid a stay by the district court—a great possibility previously due to the presence of new limited claims—the patent holder could amend its infringement action according to the new

\textsuperscript{166} See supra Section VIB stating that an appeal on infringement will typically be stayed until the first instance nullity action has reached a judgment.

\textsuperscript{167} \textit{ZPO} § 542.

\textsuperscript{168} \textit{Id.}

\textsuperscript{169} \textit{PATG} § 14; \textit{Ziehmaschinenzugeinheit} (Drawing Machine), 2007 GRUR 778-779. However, the BGH distinguished between the “operative part” of the nullity decision and the grounds, specifying that any restrictive interpretations arising from the grounds of the judgment would not be binding. This is because the grounds are only a means of interpreting the patent claim as changed by the operative part of the decision, similar to drawings or other descriptions which might be in the patent, but are not themselves legally decisive.

\textsuperscript{170} \textit{BGH Machinensatz} (Machine Assembly), 2010 GRUR 904.
claim construction from the nullity action.\textsuperscript{171} Consequently, the infringement action would be based on the patent claim as partially revoked by the nullity court, and not on the claims as granted.\textsuperscript{172}

As the court of final appeal for both instances, then, the BGH has the ability to rectify differing claim interpretations within the cases it hears, as well as creating new case law to solve the problems associated with differing claim interpretations. However, as previously stated, the ability to appeal an OLG decision requires either permission from the OLG or permission from the BGH based on a complaint by a participating party.\textsuperscript{173} Furthermore, an appeal to the BGH can occur only if there is a question of law which is of fundamental significance or important to uniform legal development.\textsuperscript{174}

This limit on the ability to appeal a court’s decision is problematic. Specifically, the problem arises when a defendant has lost in the second instance appeals proceeding in the infringement action, feels that there has been a case of broader claim interpretation in the infringement decision than the nullity decision, and wishes to appeal the infringement decision to the BGH. In this case, a defendant seeking to appeal on the basis of differing claim interpretations would have a difficult time, as an appeal against a decision based on a purportedly ‘false’ claim construction would not be considered a question of law.

1. The Nichtzulassungsbeschwerde remedy (complaint against denial of leave to appeal)

The BGH has created a legal remedy to this inability to appeal through the previously mentioned complaint lodged with the BGH, the \textit{Nichtzulassungsbeschwerde} (complaint against denial of leave to appeal, NZB).\textsuperscript{175} This statutory option allows the requestor to set out detailed grounds for why the appeal should be granted by the court of appeal.\textsuperscript{176} Most importantly, the complaint articulates how the contested decision is based on either an improper assumption of jurisdiction or a violation of the law.\textsuperscript{177} This could include a number

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{171} \textit{Id.}
\item \textsuperscript{172} \textit{Id.} The amendment of the infringement case could be possible even if the nullity court decision was only provisionally binding and under appeal.
\item \textsuperscript{173} \textit{See supra} Section V(A); ZPO § 543.
\item \textsuperscript{174} \textit{See supra} Section V(A); ZPO § 543 (2).
\item \textsuperscript{175} ZPO § 544.
\item \textsuperscript{176} ZPO § 544(2).
\item \textsuperscript{177} ZPO § 545.
\end{itemize}
\end{footnotesize}
of *per se* violations of the law—a judge who was involved in the decision had previously been recused due to bias, the decision does not set out reasons for the judgment—or an improper application of legal principles.\(^{178}\)

The first case, *Druckmaschinen-Temperierungssystem* (Printing Press Temperature), involves such a complaint filed by a defendant worried about the possibility of divergent decisions.\(^{179}\) In this case, the first instance judgment on infringement was appealed, and this appeal was granted.\(^{180}\) However, the appeal of the second instance judgment by the court of appeal to the BGH was not granted.\(^{181}\) Concurrently, the final validity of the patent had not yet been decided.\(^{182}\) In response to the refusal to grant an appeal, the defendant filed an NZB to secure an appeal at the BGH.\(^{183}\)

In this complaint, the defendant argued that if the patent was limited or revoked in the nullity action, the second instance infringement appellate court decisions would be based on a claim interpretation which was no longer in existence, thus creating two divergent decisions from the nullity action and the infringement action.\(^{184}\)

Based on these grounds and its finding that the nullity action would be likely to succeed, the BGH decided to stay its decision on the NZB until the final outcome of the nullity action.\(^{185}\) However, the BGH noted that if the patent had been maintained without any amendments relevant to the infringed claims, then the complaint based on grounds of divergent decisions would not have been accepted.\(^{186}\) Accordingly, the rationale of avoiding conflicting decisions was, in the view of the BGH, important enough to warrant the procedural delay stemming from an acceptance and stay of the NZB.\(^{187}\)

A second BGH case, *Crimpwerkzeug III* (Crimping Tool III), also dealt with the use of NZBs to contest different claim interpretations

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\(^{178}\) ZPO §§ 546-47.


\(^{180}\) Id.

\(^{181}\) Id.

\(^{182}\) Id.

\(^{183}\) Id.

\(^{184}\) Id.

\(^{185}\) Id.

\(^{186}\) Id.

\(^{187}\) Id.
between the infringement and nullity actions. In this case, the Court of Appeals at Karlsruhe confirmed the infringement ruling of the Munich District Court and did not grant a legal appeal because the court felt that there was no risk of divergent decisions or unsolved questions of law. However, the defendant did not agree with this decision, and filed an NZB with the BGH. Concurrently, the defendant also filed a nullity action with the Federal Patent Court and appealed the results of the first instance nullity action to the BGH.

Accordingly, the BGH had both the nullity appeal action and the NZB remedy stemming from the infringement action before it at the same time. In light of these two pending proceedings, the BGH decided to stay the NZB appeal proceeding until it had first reached a judgment on the validity of the patent. In this judgment, the BGH maintained the asserted patent. However, the patent was maintained through a significantly different claim interpretation than the claim interpretation used by the Karlsruhe Court of Appeals to determine infringement in the infringement action. Therefore, if Karlsruhe had used the same interpretation as the BGH, the actions of the defendant would not have fallen within the exclusive scope of the patent.

