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M I C H A L S K I



H Ü T T E R M A N N

P A T E N T A T T O R N E Y S

The Federal Court of Justice on the question of the defendant's duty to cooperate and on exhaustion – „CQJ Bericht II“

In the recently published decision „CQJ-Bericht II“¹ (CGI Report II), the Federal Court of Justice had the opportunity to comment on the question to what extent the defendant is obliged to cooperate in patent infringement proceedings, as well as on the question of exhaustion.

The decision is very detailed and not all aspects will be discussed in the context of this newsletter. The subject of the dispute was a standard-essential patent relating to the LTE standard. The defendant had argued, among other things, that it did not infringe the patent and that exhaustion had occurred.

On the first point, the defendant had denied infringement with ignorance. However, as the lower courts had already explained, this was not sufficient to effectively deny use:

“A party who offers a product or puts it on the market may not evade responsibility for an infringement inherent therein by failing to take note of the product's characteristics and mode of operation. If such a party does not have the relevant information itself, it is required, as far as possible and reasonable, to obtain this information from third parties, for example by asking manufacturers and suppliers or by conducting its own investigations. In infringement litigation, the party against whom a claim is asserted can therefore generally be required to respond specifically to submissions by the opponent regarding the technical properties of the challenged embodiment.”²

The Federal Court of Justice left open the extent to which the defendant must explain the technical solution used (and thus possibly disclose trade secrets), and this could still be the subject of further proceedings.

However, the question of exhaustion will probably be more significant in practice. Here, the patent holder had concluded so-called “covenant to be sued last” agreements with some chip manufacturers, including the manufacturers of the chips built into the asserted mobile devices, more precisely:

“In the contracts with the two manufacturers of the chipsets used in the challenged mobile devices, the plaintiff [had] agreed not to sue the chipset manufacturers until after all third parties who might be sued for infringing acts.”³

The Court of Appeal had now ruled that no exhaustion could result from this - because already from a normal “covenant not to sue”, no exhaustion would result and thus from a “covenant to be sued last”, which is more limited in comparison, even less.

In Our Own Affairs

For the 15th time, our office is offering two free two-day preparatory courses for the C and D parts of the European Qualifying Examination (EQE) in 2023. The courses will take place on Monday/Tuesday, November 20/21, and Saturday/Sunday, December 9/10, 2023. Both courses are identical in content, so attendance at one course is sufficient.

The course content is mainly focused on appropriate exam techniques as well as strategies to avoid mistakes in order to successfully approach the C and D part of the EQE exam with these skills. It has been our experience that well-prepared exam materials significantly increase the chances of success. Therefore, we want to provide the participants with the necessary methodological knowledge in this course. In this respect, the course is to be understood as a supplement to the participants' own preparation of the legal fundamentals of the EPC. Instead, participants will learn how to convert their technical knowledge of the EPC into as many points as possible for passing the C and D parts of the EQE examination. The courses take place in Düsseldorf at our premises in Kaistraße 16A and are free of charge. Speakers of the course are Dr. Torsten Exner, Dipl.-Ing. Andreas Gröschel and Prof. Dr. Aloys Hüttermann.

Registration is now possible (please state your full name and employer) at eqe@mhpatent.de.

¹ BGH, Decision of 24. January 2023 - X ZR 123/2 – CQJ-Bericht II

II

² Para 29 of the decision

³ Para 10 of the decision

The Federal Court of Justice disagreed with this at least in part, namely to the extent that a general “covenant not to sue” would result in exhaustion:

“According to the established case law of the Federal Court of Justice, the exclusive right under a product patent is exhausted with respect to such copies of the protected product as have been put on the market by the patentee or, with his consent, by a third party. The lawful acquirers as well as subsequent third party acquirers are authorized to use these products as intended, to sell them to third parties or to offer them to third parties for one of these purposes [...].

If the patent proprietor has exercised the powers associated with the exclusive right by placing the patented object on the market by himself or with his consent by a third party, there is no longer any reason according to the meaning and purpose of the patent law to give him any further possibilities of influencing the further fate of the protected object. To dispose of this object is now a matter for the acquirer who has lawfully acquired the object in relation to the patentee.”⁴

Whether this also affects third parties is, however, a matter for the relevant contract and must be examined in detail - but in the case of a normal “covenant not to sue”, this is to be assumed:

“A contract in which the patentee declares not to assert any rights under the patent but expressly reserves the right to assert such rights may, however, be interpreted in individual cases to the effect that the patentee precisely does not want to give up his rights [vis-à-vis third parties].

In view of the significance of its effect, the consent must be expressed in a manner that indicates with certainty a will to relinquish the right to prohibit third parties from making use of the technical teaching of the patent [...]. A non-intervention against patent infringing acts or their mere tacit acquiescence is not sufficient [...] Therefore, it must always be carefully examined whether an agreement contains such consent. This is a question of interpretation of the contract, which is basically incumbent on the judge of fact.

However, if an agreement makes it sufficiently clear that the patent proprietor undertakes not to raise any objections based on the patent against the marketing of products by his contracting party, this is usually sufficient to affirm a consent leading to exhaustion. According to the understanding of the Senate, a declaration of this content is typically associated with a covenant not to sue. A reservation of rights to third parties is then merely an ineffectual attempt to limit the scope of exhaustion.”⁵

In the present case, the relevant contract was not available, but according to reports it did not contain a general “covenant not to sue”, but as mentioned a “covenant to be sued last”.

