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## European Union

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### A. EU LAW FRAMEWORK

#### 1. Overview

The regulation of patent enforcement in Europe is characterized by the typical multi-layered EU law system of primary EU law, secondary EU law, i.e. unification and harmonization of member states' laws by way of regulations and directives, and member states' laws which in particular implement the EU directives into national law.<sup>1</sup> Primary EU law, insofar as it is similar to written constitutional law, establishes the competence and baseline for all EU legal actions. Secondary legislation is based on the competences of the EU established in primary law and unifies certain areas of law (by way of directly applicable unitary regulations) or harmonizes member states' laws by way of directives that are not directly applicable but addressed to the member states and that typically leave the member states certain leeway for manoeuvre when they implement such directives in their national law systems. Both EU primary and secondary legislation take primacy over national law; this so-called principle of primacy of EU law has been developed by the Court of Justice of the European Union (CJEU) in its case law<sup>2</sup> and is meanwhile also laid down in a declaration concerning primacy,<sup>3</sup> which is part of the Treaty of Lisbon.<sup>4</sup>

Primary law consists, first, of the Charter of Fundamental Rights of the European Union (CFR) which is an integral part of primary law according to Art. 6(1) of the Treaty on European Union (TEU). Secondly, the competences and structure of the

<sup>1</sup> See for a general overview of the EU legal system Chalmers et al. 2019, 113 et seq.; Furlong & Doe 2006, 137.

<sup>2</sup> *Costa v. ENEL* (CJEU 1964, 1268 et seq.); *Amministrazione delle Finanze v. Simmenthal* (CJEU 1978, paras. 17 et seq.); *Marleasing* (CJEU 1990, paras. 8 et seq.).

<sup>3</sup> See declaration 17 *Annexes Consolidated EU Treaties*.

<sup>4</sup> Art. 51 TEU.

EU as well as the establishment of the unitary market through the fundamental freedoms are laid down in the EU Treaties, i.e. the Treaty on the Functioning of the European Union (TFEU) and the TEU. Thirdly, certain so-called general principles of EU law have been developed by the CJEU mainly on the basis of the comparative law method, the principle of proportionality<sup>5</sup> as well as the principle of good faith.<sup>6</sup>

While directly applicable regulations do not play an important role for patent enforcement in the EU,<sup>7</sup> the ground rules for enforcement of intellectual property (IP) rights in Europe are laid down in the Enforcement Directive. The Directive harmonizes enforcement of intellectual property rights in member states' laws following a principle of so-called minimum harmonization.<sup>8</sup> Consequently, generally the Enforcement Directive establishes only minimum standards for enforcement and leaves certain leeway for implementation by the member states in their respective national laws. Nonetheless, certain principles and elements of the Directive also establish ceiling standards or conclusive mechanisms and will have to be interpreted in an autonomous unitary way throughout the European Union.<sup>9</sup> In general, the Directive has to be interpreted in conformity with primary EU law, i.e. interpretation in conformity with the CFR's fundamental rights as well as with the fundamental freedoms; establishing the unitary market according to the TFEU is an important method for the construction of the Enforcement Directive's provisions.

Further, the E-Commerce Directive provides for additional sector-specific rules in regulating certain aspects of online services. As this practically relates mainly to internet providers, it has hitherto not played a central role in patent enforcement cases. However, in EU law patent remedies can be neither understood nor interpreted as isolated rules because on principle the Enforcement Directive applies equally to copyright, trademark and patent law injunctions. It will be shown below<sup>10</sup> that the overall context of constitutional and primary law rights and principles as well as the relationship to other areas of IP law provide for a multifactorial normative methodology and framework guiding the application of injunctive relief in the CJEU's case law where principles from neighbouring areas of law can also instruct the area of patent injunctions in the framework of the method of contextual interpretation. For this reason, the CJEU's case law on the E-Commerce

<sup>5</sup> See for cases on copyright law decided by the CJEU *Promusicae v. Telefónica* (CJEU 2008, para. 70); *LSG v. Telez* (CJEU 2009, para. 28).

<sup>6</sup> The principle of proportionality is meanwhile expressly laid down in Art. 5(4) TEU.

<sup>7</sup> Except of course concerning international jurisdiction (which is uniformly regulated in the *Brussels Ia Regulation* (2012)) and choice of law (which is uniformly regulated in the *Rome II Regulation* (2007)).

<sup>8</sup> Cf. on minimum and maximum harmonization through directives in *Summary of Article 288 TFEU*.

<sup>9</sup> See Section A.4.

<sup>10</sup> See Section A.5.

Directive is relevant for patent enforcement as well because it has established certain methodological approaches and fundamental principles (in particular on the necessary balancing of fundamental rights) which are not only relevant in internet copyright and trademark infringement cases, but are of a more general nature for IP enforcement in the EU.

In addition, of course, the TRIPS Agreement<sup>11</sup> has to be taken into account. It lays down international law standards for the protection of intellectual property rights. As for the Enforcement Directive, it was the clear intention of the European legislator to fulfil the obligations of the TRIPS Agreement imposed on the EU as a contracting party when enacting the Directive.<sup>12</sup> Nonetheless, in certain respects the guarantees in the Enforcement Directive also go beyond the requirements of the third part of the TRIPS Agreement (Arts. 41–50 TRIPS).<sup>13</sup>

## 2. EU Legal Framework for Patent Injunctions, in Particular Art. 11 of the Enforcement Directive

The Enforcement Directive is the centrepiece of EU law in the area of patent enforcement and intellectual property rights enforcement in general (with the exception of trade secrets<sup>14</sup>). The adoption of the Enforcement Directive in 2004 should implement the third chapter of the TRIPS Agreement in European law and provide for a minimum standard of “measures, procedure and remedies” for the infringement of intellectual property rights.<sup>15</sup> The explicit objective of the Enforcement Directive is to approximate the previously divergent<sup>16</sup> national legal systems in order to ensure high, equivalent and homogenous protection in the internal market.<sup>17</sup> In that regard, the adoption of the Enforcement Directive was clearly influenced by a general tendency in the 1990s to expand intellectual property protection and by the massive increase of product piracy and counterfeiting which benefited from technological progress and the globalization of trade.<sup>18</sup>

<sup>11</sup> TRIPS (1994); see Chapter 2 for further discussion on TRIPS.

<sup>12</sup> *Bericař Záróddástechnikai Bt. v. Plastimova* (CJEU 2012, paras. 72 et seq.).

<sup>13</sup> Cf. in more detail Heinze 2012, 932 with examples. See Chapter 2 (TRIPS) for discussion on the WTO.

<sup>14</sup> The enforcement of trade secrets is governed by Art. 6 et seq. *Trade Secrets Directive* (2016) which establishes a modern approach to enforcement measures including numerous open standards, defences and further flexible elements to curtail overly broad injunctions.

<sup>15</sup> See Art. 2(1) of the Enforcement Directive; Heinze 2012, 930; for a detailed history of the origins of the Enforcement Directive see Petillion et al. 2019, 4 et seq. with further references.

<sup>16</sup> Despite the various enforcement provisions in the TRIPS Agreement, there were considerable discrepancies in national legislation which caused uncertainty and a difference in enforcement levels between the EU member states, see Petillion et al. 2019, vii et seq.

<sup>17</sup> See Recitals 7–10 of the Enforcement Directive. See on the implementation of the Enforcement Directive in the member states, Petillion et al. 2019, 12 et seq. with further references.

<sup>18</sup> See Heinze 2012, 931 with further references.

According to the general standard of Art. 3 of the Enforcement Directive, the measures must be effective, proportionate and dissuasive<sup>19</sup> to ensure the enforcement of intellectual property rights. The Enforcement Directive does not contain any further substantive or procedural provisions about the specific design of injunctive relief. On the contrary, it expressly leaves the exact conditions and procedures to the member states.<sup>20</sup>

The Enforcement Directive's Art. 11 provides for an obligation on the EU member states to ensure that judicial authorities may issue an injunction against the infringer of an intellectual property right aimed at prohibiting the continuation of the infringement. The member states are also obliged to provide for the possibility of interlocutory (i.e. preliminary) injunctions against the alleged infringer in order to prevent any imminent infringement according to Art. 9(1) of the Enforcement Directive. Art. 11 of the Enforcement Directive provides for injunctions against so-called intermediaries (i.e. any secondary infringers and further accountable but not liable persons contributing to the infringement). Concerning this liability of intermediaries, Recital 23 of the Enforcement Directive expressly leaves the design of the conditions and procedures relating to such injunctions against intermediaries to the member states.

EU law does not specifically provide for automated compliance fines in the initial grant of an injunction. Sentence 2 in Art. 11 of the Enforcement Directive stipulates though that where provided by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment.

### 3. Basic Principles of Construction of Art. 11 of the Enforcement Directive

In line with the general method of minimum harmonization, the wording of Art. 11 of the Enforcement Directive only requires member states to foresee injunctions aimed at prohibiting the continuation of the infringement on principle. Further details of injunctive relief are not specified in the provision.

Consequently, the text of the Enforcement Directive does not contain an express or implied obligation that injunctive relief is mandatory in all cases of infringement.<sup>21</sup> The wording of Art. 11 of the Enforcement Directive ("may") is not conclusive in that regard. Against this background, on the one hand, the principles of purposive construction and *effet utile* in EU law<sup>22</sup> require that the Directive is

<sup>19</sup> This element reflects the requirement of deterrent measures in Art. 41 TRIPS in a more general form.

<sup>20</sup> See Recital 23 Enforcement Directive.

<sup>21</sup> Von Mühlendahl 2007, 377.

<sup>22</sup> The principle of "effet utile" is a rule of interpretation according to which all member states are obliged to interpret EU law in such a way as to ensure its practical effectiveness; see for example *Zuckerfabrik Suederdithmarschen* (CJEU 1991, paras. 15 et seq.). The "principle of effet utile" follows directly from the primacy of EU law over the national law of the member states; see on primacy of EU law Section A.1.

interpreted in a way which allows states to reach the harmonization goal and to ensure the practical effectiveness of the Directive. On the other hand, as for possible discretion of the court, it has to be taken into account that the principle of proportionality (which is a so-called general principle of EU law)<sup>23</sup> would be undermined if Art. 11 of the Enforcement Directive were interpreted to force the courts in all member states to grant final injunctions even in cases of evident disproportionality.<sup>24</sup>

Further, as a harmonizing measure the Directive also has to be construed in light of the comparative law method taking into account that the EU consists of member states that follow the common law tradition as well as civil law member states. In the common law system, injunctive relief is an equitable remedy. At least in principle, therefore, it is only subordinately available. To be sure, in practice injunctive relief is awarded on a regular basis in terms of patent infringement in common law jurisdictions.<sup>25</sup> Nonetheless, against this background, a strict approach obliging courts to grant injunctions in every case of infringement without any flexibilities would hardly be compatible with the flexible nature of equity.<sup>26</sup> By contrast, in civil law systems injunctive relief is the basic remedy for IP infringement and will automatically be granted in normal cases.<sup>27</sup>

Against the background of these differences in national law, the wording as well as the contextual interpretation of the Directive (which is more specific in other sectors) allow for the assumption that the Directive only requires that national courts have the authority to grant injunctive relief, while the specific conditions for granting it are not fully harmonized. With that in mind, a necessarily EU-wide, autonomous approach, taking into account the principle of *effet utile*<sup>28</sup> as well as a basic comparative law understanding, seems to lead to the conclusion that in atypical cases, the courts may refuse to grant injunctive relief due to considerations of proportionality, whereas in typical infringement cases it should be available due to Art. 11 of the Enforcement Directive.<sup>29</sup>

#### 4. Considerations of Proportionality

The legal concept of proportionality is recognized as a general principle of EU law.<sup>30</sup> More specifically, according to Art. 3(2) of the Enforcement Directive, in the realm of enforcement of intellectual property rights, all measures provided by the

<sup>23</sup> See Section A.4.

