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German Federal Supreme Court – Legal Interest for the Declaration of Non-Infringement

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The German Federal Supreme Court has decided on what is necessary to establish a legal interest in a declaratory judgment of non-infringement under German law. The Supreme Court's decision, which we will discuss in this post, is available in German (X ZR 62/16 – "Slug Bait").

The case concerned the declaration of non-infringement ("DNI") of a patent protecting a process for manufacturing slug bait for slug traps. Before the DNI claimant had filed the action for a declaratory judgment, his premises in Germany had been inspected by the patentee in independent inspection proceedings. The expert report rendered in these proceedings did not find infringement. This caused the DNI claimant to file an action for the DNI. While the Regional Court had ruled in favour of the DNI claimant in first instance proceedings, on appeal the Higher Regional Court dismissed the action as inadmissible for a lack of the necessary legal interest. The Supreme Court overruled the Higher Regional Court's decision, remitted the case and gave guidance on what is necessary for a legal interest in a DNI judgment.

The Supreme Court reminded of the established practice that a legal interest in a DNI is basically given if the patentee maintains having a claim against the DNI claimant. On the one hand, it is not necessary that the patentee asserts having an enforceable claim against the DNI claimant, because the DNI claimant's legal position is already affected in a manner worthy of protection if it is asserted that an existing legal relationship may give rise to a claim against it under certain conditions whose occurrence is still unclear (Federal Supreme Court, NJW 1992, 436). On the other hand, the mere announcement of the patentee that it will review potential claims against the DNI claimant does not account for a legal interest in the DNI (Federal Supreme Court, GRUR 2011, 995 – Specific Mechanism).

In "Slug Bait" the Supreme Court specified this by ruling that – as a rule and except for specific circumstances justifying the assumption that the patentee will further pursue potential infringement claims regardless of the outcome of the inspection – the conduct of the independent inspection proceedings does not account for a legal interest in a DNI, because the inspection proceedings were only conducted under the condition that sufficient proof of infringement was unavailable. Thus, their conduct does not imply the maintaining of an infringement claim. However, if the inspection

did not bring evidence for infringement and the patentee nevertheless defends itself in the proceedings for the DNI with the argument that the action for the DNI should be dismissed because a claim for infringement was given, this gives rise to the legal interest of the DNI claimant in the DNI proceedings. In “Slug Bait” the patentee had argued that the action was inadmissible because it lacked legal interest and alternatively that it was unfounded as patent infringement was actually given.

The Supreme Court contrasted this to the practice in infringement proceedings in case a “risk of first infringement” needs to be demonstrated. “Risk of first infringement” is a necessary requirement for a claim for injunction if no actual infringing action has taken place yet. It is assumed if the potential infringer claims to be entitled to the attacked actions, i.e. that they are not patent infringing. In these cases the alternative procedural defence of the potential infringer that (even if the risk of first infringement was given) the infringement action was unfounded due to a lack of infringement does not establish the “risk of first infringement”. Case law reasons that from the utterance of a legal opinion in court proceedings it cannot be easily deduced that the party uttering this legal opinion in the court proceedings wants to or will behave accordingly and take the infringing actions.

Basically, the same argument could have been made for the patentee in the proceedings for DNI: Just because the patentee defends itself in the court proceedings for the DNI with the legal argument that infringement was given, this does not mean that it actually asserts having a claim against the claimant of the DNI. The Supreme Court did not share this opinion. It found that if the patentee relied on a legal position, it considered itself to be entitled to, it was clear, irrespective of the reason for that statement, that the patentee claimed such right and would under certain circumstances invoke it. If under these circumstances the allegation of infringement would not render the action for the DNI admissible, a second court proceeding, namely the infringement proceedings, would be predictable. Therefore, process economy was the underlying rationale for the Supreme Court finding that by defending itself against the claim for DNI in the DNI proceedings with the argument that infringement was given, the patentee accounted for the necessary legal interest of the DNI claimant in the DNI proceedings.

In practice this means that the different handling of proceedings for a DNI on the one hand and infringement proceedings aiming for injunctive relief based on a “risk of first infringement” on the other hand must be considered in the strategic considerations underlying the defence in the respective proceedings.

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