When the NZB appeal was reopened after the BGH validity ruling, the BGH noted that the use of the “wrong” claim interpretation by the Karlsruhe Court of Appeals (as opposed to the “right” claim interpretation of the BGH) was not, by itself, a per se statutory ground for legal appeal, although the “wrong” interpretation by the Karlsruhe court resulted in a “wrongful infringement decision.”

Accordingly, the public interest in preventing a wrongful infringement decision could constitute a reason to admit the NZB. After Crimpwerkzeug III, the ability for a defendant to correct such

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189 The Court of Appeals for the Munich District Court.
190 BGH, supra note 188.
191 Id.
192 Id.
193 Id.
194 Id.
195 Id.
196 Id.
197 Id.
198 Id.
wrongful infringement decisions and reconcile differing claim interpretations was greatly improved.  

Overall, the effectiveness of these legal remedies in mitigating differing claim interpretations is difficult to assess. On the one hand, it is clear that extremely obvious cases of differing interpretations are rare. The cases of deviation that do make their way to the Federal Supreme Court benefit from the BGH’s position as the court of final instance in both nullity and infringement proceedings, as the BGH has the power, with binding effect, to reconcile differing interpretations. This allows many problems resulting from this scenario to be solved at the BGH. 

But what about the cases which do not make it up to the BGH? Due to the lack of available data, it is difficult to reach any solid conclusion on the current state of affairs concerning these types of cases. However, there has been at least one example raised of the continued appearance of differing claim interpretations. In litigation surrounding an IPCom patent essential to the 3G standard, IPCom avoided treading on prior art by arguing before the Federal Patent Court that its patent was “narrow, strictly limited to a system in which threshold values assessed before access class.” However, in the infringement action against HTC, IPCom argued that the same patent was “broad, also encompassing a system where access class is assessed before threshold value.” The court of Mannheim accepted this latter argument and granted IPCom an injunction against all HTC devices conforming to the 3G standard. 

Whether this case is an exception to the rule or only the tip of a larger, undisclosed iceberg is unclear. It is likely that the experience of German judges in accounting for this type of target shifting behavior may be enough to keep differing claim interpretations a largely theoretical problem. However, the high values of patents litigated in Germany—one judge at the Federal Patent Court noted that the average value of patents tried for validity ran at about one million euro, with the average telecommunications patent case

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199 The Crimpwerkzeug III decision also allows for the NZB appeal to be filed after the expiration of the deadline for filing the appeal, restitution in integrum, if there are relevant ground of admission such as differing claim interpretations which would result in a wrongful infringement decision.

200 Meier-Beck, supra note 147, at 22.

201 Id.


203 Id.

204 Id.
valued at anywhere from thirty to sixty million euro—\(^{205}\) may make any added risk of differing claim interpretation quite unappealing.

**B. Temporal Interplay between Nullity and Infringement Proceedings**

The most widely asserted argument against bifurcating nullity and infringement proceedings is the time lag between the infringement judgment by the German civil courts and the corresponding validity judgment by the Bundespatentgericht.\(^{206}\) In theory, both infringement and nullity proceedings should take approximately fifty-two months through the final instance, as illustrated in Chart 3:\(^{207}\)

**Chart 3: Best Case Litigation Timeline (in Months)**

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\(^{205}\) Voit, *supra* note 144.


This would mean that if the initial infringement action filed by the plaintiff was immediately met with a nullity action from the defendant on the same day, the respective timelines could hypothetically merge at the final hearing. Because the Bundesgerichtshof is the court of last resort for both infringement and nullity proceedings, the corresponding timelines would result in the BGH being able to hear both infringement and nullity actions on the same day. Consequently, the BGH could either issue a unitary judgment comprising issues of both validity and infringement, or first render a judgment on validity and then hear the infringement case. This resulting infringement decision would then have the benefit of being based on prior claim interpretation from the preceding nullity action.

It is unfortunate that the real interplay between infringement and nullity proceedings is not like this idealistic scenario. In reality, the two proceedings rarely—if ever—transpire over equal durations of time, as nullity actions are typically filed several months after the claims of infringement. Therefore, a realistic timeline of the first instance would factor in an addition several months into the theoretical calculation of twenty-four months for the nullity proceeding, so that the first enforceable infringement judgment would most likely be rendered half a year to a year before the Federal Patent Court ruling on validity.

In such a scenario where there is a significant time lag between the nullity and infringement proceedings, the relevant District Court may either choose to judge on an assumption of validity or stay the infringement proceedings until there is a validity ruling. However, the former occurs quite rarely, as courts are not typically predisposed to staying proceedings unless there is a clear indication that the patent in question has substantial issues with validity. This possibility will be discussed further in the section below.

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208 LUGINBUEHL, supra note 6, at 30.


210 Id.

211 See ZPO § 148 (authorizing the district court to stay the proceedings of an infringement suit if there is a high likelihood that the patent will be amended or invalidated).


