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No special rules for SEPs: the value in dispute of a patent in German nullity proceedings will usually be tied to the value set in parallel infringement proceedings, also if it is an SEP

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The German Federal Court of Justice (FCJ) confirmed that for setting the value in dispute of nullity actions on standard essential patents (SEPs) the well-established general rule applies, i.e. in the absence of special circumstances the value is 125% of the value of the infringement action(s) on the same patent (Order of May 11, 2021, case no. X ZR 23/21, English translation available here). The value in dispute (Value) is the basis for calculating court fees and the amount of reimbursable attorney fees in German court proceedings according to an statutory tariff. In its order, the FCJ lowered the Value for the appeal to EUR 1,875,000 instead of EUR 30 million (i.e. the statutory maximum) previously set by the Federal Patent Court (FPC).

In Germany, court proceedings for patent infringement are separated from those for ruling on validity (nullity proceedings). Thhus, a Value needs to be set for each of the proceedings. In patent infringement proceedings, the Value considers the damage that the patentee will suffer if the infringement continues, plus past damages if claimed. For nullity proceedings, it is long-standing case law that the Value should correspond to the patent's fair market value at the time the action is filed plus the amount of damages incurred up to that time. The established practice is that the Value of a nullity action is usually to be set at 125% of the Value(s) of parallel infringement proceedings. This surcharge of 25% is intended to take into account the patentee's own use of the patent.

In its decision, the FCJ rejected the FPC's notion that an SEP justifies setting a higher Value, simply because it is an SEP. The FPC noted that the 125% rule does not take into account the strong bargaining position of an SEP owner if an enforceable injunction is issued against an alleged infringer. Although the FCJ agreed that the Value of a nullity action may exceed the 125% of the value of parallel infringement proceedings it noted that this requires special circumstances. The fact that the patent at issue is alleged to be an SEP in infringement proceedings does not, in itself, constitute such a special circumstance.

Although the use of an SEP is essential for accessing a specific market, the FCJ considered this to be taken into account by the infringement court when fixing the Value in the infringement action. It also needs to be considered that access to the market and the associated revenue opportunities often do not depend on a single patent, but on a portfolio comprising numerous IP rights, and that the outcome of an individual infringement suit does not necessarily lead to a noticeable impairment of the market position resulting from this portfolio. The FCJ noted that this is also relevant for

setting the Value in nullity actions. Furthermore, the FCJ considered that the value of a single SEP as compared to a portfolio of SEPs does not justify an increase of the 25% surcharge on the value of infringement proceedings.

The FCJ's order provides clarity of and predictability for the appropriate Value in nullity actions involving SEPs. If the FCJ had accepted the ruling of the FPC, this could have had serious implications on SEP litigation in general, because it would have led to a strong asymmetry in the potential costs and cost risks between infringement and nullity proceedings. For example, in the present action the nullity court costs for the first instance based on the FPC's Value of EUR 30 million would have been almost half a million Euros, or about 12 times as much as under the usual 125%-rule as applied by the FCJ.

Perhaps – hope dies last – this decision may even prompt the Federal Patent Court to reconsider its previous decision practice where quite frequently pretty high Values were pretty freely estimated by the Court based on factors such as turnover figures (to the extent they are known), assumed prices of goods, assumed royalty rates, estimated breadth of the patent and remaining life time. Particularly the alleged breadth of a patent was sometimes overrated by the court, at least in our opinion. An unforgettable exemplary case was the order in 3 Ni 22/09 (EU) (unpublished), where despite several extraordinary appeals of the plaintiff, who had withdrawn his nullity action, the Value was fixed and maintained at 20 million EUR. The FPC stuck to this calculation even after it had been informed that the entire world-wide family of the patent in suit was acquired by plaintiff for 7 million EUR and the Value in infringement proceedings had been set at around 1 million EUR. Unfortunately, for the plaintiff in this case, no appeal to the FCJ was possible anymore, as the nullity proceedings on the merits had already been terminated.

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