Case note: Düsseldorf Court of Appeals – “Servicemodul” (Decision of 18.01.2021 – 2 W 24/20)

26. April 2021

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> With the decision “Servicemodul” of 18 January 2021 (*GRUR-RR 2021, 97*) the Court of Appeal Düsseldorf continues its case law in connection with the inspection proceedings in patent infringement cases. The decision creates a further building block on procedural measures. At the same time, it provides the parties with valuable instructions regarding litigation and the submission of “excessive information”.



The Düsseldof Court of Appeals

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1. The facts of the case correspond to typical inspection proceedings according

to the “Düsseldorfer Verfahren”. The applicant (patent owner) filed an application against the respondent for independent proceedings for the taking of evidence in order to obtain a written expert opinion. The District Court granted this request and issued an order appointing a court expert and instructing that the expert opinion be obtained in the usual manner. At the same time, the order obliged the respondent, among other things, to hand over certain documents relating to service modules. Also in the usual manner, the District Court obliged the legal representatives of the applicant, i.e. the attorney-at-law as representative and the collaborating patent attorney, to keep confidential all facts that come to their knowledge in the course of the independent proceedings for the taking of evidence and that concern the business operations of the respondent. This also included the obligation to keep the information secret from the applicant and his employees.

The applicant then requested that the expert opinion be handed over to him personally. In an appeal decision the Court of Appeal Düsseldorf ordered this disclosure in the form of a partially blackened version of the expert opinion and certain annexes. To this extent, the legal representatives were released from their confidentiality obligation.

In the course of the dispute about the disclosure of the expert opinion, the respondent made submissions in a writ which referred to confidentiality measures taken in his company. This additional information was of importance to the applicant because the respondent, as plaintiff in the parallel nullity proceedings against the inspection patent, claimed two prior public uses of his own which were to have been presented to an unrestricted public audience without any confidentiality agreement.

The applicant then requested a declaration from the court that the relevant statements made by the respondent in the writ were not covered by the attorney’s confidentiality obligation pursuant to the inspection order. This request was rejected by the District Court. The applicant continued to pursue his application by way of immediate appeal. In addition, in the alternative, he filed an auxiliary request that the aforementioned excerpt from the writ be disclosed and that the confidentiality obligation of the applicant’s attorney-at-law be lifted in this respect.

2. The District Court did not grant the immediate appeal and also rejected the

auxiliary claim. The matter was then brought before the Court of Appeal Düsseldorf. In the decision discussed here, the Court of Appeal Düsseldorf also dismissed the appeal on the main claim, but allowed it on the auxiliary claim.

The Court of Appeal first of all holds that the applicant has a concrete interest in clarifying the question of how far the scope of confidentiality extends. This is because the subject matter was the respondent's submission on confidentiality measures, which the applicant wanted to introduce in the parallel nullity proceedings. This also gives rise to the requisite interest in legal protection for the applicant. In addition, it must be taken into account that a breach of the confidentiality obligation may have consequences under criminal law, among other things. The Court of Appeal expressly points out that the attorney-at-law or patent attorney who is bound to confidentiality cannot be expected to risk a possible breach of the confidentiality obligation instead of this clarification and to obtain clarity about its scope only afterwards in possible criminal proceedings.

However, the applicant's request for a declaratory judgment was unfounded. The confidentiality obligation arising from the inspection order of the District Court also includes, in addition to the inspection and the expert opinion, writs of the parties which are exchanged in the independent proceedings for the taking of evidence. This applies irrespective of whether they are preparatory writs for the preparation of the expert opinion or writs which only concern the dispute of the parties about the disclosure of the prepared expert opinion. Insofar as facts are also contained therein which relate to the business operations of the respondent, the comprehensively ordered confidentiality obligation shall apply thereto. It is also irrelevant that the writs contain facts which are not directly related to the inspection (so-called "excessive information"). In this respect, the independent proceedings for the taking of evidence is not limited to the inspection itself, but ends in principle only with the decision on the disclosure of the expert opinion.

The legal basis for the confidentiality obligation lies in sec. 140c (3) sentence 2 Patent Act. Accordingly, the court shall take the necessary measures to ensure the protection of confidential information. The Court of Appeal expressly states that the extension of the confidentiality obligation to the writs in independent proceedings for the taking of evidence is in line with the objective of this standard. In order to enable the parties to have a comprehensive discussion on the disclosure of the expert opinion, a broad confidentiality obligation is also re-

quired with regard to those writs in which the parties, and in particular the respondent, make submissions on the facts in the expert opinion that are subject to confidentiality. A limitation of the confidentiality obligation and an exception for such writs would unreasonably limit the respondent in his possibilities to argue for the maintenance of the confidentiality obligation.