213 See supra Section V.B.2.(a).
For now, it will suffice to say that unless there is such a clear reason to stay the proceedings, the court will typically render its judgment with the assumption of validity.\textsuperscript{214} For instance, the court of Düsseldorf chooses to stay proceedings in less than ten percent of its cases.\textsuperscript{215}

Thus, a standard case is as follows: first, the patent holder files the infringement action.\textsuperscript{216} The defendant will typically respond by filing a corresponding nullity suit. In most cases, the district court will not stay the infringement case and, accordingly, will render the first instance judgment in the infringement case before the Federal Patent Court has decided in the nullity proceedings.\textsuperscript{217}

As stated previously, if the district court finds infringement and grants the case, the plaintiff will be able to enforce the judgment immediately.\textsuperscript{218} However, this enforcement will be subject to a security deposit corresponding to the estimated monetary impact of enforcing the judgment on the business of the defendant.\textsuperscript{219} This deposit is intended to provide collateral for damages due to the defendant under section 945 of the Zivilprozessordnung in the event that the plaintiff enforced a first instance judgment which is overturned.\textsuperscript{220} Another consequence of this section 945 liability clause might be to discourage the plaintiff from provisional enforcement of an infringement judgment on a patent whose validity might be doubtful.\textsuperscript{221} This remedy will be discussed further below.\textsuperscript{222}

In the case that the defendant loses the first instance infringement action, he or she will typically file an appeal on infringement that is stayed by the appeal court until the nullity judgment. In the meantime, any provisional enforcement of the first instance judgment by the plaintiff will continue until either the appeal is heard and the first instance judgment is reversed, or the relevant claims are invalidated or amended by the results of the nullity action.\textsuperscript{223} As the

\textsuperscript{214} Chrocziel, \textit{supra} note 212.
\textsuperscript{215} Haarman, \textit{supra} note 30.
\textsuperscript{216} Voit, \textit{supra} note 144.
\textsuperscript{217} \textit{Id}.
\textsuperscript{218} \textit{Id}.
\textsuperscript{219} ZPO §§ 537, 709, Enforcement Directive § 9.
\textsuperscript{222} \textit{See supra} Section V.B.1.
\textsuperscript{223} LUGINBUEHL, \textit{supra} note 6, at 27.
district courts typically take nine to twelve months to render a
judgment, this period will usually be about one to one and a half
years. It is this period of enforceability without the possibility of a
validity defense by the defendant that is viewed as highly
problematic by many critics of the bifurcated system, and an
articulation of this critique will be provided in the following
section.

If the Federal Patent Court does not invalidate the patent in
question, the defendant can file another appeal on the nullity action to
the BGH, the court of last instance for both nullity and infringement
proceedings. As the second instance appeal on infringement
would have been stayed due to the pending nullity proceedings, the
BGH will first render its judgment on validity, and the lower courts
will be bound by this judgment.

If BGH invalidates the patent, the plaintiff will be forced to
withdraw his infringement case at the risk of dismissal by the appeal
court. If the plaintiff had provisionally enforced the first instance
infringement judgment, the plaintiff would owe the defendant
damages. However, if the BGH completely maintains the patent or
an amended set of claims and if there is also a case of undisputable
infringement, the defendant will often withdraw his infringement
appeal and the first instance judgment will become final. If
infringement is arguable, the appeal will continue to judgment by the
appeal court. As a last option, the defendant can bring a final
appeal on infringement to the Bundesgerichtshof.

1. Consequences of the time lag

In bifurcated proceedings, the lack of a validity defence for the
defendant provides the plaintiff with a situation in which he or she
does not need to prove patent validity and is able to focus on
convincing the judge that his opponent has infringed his patent.
Thus, even if the plaintiff is not extremely confident about the
viability of his patent, he can still enforce the results of the first
instance judgment without concern over patent validity until months
later. This is a key strategic aspect of the German patent litigation

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224 Id.
225 See supra Section V B. 1.
226 LUGINBUEHL, supra note 6, at 27.
227 Id.
228 Id.
229 Id.
230 Id.
231 O’BRIEN, supra note 16.
system which—among other, more positive attributes—has earned it the title of being one of the most “patent-holder friendly” litigation systems in the world.\textsuperscript{232}

This characteristic has been criticized by many academics, industry practitioners, and even members of the German legal system and government.\textsuperscript{233} There is no literature that presents concrete statistics detailing how much damage has been incurred by defendants as a result of provisional enforcement of judgments that are later lifted. However, a typical example might be the case of Nokia, which has been subject to infringement suits for over 150 patents in Europe, none of which after trial have been found valid.\textsuperscript{234} Although some of these 150 patents were EPC patents originally granted by the EPO, others were German national patents granted by the German Patent Office\textsuperscript{235}—an indication that the strong presumption of validity under which the German district courts in a bifurcated system operate does not recognize the reality of the situation.

Historically, the German Patent and Trademark Office has had a reputation of awarding high quality patents, leading a former first assistant commissioner of the US Patent Office to remark that it “cannot be gainsaid that the German patent system was the finest in the world . . . obtaining a German patent on a new invention was tantamount to obtaining an insurance policy on the invention.”\textsuperscript{236} Unfortunately, statistics suggest that nowadays, many patents which are later invalidated do manage to pass the preliminary examination

\textsuperscript{232} \textit{Id.} (quoting Johannes Sommer, managing director of the Bundesverband Informations-und Kommunikationstechnologie).


\textsuperscript{234} Vary, \textit{supra} note 202.

\textsuperscript{235} \textit{Id.}

procedures of the GPTO. In nullity proceedings before the Federal Patent Court from 1986 to 2005, there were 1239 judgments issued in total. Of these, 582 were European patents, with 415 (71%) revoked completely or partially. Out of the remaining 657 German national patents, 387 (59%) were totally or partially nullified.

Altogether, the skyrocketing availability of weak patents enforceable in Germany, coupled with increasingly lengthy nullity actions, have created a very strategic advantage with which patent holders can pursue and win infringement litigation. Indeed, statistics concerning patent holder win rates for German courts—particularly the district court of Düsseldorf—support the image of the bifurcated German system as one that is particularly patentee-friendly. The Düsseldorf court—which handles over 600 new patent infringements claims a year, about 60% of all patent infringement cases in Germany—had a patentee win rate of 62% in 2009. This was substantially higher as compared to other first instance patent infringement courts in other states such as the United Kingdom and the Netherlands (30% and 33%, respectively).

