Issues in Patent Nullification and Invalidity Trials -- the German and European Perspective

Or: How to get rid of a patent in Germany/Europe:

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Introduction

The European Patent system does not know a unique patent (yet). Patents are granted and litigated separately/ individually in each country. Thus, a German patent is the basis for German infringement litigation in Germany, a French patent the basis for litigation in France. As a consequence, also post-grant invalidity proceedings are organized nationally and a German patent has to be challenged before the German Federal Patent Court, a UK patent before the national authorities, etc.

In the late 70ies, the EPC (European Patent Convention) came into force. This was a first step to harmonization in patent law within Europe: with the EPC, a unique patent system was provided for the application and grant of one patent for different/ all countries in Europe. Now, it was possible to apply for an EPC-patent and prosecute this patent in one language until the grant of the patent. With the grant of the EPC patent, this EPC patent transformed into a bundle of national patents and the harmonization stopped at this point: the national patents deriving from the EPC patent were enforced the way all national patents were enforced before: individually in all different countries separately.

Post-grant invalidity proceedings followed this system: the national patents were challenged with nullity proceedings in each country individually. There was only one exception in this system: the opposition proceeding according to the EPC. The EPC established a post-grant opposition proceeding in which an EPC patent could be challenged before the EPO in spite of the fact that after grant this EPC patent was transformed into all these national patents. With the revocation of an EPC patent in the opposition proceeding before the EPO, all national parts of this patent ceased to have any effect.

With the introduction of the EPC in 1978, the national patent laws in Europe were also harmonized. As an example, in Germany the patent law was reformed in 1981 to provide for a post-grant invalidity proceeding, the so called post-grant opposition proceeding -
before that, the German system knew a pre-grant opposition proceeding. Further, the harmonization of the national patent systems in the 70ies/80ies provided for harmonized definitions of the use of a patent for infringement, contributory infringement, etc.

However, the European system failed to take yet another step to harmonization: a lot of aspects of patent litigation were still defined differently in the national patent laws. As an example: the defense based on prior private use in infringement litigation. The patent systems knew a defense in infringement litigation of prior private use: the party that knew and used the invention before the filing date of the patent in suit was able to continue to use the invention after grant of the patent. This provision is a consequence of the first to file system. However, the factual presuppositions are different in different countries.

With respect to post-grant invalidity proceedings of EPC patents there exist two levels of different types of proceedings: the opposition proceedings and the nullity proceedings. The opposition proceeding can be instituted only 9 months after the publication of the grant of the patent and takes place before the EPO. The opposition proceedings results in the revocation of the whole EPC patent, i.e. the revocation of all national parts of this EPC patent. After that period expired, nullity proceedings can be instituted. These proceedings are national proceedings and have to be carried out for each of the national parts of the EPC patent individually. The revocation of one of the national parts of the EPC patent has no effect on the validity of the other national parts of the EPC patent.

In a next step to harmonization, the EC-patent is designed to provide for one patent application and grant procedure as well as for harmonized infringement proceedings. Further, there is drafted one post-grant invalidity proceeding according to the EPC and one nullity proceeding.
How to get rid of a European Patent?

Faced with a European patent there arises the question how to avoid the (negative) effects of a patent. There are several solutions on different levels to this problem:

- Avoid that this patent can be used against your products
- Have the patent revoked (to the extent that your product might be affected)

1. Avoid that this patent can be used against your products

The tactical procedures of the first categorie are either fociussing on the ownership of the patent or are directed to the grant procedure and use loopholes in the patent law.

Ownership of the patent

If one was to become owner of the patent or was to benefit from the rights to the patent, the (negative) effects of the patent could be avoided.
In order to avoid an injunction, it might be sufficient to become the co-owner of a patent. In most cases, one co-owner has no claim against the use of the product by the other co-owner.

Further, there are provided legal remedies in the different patent systems in the form of grounds for revocation of a patent due to the applicant/patentee not being the rightful owner (fraudulent abstraction).