Whether this now also led to exhaustion was left open by the Federal Supreme Court, which merely stated:

“For the question of whether a covenant to be sued last leads to exhaustion, it is of particular importance whether the contracting party must fear, in the



⁴ Paras 44 and 45 of the decision

⁵ Paras 53 to 55 of the decision

course that is usually to be expected, that a claim will be made against it by the patent proprietor for infringement of the patent.”⁶

On the merits, it remanded the dispute back to the Court of Appeals, specifically to consider the contract between the plaintiff and the chipmakers.

“Covenants to be sued last” are not uncommon contractual elements, especially in the mobile phone and telecommunications sector, and accordingly this decision and the further course of the proceedings, which could well lead to a second referral to the Federal Court of Justice, are of eminent importance.

If, in the end, exhaustion is ruled in this case, we believe that this would speak in favor of not “opting out” or “opting in” the corresponding patents again, in order to then try to convince the Unified Patent Court of a contrary legal opinion.

BGH on recoverable costs “Kosten des Patentanwalts VII” - also discussion of ECJ C-531/20 “Nova-Text”

In the recently published decision [„Kosten des Patentanwalts VII”⁷](#) (Patent Attorney’s Costs VII), the German Federal Supreme Court once again ruled on the law on costs in trademark cases, but due to a previous referral to the European Court of Justice, this case has concrete significance far beyond the individual case and also beyond trademark law.

In the specific case, the plaintiff had brought its EU trademarks against the defendant, whereby legal proceedings had been terminated by court settlement - the subject of the dispute was solely the costs, which were to be borne by the defendant.

In the proceedings, the plaintiff had *“indicated the participation of a patent attorney and in the proceedings for the determination of costs had assured by a lawyer that the patent attorney had actually participated in the proceedings. Every pleading filed with the court had been coordinated with the patent attorney. The patent attorney had also participated in the settlement negotiations in this way, even though the telephone calls had been made solely between [said] parties’ lawyer.”*⁸

The defendant, however, refused to bear the costs of this patent attorney, despite the explicitly different (at that time) wording of Sec. 140 (3) German Trademark Act. In the end, the matter was referred to the ECJ with the following question:

“Are Article 3(1) and Article 14 of Directive [2004/48] to be interpreted as precluding national legislation imposing an obligation on the unsuccessful



⁶ Headnote c) of the decision

⁷ BGH, Decision of 13. October 2022 - I ZB 59/19 – Kosten des Patentanwalts VII

⁸ Para 2 of the decision I ZB 59/19

party to reimburse the costs incurred by the successful party for assistance by a patent lawyer in proceedings brought under trade mark law, whether or not the patent lawyer's assistance was necessary for the purpose of appropriate legal action?

The ECJ⁹ answered this in the [affirmative](#), stating in particular:

"In the light of the foregoing, first [...] the automatic application of a national provision such as that at issue in the main proceedings may, in certain cases, result in a breach of the general obligation laid down in Article 3(1) of Directive 2004/48, under which, in particular, the procedures put in place by the Member States must not be unnecessarily costly.

Secondly, such an application of a provision of that kind is likely to deter a holder of presumed rights from bringing legal proceedings seeking to ensure that their rights are respected by fear of having to bear, if unsuccessful, relatively high legal costs, contrary to the objective of Directive 2004/48, which is to ensure, in particular, a high level of protection of intellectual property in the internal market.

Thirdly, as the Advocate General also observed, in essence, in point 49 of his Opinion, the unconditional and automatic inclusion of costs by means of a declaration on honour by a representative of a party to the legal action, without those costs being open to assessment by the national court as to their reasonableness and proportionality in relation to the dispute in question, could open the way for misuse of such a provision in breach of the general obligation provided for in Article 3(2) of Directive 2004/48."¹⁰

Now that the matter had gone back to the Federal Court of Justice, the latter in turn referred the matter back to the Court of Appeal, but stated:

"Accordingly, the previously accepted view that the costs of the assistance of a patent attorney under Sec. 140 (3) Trademark Act are recoverable without an examination of necessity cannot be adhered to. Rather, Art. 3 and Art. 14 of Directive 2004/48/EC require an interpretation of this provision in conformity with the Directive to the effect that only the costs of a necessary patent attorney's assistance are recoverable."¹¹

It is now the task of the court of appeal to examine this necessity.

In view of the fact that the original amount in dispute had been set at (only) 50,000€, the length of the proceedings and the vehemence with which the then comparatively low reimbursement of costs of the cooperating patent attorney is disputed is somewhat surprising.

This case, as well as the somewhat earlier case C-57/15 "[United Video Properties](#)"¹², gains importance in view of the fact that both times the ECJ was involved and thus the findings made, namely that the reimbursable costs must always be examined by the respective court as to their necessity, apply in the entire European industrial property protection and in particular also before the Unified Patent Court. Therefore, we are of the opinion that the first cost assessment decisions of the Unified Patent Court will at least be appealed, if not in the end also lead to a renewed referral to the ECJ.

⁹ ECJ, Decision of 28 April 2022, C-531/20

¹⁰ Paras 52-54 of the decision C-531/20

¹¹ Para 19 of the decision I ZB 59/19

¹² Decision of 26 July 2016, C-57/75

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