Returning to the case study of Nokia, the first articulated problem is rampant patent litigation due to the combination of the growing numbers of patent applications and a high proportion of invalid patents. The second problem is that in many industries, rapid product and innovation cycles have led to a shorter and shorter crucial time period for profitable market entry or presence. Thus, the already advantageous ability for a plaintiff to provisionally enforce a first instance infringement judgment without having to first prove the validity of the patent in question is augmented by the powerful disadvantage to the defendant in this case.

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238 Id.
239 Id.
240 Id. These numbers could indicate that EPC patents are of lower quality than national German patents.
242 Id.
Theoretical versions of this argument have surfaced time and time again in the critiques against inclusion of bifurcation in the European Unitary Patent Court system. The argument typically is phrased as such: the defendant company, either foreign or German, will be sued by a patent holder in Germany. If the patentee wins, he or she will be able to enforce a provisional injunction on the allegedly infringement product until the appeal court overturns the infringement judgment or the Federal Patent Court has rendered its judgment on nullity, usually about a year. During this time period, the product in question may have already completely lost its value if it is in an industry with quick innovation or product cycles, where the timing of market entry and presence is crucial to financial success.

Of course, the real life counterpart to the theoretical argument is the case of Apple and Samsung in Australia. After Apple won an injunction against Samsung’s Galaxy Tab 10.1 in April 2011, the two companies began a series of embittered lawsuits which have spun off into courts in the United States, Germany, and the United Kingdom. When the Australian High Court announced its decision in early December 2011 to maintain an overturning of Apple’s injunction, to effectively allow Samsung to sell its tablets in the Australian market, Samsung released a statement welcoming the court’s decision and reaffirming its own view that Apple’s charges had been unsubstantiated. Samsung trumpeted the decision as a legal victory. Unspoken was the economic victory that Samsung had won: with the injunction lifted, the Galaxy Tab 10.1 would be able to assert its presence in the Australian market just in time for the Christmas shopping season.

Finally, the possibility of provisional enforcement without first confirming the validity of the litigated patent, the presence of weak patents, and a forum with less than encouraging German case law on standard essential patents may incentivize at least the abusive

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245 Id.
246 Id.
247 Id.
248 BGH—Orange Book Standard, 2009 GRUR 694. The decision itself allows defendants to claim a competition law defense against injunctions enforced during infringement actions concerning the use of standard essential patents if they first fulfill certain conditions. However, this decision has been seen as allowing patent holders to extort higher royalty rates because the defendant must first make an offer that the plaintiff could not reasonably refuse in order to claim the defense. See continued...
enforcement of standard essential patents by companies such as Bosch, if not by non-practicing entities commonly known as “patent trolls.”

Indeed, the German litigation brought by IPCom, a non-practicing entity based in Germany, against Nokia provides further evidence of these incentives for troll activity. The proceedings, in which IPCom asserted a patent portfolio it had acquired from Bosch, were characterized by Lord Justice Jacob in the parallel UK Nokia v. IPCom as “using litigation as a continuation of negotiation by other means.”

One would think that in order to utilize litigation in the manner, as a form of coercive persuasion to reach an agreement on royalty rates, the validity of the asserted patents would be quite certain. However, all sixty-one patents asserted by IPCom that had reached judgment by April 2012 were found invalid. Of these sixty-one, almost one third had been previously examined and passed by the German Patent and Trademark Office. In sum, what resulted from these extensive patent litigation proceedings was sixty-one invalid attempts at securing the amount IPCom had hoped with its patent portfolio to leverage from Nokia in royalty rates—some twelve billion euros.


249 The debate over the definition and impacts of non-practicing entities is one which is too complex for the scope of this thesis. See Wolfgang von Meibom and Ralph Nack, Patents without Injunctions?—Trolls, Hold-ups, Ambushes and Other Patent Warfare, PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD: LIBER AMICORUM JOSEPH STRAUS 491 (Martin J. Adelmann, Robert Brauneis, Ralph Nack, et al. ed., 2008).

250 Nokia v. IPCom, [2011] EWCA Civ 6 (U.K). In the same hearing, Lord Justice Jacob noted that,

It is hardly surprising that IPCom chose Germany. For within the bifurcated system there, the infringement court is generally faster than the validity court. So, unless a patent is rather likely to be held invalid (the infringement court will stay proceedings if it is), a party can get a commercial advantage by an early infringement decision in its favour. And, judging by results so far (not only here but also in Austria and the US, though things are not over in either country), it would seem that IPCom’s position on infringement is stronger than that on validity. That may well have been its perception at the outset. If so, Germany would clearly be a commercially good place to sue—the hope would be of getting an early win on infringement followed by negotiation of a commercially advantageous deal.

251 Vary, supra note 202.

252 Id.

253 Nokia v. IPCom, supra note 250.
These types of litigation practices have led Richard Vary, head of litigation at Nokia to remark that,

the result of [the German] system [being] so favorable to the patentee is that injunctions are becoming a little bit like battles wounds to soldiers: they are inevitable if you’ve been in the front line for any length of time. They mark you out from the rookies, the small players: the people who are not worth suing.\textsuperscript{254}

It is worth noting that a common argument in favor bifurcation also centers on the temporal issues. The argument centers on the statistic that only in twenty five percent of patent infringement cases filed do the defendants bring a concurrent revocation suit.\textsuperscript{255} However, offering an invalidity defense for defendants in patent infringement proceedings would most likely raise the percentage of cases in which a ruling on validity is needed by a huge amount. This would lead to the necessity for an expert witness on almost every case, leading to a huge increase in cost and length of proceedings.

