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He laughs best who laughs first: damages for provisionally enforced judgments.

Rüdiger Pansch · Friday, February 11th, 2011 · Landmark European Patent Cases

In Germany, the patentee who wins his case in first instance has a strong weapon in his hands. His first instance judgment is immediately enforceable upon provision of security. The patentee can provide a bank guarantee and may then, with the means of administrative fines and/or detention, stop the defendant from using the patented invention and force defendant to render accounts– long before and regardless of whether the judgment becomes res judicata at all. Such provisional enforcement is permitted at a procedural stage where it is still uncertain whether or not the judgment will be upheld in second or third instance, or whether or not the patent will survive a nullity action.

Should the first instance judgment be overruled later on, German law provides a dam-age claim for the defendant. He shall be compensated for his losses suffered due to the enforcement actions and due to actions taken to avert an imminent enforcement (sec 717 para 2 German Code of Civil Procedure). How does this rule apply in practice?

According to the German Supreme Court, there must have been at least some “pres-sure of enforcement” to avoid defendants claiming compensation for unsolicited com-pliance with a judgment. Such “pressure of enforcement” is assumed once the bank guarantee has been provided, because the provision of security is a prerequisite for the enforcement (BGH WRP 1996, 207).

Does this interpretation adequately reflect the interests of parties in a patent case? Consider the following: a bank security can be provided within a few hours, whereas it can take months to change or replace a complex production process. As a consequence, a defendant against whom a first instance judgment was rendered must automatically feel a significant “pressure of enforcement”, as long as the patentee does not expressly exclude provisional enforcement. A responsible defendant would immediately have to start investing in alternative technology, regardless of whether or not the bank guar-antee has been provided.

Most recently, the German Supreme Court was concerned with this question (BGH, judgment of 16 Dec 2010, docket no. Xa ZR 66/10 – “steroid loaded grains”). The Court did not apply different considerations on patent cases and ruled as follows: there had been no “pressure of enforcement” before provision of security, even though the pat-entee had communicated an ability to provide the bank security on short notice should the parties not come to a settlement. Hence, no compensation could be claimed for actions to avert enforcement until that point. After provision of the security, however, there had been “pressure of enforcement”, even though the patentee had declared an

intention to enforce the cease and desist tenor only upon separate notification, and only if the parties would not come to a settlement within two weeks. Hence, damages could be claimed for actions to avert enforcement after the date of provision of secu-rity.

In the end, it seems that the patentee, quite free from worries, can use a first instance judgment as a fearsome threat in settlement negotiations by announcing that he is able to provide security on short notice and that he would provisionally enforce the judgment, should the parties not settle according to his terms and conditions. As long as plaintiff does not provide security, the defendant's tiger remains toothless: the de-fendant will not be able to claim damages for developing a design-around solution.

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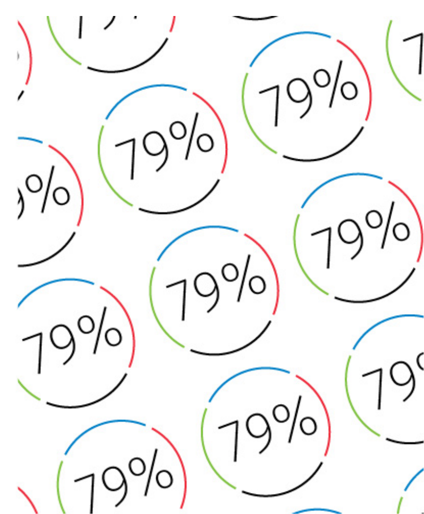

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