



JONES DAY
COMMENTARY

ENFORCING PATENT RIGHTS AT GERMAN TRADE FAIRS: AN EFFECTIVE TOOL AGAINST COMPETITORS

From a patent law perspective, trade fairs carry significant risks but also offer far-reaching opportunities. Obviously, trade fairs provide companies with a visible platform to present new products to the public and clients. In the spotlight of public attention, exhibitors will want to avoid surprises. They need to ensure that competitors do not interfere with their presentation at the fair. On the other hand, for patent owners, trade fairs are a suitable forum to take efficient steps against infringement of their patent rights.

For either side, this requires taking proactive measures and determining their strategies well in advance of the fair. In view of the large number of upcoming international trade fairs in Germany, such as IFA, Automechanica, and MEDICA, patentees as well as exhibitors should be aware of the current state of case law in Germany and the potential scenarios.

Depending on the individual situation of the patent holder, there are five different scenarios for enforcing patent rights that should be considered:

- Border seizure prior to the trade fair to prevent exhibition;
- Seizure to initiate criminal proceedings;
- Inspection order to secure evidence for civil litigation;
- Litigation against known infringers; and
- Enforcement of obtained judgments.

BORDER SEIZURE PRIOR TO THE TRADE FAIR

Border seizures are a highly effective tool in Europe. Their popularity can be judged from the statistics: The number of seizures involving the violation of IP rights in 2011 increased by 15 percent compared to 2010. Even though the involved IP rights are dominated by trademarks (93 percent), border seizures based on patents have a high strategic importance. They are frequently used not only in cases of medicines but in particular for standard relevant technologies (e.g., WiFi, DVD, etc.).

European border seizures are fast and effective for securing patent rights. Based on EU Regulation 1383/2003, a patent holder can apply for a European border seizure for infringing goods imported directly from a non-EU member state into a EU member state (e.g., from the U.S. directly to Germany). The patentee must only show that the goods are *suspected* of patent infringement with a sufficient likelihood. Also, the customs officers must be able to verify easily whether certain goods infringe or not.

This gives a priority to border seizures concerning patents in standard scenarios where the standard used by the product is named on the package or drugs where the protected compound is named on the package or in the leaflet.

However, other scenarios are possible if sufficient information about the infringing product is available. These might include cases of expected shipments of goods from non-EU markets.

In the context of a trade fair, border seizures carry the advantage that the infringing goods are detained *before* they can reach the showrooms. Because trade fairs usually take place only for a short term, even few days of detention by customs might be sufficient to hinder a competitor's presentation of a new product at the fair.

In addition to this interference effect, border seizures allow the patent holder to learn about the infringing product's origin and distribution channel. The patentee also has the opportunity to inspect detained goods and to analyze samples in order to assess infringement of the seized products. If the infringer objects to the detention, the patent holder must initiate infringement proceedings before a national civil court within 10 business days.

As an alternative to the European border seizure, a national German border seizure is applicable if the infringing goods are imported from an EU member state into Germany. The border seizure is then based on national provisions that require, as opposed to the European border seizure, that the patentee show that infringement is not merely likely but evident. Moreover, after a detention, the applicant must provide an *enforceable* court decision within two weeks.

For a potential infringer, it is difficult to implement effective counter-measures hindering the grant of a border seizure request, as the customs authorities do not assess in detail whether the goods actually infringe. Even though there is no established practice, previous cases have shown that declaratory actions for noninfringement or other measures in cooperation with the customs officials may lower the border seizure risk.

SEIZURE AT THE FAIR BASED ON CRIMINAL LAW

Seizures conducted by the prosecution authorities are another effective option. Most infringers will regard the threat and the negative publicity of criminal proceedings seriously, compared with the threat of "mere" civil proceedings.

Seizures can be based on criminal law since under German law the intentional infringement of patent rights also constitutes a criminal offense. The seizure's purpose is then (i) to stop the perpetuated breach of the penal provision and (ii) to secure evidence for a criminal procedure following the seizure. A further advantage of these seizures is that they allow the detention of goods that are not officially declared at the customs authority.

The practical implementation of the procedure varies depending on the practice of local public prosecution authorities. For the Automechanica trade fair in Frankfurt, for example, the public prosecutors in Frankfurt, together with the customs authority in Darmstadt, have developed the "Darmstädter Model" as an effective non-bureaucratic way to seize counterfeited or pirated goods having their origin in *non*-EU member states.

INSPECTION ORDER TO SECURE EVIDENCE FOR CIVIL LITIGATION

Inspection orders are widely used in Germany in preparation of infringement actions. They allow for the inspection of the potentially infringing item at an earlier stage in order to clarify whether there is a case of infringement. Trade fairs,

particularly in international infringement settings, are well suited for such inspections: “raiding” the competitor’s booth will provide access to the latest product portfolios.

A German court will grant an inspection order once the patentee shows sufficient *prima facie* likelihood of patent infringement. The ordered inspection is then conducted in the form of a stand-alone evidence-taking proceedings. These evidence proceedings determine *de facto* the outcome of the later infringement proceedings prior to the filing because (i) the expert opinion can serve as independent court expert opinion with full evidentiary value in any subsequent main proceedings, and (ii) the court decides on essential questions of infringement in formulating its decision to hand over the finalized expert opinion to the patentee. In practice, the court-appointed expert is often selected based on the proposal of the patentee.