2. Remedies

There are remedies built into the German patent litigation system which seek to curb the negative consequences resulting from the lag between infringement and validity judgments. The first is the authorization of the district courts to stay an infringement action if it is likely that the patent will be invalidated or amended.\textsuperscript{256} The second is the imposition of a no-fault liability on the execution of provisional judgments.\textsuperscript{257} The below sections will discuss the effectiveness of these remedies.\textsuperscript{258}

a. Stays

Section 148 of the German Code of Civil Procedure establishes the possibility of staying an infringement proceeding.\textsuperscript{259} This process was further articulated by the BGH in its case “Transport

\footnotesize{\textsuperscript{254} Vary, supra note 202.}
\footnotesize{\textsuperscript{255} Jacob, supra note 233 (citing Raimund Lutz, former president of the Bundespatentgerichts).}
\footnotesize{\textsuperscript{256} ZPO § 148.}
\footnotesize{\textsuperscript{257} ZPO § 945.}
\footnotesize{\textsuperscript{258} See supra Section V.B.}
\footnotesize{\textsuperscript{259} ZPO § 148.}
Vehicle,” which indicated that, “suspension of the hearing in an infringement process in an appeal is possible if the legal recourse measure taken against the granted patent (in this case an opposition appeal) has some prospect for success.” This seems to be a very effective way to solve the problems associated with enforcement of invalid patents in theory. However, in practice, courts will stay their infringement proceedings under this provision in less than five percent of the cases.

Why might this be? First, the fact that there are parallel nullity actions is not a reason per se to stay the infringement proceedings, as this would effectively curtail the exclusionary rights granted by a patent by making their enforcement significantly less reliable. Thus, a stay is only granted if the invalidation action is likely to be successful. In this determination, the court must evaluate the chances of invalidation under the same framework used by the Bundespatentgericht, and weigh this evaluation with the interests of the parties in obtaining the stay. However, the court will typically place with priority on the interest of the patent holder. For example, if a contested patent may be invalidated but the grant of a stay would strongly prejudice the effective enforcement of the patent, the court would likely place more weight on allowing the patent holder to enforce his patent.

Moreover, a high likelihood of invalidity cannot usually be determined if the relevant prior art asserted by the nullity plaintiff has already been considered by the GPTO during the initial patent granting procedure. The same applies for if the asserted argument is a lack of inventive step, as the district court should not—for the same reasons of technical expertise that infringement and invalidity proceedings are bifurcated—be able to evaluate and assess the level of obviousness or lack of inventiveness of the patent. However, the stay may be granted on the grounds of lack of inventive step if there is no “reasonable argument” indicating that the allegedly infringed invention is inventive.

261 Crocziel, supra note 212.
262 BGH ZPO § 148 - Transportfahrzeug (Transport Vehicle), 1987 GRUR 284; Landgericht Düsseldorf [District Court Düsseldorf][LG]- Flachdachablaufe (Flat Roof Drains), 1979 GRUR 188; Oberlandesgericht München [Munich Court of Appeal][OLG]- Regal-Ordnungs-systeme (Shelf Organisation System), 1990 GRUR 352.
263 Id.
264 Crocziel, supra note 212.
265 Mes, supra note 117, at 407.
266 Id.
In addition to the legal reasons as to why stays are infrequently issued by German district courts is an underlying current of court politics that may only be seen by experienced practitioners. For example, one practitioner relates that the Munich district court had a standing practice for many years of staying infringement proceedings as soon as any kind of nullity action had been filed which was not completely irrational.\textsuperscript{267} Therefore, a plaintiff in Munich could not first obtain an infringement judgment in first instance proceedings if the defendant had filed a reasonable validity suit.\textsuperscript{268} As the plaintiff is the party who chooses the forum for the infringement proceeding, fewer and fewer infringement actions were started at Munich as a result of this practice.\textsuperscript{269} After this loss of business, the Munich court changed its ways, and the stay became almost only a hypothetical option.\textsuperscript{270} In fact, an experienced practitioner has noted that in his knowledge, only one such stay has been ordered in the last four years—the last stay by the court of Munich.\textsuperscript{271}

Unfortunately, the fact that stays rarely occur further shortens the amount of time needed to pursue an infringement proceeding to judgment as compared to a situation in which the raising of nullity issues constituted an automatic stay, and consequently increases the length of time between the infringement judgment and a nullity ruling.

\textit{b. The District Court Ability to Stay Proceedings is Not without Value}

It is important to note that although the actual imposition of a stay is infrequent, district court judges perform evaluations of invalidity in all infringement cases.\textsuperscript{272} It has been argued that district court judges may perform these preliminary evaluations of invalidity but do not have the technical expertise to render of judgment with binding effect as to the invalidity of a patent.\textsuperscript{273} This is because judges at the Federal Patent Court must first define the person of skill in the art as a frame of reference before looking into

\textsuperscript{267} Haarmann, \textit{supra} note 30.
\textsuperscript{268} \textit{Id.}
\textsuperscript{269} \textit{Id.}
\textsuperscript{270} \textit{Id.}
\textsuperscript{271} Chrociel, \textit{supra} note 212.
\textsuperscript{273} \textit{Id.}
the entire prior state of the art in order to determine validity, while infringement judges only assess a probability of invalidity. \(^{274}\)

However, district courts go through great lengths to obtain accurate assessments of validity, sometimes even enlisting the help of a court appointed expert. \(^{275}\) Unfortunately, the formalistic bifurcation of the two proceedings leads to the result that the district court will not share the resulting findings with the Federal Patent Court, even if they might be highly relevant—a highly inefficient practice. \(^{276}\) Indeed, one German judge has critiqued this system, stating that “[i]t is not procedurally economical to amass evidence on the same subject in two separate proceedings. There is also the consideration that the parallel amassing of evidence can lead to contradictory court decisions.” \(^{277}\)

Additionally, it is arguable that this distinction between highly technical validity determinations and low technicality infringement assessments is based on a false dichotomy. \(^{278}\) The scenario has so often been constructed as differences in technical expertise requirements between infringement proceedings and nullity proceedings, when in fact the greater distinction in technical expertise is between low-tech patents—patents on tight-head barrels or hair removal devices—and highly technical patents, such as those incorporated into smart phones or pharmaceuticals. In the case of patents that have a low technical standard, bifurcation should not be necessary to ensure a competent analysis of the patent. In cases of highly technical patents, bifurcation would not solve the problem of technical complexity, as even an evaluation of infringement would necessitate a technical understanding of the patent.