<sup>24</sup> Ohly 2009, 265.

<sup>25</sup> Heath & Cotter 2015, 31 et seq. Cf. also Chapters 5 (Canada), 13 (United Kingdom) and 14 (United States).

<sup>26</sup> Ohly 2009, 264 et seq.

<sup>27</sup> For a comparative overview see Heath & Cotter 2015, 31 et seq.

<sup>28</sup> See on “*effet utile*” above in footnote 22.

<sup>29</sup> Ohly 2009, 266 et seq.

<sup>30</sup> See Art. 5(4) TEU.

member states shall be effective, proportionate and dissuasive. Hence, as a general mandatory obligation for the implementation of the Enforcement Directive, the principle of proportionality should not only be considered by the member states when implementing the Directive but also in regard to the specification of injunctive relief granted by the member states' courts.<sup>31</sup> It has been argued that the character of the Directive as an instrument of minimum harmonization excludes this construction of the principle of proportionality as a maximum (ceiling) of possible enforcement measures in national law which fall into the scope of harmonization of the Directive.<sup>32</sup> However, in a number of cases the CJEU – which typically emphasizes the goal of effective harmonization – has expressly used the principle of proportionality under the Enforcement Directive as a ceiling and limitation on possible enforcement measures granted to the rightsholder under national law of the member states.<sup>33</sup> Also, the prevailing opinion in literature<sup>34</sup> and member states' case law<sup>35</sup> follows this approach, albeit with considerable differences concerning the details.

Recital 17 of the Enforcement Directive specifies that the measures should take into account the specific characteristics of the case, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement. Against the backdrop of the broad impact an injunction may have on business, consumers and the public interest, the European Commission emphasizes that the proportionality assessment by judicial authorities needs to be done carefully on a case-by-case basis when considering the grant of measures, procedures and remedies provided for in the Enforcement Directive.<sup>36</sup> This shows the Commission's general acceptance of and even requirement for an individual case-by-case approach, taking into account proportionality considerations.<sup>37</sup>

Respective national provisions which implement the Enforcement Directive into the different member states' laws have to be construed in conformity with the Directive. Therefore, more recent case law of different member states' courts on injunctions and proportionality is also of indirect relevance to the question of whether Art. 3 of the Enforcement Directive must be considered mandatorily in the construction of provisions of national law which fall into the scope of application

<sup>31</sup> See O'Sullivan 2019, 543 et seq.; but see Stierle 2019, 877; Stierle 2018, 304 et seq.; Marfé et al. 2015, 181.

<sup>32</sup> But see Stierle 2019, 877; Stierle 2018, 304 et seq.; Marfé et al. 2015, 181.

<sup>33</sup> *L'Oréal v. eBay* (CJEU 2009, paras. 139 et seq.); *Tommy Hilfiger v. Delta Center* (CJEU 2015, paras. 34 et seq.) (both cases concerning injunctions against intermediaries in trademark law); *Stowarzyszenie* (CJEU 2017, para. 31).

<sup>34</sup> See Husovec 2013, para. 8; Ohly 2008, 796 et seq.; O'Sullivan 2019, 543 et seq.

<sup>35</sup> See for a couple of illustrative examples in the following text and more comprehensively in the respective chapters on national law.

<sup>36</sup> *Guidance on Enforcement Directive* (EC 2017, 9 et seq.); *EU Approach to SEPs* (EC 2017, 10).

<sup>37</sup> Osterrieth 2018, 990 et seq.

of the Enforcement Directive. In the English *Edwards Lifescience v. Boston Scientific Scimed* case,<sup>38</sup> Justice Richard Arnold pointed out that in accordance with Art. 3 of the Enforcement Directive the principle of proportionality *must* be considered. According to the judgment, proportionality is the *key consideration* in Art. 3 and sets the analytical framework for the consideration of all the other factors.<sup>39</sup> Consistently, on the facts of the case (which concerned the infringement of a patent on certain transcatheter heart valves) the High Court ordered a twelve-month stay of the granted injunction to allow for the necessary re-training of medical personnel to use non-infringing transcatheter heart valves.<sup>40</sup> In contrast, in parallel proceedings before the Regional Court of Düsseldorf on the same patent in the *Herzklappen* case,<sup>41</sup> the court denied such a delayed injunction and instead granted an immediate injunction despite reasonable public interests to the contrary. While this does not on principle exclude proportionality considerations in regard to the encroachment of an injunction on the defendant's rights and interests in certain exceptional cases in German law, it certainly shows the comparative reluctance of German practice to consider public interests in the framework of proportionality considerations concerning injunctions.<sup>42</sup>

In sum, under the Enforcement Directive according to the proportionality principle as well as the general prohibition of abuse of rights (as a general principle of European Union law which also expressly applies to the enforcement of intellectual property rights<sup>43</sup>), the denial or curtailing of injunctive relief is possible due to proportionality considerations and will even be required by the law in exceptional cases. According to the prohibition of abuse of rights, the enforcement of intellectual property claims has an abusive character if the economic loss on the infringer's side is entirely disproportionate to the economic potential to be realized by the patent holder.<sup>44</sup> This can in particular be applied to injunctive relief which practically leads to entire closure of manufacturing and thus to disproportionately substantial losses. The main factors to be balanced are the relative insignificance of the patented invention in relation to the whole product, the infringer's level of negligence as well as the question of whether the plaintiff exploits the patent without

<sup>38</sup> *Edwards Lifescience v. Boston Scientific Scimed* (EWHC 2018, 1256).

<sup>39</sup> *Id.*, paras 15 et seq.; see for further analysis Chapter 13 (United Kingdom).

<sup>40</sup> *Edwards Lifescience v. Boston Scientific Scimed* (EWHC 2018, 1256, paras. 64 et seq.).

<sup>41</sup> *Herzklappen* (LG Düsseldorf 2017).

<sup>42</sup> Recently proportionality considerations have been expressly established in sec. 139 para. 1 of the German Patent Act. See further Chapter 8 (Germany). Cf. also Section A.6.

<sup>43</sup> *Bayer v. Richter* (CJEU 2019, paras. 67 et seq.). The principle is expressly laid down as a limitation to enforcement measures in Art. 3 (2) of the Enforcement Directive and has been relied on by the CJEU as a maximum ceiling for admissible enforcement measures when these are so clearly disproportionate to the rights and interests of the claimant that their effect could constitute an abuse of rights; see *Stowarzyszenie* (CJEU 2017, para. 31).

<sup>44</sup> Cf. *Stowarzyszenie* (CJEU 2017, para. 31); *Ohly* 2008, 796; *Blok* 2016, 59 et seq.; for approaches in the United States to fight abusive court proceedings, in particular with means of fee-shifting, see, e.g., *Morton & Shapiro* 2016, 7 et seq.; *Voet* 2018, 15 et seq.

facilitating their own research or production activities.<sup>45</sup> In contrast to the idea of abuse of rights, the denial of injunctive relief due to proportionality considerations allows for a differentiation between injunctive relief and financial compensation and thus for a more flexible curtailing of injunctive relief as well as compensation in lieu of an injunction.<sup>46</sup> However, it has to be noted that any objections relating to proportionality considerations are limiting the effect of injunctive relief, thus partly depriving the intellectual property right of its essential function and curtailing *ex ante* incentives for inventive activity. Therefore, such objections need to be rigorously considered in each case individually, and generally be treated with caution.<sup>47</sup>

### 5. Considerations of Fundamental Rights

According to Recital 32, the Enforcement Directive respects the fundamental rights and observes the principles recognized in particular by the CFR. In consequence, according to the European Commission, the rules set out in the Directive must be interpreted and applied in a way that safeguards not only the intellectual property right pursuant to Art. 17(2) of the CFR but also fully considers and respects other conflicting fundamental rights of the infringer and/or third parties at issue.<sup>48</sup>

In practice, this means that in any enforcement case which is governed by the Enforcement Directive and/or other instruments of EU law (e.g., also the GDPR<sup>49</sup>) the relevant instrument of EU law will have to be interpreted in conformity with the CFR. Typically, when interpreting open standards laid down in EU regulations and directives a balancing of the fundamental rights and interests of the parties against each other will have to be carried out. In this regard, the basic methodological principles have hitherto mainly been developed by the CJEU in copyright and trademark cases. However, under the contextual method as it is applied by the CJEU it can safely be assumed that the same methodological approach would also apply to patent infringement cases under the Enforcement Directive.

The basic principles for balancing the fundamental rights and interests of the parties against each other in IP infringement cases have been established by the CJEU in the field of copyright law, inter alia in the *UPC Telekabel*<sup>50</sup> case on injunctions against intermediaries as well as in the older *Promusicae v. Telefónica* case,<sup>51</sup> the latter relating to the denial of a claim to information according to Art. 8 of the Enforcement Directive due to considerations in regard to the protection of

<sup>45</sup> Ohly 2008, 798.

<sup>46</sup> Id., 796. See also Section A.11.

<sup>47</sup> Id., 797.

<sup>48</sup> *Guidance on Enforcement Directive* (EC 2017, 10).

<sup>49</sup> *General Data Protection Regulation* (2016).

<sup>50</sup> *UPC Telekabel Wien* (CJEU 2014).

<sup>51</sup> *Promusicae v. Telefónica* (CJEU 2008).



personal data.<sup>52</sup> For the aforementioned reasons, the basic methodology developed in these cases clearly has an impact on the general question of how to consider and balance the fundamental rights of the parties when applying and specifying injunctions according to Art. 11 of the Enforcement Directive.