In addition, the broad confidentiality obligation avoids difficulties of delimitation as to which facts have become known as a result of the inspection or in direct connection with it and which information only represent such “excessive information” of the respondent.

3. This broad interpretation of the confidentiality obligation by the Court of Appeal is to be welcomed. It ensures the respondent’s protection of secrets to the necessary extent and, on the other hand, does not unreasonably disadvantage the applicant. The inspection strongly interferes with the sphere and rights of the respondent. These interferences are to be limited to the absolutely necessary extent. This is served by taking into account the legitimate confidentiality interests of the respondent in the inspection proceedings. On the other hand, the inspection proceedings contribute to an effective enforcement of the patent rights. The inspection procedure constitutes an effective means, the application of which is required by the Enforcement Directive. In this respect, the interests of the applicant in disclosure of the information found during the inspection must also be taken into account. The interests of the parties are in principle in tension with each other. The inspection proceedings and the order of the corresponding measures resolve this tension. The broad scope of the confidentiality obligation ordered by the court thereby creates the necessary legal certainty for both parties and avoids discussions about the scope of this order.

However, the Court of Appeal does not leave the applicant helpless and at a loss. In the specific case, it allowed the appeal on the basis of the auxiliary claim. From a procedural point of view, it is significant that the court emphasizes the possibility of adjusting or revoking ordered confidentiality obligations in the same way as it does for the release of the expert opinion itself. The legal basis here is also sec. 140c Patent Act. This provision covers the order as a whole and applies to all facts that were presented in the independent proceedings for the taking of evidence and are covered by the confidentiality obligation. The Court of Appeal rightly points out that otherwise, without such a release option, the discussion about the release of the expert opinion would take place in

unalterable secret proceedings, at least with regard to the excessive information, without the reasons for confidentiality being able to be reviewed.

4. For the Court of Appeal, the reason for the disclosure of the relevant passage of the writ in the specific case was primarily that the respondent himself had voluntarily submitted facts that were not directly related to the subject matter of the inspection. It is true that the Court of Appeal adheres to the principle that when deciding on the disclosure of an expert opinion in the inspection proceedings, such details are not disclosed that lie outside the evidence order. However, this principle is subject to an exception in situations in which – as in this case – the respondent himself establishes a connection to the inspection through his submissions in the inspection proceedings. In this case, disclosure may be justified unless the respondent nevertheless has overriding interests in confidentiality. The respondent is then required to substantiate the facts and bears the burden of proof.

This applies in particular if the excessive information is relevant for parallel nullity proceedings. In this context, no stricter disclosure standard may apply to information voluntarily submitted than to information introduced into the proceedings on the basis of the inspection ordered and enforced by the court.

In this context, the Court of Appeal also emphasizes that German procedural law does not recognize any secret proceedings without a reason. The confidentiality obligation under sec. 140c Patent Act is ordered due to the specific characteristics of the inspection which require protection of the respondent in the inspection proceedings. His interests in confidentiality must reach such a weight that the interests of the owner of the property right in a disclosure of the inspection result stand back.

In the matter decided by the Court of Appeal, the court could not find any overriding confidentiality interests of the respondent. On the other hand, there was the legitimate and understandable interest of the applicant to introduce the respondent’s submission into the parallel nullity proceedings against the inspection patent, since the submission concerned alleged confidentiality measures from the respondent’s company which contradicted the allegedly public prior uses submitted in the nullity proceedings.

5. The decision of the Court of Appeal is also to be agreed with regard to the granting of the auxiliary claim. It is correct that the confidentiality obligations

for the protection of the respondent can only extend as far as this is justified by his legitimate interests. This is to be determined according to an objective standard in consideration of the mutual interests of the parties.

As in other civil proceedings, this is based on the submissions of both parties. However, the submission of the respondent naturally carries the greater weight. This is because the respondent is the party who can prevent the disclosure that is to be ordered in principle by presenting (and, if necessary, proving) the case. It is therefore in his hands to present his confidentiality interests to the conviction of the court.