Moreover, the case of utility models raises questions about the emphasis placed on technical expertise residing in only the Federal Patent Court. In 2006, the Federal Supreme Court raised the level of inventive step needed for acquiring enforceable utility models to the same standard as that of patents. \(^{279}\) This resulted in utility models with no demonstrable difference from patents, in terms of evaluation of validity and infringement. However, district courts in Germany may decide on both the validity and infringement of utility models. This seems to contradict the argument that there is a need for

\(^{274}\) Id.

\(^{275}\) Baur, supra note 139, at 972.

\(^{276}\) Id.

\(^{277}\) Id.

\(^{278}\) See Jacob, supra note 233, at 823.

\(^{279}\) Bundesgerichtshof [BGH][Federal Court of Justice] 2006 GRUR 842 (Ger.).
bifurcation in order to preserve the adequate amount of technical expertise.

Indeed, even in evaluations of potential patent validity, district judges have been highly accurate.\textsuperscript{280} At times, this accuracy may even supersede that of the Federal Patent Court, as was evidenced in the case \textit{Olanzapine}, where the Court of Appeal in Düsseldorf (OLG Düsseldorf) granted a preliminary injunction for a patent that had been declared invalid by a first instance nullity decision of the Federal Patent Court.\textsuperscript{281} In this case, the Düsseldorf appellate court had two main considerations in issuing the PI order in spite of the invalidation decision by the Federal Patent Court.\textsuperscript{282} The first was that the Federal Patent Court—in the opinion of the OLG Düsseldorf—had misread the prior state of the art to determine lack of novelty and inventive step.\textsuperscript{283} The second was that if the OLG Düsseldorf did not grant the PI order, the patent owner would be unable to secure enforcement of the patent right until the likely reversal of the invalidity decision by the Federal Court Justice—a time which would likely be long past the lifetime of the patent.\textsuperscript{284} The OLG Düsseldorf took the principle in PI orders that the interest of both parties should be balanced to mean that denial of enforcement would constitute a \textit{Rechtsverweigerung}, or refusal of justice.\textsuperscript{285} Accordingly, the court granted the PI order.\textsuperscript{286} In 2009, the Federal Supreme Court affirmed this decision.\textsuperscript{287} Although \textit{Olanzapine} was and most likely will remain an exception to the rule, the case at least verifies the technical abilities of the civil court judges. Taking a more extreme view from the case, questions may even arise about the real technical benefits of bifurcation.

Overall, in light of these indicators that civil court judges may have the necessary expertise to perform assessments of patent nullity, rationalization of bifurcation seems quite difficult. In any case, the

\footnotesize{\textsuperscript{280} Mes, supra note 117, at 408. Remarks that in his personal experience, “it is substantially less than 5% of patent infringement cases that the District Court’s assessment with regard to the validity of the patent has deviated from the final decision of the German Federal Patent Court or the Federal Supreme Court.”

\textsuperscript{281} GERHARD BARTH & DR. FRANZ-JOSEF ZIMMER, THE OLANZAPINE PATENT DISPUTE: GERMAN COURT GRANTS A PRELIMINARY INJUNCTION ON A PATENT INVALIDATED BY THE FIRST INSTANCE 1 (Grünecker Kinkeldey Stockmair & Schwanhäusser 2008).

\textsuperscript{282} Id. at 5.

\textsuperscript{283} Id. at 5-6.

\textsuperscript{284} Id. at 6.

\textsuperscript{285} Id.

\textsuperscript{286} Id. at 1.

\textsuperscript{287} Bundesgerichtshof [BGH][Federal Court of Justice] 2009 GRUR 382 (Ger.).}
argument is not whether or not a court dealing with patents should have technical judges. That the Federal Patent Court has judges with technical expertise is not a disadvantage, as it is largely agreed that having judges with technical expertise is beneficial as compared to having only legally trained judges. The real disagreement is whether or not a bifurcated system provides this technical expertise better than a non-bifurcated system—a debate that is not so easily resolved.

c. Securities

As stated previously, German courts will impose a security on the plaintiff if the plaintiff wishes to enforce a provisional judgment. This security, which is determined by the reasonably expected financial impact of the enforcement of a provisional judgment during the duration of an appeal (approximately two years), is deposited into government accounts that can accrue interest. These interest rates are subject to state law, so are determined on a state-by-state basis. However, the reason why there is money deposited in these accounts and kept as the security is not just for its own deterrent effect, but also in order to supplement the enforcement of section 945 of the German Code of Civil Procedure.

ZPO section 945 imposes a no-fault liability on the execution of a provisional judgment by the plaintiff if the judgment is subsequently overturned. Thus, if the plaintiff enforces a provisional judgment but is bankrupted in the appeals or nullity process, the damages due to the defendant because of ZPO section 945 can still be imposed and withdrawn from the initial security deposit. Thus, both the security and ZPO section 945 damages are remedies in the German system to discourage abuse of provisional enforcement, a particular problem due to the inability of the defendant to raise a validity defense. This is because, in theory, the amount of security is set as such that the plaintiff would experience financial detriment if he or she enforced a provisional judgment that was later enforced. The additional ability of the defendant to sue for damages, then, should augment the deterrent effect of imposing securities.

288 ZIVILPROFESSORDRUNG [ZPO][CODE OF CIVIL PROCEDURE], 1893, §§ 537, 709 (Ger.); 2004 O.J (L 157) 22.
290 Id. at 3.
291 See id. at 2.
292 ZIVILPROFESSORDRUNG [ZPO][CODE OF CIVIL PROCEDURE], 1893, § 945 (Ger).
293 See Mueller, supra note 220, at 2.
A final remedy for later nullification of a patent which was ruled to be infringed was established by the Düsseldorf Court in the case “Request for Retrial III.”