In the aforementioned judgments, the CJEU held that when enacting the measures implementing a European Union directive in national law, the authorities and courts of the member states must not only interpret their national law in a manner consistent with the directive but must also ensure that they do not rely on an interpretation of it which would be in conflict with fundamental rights of the concerned parties or with other general principles of EU law, such as the principle of proportionality.<sup>53</sup> Therefore, the CJEU requires that national courts take into account the requirements following from the protection of the applicable fundamental rights in accordance with Art. 51 of the CFR.<sup>54</sup> The involved fundamental rights will have to be fairly balanced against each other taking into account the principle of proportionality. In practice this means that neither of the parties must be deprived entirely of their fundamental rights and that any encroachment on the relevant fundamental rights of one party has to be justified as necessary and reasonable with regard to the protection of the relevant fundamental rights of the other party.

With regard to injunctions against intermediaries in the *UPC Telekabel* case, the CJEU sought to find a balance primarily between the protection of copyrights and related rights on the one hand, and the freedom to conduct business (of internet providers) as well as the freedom of information (of internet users) on the other.<sup>55</sup> When assessing the consistency of the injunction in question with EU law, the CJEU claimed that measures under the InfoSoc Directive's provisions on injunctions must be "strictly targeted"<sup>56</sup> and that the design of the injunction must not affect the very substance of the freedom at issue (i.e. the freedom of the internet provider on principle to conduct its legitimate business).<sup>57</sup>

<sup>52</sup> In particular Art. 7 CFR (respect for private and family life) and Art. 8 CFR (protection of personal data).

<sup>53</sup> *UPC Telekabel Wien* (CJEU 2014, para. 46); *Promusicae v. Telefónica* (CJEU 2008, para. 68).

<sup>54</sup> *Id.*, para. 45.

<sup>55</sup> *Id.*, para. 47.

<sup>56</sup> *Id.*, para. 56.

<sup>57</sup> *Id.*, para. 51. From the court's viewpoint an open-ended injunction, leaving the implementation of measures to block the accessibility of the site to the provider, was in line with that requirement since it left certain leeway for implementation to the provider. Admittedly, of course, in this case the concerned internet provider was not the primary infringer, but instead only liable as a secondary infringer (if at all); nonetheless, it can be assumed that the CJEU would apply the same basic approach if the legitimate commercial activities and interests of an infringer of an intellectual property right were concerned, although of course in such a case the outcome of the balancing procedure might be different and tend to be more favourable to the rightsholder.

The line of case law, started in the *Promusicae v. Telefónica* and *UPC Telekabel* judgments, was further strengthened and developed in subsequent decisions<sup>58</sup> and meanwhile gives consistent principled guidance on how to strike a fair balance between the different conflicting fundamental rights of the parties in IP enforcement cases. Essentially, in patent cases the right to protection of intellectual property (Art. 17 (2) of the CFR) will have to be balanced against the right to freedom to conduct a business (Art. 16 of the CFR) under the guiding principle of proportionality. This reasonable balancing of fundamental rights, which must not lead to an outcome where one of the parties is entirely deprived of their rights or freedoms, had to be carried out, first, by the member states when implementing the Enforcement Directive in their respective statutes. Secondly, the proportionate balancing of the rights to protection of intellectual property and freedom to conduct a business will also have to be taken into account by the member states' courts when applying these implementation provisions to the facts of a given case. The latest relevant judgments in *Pelham v. Hütter*,<sup>59</sup> *Funke Medien v. Germany*<sup>60</sup> and *Spiegel Online v. Beck*,<sup>61</sup> all from July 2019, are in line with these principles and bring further essential guidance on the influence and methodological treatment of different fundamental rights systems in this respect (i.e. the CFR on the EU level and the different constitutions of the member states which overlap in many cases).<sup>62</sup> Essentially these judgments further clarify the methodological delineation between the EU's fundamental rights framework (CFR and ECHR<sup>63</sup>) and the member states' constitutions. In sum, if EU secondary law leaves discretion to the member states in implementing a directive, the CJEU under certain conditions (compliance with the level of protection afforded by the CFR) does accept the prevalence of the member states' constitutions. By contrast, if a certain field of law is fully harmonized by EU law (such as in the case of EU Regulations or provisions of EU Directives which leave no discretion to member states in the implementation process), the EU fundamental rights will apply exclusively and take primacy over the respective member states' constitutions.

Although the cited cases were issued in the specific context of copyright litigation, as has been said, the requirements set up by the CJEU regarding a fair balance between fundamental rights in the light of the Enforcement Directive apply *mutatis mutandis*<sup>64</sup> to all cases within the Enforcement Directive's scope, i.e. any

<sup>58</sup> E.g., *Bonnier Audio v. Perfect Communication Sweden* (CJEU 2012); *Coty Germany v. Stadtsparkasse Magdeburg* (CJEU 2015).

<sup>59</sup> *Pelham v. Hütter* (CJEU 2019).

<sup>60</sup> *Funke Medien v. Germany* (CJEU 2019).

<sup>61</sup> *Spiegel Online v. Beck* (CJEU 2019).

<sup>62</sup> *Leistner* 2019a, 1014 et seq.; *Leistner* 2019b, 720.

<sup>63</sup> European Court of Human Rights.

<sup>64</sup> See footnote 57 on possible differentiation if a direct infringer is concerned, as opposed to merely secondary infringers or other intermediaries.

enforcement of intellectual property rights in the EU.<sup>65</sup> Hence, (1) under EU law, given the requirement of a fair balance between the involved fundamental rights, taking into account the general principles of EU law, in particular the principle of proportionality, an injunction, which does not lead to a complete cessation of the infringement, can be consistent with the requirements of EU fundamental rights.<sup>66</sup> What is more, respective qualifications and limitations might even be required by EU law in certain cases. If these general requirements under the CFR regime are met, however, (2) the specifics of the fair and proportional balance can be developed on the basis of the respective member state's constitutional order since the Directive undoubtedly leaves discretion to the member states in this field and therefore their fundamental rights and constitutional principles can be applied by the national courts.

### 6. Considerations of Public Interest

The wording of Art. 11 of the Enforcement Directive as well as the recitals do not provide for specific guidance on how to consider public interest. However, in the related area of enforcement of unitary EU trademarks, the CJEU's assertions in the *Nokia v. Wärdell* case<sup>67</sup> show that the CJEU is generally rather reluctant to deny injunctive relief due to mere general considerations of public interest.

The decision dealt with “special reasons” for denying injunctive relief based on Art. 130(1) of the Trade Mark Regulation.<sup>68</sup> In particular, it was asked whether the national EU trademark court could refuse to issue a permanent injunction as the alleged infringer had never committed such an act before and could only be accused of carelessness.<sup>69</sup> The CJEU highlighted the need for prohibitions against infringement for the purpose of EU-wide intellectual property rights when asserting that the term “special reasons” must be given a uniform interpretation and has clearly to be understood as an exception to the obligation for prohibition orders.<sup>70</sup> As a result, the CJEU denied an interpretation according to which the prohibition against further or threatened infringement would be conditional on an obvious or not merely negligible risk of recurrence of infringing acts as this would lead to the risk of varying scope of protection depending on the respective court's assessment of that risk of recurrence.<sup>71</sup> This shows that as far as EU-wide unitary protection titles

<sup>65</sup> *EU Approach to SEPs* (EC 2017, 10 et seq.).

<sup>66</sup> Cf. *UPC Telekabel Wien* (CJEU 2014, para. 63).

<sup>67</sup> *Nokia v. Wärdell* (CJEU 2006).

<sup>68</sup> See Art. 130(1) Trade Mark Regulation: “Where an EU trade mark court finds that the defendant has infringed or threatened to infringe an EU trade mark, it shall, *unless there are special reasons* for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the EU trade mark.”

<sup>69</sup> *Nokia v. Wärdell* (CJEU 2006, para. 17).

<sup>70</sup> *Id.*, paras. 26, 28, 30.

<sup>71</sup> *Id.*, para. 34.

are concerned, the CJEU favours a general rule that obliges the courts to grant injunctive relief, unless there are circumstances specific to the case, which would allow a clear conclusion that further infringement will not occur.<sup>72</sup> In fact, this slightly less flexible approach – as often occurs in EU IP law – seems less guided by genuine IP-specific considerations than by the general objective of uniform application of EU law in the internal market.

However, in line with general EU law principles, it must still be possible to restrain a court order due to considerations of public interest. An explicit guidepost on how to consider public interest can be found in Art. 52(1) of the CFR which states that limitations on the exercise of rights and freedoms may be made only if they are necessary and genuinely meet the objectives of general interest recognized by the EU. This is based on well-established general case law of the CJEU, according to which restrictions may be imposed on the exercise of those rights, “in particular in the context of a common organisation of a market, provided that those restrictions in fact correspond to objectives of general interest pursued by the Community and do not constitute, with regard to the aim pursued, disproportionate and unreasonable interference undermining the very substance of those rights.”<sup>73</sup> The reference to general interests recognized by the EU covers both the objectives mentioned in Art. 3 of the TEU and other interests protected by specific provisions of the EU Treaties such as Art. 4(1) TEU and Arts. 35(3), 36 and 346 TFEU.<sup>74</sup> Thus, the goals must be enshrined in EU law, but the reference to Art. 4 TEU, including national identities and their fundamental political and constitutional structures, shows that a broad understanding of public interests that are not explicitly named in the EU Treaties is possible.<sup>75</sup>

Given the increasing importance of fundamental rights for the specification of open-ended terms in the IP directives, particularly in copyright law, it will have to be seen whether the aforementioned general principles will lead to a more flexible consideration of public interest as a basis for denying or modifying injunctive relief in IP cases in the future. This is even more so, since the latest judgments in *Pelham*, *Funke Medien* and *Spiegel Online* show a certain, tentative tendency to leave the member states some more discretion than before (at least in certain not fully harmonized areas of IP law).<sup>76</sup>

### 7. Competition Law Considerations

The CJEU has dealt several times with the question of whether and how the competition law-based objection of the abuse of a dominant market position

<sup>72</sup> Von Mühlen Dahl 2007, 380; *Nokia v. Wärdell* (CJEU 2006, para. 35).

<sup>73</sup> *Karlsson* (CJEU 2000, para. 45).

<sup>74</sup> *Explanations Relating to the CFR* (2007, 16).

<sup>75</sup> Streinz & Michl 2018, Art. 52 CFR para. 17.

<sup>76</sup> Leistner 2019a, 1012.