*Buy the patent/patentee*

An obvious solution to the question of ownership is to buy the patent or the patentee. Such a patent can not harm your products any longer.

*Legal remedies based on fraudulent abstraction*

Another solution is to have the application (or the patent once granted) transferred to you or a third party with whom you have an understanding.

With the „first-to-file system“, there might arise a conflict between the inventor and the applicant of the patent. To solve such a dispute, the different national patent systems provide for a so called claim of trover. Originally, the right to the patent belongs to the inventor – he may have transferred this right to the patent to a successor in title. Later, this right might be transferred to another party, etc. In case that the (current) applicant or patentee does not have the right to the patent, the inventor or his successor in title may file an action of trover to recover the patent application or the granted patent.

Thus, it might be a tactic to find the inventor, clarify how the right to the patent was transferred to the current owner, find a formally questionable transfer of rights from the inventor to the applicant/patentee and try to challenge that transfer of rights. As precondition for such an action, it is necessary to get the interest of the inventor assigned in order to sue the applicant/patentee to transfer the patent (application).
Such an action might be brought to the civil courts with the legal effect that the patent is transferred. The requirement for such a claim might however be complex and involve a deadline until when such an action can be filed.

As an alternative, the German national patent law for instance provides for two additional legal remedies in the form of grounds for revocation of a patent: a ground for opposition based on fraudulent abstraction and a ground for revocation in a nullity proceeding based on fraudulent abstraction. The legal effect of such an opposition or nullity action is the revocation of the patent (for more details see below). Although, it might be more attractive to have the patent in suit transferred it is at least a comfortable smaller solution to have the patent revoked because of these deficiencies in the ownership of the patent.

Avoid that the patent is granted in first place

Another tactic might be to avoid that a patent is granted in first place. In most national patent laws, the grant of the patent is a precondition for the claim of injunctive relief. Thus, as long as the patent is not granted, it is not possible to have an action filed against the use of ones products.

There are several procedures to avoid or to postpone the grant of a European patent.

- Observations by third parties, Art. 115 EPC, Rule 114 EPC
- Stay of proceedings, Rule 14 EPC

Observations by third parties, Art. 115 EPC, Rule 114 EPC

In proceedings before the European Patent Office, following the publication of the European patent application, any third party may, in accordance with the Implementing Regulations, present observations concerning the patentability of the invention to which
the application or patent relates, Art. 115 EPC. Thus, after the publication of an EPC application, observations may be filed. This is either the standard publication date 18 months after the application date or the priority date, respectively, or an earlier publication date on request of the applicant. These observations can be filed during the examination procedure as well as during an ongoing opposition proceeding. In the time between the grant of a patent and the end of the opposition proceeding with no opposition filed, observations by third parties are ignored. The person filing such observations will not be a party to the proceedings, neither to the examination proceedings nor the opposition proceedings. Such observations can be filed anonymously and there is no official fee. This instrument of observations by third parties is understood as a quality improvement tool of the examination procedure at the EPO.

With observations by third parties filed, the examination process might be re-opened. The examiner will send the observations to the applicant and might confront the applicant with concerns to the patentability of the subject matter covered by the claims as presently on file.

Thus, with such observations filed, the grant of the patent might be postponed or avoided.

**Stay of proceedings, Rule 14 EPC**

Another possibility to postpone or avoid the grant of an EPC patent is to request the stay of proceedings according to Rule 14 EPC.

The EPC does not provide for a decision on a conflict between the applicant and the true inventor or his successor in title, respectively. Rather, the EPC refers this case to national courts to decide this dispute. In the meantime, the EPC offers the possibility to request the stay of proceedings in order to protect the rights of the plaintiff in the national proceedings, i.e. the person claiming to be the true inventor or his successor in title.
Thus, the EPC specifies that if a third party provides evidence that he has instituted proceedings against the applicant seeking a decision in which it is adjudged that a person other than the applicant is entitled to the grant of the European patent, the proceedings for grant shall be stayed, Rule 14 EPC.