In this case, the court established the ability of a defendant to request a retrial if the patent which he or she had allegedly infringed was revoked. The defendant would not be able to request a retrial when the patent in subsequent proceedings was merely amended in such a way that the defendant’s actions are not infringing under the scope of the patent.

However, there have been concerns that these remedies have been insufficient to discourage potentially abusive enforcement. For example, the Mannheim Regional court ordered two injunctions after the conclusion of first instance infringement proceedings against Apple in patent litigation between Motorola Mobility and Ireland-based Apple Sales International. One was based on an essential patent for wireless communication owned by Motorola, and the second was for a patent on non-standard essential push notification technology. In each case, a one hundred million euro security was imposed on the enforcement of the injunction by Motorola. However, the amount was seen as inadequate by Apple, who argued in court that particularly in the case of a standard essential patent, the actual loss of profit over the duration of an appeals proceeding due to a sales ban on all products utilizing the allegedly infringed patent would be much more than one hundred million euro. Rather, Apple convincingly argued that in order to cover the actual loss of profit, a two billion euro security deposit would be necessary. However, this was not granted by the court.

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294 Oberlandesgericht Düsseldorf [OLG] [Düsseldorf Court of Appeal] 2008, 39
RESITUTIONSKLAGE III [OLGZ] 355 (Ger).

295 See id.

296 See id.


298 Mueller, supra note 220.

299 EP (European Patent) 1010336 (B1) on a “method for performing a countdown function during a mobile-originated transfer for a packet radio system.”

300 EP (European Patent) 0847654 (B1) on a “multiple pager status synchronization system and method.”

301 Mueller, supra note 220.

302 Id.

303 Id.

304 Id. It is worth mentioning that due to the state interest laws of Baden-Württemberg, where the court of Mannheim is situated, the annual interest cost to the state of just one of Motorola’s deposits is about one million euros. Multiplied by several deposits and the duration of appellate proceedings, this could amount to a great deal of financial strain for the state.
In addition to the possible discrepancies between court order securities and the actual loss of profits due to the wrongful enforcement of a provisional judgment, there are questions as to the actual enforceability of ZPO Section 945. The clause allows defendants which are suffering from damages as a consequence of an unjustified enforcement to request damage compensation. However, leading industry practitioners have noted that in reality, it is very difficult to calculate the amount of damage compensation. An experienced practitioner has stated that he himself has never been involved in a case where the defendant later, after having a favorable judgment and lifting of the provisional injunction order, was really able to enforce damage claims against the plaintiff. He furthered that this option was largely seen as only hypothetical, as it would not easy for defendant to specify damages or probable profit, especially if—as in many injunction cases—the plaintiff was able to stop a product early into its market entry.

VI. Conclusions

How has bifurcation affected patent litigation in the German court system? It is clear that the German patent litigation system as a whole has many positive traits. The professionalism of the German patent body, including judges and lawyers; the lack of unpredictable jury trials; the speed and low cost of proceedings; a more predictable assessment of trial costs due to statutory limitations on reimbursement—these are all positive aspects due to which Germany can be characterized as the most preferred forum for patent litigation.

However, it is equally clear that the bifurcation of infringement and nullity proceedings, in practice, has undesirable consequences. To obtain enough data and evidence to reach any resounding conclusions is extremely difficult, if not near impossible without close sources in industry and the litigation system. Nevertheless, the conclusions once can draw indicate that bifurcated proceedings are not entirely as positive as their reputation may convey.

In regards to the possibility of differing claim interpretations, German courts have covered much ground to greatly diminish this possibility. The availability of a Nichtzulassungsbeschwerde remedy (complaint against denial of leave to appeal) as a result of case law allows the Bundesgerichtshof to rectify any conflicting or differing.

305 ZPO § 945.
306 Haarmann, supra note 30.
307 Id.
308 Id.
claim interpretations which are appealed up to the court. In first and second instance hearings, judges in the German patent litigation system typically can anticipate and account for possible differing claim interpretations, and will generally decide on the most accurate version of the claim as opposed to one too much favoring one side or the other.\textsuperscript{309} However, questions linger about whether there is an overreliance on the judge’s ability to balance the final claim interpretation as the internal politics of courts and the personal ambitions of judges are influential factors that cannot be completely discounted from the patent litigation.

The time lag between infringement and nullity rulings is a more clearly problematic area. Records of this time lag show that the length of time needed to reach a first instance infringement ruling has gotten shorter, whereas nullity rulings require much lengthier wait periods.\textsuperscript{310} This results in a litigation system that is overall much more favorable to the patentee, who does not have to defend the validity of his or her patent before enforcing against any alleged infringement. One consequence of this could be an increased number of invalid patents retained in the system as a result of the higher incentives toward settlement. A defendant who does not wish for commercial reasons to pursue a validity proceeding to judgment may, in light of an impending ruling of infringement, offer to settle instead of invalidating the asserted patent. This seems to be the case particularly with companies that have large patent portfolios with which to “facilitate a cooperative resolution.”\textsuperscript{311} It could be concluded that instead of protecting the public interest through weeding out invalid patents from the system, companies litigating in the German system may be even more likely to settle.

What has also occurred in reaction to the patentee-friendliness of the German patent litigation system is a number of cases around the world in which judges have made decisions to, at least partially, combat the perceived bias of the German system. A judge in the United State granted a preliminary injunction in favor of Microsoft to prevent Motorola from enforcing its injunction granted by the court of Mannheim.\textsuperscript{312} The reasoning for the PI order grant indicated concern over the possibly abusive leverage given to the patent owner

\textsuperscript{309} Florian Mueller, Most of Apple’s German lawsuits get stayed (the latest one today): here’s why, FOSS PATENTS (Friday, May 11, 2012), http://www.fosspatents.com/2012/05/most-of-apples-german-lawsuits-get.html.