(according to Art. 102 TFEU) by the rightsholder because of a refusal to license the underlying intellectual property right can be raised by the defendant in injunction proceedings. The leading CJEU's cases are *RTE v. Commission/Magill*<sup>77</sup> and *IMS Health*.<sup>78</sup> In these cases, the CJEU established that a duty of a dominant undertaking to grant compulsory licences can be based on Art. 102 of the TFEU under certain exceptional circumstances. This requires specifically that a licence in the (primary) licensing market (which can be a purely hypothetical market if the rightsholder does not license the intellectual property right at all) is indispensable for the offer of a new product or service in a (secondary) product or service market and if the rightsholder unjustifiably refuses to license the intellectual property right in order to exclude competition in that secondary market. These rather strict requirements hitherto prevented the instrument of compulsory licensing and of objections relating to claims to a compulsory licence from having a large practical impact on patent infringement injunctions in EU law.

In the specific sector of standard essential patents (SEPs) which are essential to the implementation of a certain technical standard and where the SEP holder has committed vis-à-vis the standard-setting organization (SSO) to grant licences to any interested party under fair, reasonable and non-discriminatory (FRAND) terms, the CJEU has recently applied more stringent competition law standards in its *Huawei v. ZTE* judgment.<sup>79</sup> Typically, in the area of telecommunications or consumer electronics standards, the SEP holder will have declared their preparedness to license the patent under FRAND terms as the standardization organizations in these sectors require such FRAND declarations as a necessary precondition of the possible inclusion of the patent in the standard. Consequently, for such SEPs (in particular in the telecommunications and consumer electronics sector but also in other areas which are characterized by the necessity of technical standardization) the competition law objection according to *Huawei v. ZTE* is now the most important tool for curtailing injunctive relief in the EU.

The *Huawei v. ZTE* case concerned an action for alleged infringement brought by Huawei, seeking injunctive relief on the basis of a SEP which was subject to a FRAND commitment by Huawei. Despite long negotiations, the parties had not been able to agree on licence terms. In the resulting litigation, the defendant ZTE claimed that the plaintiff Huawei abused its dominant position according to Art. 102 of the TFEU by refusing to grant a licence for the SEP on FRAND terms. Essentially, the CJEU placed substantial negotiation obligations (including the obligation to propose respective FRAND offers) upon both parties. As regards injunctions based on alleged infringements of SEPs, in practice these come down to requirements on the patent holder seeking an injunction to first notify the alleged

<sup>77</sup> *RTE v. Commission/Magill* (CJEU 1995).

<sup>78</sup> *IMS Health* (CJEU 2004).

<sup>79</sup> *Huawei v. ZTE* (CJEU 2015).

infringer of the alleged infringement and then – if the alleged infringer at least signals its general willingness to take a licence – to make a licence offer on FRAND terms before proceeding with any action for an injunction against the alleged infringer. The specifics of this procedural regime of enforcement in the sector of SEPs have been discussed extensively in the literature, and meanwhile been specified by different national courts, namely in the United Kingdom and Germany, with some differences remaining.<sup>80</sup> To describe the details of this balanced procedural step-by-step approach for the enforcement of SEPs in the EU would go beyond the description of general EU competition law tools presented in this section. Suffice it to say that SEP holders seeking an injunction in an EU member state against standard implementers (who use their SEP) now have to follow the *Huawei v. ZTE* regime (and namely first make a FRAND licence offer to the implementer and await the reaction) before proceeding with an action for an injunction.

### 8. Injunctions against Intermediaries

The Enforcement Directive's Art. 11 obliges member states to provide the possibility of injunctions against “intermediaries whose services are used by a third party to infringe an intellectual property right”. The provision does not only concern internet intermediaries but covers any service which is used by a third party to infringe an intellectual property right. Consequently, the CJEU has also applied Art. 11 to “intermediaries” in the sense of providers of physical infrastructure, such as a business subletting market stalls to traders which infringed trademark rights in these premises,<sup>81</sup> which explains the potential relevance of the provision and the respective case law of the CJEU for secondary liability cases in patent law.

Firstly, Art. 11 of the Enforcement Directive sets a minimum standard for what are typically secondary liability cases in EU member states' laws.<sup>82</sup> However, the provision gives no further detailed guidance for what has been shaped as “primary” and “secondary” liability in many member states' laws and to which extent injunctions have to be qualified or limited (in the realm of secondary liability).<sup>83</sup> In fact, the Directive does not even expressly define the term “intermediary”. Thus, it leaves the scope of the area of minimum harmonization as unclear as the crucial question of whether remedies other than injunctive relief, especially a claim for damages, should be applicable against secondary infringers.<sup>84</sup> Moreover, secondly, it has been

<sup>80</sup> See for an overview of post-Huawei judgments in Germany and the United Kingdom (including further explanation of the remaining differences) Leistner 2018; Picht 2017a; Picht 2017b, Lawrance & Brooks 2018; Cross & Strath 2017; see for an overview over latest judgments outside the EU, Block & Rätz 2019, 798 et seq.

<sup>81</sup> *Tommy Hilfiger v. Delta Center* (CJEU 2016, para. 29).

<sup>82</sup> Leistner 2014, 76.

<sup>83</sup> Id.; Cabrera Rodríguez 2018.

<sup>84</sup> Leistner 2014, 76, 88; see also the comparison between the member states regarding liability for indirect infringement of second medical use patents, England 2016, 426.

convincingly argued in literature that Art. 11 of the Enforcement Directive goes further than that and effectively establishes a category of accountable but not liable intermediaries which have to assist in preventing third-party infringement although they are not liable under any doctrine of secondary liability.<sup>85</sup>

Despite gross differences in detail regarding structure and legal consequences of secondary liability between the member states, certain common elements can be identified. Specifically, as objective factors, the degree of the (objective) risk caused by the secondary infringer as well as the degree of control the secondary infringer has in relation to the acts of direct infringement, play a significant role in assessing contributory liability.<sup>86</sup> Moreover, the (objective) design of a business model of an intermediary, most of all where the business model is specifically designed to profit from direct acts of infringement, might give grounds for liability. Subjectively, actual and specific knowledge (or mere constructive knowledge in certain cases) of particular infringements can be an important factor with a lot of differences in detail.<sup>87</sup>

In the ruling in the influential *L'Oréal v. eBay*<sup>88</sup> case, the CJEU held that Art. 11 of the Enforcement Directive – in the case at hand concerning injunctions against an internet host provider as an intermediary pursuant to Art. 11, sentence 3, of the Enforcement Directive – must be interpreted as requiring the member states to ensure that the national courts with jurisdiction in relation to the protection of intellectual property rights are able to order the intermediary to take measures which contribute not only to bringing the specific infringements of those rights to an end but also to preventing further infringements.<sup>89</sup> In this field (the case concerned trademark infringement<sup>90</sup>), the CJEU clearly differentiates between injunctions granted against infringers aimed at prohibiting the continuation of the infringement pursuant to Art. 11, sentence 1, of the Enforcement Directive and the injunction against intermediaries pursuant to Art. 1, sentence 3, of the Enforcement Directive. The situation of an intermediary, which is to be understood broadly as “a service capable of being used by one or more other persons in order to infringe one or more

<sup>85</sup> See comprehensively Husovec 2017, 65 et seq. In addition, there is a large number of academic articles on this, although they mostly relate to copyright and trademark infringements on the internet and the liability or accountability of internet service providers and thus have little direct relevance for patent law.

<sup>86</sup> Leistner 2014, 88.

<sup>87</sup> See in detail id. This chapter will not cover the specific situation in copyright law, where the CJEU has extended the communication to the public right under the *InfoSoc Directive* so that the resulting infringement concept effectively covers what would be mere secondary liability in many member states' laws. This is because this case law, obviously, is specifically related to the concrete scope of the economic rights under the *InfoSoc Directive*, and even more particularly to the CJEU's concept of the communication to the public right. Therefore, any impact on the patent law sector, where neither harmonization nor comparable infringement standards do exist in EU law, would be far-fetched to say the least.

<sup>88</sup> *L'Oréal v. eBay* (CJEU 2011).

<sup>89</sup> Id., para. 144.

<sup>90</sup> See on the very specific situation in copyright law above in footnote 87.

intellectual property rights”,<sup>91</sup> by means of which the infringement is committed, would be more complex and lends itself to other kinds of injunctions.<sup>92</sup> Therefore, in respect of effective protection of intellectual property rights, the court holds that Art. 11, sentence 3, of the Enforcement Directive must allow national courts to order an online service to take measures that provide for the prevention of further infringements detached from the specific act of infringement which gave rise to the injunction.<sup>93</sup> The court emphasizes the general guidelines for the imposed injunctions to be effective, proportionate, dissuasive and not to create barriers for legitimate trade.<sup>94</sup> This is to be applied equally to physical marketplaces as intermediaries.<sup>95</sup> The CJEU judgments allow the conclusion that injunctions according to Arts. 9(1)(a) and 11 of the Enforcement Directive against intermediaries are neither limited to a specific group of intermediaries nor to certain sectors.<sup>96</sup>

Within this legal framework, undoubtedly, both generally formulated “obey-the-law” commands as well as more specific court orders are possible on the level of the different member states. This is in line with the basic ideas of the CJEU rulings<sup>97</sup> concerning the liability of intermediaries in the field of copyright law infringements, based on Arts. 3 and 8(3) of the InfoSoc Directive, where the CJEU has explicitly accepted open-ended “obey-the-law” injunctions against intermediaries according to national law.<sup>98</sup> Taking into account the general principle not to grant injunctions that go beyond what is appropriate and necessary in the light of the facts and circumstances of the case at hand, the conceivable scope of injunctions might vary. In certain cases, an injunction not causing a complete cessation of the infringement will be reasonable and obligations can also include certain preventive measures, such as password protection or identification of direct infringers if and to the extent that this is possible under European data protection law.<sup>99</sup> Also stay-down duties – i.e. duties to prevent future comparable infringements – can be ordered, where such preventive measures can be implemented on the basis of automated search tools and technologies without having to carry out an independent assessment.<sup>100</sup>

While such more specific intermediary liability problems will be rare in patent law (though not inconceivable in cases where patent-infringing products are sold via internet platforms), the general principles of the cited case law are also applicable, *mutatis mutandis*, to other cases where injunctive relief against physical intermediaries (e.g., shippers, infrastructure suppliers, trade fair organizers) is concerned.

<sup>91</sup> *Tommy Hilfiger v. Delta Center* (CJEU 2016, para. 23).

<sup>92</sup> *L'Oréal v. eBay* (CJEU 2011, paras. 128 et seq.).

<sup>93</sup> *Id.*, para. 131.

<sup>94</sup> *Id.*, para. 144.

<sup>95</sup> *Tommy Hilfiger v. Delta Center* (CJEU 2016, para. 36).

<sup>96</sup> *Guidance on Enforcement Directive* (EC 2017, 17).

<sup>97</sup> *UPC Telekabel Wien* (CJEU 2014).

<sup>98</sup> *Leistner* 2017, 757.

<sup>99</sup> *See, e.g., McFadden v. Sony Music Entertainment* (CJEU 2016, paras. 99 et seq.).

