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## THERE'S LIFE IN THE OLD DOG YET FEDERAL CONSTITUTIONAL COURT CLEARS THICK CHUNK OUT OF THE PATH TOWARD THE UNITARY PATENT

### PATENT LAW MODERNISATION ACT

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#### **There's life in the old dog yet Federal Constitutional Court clears thick chunk out of the path toward the unitary patent**

In January, we reported on the second constitutional complaint against the ratification of the law on the unitary patent (in fact, there were two separate complaints that were combined into one procedure). The aim of the constitutional complaints was to obtain an interim injunction to stop the ratification process until a decision on the merits of the constitutional complaints had been given.

A surprisingly quick decision has now been reached on the constitutional complaints. The applications for a temporary injunction were rejected because the constitutional complaints were inadmissible on the merits. This statement also predetermines the outcome of the main proceedings; the reasons for the decision outline quite clearly that, in the view of the Federal Constitutional Court, none of the complainants has sufficiently expounded that their fundamental rights are specifically curtailed by the unitary patent.

It can now be assumed that the German ratification procedure will be completed quickly.

Accompanying the unitary patent, the "Unified Patent Court" still has to be established, which will decide on the infringement and the validity of the unitary patents available in the future. Due to the uncertainty as to whether the unitary patent will ever be launched, preparations for the Unified Patent Court have been scaled back to a minimum in the interim. Apart from some formalities that remain to be settled, a political agreement has to be reached on the question of where the chamber of the Unified Patent Court, which should actually have been established in London, should be located. Currently, Milan seems to have the best chances of benefiting from Brexit.

The optimists are once again assuming that the time has finally come. The official start is expected in the second half of 2022.

Once it is concretely foreseeable that the unitary patent can be granted as an alternative to the established European patent, we will provide detailed information about the new options.



### **QUESTIONS?**

If you have any questions regarding this topic, please feel free to get in touch with your personal contact or Jochen Sties at [j.sties@prinz.eu](mailto:j.sties@prinz.eu) or +49 (0) 89 / 59 98 87-103.

### **Patent Law Modernisation Act**

Beside the USA and China, Germany is considered the most important location worldwide for patentees to enforce their patent rights. There are a variety of reasons for this. In addition to the moderate costs compared to common law countries, these include the highly experienced courts and, above all, the clear advantages that the German system gives a patentee over a potential infringer.

One advantage results from the different speeds of the infringement courts, on the one hand, and the Federal Patent Court (nullity court), on the other, which in the German system decide independently of each other on the infringement of a patent

and its legal validity. A first instance decision of the infringement court can be obtained in less than a year, whereas a decision by the Federal Patent Court is unlikely to be issued sooner than two years after the nullity action has been filed. If the patentee is successful at the infringement court, he/she can provisionally enforce the judgment against the infringer long before the patent may be partially or even completely declared null and void by the Federal Patent Court. Since, unlike in the common law system, the patentee is always entitled to injunctive relief against the infringer, the infringer may have to provisionally cease production for infringement of a patent that will be declared invalid a year later. Another advantage is that the patent proprietor can still file restricted patent claims very late in the nullity proceedings, by which he/she responds to the infringement proceedings. The Federal Patent Court issues its preliminary opinion (the so-called judicial notice) relatively late in the proceedings. Only after this notice does the patentee have to present the version of restricted patent claims which is then discussed in the oral proceedings.

These advantages for the patent holder over the (alleged) infringer make it no surprise that many so-called patent trolls (patent holders without products of their own who only want to receive royalties) have been filing lawsuits against alleged patent infringers for years, mainly in Germany.

On 10 June 2021, the Bundestag passed the second Patent Law Modernisation Act, which is intended to bring movement into the German patent system described above, in particular in three areas:

### **1. Injunctive relief**

The second Patent Law Modernisation Act is intended to clarify in Section 139 PatG (German Patent Act) that the right to injunctive relief may also be excluded due to special circumstances of an individual case and the requirement of good faith where the injunction would be disproportionate for the infringer or for third parties.

This amendment is primarily directed against patent trolls and gives tailwind to the automotive industry, which in recent years has suddenly found itself overrun with infringement suits from the electronics and communications technology industries and thus had to deal with opponents "from outside their industry" not refraining from shutting down production (so-called "connected cars disputes").

The alleged infringer now has the opportunity to prove, for example,

that since the patentee is not in competition with the infringer, the patentee is merely using the claim for injunction as leverage to collect high licence fees,  
that an injunction has an impact on the patentee's entire business operations, i.e. also on products that are not affected by the action,  
that the allegedly infringing product is only a small gear in a larger product and cannot readily be replaced quickly,  
that the alleged infringer made a "freedom-to-operate" analysis before the product was launched and thus no or only slight fault may be attributed to him,  
or that the patentee knew about the patent infringement for a long time and let the alleged infringer produce for a long time in order to enforce higher claims for damages.

These are only examples of reasons that could be presented. The existence of only one of these reasons is not sufficient to successfully assert special circumstances in sum.

Another example of the exception that a claim for injunctive relief is disproportionate relates to disadvantages for third parties, for example, if supplying patients with important products of the infringer would thereby be jeopardized or critical public infrastructure would be impaired.

However, according to the explanatory memorandum of the new Act, the aforementioned circumstances should in fact remain exceptions in order not to devalue the possibilities of patent law.

## **2. Rapid exchange of information from the Federal Patent Court to the District Court**

Invalidation proceedings are to be significantly accelerated and the exchange of information with the infringement courts improved. To this end, the Federal Patent Court shall (not must) transmit its judicial notice as early as six months after service of the action, and automatically also to the infringement court. Thus, the infringement court will have the opinion of the nullity court, which is also staffed with technical experts, on the interpretation of the patent and its legal validity before passing its judgment on infringement. Conversely, this means that the patentee will have to reply in full within two months from service of the action. Depending on the case constellation, he may even present his auxiliary requests at this time. All this will create considerable time pressure on the patentee.

It is doubtful whether the already overburdened Federal Patent Court will be able to comply with this requirement to send the court notice quickly.

### 3. Trade secrets

Where trade secrets have been submitted in patent infringement proceedings, patent revocation proceedings, utility model infringement proceedings or utility model cancellation proceedings in order to substantiate the action or to defend oneself, this information shall in future be treated confidentially by the parties and must in principle not be used or disclosed outside the court proceedings. This may even mean that oral hearings are partly non-public, at least if relevant business secrets are involved.

The pressure from industry and politics on the patent system is currently very high. A wide variety of interests are clashing. Patent systems in other countries are being adapted rapidly. The second Patent Law Modernisation Act, which now still has to pass the Bundesrat, does not go far enough for some industries. But legislators are always well advised not to immediately follow the loudest callers. The changes that have been passed will nevertheless be noticeable. Infringement and nullity proceedings will become even more competitive with the new possibilities outlined.



#### QUESTIONS?

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