As a consequence, it is possible to postpone the grant of a patent by instituting a national proceeding against the applicant seeking a decision in which it is adjudged that a person other than the applicant is entitled to the grant of the European patent and file a request to stay proceedings with the EPO. Even if the patent was to be granted the next day, this request to stay proceedings according to Rule 14 EPC has the legal effect that the grant proceedings are stayed and the grant of the patent is stopped. Thus, no patent can be granted and as a consequence, no patent litigation can be instituted. If one is to choose a jurisdiction in Europe that is known to take a long time to decide such cases, the grant of such a patent can be postponed for a considerable period of time.

Since only after the national court decided the case the EPC will continue the proceedings, even national court proceedings that will not be successful have the effect that the proceedings before the EPO are stayed and thus the grant of a patent is avoided or at least postponed for a few years.

2. Have the patent revoked (to the extent that your product might be affected)

If there is no issue with respect to ownership, it is possible to challenge the patent in post grant revocation procedures, i.e. the opposition proceedings according to the EPC and the nullity proceedings according to national law. These revocation proceedings can be based on the respective grounds of revocation. However, the national patents will have the full effect and can be litigated during an ongoing opposition proceeding. Thus, opposition proceedings will not avoid infringement litigation.

Opposition proceedings vs. Nullity proceedings
With respect to post-grant invalidity proceedings of EPC patents there exist two levels of different types of proceedings: the **opposition proceedings** and the **nullity proceedings**.

The opposition proceeding can be instituted only 9 months after the publication of the grant of the patent and takes place before the EPO. The opposition proceedings results in the revocation of the whole EPC patent, i.e. the revocation of all national parts of this EPC patent.

On the second level, it is possible to institute national nullity proceedings. After the period for an opposition expired, nullity proceedings can be instituted. These proceedings are national proceedings and have to be carried out for each of the national parts of the EPC patent individually. The revocation of one of the national parts of the EPC patent has no effect on the validity of the other national parts of the EPC patent.

In Germany, these national nullity proceedings are initiated in the first instance at the Federal Patent Court (FPC) in Munich with a so-called nullity action. The decision of the FPC can be appealed to the Federal Court (FC) in Karlsruhe. Usually, the FC only hears cases on legal issues but in nullity appeal cases the FC also examines the facts, i.e. hears experts, etc. In the very rare case that aspects of European law are touched that are important for the decision of the FC, the FC can forward questions to the European Court of Justice (ECJ) in Luxemburg. After the ECJ made a decision on these referrals, the case is re-opened at the FC in Karlsruhe and decided there according to national law in the light of the decision of the ECJ.

The patent can be challenged on the basis of the different grounds for revocation. These grounds are defined in the EPC and the national patent laws. All the grounds for opposition according to the EPC are also grounds for revocation according to national law. These grounds for revocation are:

- lack of novelty
- lack of inventive step/ obviousness
- bar to patentability (good morals)
- lack of disclosure in the documents as originally filed

In addition, the national laws know further grounds for revocation, mainly based on elder national rights (different definition of prior art and the concept of novelty) or on issues of ownership, i.e. grounds for revocation deriving from fraudulent abstraction.

- fraudulent abstraction
- additional prior art: elder national rights

Thus, the grounds for revocation with the national nullity proceedings are richer than the grounds for opposition according to the EPC. With the national nullity proceedings, there are more lines of attack than with the opposition according to the EPC.

Further, the national nullity proceedings follow a different procedural law. The opposition proceeding according to the EPC are less subject to the parties than the national nullity proceedings. As an example, the moment a plaintiff of a nullity action in Germany withdraws its action, the proceedings stop and the Federal Patent Court has no authority to continue the proceedings let alone to decide the case on the merits, i.e. to revoke the patent. If an opponent withdraws his opposition at the EPO, the EPO is free to continue the opposition proceeding and the opponent looses his position as an opponent, i.e. he will not be able to file requests, will not be served with further writs or communications and will not be invited to oral proceedings. As a result, the parties of national nullity proceedings have more power over the proceeding than the parties of an opposition at the EPO. Thus, settlement negotiations may be more effectiveley handled during national nullity proceedings than in opposition proceedings.