<sup>100</sup> *Glawischnig-Piesczek v. Facebook* (CJEU 2019, para. 53).



Accordingly, in the *Tommy Hilfiger* case, cited above,<sup>101</sup> the CJEU applied the same general principles in regard to the tenant of a market hall who – as an intermediary in the sense of Art. 11 of the Enforcement Directive – sublet sales points to market traders some of whom committed trademark infringements in these pitches.

### 9. Scope of Injunctions Regarding Non-Infringing Activities

Specific CJEU decisions on the Enforcement Directive itself have not yet addressed a situation where a (collateral) prohibition of non-infringing activities came along with injunctive relief. However, certain general principles can be derived from the *UPC Telekabel*<sup>102</sup> judgment on injunctions against intermediaries under the InfoSoc Directive's copyright provisions on injunctions which are essentially similar to the provisions in the Enforcement Directive. The case dealt with the proportionality of website blocking orders addressed to internet service providers (ISPs) in cases of copyright infringements. In particular, the CJEU had to decide whether injunctions issued against ISPs requiring them to effectively block access (thus without ordering *specific* measures) to certain websites, that provide content exclusively or predominantly without the rightsholders' consent, were compatible with the InfoSoc Directive and the CFR's fundamental rights.<sup>103</sup> Inter alia, the CJEU stated that the freedom to conduct a business is not infringed when the (open-ended) injunction leaves the enjoined party to determine the specific measures to be taken in order to achieve the result sought.<sup>104</sup> The measures taken by the subject of the injunction must be sufficiently effective to ensure genuine protection of the IP owner's fundamental right to intellectual property so that the measures would at least have to have the effect of making a further infringement more difficult.<sup>105</sup>

The question, referred to by the Austrian court in the *UPC Telekabel* case, clearly would have also included situations where the material on the blocked website was predominantly provided without the rightsholders' consent (and not completely illegal). In this respect, the CJEU held that "the measures adopted by the internet service provider must be strictly targeted, in the sense that they must serve to bring an end to a third party's infringement of copyright or of a related right but without thereby affecting internet users who are using the provider's services in order to lawfully access information. Failing that, the provider's interference in the freedom of information of those users would be unjustified in the light of the objective pursued".<sup>106</sup> However, since compliance with this qualification in a strict sense

<sup>101</sup> See above footnote 95.

<sup>102</sup> *UPC Telekabel Wien* (CJEU 2014).

<sup>103</sup> *Id.*, para. 17.

<sup>104</sup> *Id.*, para. 52.

<sup>105</sup> *Id.*, paras. 62 et seq.

<sup>106</sup> *Id.*, para. 56.

would obviously have been impossible, as the absolutely overwhelming part of such infringing websites also has a certain share of legal content, in the referred case this begs the question how much incidental effect on third parties' interest would still have to be accepted as *de minimis*. Hence, the crucial question at this point is which concrete measures in which concrete cases would on balance not unnecessarily and disproportionately deprive internet users of their possibility to lawfully access the information available, and thus could still be permissible under the CJEU's ruling. The court has left these questions open, and essentially gave only a procedural answer concerning the affected users' right to due process: At a minimum, affected users must have legal standing in proceedings for injunctions in order to defend their lawful rights. In another case on blocking injunctions within this general framework, the English High Court accepted 6 per cent of illegal content on a website for which a blocking order was granted as *de minimis*.<sup>107</sup>

#### 10. Flexibility Regarding NPEs

The widely discussed and particularly relevant case of patent assertion entities (PAEs)<sup>108</sup> undoubtedly shows that non-practising entities (NPEs) can use injunctive relief as a threat. As they are less exposed to counterclaims on the side of the defendant, patent enforcement by NPEs is prone to a higher risk of abuse which can erect obstacles for innovation leading to market failure.<sup>109</sup> Consequently, there has been discussion of denying injunctive relief to NPEs in certain cases. The Enforcement Directive does not explicitly mention the possibility of denying injunctive relief to a certain type of plaintiff as such. Justifiably, therefore, courts in Europe seem to hesitate to apply patent or competition law tools in order to deny injunctive relief based solely on the fact that a party is an NPE since such a categorical differentiation is not really laid out in the legislative framework. Instead the law seems to require a flexible case-by-case analysis taking into account all the relevant factors in a given case<sup>110</sup> so as to conduct the key analysis of proportionality.

While a specific statutory justification for treating NPEs differently does therefore not exist in European law in general, the European litigation system seems to offer sufficient safeguards to protect against the potentially harmful effects of NPEs' enforcement practices in the EU.<sup>111</sup> Apart from competition law remedies, in

<sup>107</sup> *Twentieth Century Fox v. BT* (EWHC 2011, paras. 48 et seq., 186).

<sup>108</sup> See the comprehensive examination of the business model in the United States and Europe in US Fed. Trade Commission 2016; European Commission Joint Research Centre 2016; Love et al. 2015.

<sup>109</sup> Ohly 2008, 791; Ullrich 2012a, 33 et seq.; Osterrieth 2009, 542 et seq.; Lemley & Melamed 2013, 2153 et seq.

<sup>110</sup> Stierle 2019, 875; Contreras & Picht 2017, 3 et seq., Morton & Shapiro 2016, 21 et seq.

<sup>111</sup> European Commission Joint Research Centre 2016, 12 et seq.; *EU Approach to SEPs* (EC 2017, 11).

particular the abuse of dominant position according to Art. 102 of the TFEU,<sup>112</sup> as well as the general principle of abuse of rights in civil law (and as a common principle of European Union law also expressly laid down in Art. 3(2) Enforcement Directive), the denial of injunctive relief might also be possible due to proportionality considerations in certain cases.<sup>113</sup>

Nevertheless, these instruments only give the necessary leeway for member states' laws to deny injunctive relief to NPEs in certain cases, specified in a case-by-case approach. The European Commission also stated explicitly in its communication regarding the EU approach to standard essential patents that the application of the proportionality principle by courts provides another safeguard in NPE cases.<sup>114</sup> By contrast, a general exemption with regard to an entire category of rightsholders is rightly not foreseen in the Enforcement Directive. Arguably, such a general exemption would not even be compliant with the Directive if it was foreseen in the national law of a member state for the reasons mentioned.

### 11. *Grant of Compensation in Lieu of Injunctions*

Hitherto, national courts of the EU member states approach the issue of alternative measures, such as compensation in lieu of injunctions, very differently.<sup>115</sup>

Art. 12 of the Enforcement Directive gives the option to the member states to foresee that in certain cases and at the request of the infringer, the court may order pecuniary compensation to be paid to the injured party instead of an injunction if that person acted unintentionally and without negligence, if the injunction would cause the infringer disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory.<sup>116</sup> In the original Commission proposal for the Directive, this provision was intended to be mandatory for the member states.<sup>117</sup> The Commission presented this element of the proposal as providing a "safeguard against unfair litigation".<sup>118</sup> Subsequently, this concept of pecuniary compensation in lieu of an injunction was criticized *inter alia* because in most civil law systems, an obligation to pay damages is made dependent upon a certain degree

<sup>112</sup> See above Section A.7 on competition law.

<sup>113</sup> See above Section A.4.

<sup>114</sup> *EU Approach to SEPs* (EC 2017, 12).

<sup>115</sup> Blok 2016, 56; Marfé et al. 2015, 181 et seq.; Bennett et al. 2015. See further Chapters 6 (Finland), 7 (France), 8 (Germany), 10 (Italy), 11 (Netherlands) and 12 (Poland).

<sup>116</sup> Art. 12 *Enforcement Directive*: "Alternative measures: Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided for in this section, the competent judicial authorities may order pecuniary compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory."

<sup>117</sup> See Art. 16 *Enforcement of Intellectual Property Rights Proposal* (2003, 40).

<sup>118</sup> *Frequently Asked Questions Proposed Directive* (2003, 9).

of fault or negligence.<sup>119</sup> In consequence, in the final version of the Enforcement Directive, the possibility to foresee compensation in lieu of injunctions became purely optional for the member states.<sup>120</sup>

Art. 12 of the Enforcement Directive contains a specific rule, providing for compensation in lieu of an injunction.<sup>121</sup> Concerning the requirements laid down in this provision (i.e., the infringer acting unintentionally and without negligence, the injunction causing disproportionate harm to the infringer, reasonable possibility to satisfy the rightsholder by way of pecuniary compensation), it is the subject of discussion whether the enumeration of these requirements has to be understood to establish a set of alternative or cumulative conditions.<sup>122</sup> While the wording of the English version is open for interpretation, the German version<sup>123</sup> points clearly towards a cumulative understanding, even if this limits the application to very exceptional cases.<sup>124</sup> This interpretation would be in line with the general understanding of injunctive relief as a core tool to enforce intellectual property rights and in striving for a strong judicial protection of the latter.<sup>125</sup>

The heading “Alternative measures” and wording “instead” show clearly that the compensation described in Art. 12 of the Enforcement Directive is an alternative to the prohibitory injunctions of Art. 11 and the corrective measures of Art. 10 of the Enforcement Directive.<sup>126</sup> Consequently, the compensation payment for continuing infringement can only be granted if the court has already determined an infringement according to Art. 10 or 11 of the Enforcement Directive. However, the establishment of an infringement by the court does not necessarily state whether the infringer acted unintentionally or non-negligently. The possibility to grant an injunction does not depend on the wilful or negligent fault of the (alleged) infringer; the mere objective fact that a patent infringement has occurred will generally suffice in the EU for granting an injunction.<sup>127</sup> When taking the wording of Art. 12

<sup>119</sup> Blok 2016, 57.

<sup>120</sup> Recital 25, sentence 1 *Enforcement Directive* also expressly underlines the character of the provision as a pure voluntary option for the member states: “Where an infringement is committed unintentionally and without negligence and where the corrective measures or injunctions provided for by this Directive would be disproportionate, Member States should have the option of providing for the possibility, in appropriate cases, of pecuniary compensation being awarded to the injured party as an alternative measure.”

<sup>121</sup> See above footnote 116.

<sup>122</sup> Blok 2016, 59.

<sup>123</sup> The German version of Art. 12 of the Enforcement Directive reads as follows: “[S]ofern die betreffende Person weder vorsätzlich noch fahrlässig gehandelt hat, ihr aus der Durchführung der betreffenden Maßnahmen ein unverhältnismäßig großer Schaden entstehen würde und die Zahlung einer Abfindung an die geschädigte Partei als angemessene Entschädigung erscheint.”

<sup>124</sup> Blok 2016, 59; cf. also for an analysis of the rare application of the parallel provision in section 100(1) German Copyright Act: Sonnenberg 2014, 170 et seq.

<sup>125</sup> Blok 2016, 59.

<sup>126</sup> Id., 58.