\textsuperscript{312} See supra Section III.A.1.
(Motorola) in light of its FRAND obligations, as well as “concerns of forum shopping and duplicative and vexatious litigation.” In addition, several judges in the UK have expedited validity proceedings on patents that were asserted in German infringement proceedings.

Although UK judges have indicated that the presence of German infringement proceedings is not a per se reason to expedite proceedings, it seems that these granted expedite orders have been issued in an attempt to promote balance in patent battles which more and more are waged with a pan-European or even international jurisdiction.

As the German court system handles the largest caseload for patent litigation in Europe and the third most in the world, the underlying biases of the legal system have the potential to become dangerous fault lines in the preservation of a patent system which provides the proper incentives for technological innovation.

A court system which has a heavy bias towards the patent holder may encourage more money to be spent on litigation—so called “nuisance suits”—and less on innovation. This type of system may

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314 In his 2011 decision to expedite validity hearings in HTC Europe v. Apple, Justice Arnold explained that, “we can no longer consider litigation in England in isolation when at least one of the parties is engaged in pan-European business, as RIM is here. The fact that there may be a determination of an issue of infringement in Germany in January is a fact of life and it is one which I cannot turn a blind eye to. It is not in any sense intended to be taken as a criticism or, indeed, a comment on German procedures, but I think that the fact that issues of infringement will be determined in Germany speedily is itself a reason why the issue of validity in this country for essentially the same patent should also be dealt with speedily. This is not a matter of trying to trump the German courts, but it seems to me that in all senses it would be fairer if RIM's ability to sell BlackBerry units and, in particular, the risk of it being held to have infringed a valid patent should be determined rapidly rather than slowly. The German courts happen to have in place a means by which infringement, at least in that country, will be determined rapidly. I see every reason for saying that the issue of validity should also be considered rapidly in this country.”

HTC Europe v Apple, [2013] EWCA Civ 45.

315 Although the European Court of Justice decisions Roche Nederland BV v Primus, Case C-539/03 (2006) and GAT v. LUK, Case C-4/03 (2006) have limited the number of cases in which an infringement court can be seized to judge on a foreign patent or foreign part of a European patent and grant a cross-border injunction.

316 O’Brien, supra note 16.
also affect the German economy, as evidenced by the decision of Microsoft to move its manufacturing headquarters out of Germany due to the easy availability of injunctions.\textsuperscript{317} At the very least, the setup of German patent litigation grants the winning party a hefty amount of leverage in substitute for lower damages—a very encouraging feature for “patent troll” litigation. Even the German Federal Ministry of Economics and Technology has noted the higher possibility of wrongful injunctions and disclosure claimers as an undesirable consequence of this leverage from bifurcated proceedings.\textsuperscript{318}

What are possible ways to ameliorate these undesirable consequences? As in the case of any legal reform movement, possible solutions must first confront entrenched interests, historical conservatism and—most importantly—the sheer practical difficulties of changing an entire system of patent litigation. Other bifurcated patent litigation systems have implemented changes that may work as well in the German system. One method, which may merit consideration, is the admission of an invalidity defense in the infringement proceedings. The district courts of Japan may, under a Japanese Supreme Court Decision in 2000 termed the “Kilby Decision,” rule on the validity of a patent without waiting for the validity decision of the Japanese Patent Office (JPO).\textsuperscript{319} However, validity decided by the district court applies only \textit{inter partes}, whereas the decision of the JPO would be binding on the patent right itself and thus apply \textit{ex partes}.\textsuperscript{320}

In the German version of this amendment, the Federal Patent Court would play the role of the JPO and have final say on the \textit{ex partes} status on the patent. Parties would be able to bring up nullity suits independently at the Federal Patent Court if they wished to invalidate the patent outside of the \textit{inter partes} effect of a district court decision. However, the district court would be able to decide within their jurisdiction the validity of the asserted patent. This would avoid many of the problems associated with bifurcation, as the time lag and differing claim interpretation between Federal Patent Court and district court decisions would be avoided for a prospective defendant. Indeed, the President of the German Federal Supreme Court suggested just this possibility in 2007.\textsuperscript{321} In his proposal, the admission of an invalidity defense in

\textsuperscript{317} Id.

\textsuperscript{318} Theo Schöller, Tobias Kretschmer, Jörg Claussen, \textit{et al.}, \textit{supra} note 233.


\textsuperscript{320} Id.

\textsuperscript{321} Stellungnahme des Deutschen Anwaltvereins durch den Ausschuss für Geistiges Eigentum zum Vorschlag des Präsidenten des Bundesgerichtshofs zur
defense in district court proceedings would have another benefit—that of lightening the heavy caseload of the Federal Patent Court.322

The opinion of the German Bar Association in response to this suggestion by the President of the Federal Supreme Court is, nevertheless, telling of the political and procedural obstacles facing any such amendment to the German bifurcated system of patent litigation. From an admission of feasibility for the suggested amendment—adding the possibility of nullity objections to infringement proceedings would not require explicit statutory authorization; the amendment would not violate the judicial separation between the Federal Patent Court and district court system; the amendment would harmonize German law with the majority of over European patent litigation systems—the opinion quickly moves to the assessment that the legal admission of nullity is a premature option, only to be implemented if the establishment of a European Unitary Patent is imminent.323

The trend of patent litigation towards disputes over multi-state or even international jurisdictions has been marked by legislation and case law aimed at harmonizing various national systems. These acts, along with the rise in judicial cooperation, are both crucial factors in establishing a global uniform patent law, to the benefit of both litigants—who can better determine necessary business decisions in light of a predictable patent law—and courts, which can learn from the case law, discourse, and guidance from other courts. With such a trend towards harmonization, a re-examination of Germany’s outlier patent system is important. Of course, a balance between national character and international jurisprudence must be achieved. One cannot forget an entire legal history in one day. Nevertheless, achieving such a balance between justice for the defendant and justice for the plaintiff could only improve Germany’s patent litigation system as one reputed for both efficiency and equity.


322 Id.
323 Id.