Most German patent courts follow the so-called “Düsseldorf Model,” which consists of two separate proceedings: (i) the stand-alone evidence procedure before court, as described above, and (ii) a preliminary injunction against the infringer to authorize the inspection of the infringing product. The preliminary injunction is typically granted in *ex parte* proceedings, i.e., without a prior hearing of the infringer. The inspection is then conducted by the expert appointed by the court and a bailiff. Typically, the patentee’s attorney and patent attorney are also present to witness the inspection, provided that they have been sworn in to not disclose the information to anyone, including the patentee, before the court has ruled on any confidentiality issues that the defendant may raise after the raid.

LITIGATION AGAINST KNOWN INFRINGERS

In case of an upcoming litigation, a patentee may use the trade fair as a platform for (i) handing over a warning letter, (ii) applying for and enforcing a preliminary injunction, or (iii) serving a complaint.

Handing Over a Warning Letter. A warning letter avoids the possibility that the plaintiff would have to bear the litigation costs in case the defendant immediately acknowledges the plaintiff’s requests for a preliminary injunction or action on

the merits, which quite frequently happens for infringing acts at trade fairs. The warning letter handed over at the trade fair notifies the potential infringer about the patent infringement and requests the potential infringer to cease and desist from continuing infringement, as well as to acknowledge liability for damages, setting a short deadline for voluntary compliance.

Applying For and Enforcing a Preliminary Injunction. Even though preliminary injunctions (“PIs”) are granted in patent matters only in exceptional cases because of the usually involved complex technical facts, the number of German PI proceedings has increased over the last years. Exhibiting an infringing product at a trade fair can serve as the basis for such exceptional case and may cause a court to grant a PI even on short notice.

A PI in patent matters needs to meet each of the following criteria:

- There is no complex technical assessment and a clear-cut infringement is present;
- The patentee can show urgency for its PI request; and
- The validity of the patent is to be deemed “secure” (e.g., because the patent was affirmed in a contradictory procedure such as opposition proceedings or a nullity action, or third parties have taken a license for the patent).

Criteria supporting the likelihood of granting a PI also include: (i) imminent expiration of the patent, (ii) impending significant losses for the patentee’s market position, and notably, due to their short duration, (iii) trade fairs. Usually, courts will grant PIs only after hearing the opponent (*inter partes* PI). Offering infringing goods at trade fairs, however, might justify in certain cases even an extraordinary circumstance for granting an *ex parte* PI, without hearing the defendant prior to granting the order.

From the potential infringer’s perspective, the existing *ex parte* PI risk at trade fairs may be reduced by the filing of a protective letter (“PL”) (*Schutzschrift*). This tool is somewhat exclusive to German civil procedure: The alleged infringer deposits the PL with court as an anticipatory defense prior to the trade fair and explains why a potential PI request would be unfounded. PLs are governed by established

German case law. They are generally accepted as a preventive means against *ex parte* PI requests. Courts are, however, not legally bound to take the PL into account.

Moreover, it has to be noted that PLs should only be filed if they contain reasonable arguments. As outlined, in patent matters, *ex parte* PIs are in practice very rare and granted by courts only in extraordinary circumstances. But one of these circumstances is an unconvincing PL.

Serving a Complaint. In cases where the patent infringement situation is too complex for a PI or the patent's validity has not been reaffirmed, serving a complaint for an action on the merits at the fair can be advisable. In the case of a foreign defendant, this option permits the avoidance of the cumbersome service of process in a foreign country and is cost efficient since no translation of the complaint is required. The German court will then conduct normal court proceedings and schedule a date for an oral hearing. If the infringer does not appear in court at the hearing, a default judgment will be rendered, which can be enforced with the same legal effects as a normal judgment.

ENFORCEMENT OF ALREADY OBTAINED GERMAN OR NON-GERMAN JUDGMENTS

Trade fairs may also provide a forum to secure previous defendants in already concluded court proceedings. Provided that a patentee is already in the possession of an enforceable judgment, the following scenarios can be considered for the trade fair:

Injunction Claim of a German Judgment. If the defendant continues with infringement by displaying an identical or only slightly amended embodiment at the booth, the patentee can apply for a PI including a confiscation order for the duration of the fair. Such PIs are usually granted *ex parte*. Moreover, the patentee can separately apply for enforcement procedures requesting the seizure of all infringing goods and catalogues exhibited at the booth, as well as for issuing a court order obliging the defendant to pay a penalty to the state treasury.

Damage Claim of a German Judgment. The plaintiff can also seek enforcement of payment or litigation cost claims at the fair. A bailiff can seize any goods of value at the booth, such as product samples on display or business equipment such as computers, flat screens, projectors, etc. Experience has shown that defendants often voluntarily opt for settling up their debts in order to continue their business at the trade fair rather than having their booth or goods confiscated.

Enforcement of Foreign Judgments in Germany. If foreign judgments entitling a party to claim payments are available, patentee may consider enforcing these judgments at the German fair. For this, the patentee should apply for a "declaration of recognition and enforceability" of the foreign judgment in Germany. While judgments rendered in non-EU member states require a comprehensive recognition procedure, judgments from courts in member states of the EU can profit from a simplified procedure and will not be reviewed in substance. This ensures a quick transformation in an enforceable title under German law.

SUMMARY AND CONCLUSION

German trade fairs provide patent owners with a platform for efficient enforcement of their patent rights. Patent owners can choose between different tools depending on the individual fact scenario. Easily detectable infringement can be prevented by initiating border seizures or criminal seizures. Complex patent litigations can be started by serving the complaint at the fair, avoiding the usual obstacles and delays due to translation and service abroad. Also, preliminary injunctions remain the tool of choice for a trade fair in suitable scenarios.

Enforcement of rights at trade shows enables fast and visible results. But it also requires proactive steps to be taken well in advance of the trade fair. Both exhibitors and patent owners should be aware of available measurements to be able to act quickly, either on the offense or defense, within the usually narrow time frame of the fair.

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