<sup>127</sup> Explicitly for intermediary liability *Guidance on Enforcement Directive* (EC 2017, 16).

seriously, therefore, it is necessary to ask under which conditions the infringer will fulfil the requirement of acting unintentionally and without negligence. However, under many member states' laws, it is hardly conceivable that someone would infringe a patent without any intention or negligence since courts in the EU member states, in particular in civil law countries such as Germany, interpret the requisite level of care very strictly. Especially in situations dealing with SEPs and taking into account the *Huawei v. ZTE* obligations, the infringer will be put on notice with the first warning letter<sup>128</sup> sent by the patentee. At least from this moment, continued use by the alleged infringer will generally establish intention or negligence. In addition, if courts claim an infringement as the basis for an injunction, any further use of the patent will establish liability for wilful or negligent fault. Hence, it seems that the requirements can only be understood as a reference to the *initial* act of infringement because otherwise an unintentional and non-negligent act would hardly be conceivable in European practice. Another possible avenue to guarantee the applicability of alternative measures would be a more restrictive interpretation of fault (i.e., intention or negligence) in the sense of Art. 12 of the Enforcement Directive. Since these are autonomous terms of EU law, different practice in the context of infringement proceedings in member states' laws would on principle not hinder a more flexible application of Art. 12 of the Enforcement Directive; whether such a split interpretation of one and the same term in different contexts would really be convincing from a viewpoint of contextual interpretation, however, remains in doubt.

Since the provision is a mere option for the member states, applicability in national law requires an implementing provision in national law in order to give Art. 12 of the Enforcement Directive effect in a member state. In that regard it has to be noted that numerous member states have not implemented Art. 12 of the Enforcement Directive at all.<sup>129</sup> Accordingly, the conditions and design of alternative measures are still very ambiguous and diverse in the different EU member states. In the EU-wide proportionality discussion, the focus is therefore rather on the general proportionality standard of Art. 3 of the Enforcement Directive and on the question of how the *general* principle of proportionality can be applied in order to create more flexibility in the realm of injunctions.

To further elucidate Art. 12 proper, it might be helpful to have a look at comparable provisions in national law, which actually were the model for the provision. In this regard Section 101(1) (now Section 100) of the German Copyright Act stands out.<sup>130</sup> This provision aims to protect the interests of the defending party having acted without intent or negligence. Such defendants can pay compensation in lieu of an injunction when the execution of measures in

<sup>128</sup> *Huawei v. ZTE* (CJEU 2015, paras 60 et seq.); see Section A.9.

<sup>129</sup> *Analysis of Application of Enforcement Directive* (EC 2010, 5 et seq.).

<sup>130</sup> Explanatory memorandum Art. 16 *Enforcement of Intellectual Property Rights Proposal*, 23.

question would cause disproportionate harm to them and if pecuniary compensation to the injured party appears reasonably satisfactory. The German legislature intended to create an exemption for cases that are particularly complex from a factual or legal point of view and therefore lead to infringement without being based on the defendant's fault.<sup>131</sup> The criterion of disproportionate harm leads to a proportionality test, weighing regular measures against the harm on the defendant's side.<sup>132</sup> The principle of proportionality certainly demands that such exceptional cases be treated differently, but it has to be emphasized that disproportionality and subsequently financial compensation instead of injunctive relief have remained a very rare exception even under this express provision in German copyright law.<sup>133</sup> Also, the Enforcement Directive does not contain any specification for the calculation and the amount of pecuniary compensation and there is no case law on this at the EU level yet. Again, further specification could arguably be based on the model of Section 100, sentence 2 of the German Copyright Act. According to this provision, compensation shall total the amount that would constitute equitable remuneration in the case of a contractual granting of the right.<sup>134</sup>

## B. AGREEMENT ON A UNIFIED PATENT COURT (UPCA)

### 1. *Overview and Current Status*

The lengthy efforts to establish the Unified Patent Court as a court with competence for legal claims for traditional European patents and in particular the newly created European patents with unitary effect are back on track after delays, with operations expected to begin mid-2022. In contrast to the European patent characterized by granting a bundle of various national patents in a unified procedure, the European patent with unitary effect (Unitary patent) would be one of a kind, unitarily covering the territories of the EU member states that became members of the UPCA (i.e. all EU member states except for Poland and Spain). An international agreement was necessary (instead of an EU regulation proper) because the Unified Patent Court (UPC) shall also have limited jurisdiction over European patents and future European patents with unitary effect will be granted by the European Patent Office (EPO). Thus, the European Patent Organisation (EPO) and the contracting states of the European Patent Convention<sup>135</sup> (EPC) had to be part of the underlying international law framework. Consequently, a complex set of partly overlapping, interfering and similarly worded provisions deriving from different sources of law (the UPCA as an international agreement, EU law, such as the Enforcement

<sup>131</sup> *Draft of German Copyright Act* (1962, 150); Wimmers 2020, para. 26.

<sup>132</sup> Klein 2012, 371; Amschewitz 2008, 197.

<sup>133</sup> Ohly 2009, 266 et seq.

<sup>134</sup> *Cf.* Amschewitz 2008, 197.

<sup>135</sup> *See* the preamble of the UPCA.

Directive, but also primary EU law as well as national law of the contracting states) give rise to problems of interpretation and scope of application of these different legal regimes.<sup>136</sup>

Essentially, as for European patents and European patents with unitary effect, the UPCA and the accompanying EU regulations<sup>137</sup> shall establish a single Unified Patent Court with exclusive jurisdiction over actions for infringement (including provisional and protective measures and injunctions), for declaration of non-infringement, for revocation and respective counter-claims – all this with certain optional exceptions (“opt out”) for “classic” European patents during a transitional period of seven years which can be prolonged up to a further seven years.<sup>138</sup> The UPC will be structured as follows: (1) A decentralized Court of First Instance with local and regional divisions located in the contracting member states and a central division with its seat in Paris and a section in Munich and (2) a common Court of Appeal and a Registry which will have their seat in Luxembourg.<sup>139</sup>

The relationship between the UPCA as an international agreement and EU law is complex. According to the UPCA, the UPC applies EU law in its entirety and shall respect its primacy (Art. 20 UPCA). Accordingly, questions concerning the interpretation of overriding EU law will have to be referred by the UPC to the CJEU (Art. 21 UPCA, Art. 267 TFEU). In practice, however, the enforcement of patents will be governed primarily by the provisions of the UPCA (see Art. 82(3) UPCA) and, where the UPCA leaves gaps, by national law (which in turn is partly harmonized on the basis of the Enforcement Directive). Practically, this means that notwithstanding the legal primacy of EU law, primarily concerning patent enforcement, the UPC will have to apply and interpret the UPCA, while in cases of gaps in the agreement, national law of the *loci protectionis* (the member state for which protection is sought) will apply and will have to be construed in conformity with the Enforcement Directive.<sup>140</sup> If open questions of interpretation of the Enforcement Directive are relevant in that context, the UPCA will have to refer such questions to the CJEU for a preliminary ruling.

Meanwhile, the United Kingdom’s official declaration stating that it will not apply the UPCA after Brexit<sup>141</sup> put an end to the discussion in legal literature

<sup>136</sup> Ullrich 2012b; Cabrera Rodríguez 2018.

<sup>137</sup> *Unitary Patent Protection Regulation* (2012) and *Unitary Patent Protection – Applicable Translation Arrangements Regulation* (2012).

<sup>138</sup> See further Art. 83 UPCA; see also Art. 32 UPCA and further Section B.2.

<sup>139</sup> Art. 9 et seq. 5 UPCA. See for a concise practical overview [www.epo.org/law-practice/unitary/upc/upc-faq.html](http://www.epo.org/law-practice/unitary/upc/upc-faq.html).

<sup>140</sup> Leistner 2016, 220 et seq.

<sup>141</sup> On 27 February 2020 the United Kingdom published a government report titled “The Future Relationship with the EU – The UK’s Approach to Negotiations” in which the UPCA is not mentioned and the CJEU is expressly excluded from any jurisdiction in the United Kingdom. The fact that the United Kingdom does not seek involvement in the UPC system has been expressly confirmed by a UK government spokesperson on 28 February 2020. See *Letter to Lord Morris*. On 20 July 2020 the United Kingdom has deposited a withdrawal notification of

whether this would have been legally possible in the first place.<sup>142</sup> This leads to follow-up problems as the seat of one of the central sections of the Court of First Instance should have been in London. Further delays occurred as a result of the constitutional complaint against the German act of approval<sup>143</sup> and the declaration of its nullity by the German Federal Constitutional Court in its Decision of 13 February 2020<sup>144</sup> as the German ratification is mandatory for the entry into force of the UPCA alongside that of France and Italy according to Art. 89(1) of the UPCA.<sup>145</sup> Even though the German UPC Act of Approval II entered into force 13 August 2021<sup>146</sup> after a new legislative procedure and the rejection of two applications for preliminary injunctions,<sup>147</sup> the ratification of one further participating UPC member state is still required until the necessary number of 13 member states is reached. At the time of writing, the Preparatory Committee<sup>148</sup> has estimated that the UPC will start operations mid-2022.<sup>149</sup>

## 2. Legal Framework

The UPCA lists the main substantive claims for which the UPC has competence in Art. 32(1) of the UPCA. At the top of the list stands the action for injunction pursuant to Art. 32(1)(a) of the UPCA. The same structure and the dominant position of injunctive relief is reflected as well in Art. 63 of the UPCA where it leads the articles on the contents of the final decisions of the UPC. Art. 63 of the UPCA requires that the court, first, finds that an infringement has occurred. In a second step, it considers related defences. In a third step, it orders certain remedies, namely grants an injunction, preferably including a warning to the effect that a penalty may be handed down by the court in case of non-compliance with the terms of the injunction. In a fourth step, if the infringer does not comply with the terms of the

ratification with the UPCA Council Secretariat (see [www.unified-patent-court.org/news/uk-withdrawal-upca](http://www.unified-patent-court.org/news/uk-withdrawal-upca)) and a *Parliamentary Written Statement* in the House of Commons has been made.

<sup>142</sup> See for the discussion in legal literature, e.g., Tilmann 2016b; Dinwoodie & Dreyfuss 2017, 6 et seq.; Ohly & Streinz 2017; Leistner & Simon 2017; Jaeger 2017; Gandía Sellens 2018; Broß & Lamping 2018; Lamping & Ullrich 2018; Dijkmann & Paddenburgh 2018.

<sup>143</sup> *Draft of German UPC Act of Approval I* (2017).

<sup>144</sup> *EPCÜ-ZustG I* (BVerfG 2020).

<sup>145</sup> The latest ratification details can be found at: [www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2013001&DocLanguage=en](http://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2013001&DocLanguage=en).

<sup>146</sup> *German UPC Act of Approval II*.

<sup>147</sup> *EPCÜ-ZustG II* (BVerfG 2021).

