

# Kluwer Patent Blog

## Scanning for signs of infringement at the UPC: First PI granted on the basis of indirect infringement by Munich Local Division

Eden Winlow (Bristows) · Thursday, September 12th, 2024

On 27 August 2024, the Munich Local Division awarded a preliminary injunction ('PI') in an action brought by Hand Held Products against Scandit for infringement of EP3866051 ("Mobile computer configured to read multiple decodable indicia") in relation to Scandit's 'Data Capture SDK' software (Order [UPC\\_CFI\\_74/2024](#)). The Court held that Scandit's software development kit (SDK) more likely than not indirectly infringes Hand Held Products' patent, as it enables customers to create software that utilizes the patented technology. This is the first PI awarded by a UPC Local Division on the basis of indirect infringement. The Court also ordered Hand Held Products to provide a security deposit of €500,000 to cover potential damages to Scandit if the PI is later revoked at final determination.

### Direct or Indirect Infringement

In making this finding, the Court addressed the distinction between direct and indirect patent infringement, stating that direct infringement requires a more concrete and certain expectation of patent infringement by end users. The patent in question contains both apparatus and method claims; however, the accused product is a software development kit. In practice, the SDK has to be incorporated into the operating software of a device with scanning capabilities in order to form an infringing apparatus, or for the claimed method to be formed. To many patent practitioners, this would appear to be a standard case of indirect, or contributory infringement, rather than a direct infringement on the patent. German practitioners on the other hand may be familiar with a line of reasoning argued by Hand Held Products, with reference to national case law, that in certain situations direct patent infringement can be found in instances such as this, where the infringer utilises the actions of its customer in the sense of an "extended workbench" and so it would be inequitable to hold the infringer liable only for an indirect patent infringement.

The Court considered this and first noted that account must be taken of the danger that this could blur the boundaries between the legal consequences of direct and indirect patent infringement. The Court found that liability for direct patent infringement can only be assumed in such cases if a specifically outlined completion of the patented device is to be expected with certainty. This is unproblematic, for example, if a kit for assembly into a complete device is supplied by the customer including assembly instructions and the complete device does not function if it is assembled differently. However, in this case, such a situation did not arise because of the large number of different programming options and possibilities for assembling the hardware components available to the customer. Due to these possibilities, the formation of an infringing

device (and performing of an infringing method) was not sufficiently certain for a finding of likely direct infringement.

In relation to likely indirect infringement, the Court summarised the legal test with reference to Art. 26(1) UPCA):

*“A patent shall confer on its proprietor the right to prevent any third party not having the proprietor’s consent from supplying or offering to supply, within the territory of the Contracting Member States in which that patent has effect, any person other than a party entitled to exploit the patented invention, with means, relating to an essential element of that invention, for putting it into effect therein, when the third party knows, or should have known, that those means are suitable and intended for putting that invention into effect.”* (emphasis added)

The Court considered that the SDK is a means which relates to an essential element of the invention because through its use, customers are able to create a software program which makes literal use of the technical teaching of the claimed invention. The fact that the Scandit does not provide any product images, databases with product images or reference tables with the SDK did not contradict this, as these are not essential for the invention. Rather, what is essential is the ability of the software to juxtapose certain decoded characters with certain product images in a certain way. By means of the SDK, the customer is able to write such software.

In finding that Scandit also had the necessary knowledge for indirect infringement, the Court referenced videos and documentation published by the Scandit showing that the SDK is offered to customers for use in the claimed invention. This is because it must be assumed that the supplied party will regularly use the means in the manner suggested to them in advertising messages, instructions for use and other documents of the supplier. Scandit had not argued that the situation in the present case was any different. The question of the double territorial requirement for indirect infringement ((i) supply of means in country A and (ii) putting invention into effect in country A) was not addressed by the Court. Presumably this was because the position appears to be clear on the facts, as Scandit offers the SDK in member states including Germany and France and the invention is also put into effect in those territories.

#### Injunction: Relative or Absolute Prohibition

Following the finding of likely indirect infringement, and an analysis of validity which found the patent more likely to be valid than not, the Court then considered what the nature of the PI should be. In particular, the Court noted that in the case of an injunction to prevent indirect/contributory patent infringement, it must always be considered whether a relative prohibition or an absolute prohibition should be issued in view of the possibilities remaining for the infringer to offer or supply the essential means for other, non-infringing purposes. An injunction in the form of an absolute prohibition prevents the sale of the means essential in any form that is suitable for use in the invention, whereas a relative prohibition allows the sale of the means essential (despite still being suitable for use in the invention) provided other conditions are satisfied (e.g. a warning/instruction to the customer not to use the means essential to implement the invention). In doing so the Court stated that it must be considered whether the risk of direct patent infringement by the customers of the indirect patent infringer can be sufficiently averted by a relative prohibition, for example on the basis of warnings placed on the essential means as they are sold, and conversely, whether and with what effort it appears possible to redesign the means in such a way that it is no longer suitable for use in accordance with the patent (and so could then continue

to be sold in a non-infringing manner, despite an absolute prohibition).

