

Kluwer Patent Blog

Changes to the German Patent Act

Mike Gruber (Hoffmann Eitle) · Tuesday, June 22nd, 2021

The German Bundestag has adopted amendments to the German Patent Act. The changes introduce (i) a codified proportionality defense to injunctions in patent infringement proceedings, (ii) new confidentiality rules for patent disputes, and (iii) an accelerated timeline for nullity actions. While the Bundesrat still has to approve this bill, this is not believed to be controversial. Thus, the changes described below are expected to enter into force in a few weeks, except (iii), which will enter into force in spring 2022.

The **proportionality defense** is the most heavily debated part of the amendments. Some stakeholders have even expressed concerns that this could weaken the attractiveness of the German patent system, although we think that this may be exaggerated. So, what are the changes about? Currently, a German infringement court will issue an injunction by default if it finds that the asserted patent is infringed or threatened to be infringed. The patent holder does not have to fulfil additional requirements to obtain an injunction.

The new law will not change this. It is intended to merely codify a proportionality exception developed by the German Federal Court of Justice in the decision [Wärmetauscher](#) [heat exchanger] in 2016 based on the principle of good faith, which is generally applicable in civil law. The exception is now codified in Section 139(1) Patent Act and applies if the injunction would result in an undue hardship for the defendant or third parties that is disproportionate to the exclusive right granted by the patent due to special circumstances. The burden of proof lies with the defendant. If the exception applies, the patent will still be considered infringed and the patent holder is entitled to monetary compensation independent of its damages claim. It is expected that under the new law the courts will apply the exception only very rarely. The new law may however give more weight to the interests of third parties, which have not been considered by the courts so far.

German procedural rules have often been criticized for their limited **confidentiality protection** of the information used in litigation. Due to this lack of protection, parties often refrained from relying on confidential information that may improve their position for fear that the information may be used by the other party or third parties outside of the proceedings. The new confidentiality rules allow a party to request that certain information is treated as confidential by the other party and not used for other purposes. Although the new rules still fall short of the protection afforded in other jurisdictions (e.g. they do not provide for attorney-eyes-only protection), they are a big improvement. It is expected that confidentiality requests will be routinely used in most cases.

The new rules may also increase the amount of damages awarded to patent holders. Currently, damages are mostly awarded based on the infringer's profits or a hypothetical license. The new

confidentiality rules may make it more attractive to claim damages based on the patent holder's lost profits if the relevant figures can be disclosed confidentially.

The new law also seeks to better **align infringement and nullity proceedings**. Currently, infringement proceedings are decided in about one to one and a half years whereas nullity proceedings take much longer, about two or more years. A first instance decision can be preliminarily enforced upon providing a security. This situation ("injunction gap") has been criticized as it may allow invalid patents to be enforced before the invalidity is decided by the nullity court. Although infringement courts consider whether the asserted patent will likely be held invalid by the nullity court, this prediction can be difficult for judges who have no technical background, unlike judges at the nullity court. Infringement courts thus only rarely order a stay.

To improve this, the new law introduces a six-month term for the nullity court to issue its preliminary opinion on validity. Previously, there was no term for the preliminary opinion and it is often issued much later in the proceedings, too late to help the infringement court with its prediction of the final outcome of the validity proceedings. The six-month term aims to make sure that the opinion is available before a first instance decision in the infringement proceedings. The new terms apply to all nullity actions that filed after the amendments enter into force (likely in spring 2022).

The amendments to the Patent Act are expected to strengthen the German patent litigation system by making it faster, more reliable, and more cost effective. The parties' interests will be more balanced without affecting the strength of a patent. Default injunctions where infringement is found will remain the rule and limitations of the injunction will only occur in exceptional cases. Improved confidentiality protections will reduce concerns about disclosing information. The faster issuance of the preliminary opinion in nullity proceedings will (at least hopefully) enhance the reliability of the fast infringement decisions rendered by German courts.

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