<sup>148</sup> The Preparatory Committee consists of expert representatives of all the signatory states to the UPCA and is tasked with the practical establishment of the new court including the preparation of the UPC's rules of procedure (*UPCRoP*). It is not expressly foreseen in the UPCA but has been established by the UPCA's signatory states in order to oversee the UPC's workstream: [www.unified-patent-court.org/content/preparatory-committee](http://www.unified-patent-court.org/content/preparatory-committee).

<sup>149</sup> See [www.unified-patent-court.org/news/what-decision-german-federal-constitutional-court-means-unified-patent-courts-timeplan](http://www.unified-patent-court.org/news/what-decision-german-federal-constitutional-court-means-unified-patent-courts-timeplan).



injunction, the court shall set a recurrent penalty payment (see on penalties Art. 63 (2) UPCA).<sup>150</sup>

As to the protection of the addressee of an injunction, Art. 82(2) of the UPCA provides for the general rule that, where appropriate, enforcement of any court decision may be subject to security or an equivalent assurance to ensure compensation for any damage suffered by the addressee of an (unjustified) injunction.

### 3. *Discretion of the Court?*

The final (permanent) injunction pursuant to Art. 63(1) of the UPCA, according to which the court “may” grant an injunction against the infringer aimed at prohibiting the continuation of the infringement, emulates the wording of Art. 11 of the Enforcement Directive. Consequently, the question arises whether the word “may” instead of “shall”,<sup>151</sup> which is usually used for mandatory obligations, gives the court discretion. On the one hand, the wording indicates the non-mandatory character of the provision.<sup>152</sup> When interpreting the provision from a contextual point of view it has to be noted, however, that for both the provisional injunctions which are regulated in Art. 62 (1) of the UPCA and the permanent injunctions (Art. 63(1) UPCA), the wording in regard to the Court’s position is “may”, while only in Art. 62(1) of the UPCA on provisional injunctions is the court expressly instructed to execute a balance of interests of the parties and in particular to take into account the potential harm for either of the parties resulting from the granting or refusal of a (provisional) injunction.<sup>153</sup> In the wider context of EU law one might also consider a contextual argument resting on the identical wording of the UPCA and the Enforcement Directive for which latter it is uncontentious that generally injunctions shall be granted in cases of infringement.<sup>154</sup> However, this is not necessarily a compelling argument as the Enforcement Directive, other than the UPCA, does not have direct effect but is addressed to the EU member states which have to implement it.<sup>155</sup>

In the materials relating to the genesis of the UPCA there is no clear evidence that the court is intended to have discretion to deny the exercise of an injunction pursuant to Art. 63(1) of the UPCA.<sup>156</sup> However, in the explanation of why the alternative measure of granting damages in lieu of injunctions was removed, the

<sup>150</sup> Tilmann 2016a, 414.

<sup>151</sup> See the wording in Art. 65(1) UPCA for the decision on the validity of a patent and Art. 68(1) UPCA for the award of claims.

<sup>152</sup> Schröder 2013, 1107.

<sup>153</sup> Reetz et al. 2015, 216; Marfé et al. 2015, 187; Bennett et al. 2015, 26.

<sup>154</sup> See Sections A.2, B.2.

<sup>155</sup> See Sections A.11.

<sup>156</sup> Reetz et al. 2015, 217; Marfé et al. 2015, 188.

Legal Group of the Preparatory Committee seemed to assume discretion of the court when stating:

Where the Court finds an infringement of a patent it will under Article 63 of the Agreement give order of injunctive relief. Only under very exceptional circumstances it will use its discretion and not give such an order. This follows from Article 25 of the Agreement which recognizes the right to prevent the use of the invention without the consent of the patent proprietor as the core right of the patentee. When exercising this discretion, the Court can also consider the use of alternative measures.<sup>157</sup>

In sum, the question of mandatory injunctive relief is not finally determined by procedural law but the answer has to be found in substantive law on patent protection and enforcement contained in Arts. 25–28 of the UPCA and in the Enforcement Directive.<sup>158</sup> In that regard, Arts. 25–28 of the UPCA do not name a claim for injunctive relief explicitly but merely determine the scope of patent protection in infringement cases which does not necessarily fully determine the remedies.<sup>159</sup> Hence, from the authors' viewpoint the question of discretion with regard to court orders granting injunctive relief is governed by common principles of substantive law of the contracting member states, i.e. the EU member states (see Art. 2(a) UPCA). As the substantive law of the member states in this area is, in turn, governed by the overriding Enforcement Directive, the respective principles of the Enforcement Directive on injunctive relief have to be taken into account. This leads to the tentative conclusion that in principle injunctive relief has to be granted by the court, except that under exceptional circumstances, where the granting of an injunction is clearly disproportionate, it can execute its discretion to deny an injunction.<sup>160</sup>

The more specific limitations of Art. 3(2) of the Enforcement Directive (abuse and other measures creating barriers to legitimate trade; EU competition law pursuant to Arts. 101, 102 TFEU) are applicable in any case. If these limitations apply, an injunction can also be denied.<sup>161</sup> The applicability of the principles of the Enforcement Directive (as European Union law) is made explicit in Art. 1 of the UPCA when stating that the court shall be “subject to the same obligations under Union law as any national court of the Contracting Member States”. This is in line with Art. 24 of the UPCA according to which EU law, in particular directly applicable provisions of EU law pursuant to Art. 24(2)(a) of the UPCA, is a source of law the court shall base its decisions on.

<sup>157</sup> *Table with Explanatory Notes to the Changes of the Rules of Procedure* (2014), 11. Particularly with regard to the definition of the court's discretion, the aforementioned explanatory notes may serve as an instrument for a historical interpretation of the law.

<sup>158</sup> Tilmann 2016a, 416; Yan 2017, 157.

<sup>159</sup> Meier-Beck 2014, 147; Hüttermann 2017, para. 659; Marfé et al. 2015, 187.

<sup>160</sup> But see Tilmann 2016a, 416: no discretion.

<sup>161</sup> *See also id.*, 416.

#### 4. *Considerations of Proportionality*

A general principle according to which the court may grant permanent injunctive relief only within the frame of proportionality cannot be found in the UPCA text.<sup>162</sup> The claim for a fair balance between the legitimate interests of all parties and the provision for the required level of discretion of judges made in Art. 41(3) of the UPCA only refers to the procedure and the judicial remedies but not to the court order itself. Pursuant to Art. 56 of the UPCA the court may make its orders subject to conditions in accordance with the Unified Patent Court Rules of Procedure (UPCRoP). However, such conditions are not established for Art. 63 of the UPCA.

If the Court of Appeal considers the question of injunctive relief, it is urged by the UPCA to take its decision about the so-called suspensive effect of the appeal (i.e. the staying of an injunction pending appeal) in a fair and equitable manner according to Arts. 74(1) and 42(2) of the UPCA. This could have the effect of procedural discretion as to considerations of fairness but which has to be differentiated from proportionality in terms of substantive law on remedies.<sup>163</sup>

Ultimately, with regard to the primacy of EU law expressly laid down in Arts. 20 and 24(1) of the UPCA, the requirements of Art. 3(2) of the Enforcement Directive as to shaping effective, proportionate and dissuasive measures must be respected in all cases.

#### 5. *Competition Law Considerations*

Arts. 20 and 24(1)(a) of the UPCA declare respect for and the primacy of EU law in its entirety. Therefore, competition law, in particular the antitrust principles of compulsory licence and abuse of rights pursuant to Arts. 101 and 102 of the TFEU, have to be taken into account as a limitation on injunctive relief, provided that their conditions are met in the particular case (Arts. 25 and 26 UPCA).<sup>164</sup> Furthermore, it is also conceivable that the denying or modification of injunctive relief could draw upon the general principle of the abuse of rights.<sup>165</sup>

#### 6. *Injunctions against Intermediaries*

According to Art. 63(1) of the UPCA permanent injunctions may also be addressed to intermediaries whose services are used by a third party to infringe a patent. Furthermore, Art. 62 of the UPCA, in line with Art. 32(1)(c) of the UPCA, stipulates

<sup>162</sup> Reetz et al. 2015, 218.

<sup>163</sup> Id., 219.

<sup>164</sup> Id., 217.

<sup>165</sup> The doctrine of abuse of rights is one of the accepted common principles of EU law, derived from common legal principles in the member states, *see generally* de la Feria & Vogenauer 2011, 33 et seq. For the UPCA, *see* Reetz et al. 2015, 218; Yan 2017, 158.

the competence of the court to grant provisional injunctions by way of order against an alleged infringer or against an intermediary, intended to prevent any imminent infringement. National approaches to indirect infringement actions are very different within the EU member states (as the Enforcement Directive only partly harmonizes this area<sup>166</sup>) and the law is constantly evolving in this field.<sup>167</sup> It will be for the UPC to draw its own conclusion from the rather open-ended EU framework as well as national doctrines and to make a contribution to further harmonization in its future case law within the framework set by the Enforcement Directive.

### 7. *Flexibility Regarding NPEs*

If Art. 63(1) of the UPCA is understood to comprise discretion of the court, one could at least theoretically consider denying injunctive relief to a certain group of plaintiffs. However, if there is discretionary scope for the court, this would also be limited to exceptional cases. Therefore, it seems highly questionable whether an exception for an entire group of plaintiffs could indeed be grounded on possible discretion under Art. 63(1) of the UPCA.<sup>168</sup> Eventually, absent a more specific rule, injunctive relief can only be denied in specific individual cases with a view to a comprehensive analysis of all circumstances of the case at hand.<sup>169</sup>

Several structural features of the UPC system – for example, loser-pays fee-shifting rules, a lack of judicial review and possible shift to jurisdictions that are most patentee-friendly for unitary-wide claims – should give occasion to closely observe whether NPE activity will rise under the future UPCA regime and whether current unitary patent remedies will be sufficiently balanced to deal with this.<sup>170</sup>

### 8. *Grant of Compensation in Lieu of Injunctions*

The sixteenth draft of the 31 January 2014 UPCRoP, Rule 118.2<sup>171</sup> contained the possibility for the court to award damages or compensation instead of an injunction under certain conditions similar to the criteria of Art. 12 of the Enforcement Directive. In the seventeenth draft, the content of Rule 118.2 was removed without

<sup>166</sup> See Section A.1.

<sup>167</sup> See Section A.

<sup>168</sup> But cf. Schröer 2013, 1107.

<sup>169</sup> See also Sections A.4, B.3.

<sup>170</sup> Tietz 2019; Love et al. 2017, 18 et seq.; European Commission Joint Research Centre 2016, 54.