In this case, it was undisputed that it is possible for Scandit to remove the disputed function from the program library it distributes and from the corresponding advertising statements by means of an update. This would not render the SDK unusable, and it would continue to provide a large number of non-infringing functionalities. Furthermore, the Court noted that it is much more difficult to control the behaviour of a large number of customers, especially since the software developed with the SDK will mostly be used within the customers' internal operations. Taking these circumstances into account, the Court considered an absolute injunction to be justified in the present case as the amendment of the SDK is possible and, in view of the problems described above, also justified to control the lawful conduct of the customers.

#### Security for costs

Under r. 211(5) RoP, the Court may order the provision of adequate security to cover potential damages to a Defendant if the preliminary injunction is later revoked at final determination. This was first considered by the same Local Division in *10x Genomics v Nanostring* (UPC\_CFI 2/2023) and it was found that security is unnecessary where if no particular difficulties are to be expected in connection with the enforcement of any title for damages, both in view of the applicant's economic situation and in view of the enforcement law in the applicant's home state.

In this case, Scandit argued that (unlike the *10x Genomics* case) proceedings for the recognition and enforcement in the United States of America of a foreign damages award would result in considerable legal costs which, even if successful, would not have to be reimbursed by the debtor. Hand Held Products did not comment on this and so this submission was taken to be undisputed. The Court found that since full compensation must be ensured, such non-refundable legal costs must be taken into account if they are significant. This led to the Court exercising its discretion to order the provision of security, set at €500,000.

#### Limitation on invalidity attacks

The Defendant in this case was limited in their arguments regarding invalidity of the patent. The Court ordered that the arguments in the hearing be limited to the "three best arguments" from the perspective of the Defendant. This follows a similar decision by the same Local Division in *Dyson v. SharkNinja* on 21 May 2024 (UPC\_CFI\_443/2023).

The Court's reasoning for doing so was that in proceedings for PIs it is not possible to fully examine all the arguments put forward against the validity of the patent, which can be numerous. The Court therefore stated that the only way to take account of the summary nature of the proceedings is to reduce the number of questions of law to be fully examined, in this case, to three invalidity attacks. The Court went on to specify that since it is up to the Defendant to challenge the presumption of validity, it must also be up to the Defendant to select the three arguments to be examined in detail.

Whilst the pragmatism of such an approach is understandable, it is unclear what legal basis there is in the UPC Agreement or Rules of Procedure for such a limitation on argumentation. We are not aware of any other Local Division has taking this approach, and the Court of Appeal is yet to comment on this issue. If such an approach begins to gain traction at the UPC, Defendants will be faced with a tough decision on which invalidity attacks to pursue at PI hearings, particularly as they may not know the preliminary opinion of the panel, and even in cases where a preliminary

opinion is given by the panel, this will only be done shortly before the Defendant needs to present their arguments.

### Urgency

In relation to another issue that was also considered by the same Local Division in *Dyson v. SharkNinja*, the Court acknowledged that whilst there is divergent case law from other Local Divisions (namely Düsseldorf), two months is a reasonable amount of time for an applicant to prepare a PI application and that such a timeframe does not amount to an undue delay. In contrast, the Düsseldorf Local Division has found (e.g. in *Ortovox v Mammut*, UPC\_CFI\_452/2023) that any delay longer than one month means the application lacks the necessary urgency. We are sure that it is only a matter of time before this clear divergence in case law is appealed and look forward to the Court of Appeal clarifying the threshold soon.

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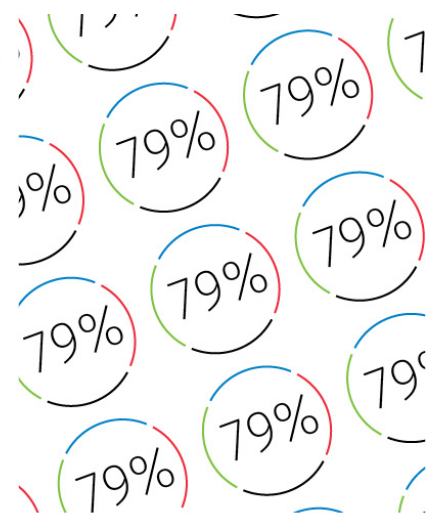
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