GERMANY

Ruling on indirect patent infringement

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German Patent Law prohibits not only direct use of a patented invention, but also indirect use by delivery or offering for sale means relating to a substantial element of the invention, provided that the person making the delivery or offer knows, or it is obvious, that these means are both suitable and intended for use in practising the patented invention. This also applies to deliveries or offers imported to a customer in Germany.

On the face of it, an overseas company A can circumvent this provision by selling the means to another overseas company B, which in turn re-sells the means to customers in Germany for use in practising the invention. A gives B a product comprising these means, takes money from B and then washes its hands of what B does with the product. According to a recent ruling by the Federal Court of Justice (Bundesgerichtshof, "Audiosignalcodierung", X ZR 69/13), A is asking for trouble.

In the case in suit, the patent claimed a method for encoding and decoding digital audio. The contested deliveries concerned hardware that merely demodulates the digital audio from a carrier frequency on which the audio broadcast was received, and interfaces with a computer so that the audio can be subsequently decoded there using separate software.

Company A sold such hardware to company B, knowing and condoning that company B would re-sell it to customers in Germany. On A's website, B's customers in Germany were even named as A's distributors for Europe. The Court held that by delivering the hardware to B in this context, A had knowingly and wilfully participated in deliveries that ended up in Germany. Since the court deemed the requirement that the hardware related to a substantial element of the decoding method was met, it ruled that A was liable for patent infringement by indirect use. The court emphasised that failing to adequately prevent patent-infringing actions by a third party may constitute negligent patent infringement.