<sup>171</sup> Rule 118.2 *UPCRoP (16th Draft)* reads as follows: “Without prejudice to the general discretion provided for in Articles 63 and 64 of the Agreement, in appropriate cases and at the request of the party liable to the orders and measures provided for in paragraph 1 the Court may order damages or compensation to be paid to the injured party instead of applying the orders and measures if that person acted unintentionally and without negligence, if execution of the orders and measures in question would cause such party disproportionate harm and if damages or compensation to the injured party appear to the Court to be reasonably satisfactory.”

replacement, as it was debated on a political level.<sup>172</sup> The deletion was justified by the consideration that a scenario of damages in lieu of injunctions would have been difficult to imagine in practice, in particular because of the prerequisite that the infringement action would have to be not only unintentional but also without any negligence which – under the very strict negligence standard in a number of continental European countries, including Germany – is rare.<sup>173</sup> Further, the deletion was held to be in line with EU law since the Enforcement Directive did not make implementation of Art. 12 obligatory for the member states.<sup>174</sup> Accordingly, in the current eighteenth draft of the UPCRoP there is no provision on compensation in lieu of injunctions.

### 9. Consideration of Validity Concerns

Under the UPCA, the court is competent to hear not only infringement proceedings, but also to adjudicate the validity of a patent on the basis of an action for revocation or a counterclaim for revocation according to Arts. 32(1)(d), (e) and 65 of the UPCA. While local and regional divisions of the UPC are competent to hear infringement proceedings,<sup>175</sup> independent revocation actions are brought before the central division.<sup>176</sup> The specific relationship between pending revocation actions, counterclaims for revocation and pending infringement proceedings and the respective competences, possibilities and procedural options and obligations of the local/regional divisions and the central division in such cases are further regulated in Art. 33(3)–(5) of the UPCA.

As for the relationship between infringement proceedings and pending revocation actions or opposition proceedings before the EPO, Rule 118.2 of the UPCRoP provides that during a pending revocation action before the central division or a pending opposition before the EPO, the infringement court may (a) render its decision under the condition of the (partial) validity ruled in a final decision or (b) may stay the infringement proceedings.<sup>177</sup> In case the court is of the view there is high likelihood that the patent will be held invalid on any ground by the final decision, it “shall” stay the infringement proceeding.

Through making the infringement process procedurally independent of the revocation proceedings (including the possibility of “absorption” by the

<sup>172</sup> See Rule 118 UPCRoP (17th Draft), cf. also *Responses on the Rules of Procedure of the UPC* (2014, 95 et seq.).

<sup>173</sup> *Table with Explanatory Notes to the Changes of the Rules of Procedure* (2014, 11); Blok 2016, 57 et seq.

<sup>174</sup> *Id.*

<sup>175</sup> Art. 33(1) UPCA.

<sup>176</sup> Art. 33(4) UPCA.

<sup>177</sup> Cf. also the subsequent paragraphs of Rule 118 UPCRoP on the consequences of a later decision on the merits of the revocation action.

infringement court)<sup>178</sup> and in particular when allowing the court to set any term or condition for the ruling in the infringement process, in practice validity concerns will of course have significant impact on the grant of permanent or provisional injunctive relief. As there is no case law yet, it is hardly possible, however, to reliably predict how this will be specified in the future practice of the UPC. After the withdrawal of the United Kingdom, it seems reasonably likely, however, that the respective case law of the German courts<sup>179</sup> will deliver influential guidance in that regard.

In the specific case of provisional injunctive relief when weighing the interests of the parties<sup>180</sup> according to Rule 211.2 of the UPCRoP, the court is guided to take into account inter alia whether the applicant can provide reasonable evidence to satisfy the court with a sufficient degree of certainty that the patent in question is valid.

#### 10. Form of Court Order

As for the UPCA, one of the main questions is how court orders in regard to injunctive relief will be framed.

According to the German tradition, specific infringing products or elements would have to be described by the claimant as a basis for a specific injunction relating to these products or elements.<sup>181</sup> Such an injunction would then primarily cover further infringing acts with regard to these specifically defined infringing products or elements. Beyond that scope, infringing acts which are “in core” comparable (*Kerntheorie*), i.e. products or elements only subject to insignificant change compared to the scope of the injunction, would also be covered by the injunction. By contrast, specifics of the infringed patent (scope and duration etc.) would not be included in the court’s judgment granting injunctive relief.

According to the English tradition, orders granting injunctive relief will be worded more broadly and typically cover any infringement of patent “xyz” without being specifically limited to a concretely defined infringing product.<sup>182</sup> If the infringing product or service is changed during the proceedings, any claimant who has knowledge of this will have to introduce the respective facts into the proceedings in order to justify the grant of a comprehensive injunction. Vice versa, the defendant will have to prove a material difference as a defence if the infringing product or service has been changed after the original proceedings. The defence might be denied, however, if the infringing product or process had already been changed during the original proceedings and if the defendant had already had the chance to introduce this change into the original proceedings. Therefore, the

<sup>178</sup> Cf. Section B.9 on Art. 33(3)–(5) UPCA.

<sup>179</sup> See Chapter 8 (Germany).

<sup>180</sup> Art. 62(2) UPCA.

<sup>181</sup> See Chapter 8 (Germany).

<sup>182</sup> See Chapter 13 (United Kingdom).

defendant also has an interest in introducing material changes to the product or service into the original proceedings, because otherwise any defence with regard to such changes might be pre-empted if the defendant had the chance to do so but did not act accordingly.

At present, it seems unclear which tradition the UPC will follow in regard to the form of an injunctive relief order. Likewise, it is unclear how a claim for the granting of an injunction would have to be formulated by the claimant. With the withdrawal of the United Kingdom from the system it might seem more likely that the German tradition's influence will increase. However, with the system not even enacted and no serious timeline present at the time of writing, any further attempt to predict the future development in this area would be mere guesswork.

For now, only some procedural guideposts can be outlined. If in the future the UPC were to grant injunctions specifically related to an infringing product or process, and the defendant changed the product insignificantly later on, the claimant, in order to clarify the scope of the injunction, would have to apply to the court to sanction the defendant with a penalty according to Art. 82(4) of the UPCA, Rule 354.4 of the UPCRoP. If this was denied by the Court of First Instance, the plaintiff could then file an appeal against this order to the Court of Appeal under Art. 73(2)(b)(ii) of the UPCA. If leave to appeal were denied by the court or the appeal itself were denied, the plaintiff would have to file a new infringement action. If in turn legal certainty was needed with regard to (significantly) changed products or services, the defendant would have to file an action for declaration of non-infringement to the Court of First Instance, according to Art. 32(1)(b) of the UPCA.

If in the future the UPC were to grant injunctions related to the infringement of patent “xyz” without being limited to specific infringing products or services, such injunctions would presumably cover more or less significantly changed infringing products anyway. In this case, within the procedural framework as described, it would be the defendant who would have to prove that there is a “material difference” compared to the original infringing product that was the object of the infringement proceedings, and that it was not able to introduce relevant facts concerning the materially changed products or processes in the original proceedings.

### C. CONCLUSION

Patent enforcement in the EU is governed by the Enforcement Directive which partially harmonizes the national laws of the member states in this area. Given that the Enforcement Directive follows a method of so-called minimum harmonization, it has been a matter for discussion in legal literature whether the Enforcement Directive also sets a certain ceiling in regard to the grant of injunctive relief, namely taking into account proportionality considerations and preventing the abuse of rights. Meanwhile, literature and in particular the CJEU's as well as influential

national courts' case law predominantly assume that under the Enforcement Directive, according to the proportionality principle as well as the general prohibition of abuse of rights (both laid down in Art. 3(2) of the Enforcement Directive), the denial or curtailing of injunctive relief is possible due to proportionality considerations and will even be required by the law in certain exceptional cases on the basis of an individual case-by-case analysis.

With regard to private rights and interests of the defendant, this particularly applies to injunctive relief which leads to entire closure of manufacturing and loss of large stocks due to only minor, limited patent infringement and thus to disproportionately substantial losses compared to the economic interest of the patent holder. With regard to public interests, the situation is less clear, as many national laws provide for certain alternative instruments in this field, such as compulsory licences. However, the predominant and appropriate view seems to be that under the guiding principle of proportionality, public interests can also require the denial or curtailing of injunctions in exceptional cases. According to the CJEU's case law in other areas of intellectual property, moreover, a fair balancing of the involved parties' fundamental rights (namely the right to protection of intellectual property (Art. 17(2) CFR) versus the freedom to conduct a business (Art. 16 CFR) as well as fundamental rights of possibly affected third parties will feed into the tailoring process for injunctions, in particular for injunctions against intermediaries but on principle also for injunctions against the infringer (at least in exceptional cases where the denial or curtailing of injunctive relief can be justified).

While the Enforcement Directive thus allows and even requires the denial or flexible curtailing of injunctive relief in certain exceptional cases where an untailed injunction would be grossly disproportionate, it does not contain any bright-line rules for certain entire case groups (such as NPEs or other categories of rightsholders or technologies which might be regarded as particularly prone to abuse of patent rights). Consequently, while the Enforcement Directive gives the necessary leeway to appropriately treat these cases on the basis of a case-by case approach, it does not go further than that and does not contain any general rules or exemptions from injunctive relief in that regard.

Also, the EU competition law's requirements for a compulsory licensing defence of the defendant in proceedings concerning patent injunctions are generally rather strict and therefore such objections have hitherto not played a prominent role in patent infringement proceedings. This situation has significantly changed, however, for standard essential patents in the wake of the court's *Huawei v. ZTE* judgment. In the area of such standard essential patents, for which the rightsholder has declared its willingness to license the patent under FRAND conditions, a specific negotiation regime now applies throughout the EU which in most cases practically requires the patent holder to offer a licence on FRAND conditions to the infringer before proceeding with an action for injunctive relief.



At the time of writing, the beginning of operations of the UPC is expected for mid-2022. The provisions of the UPCA on permanent and provisional injunctive relief on principle are similar to the Enforcement Directive's general rules. As a matter of course, as the UPCA is directly applicable, many of the procedural rules in the UPCA are much more specific than the Enforcement Directive. However, as regards the basic principles, the evolving system will likely develop similar standards as under the Enforcement Directive. A larger material difference would not be permissible anyway, as EU law takes primacy over the UPCA and its contracting states' laws. Therefore, it seems that the implementation of the future UPCA system will likely not materially change the EU law's general principles on the application and tailoring of injunctions as they have been outlined in this chapter. As for their further specification, after the withdrawal of the United Kingdom from the UPC system, it seems reasonably likely that the UPC will be substantively influenced by German case law in the future. Given that the judges will be chosen from all contracting states, it might take a slightly more liberal stance than the German courts, which still tend to more or less "automatically" grant an injunction against the infringer in cases of patent infringement. However, it remains to be seen whether the actual start of the future European patents with unitary effect and the Unified Patent Court system will take place in 2022.

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