However, the entire submission must be taken into account. This applies in particular to the “excessive information” referred to in the decision. According to the facts to be gathered from the decision, the submission of the respondent seems to have contained information that was not readily related to the inspection and was therefore “excessive”. It was only through the parallel submission in the nullity proceedings that this excessive information acquired a special significance, which in turn had an effect on the inspection proceedings. The Court of Appeal correctly included the submission in the nullity proceedings. The confidentiality interests can only be assessed on the basis of an overall weighing of the conduct of the parties and in particular of the respondent.

At the same time, this decision shows how carefully the parties must prepare and coordinate their submissions. The parallelism of nullity and infringement proceedings (or preparatory inspection proceedings) must not tempt the parties to lose sight of the interlocking of the two proceedings when making their submissions in one of the proceedings. The consequences can be seen in the decision of the Court of Appeal discussed here. This concerns above all the well-intentioned presentation of excessive information. What may seem helpful in one of proceedings may turn out to be disadvantageous or even wrong in the other proceedings. In particular, the parties must consider whether such information in the submission is really necessary to justify the confidentiality interests. This of course applies equally to both parties.

This is in no way intended to suggest an attempt to make the submission deliberately untruthful or incomplete. The procedural obligation to tell the truth must of course be observed without question. Nevertheless, not enough care can be taken in the selection of that information which the party additionally wishes to communicate to the court in support of its position. The yardstick must always

be the extent to which this information is actually helpful and indispensable. As always, less is often more.

6. In this context, another aspect should be mentioned. With the intended further modernization of the Patent Act, the introduction of a new sec. 145a Draft Patent Act is planned. This provision is intended to apply secs. 16 – 20 of the German Law on the Protection of Trade Secrets to patent law proceedings. The aforementioned provisions concern the preservation of confidentiality of trade secrets in court proceedings. Here, accompanying procedural measures prevent the trade secret that is actually to be protected from being disclosed to the public by the proceedings. Accordingly, at the request of a party, the court may classify disputed information as confidential in whole or in part (sec. 16 (1) German Law on the Protection of Trade Secrets). In addition, the court may restrict access to this information to certain groups of persons (sec. 19 German Law on the Protection of Trade Secrets). The procedural requirements are set out in sec. 20 German Law on the Protection of Trade Secrets.

The new provision of sec. 145a Draft Patent Act will further advance the protection of secrets and provide additional security to the parties. The legislator thus recognizes that in patent litigation and compulsory licensing proceedings, too, the parties' interests in the protection of secrets may be affected and may form a conflict of interests in the court proceedings. Here, too, the difficulty arises of having to resort to confidential information in the parties' submissions on the one hand and preventing its disclosure to the public on the other. The consequence of the corresponding application of the provisions of the German Law on the Protection of Trade Secrets will be, in particular, that protected information must be treated as confidential by the parties to the proceedings and may not, in principle, be used or disclosed outside of court proceedings (cf. official statement for the justification of the law, pp. 34, 64 f.).

However, according to the proposed wording of sec. 145a Draft Patent Act, independent proceedings for the taking of evidence are expressly excluded from this application. The statement for the justification of the law expressly refers to the so-called "Düsseldorf Verfahren" and explains that these proceedings remain unaffected by the proposed application of the aforementioned provisions on the protection of trade secrets in patent litigation. The reason for this exception is to avoid a collision of different regulations and to allow the "Düsseldorf Verfahren" to continue as a preceding procedure in infringement proceedings with

reference to patent law. There is no doubt that the interests involved in the inspection proceedings are comparable to those involved in the subsequent main proceedings. However, case law has largely created sufficient standards for the inspection proceedings and formulated guidelines which take the mutual interests of the parties into account appropriately and bring them to a balance. The decision of the Court of Appeal Düsseldorf discussed here is another striking example of this.

The express exception of independent proceedings for the taking of evidence from the new provision of sec. 145a Draft Patent Act thus leaves the court with the appropriate flexibility to be able to deal with the particularities of the respective proceedings. The official statement for the justification of the law correctly points out that the "Düsseldorf Verfahren" is a combination of independent proceedings for the taking of evidence and a preliminary injunction to tolerate the inspection of an object by the court expert (cf. official statement for the justification of the law, p. 65). There is no reason to fear that the exception in sec. 145a Draft Patent Act will result in a reduction of the protection of trade secrets in inspection proceedings. Nor will a patent owner be able to use the independent proceedings for the taking of evidence to obtain trade secrets of the respondent by circumventing the provisions of the German Law on the Protection of Trade Secrets.

For other patent litigation, the addition of sec. 145a Draft Patent Act is certainly to be welcomed. There is a practical need for this not only in FRAND proceedings. The newly created provision will clarify and expand the procedural framework for this.