Another advantage of national nullity proceedings in Germany is seen in the fact that there is reimbursement of costs for the winning party. In case that an opponent at the EPO has the patent in suit revoked, there is no reimbursements of costs. In case a
patent is revoked in German nullity proceedings, the plaintiff gets reimbursed not only the court fees but also the attorney fees and further expenses like costs for search of prior art, translations of prior art, travel expenses etc. Another aspect is the fact that a lot of cost pressure can be put on the patentee by filing several nullity actions by different parties – in case that the patent is revoked, the patentee has to reimburse the costs for each of the plaintiffs, in case the patent is upheld, the patentee only gets reimbursed his own costs. Thus, the cost risk for the patentee is much higher than for the plaintiffs. This can be used to find an early settlement agreement with the patentee.

One prerequisite of German nullity proceedings is that there is no pending opposition proceeding before the EPO. As long as there is a pending opposition proceeding, the nullity action is inadmissible. As a result, there might arise the situation that one did not file an opposition in order to be free to file national nullity proceedings only to learn that a third party filed an opposition and thus blocked the way to file a German nullity proceedings. In this case, the EPC opens opportunities to join the ongoing opposition proceedings.

A first option is to file observations with the pending opposition proceeding at the EPO. These observations can be made anonymously or in the name of the observing party, there is no fee for such observations. However, the observing party does not become a party of the opposition proceeding.

A second option is to join the ongoing opposition proceeding as an intervener according to Art. 105 EPC. Art. 105 EPC allows the assumed infringer to intervene in opposition proceedings after he was sued by the patentee or sent a cease and desist letter which was the reason for him to institute national proceedings for a ruling that he is not infringing the patent. Under such circumstances it is possible to join the opposition proceedings even after the 9-months term to file opposition has expired. It is even possible to intervene an opposition in the appeal stage, decision of the Enlarged Board of Appeal of the EPO (EBOA) G 1/94.
Opposition proceeding according to the EPC

The opposition proceeding according to the EPC is a post-grant invalidity proceeding which is instituted at the EPO within a period of 9 months after the mention of the grant of the European patent has been published in the European bulletin. Everybody may file an opposition. More than one party may file opposition but there is only one opposition proceeding with respect to a specific patent; in this case, the patentee and all opponents are parties to the opposition proceeding.

The character of the opposition proceeding is a post-grant proceeding in which the administrative decision to grant a patent is reviewed. Two parties, i.e. the patentee and the opponent, are facing each other with different interest. The EPO understands its role as a neutral body which will decide the opposition without favouring one or the other party. Thus, it is up to the parties to define the matter in dispute and to present any defence which they deem to be appropriate.

For example, it is the opponent defining the extent to which an opposition is filed. If the opponent chooses to challenge only the method claims 1 to 5, the product claims 6 to 10 are not under opposition and thus, the opposition division has no competence to decide on the patentability of these product claims. Further, it is the patentee who has to
present – or at least to agree to – a set of claims to be upheld; the EPO has no authority to uphold the patent in amended form unless the patentee agrees to this amended form. On the other hand, the EPO has the power to continue the opposition proceeding even after the opponent withdrew his opposition.

Thus, the proceeding in the opposition proceeding before the EPO recognizes that the EPO shall examine the facts on its own motion. On the other hand, the EPO has the freedom to continue the opposition proceeding even without the consent of the parties and to decide the case without the specific request of an opponent.

Result

As a result, the national nullity proceedings as a second level next to the opposition proceedings according to the EPO offer a further opportunity to challenge the validity of a patent in Europe. There are additional grounds for revocation in the national nullity proceedings, the proceedings may be more attractive with respect to the reimbursements of costs and the procedural law governing the nullity proceedings give the parties more power to end the proceedings.
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Main areas of practice:
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