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## Intellectual Property Journal

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### Conference on 22 March 2019 Friedrich-Alexander-Universität Erlangen-Nürnberg Enforcing Patents Smoothly: From Automatic Injunctions to Proportionate Remedies

**Franz Hofmann**

Enforcing Patents Smoothly: From Automatic Injunctions to Proportionate Remedies. Balancing interests via remedies in Intellectual Property Law

**Lea Tochtermann**

Injunctions in European Patent Law

**Daniel Alexander**

Injunctions and alternative remedies in English Intellectual Property Law

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On the Economics of Injunctions in Patent Cases

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Die Aufbrauchfrist im deutschen Wettbewerbs-, Marken- und Urheberrecht

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FRAND Injunctions: an overview on recent EU case law

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Patent Injunctions – Identifying Common Elements

**Peter Tochtermann**

A judge's practical perspective on the proportionality of injunctions in patent infringement disputes



**Mohr Siebeck**

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Martin Stierle\*

## Patent Injunctions – Identifying Common Elements

Recently, there has been a world-wide discussion about patent injunctions. The following article identifies and elaborates on six common elements of the discussion by referring to the US, the UK and the German patent systems: the trend towards less automatic injunctions, the underlying conflict, the treatment of non-practiced patents, the issue of compensation in lieu of an injunction, the conceptual difference between denied injunctions and compulsory licenses, and finally the public interest as one factor to consider in the law of patent injunctions.

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## A. The Range of Concepts and Common Elements

For about fifteen years now, patent injunctions have constituted one of the major issues in patent law world-wide. Every major patent system knows injunctions.<sup>1</sup> Generally, this remedy can stop patent infringements effectively.<sup>2</sup> However, the conceptual differences between the jurisdictions are intriguing. Although modern patent laws follow similar models, the law on permanent patent injunctions fundamentally differs from one legal system to another.<sup>3</sup> Traditionally, the differences did not derive from considerations specific to patent systems. Those differences are rooted in the dissimilarities that exist between common law and civil law systems.

All modern approaches range between a case-by-case concept on the one side and quasi-automatic injunctions on the other side. In a system based on a case-by-case analysis, a court or a similar authority has to consider whether the grant of an injunction is appropriate based on the very circumstances of the case. Mere infringement does not lead to an injunction. On the opposite side of the spectrum, there are quasi-automatic approaches to injunctions. In this model, a court having established patent infringement has to issue an injunction without further consideration.

On first glance, being diametrically opposed to each other conceptually, both approaches seem to be without mutual features due to the different starting point of their analysis. However, having a closer look at the models and discussions about patent injunctions in the various jurisdictions, one notices that some issues are shared independently of legal traditions (common or civil law) and the structural setting of the injunction concept (quasi-automatic or case-by-case).

In this article, I will refer to the US, German and UK patent law and identify and elaborate on six exemplary elements that are common to the various systems and that were touched upon during the Erlangen conference “Enforcing Patents Smoothly: From Automatic Injunctions to Proportionate Remedies”.

1 WTO members are required to authorize judicial authorities to order a party to desist from an infringement since the TRIPS Agreement (Art. 44 (1) TRIPS) went into force in the 1990s.

2 Cf. *Ohly*, „Patenttrolle“ oder: Der patentrechtliche Unterlassungsanspruch unter Verhältnismäßigkeitsvorbehalt? Aktuelle Entwicklungen im US-Patentrecht und ihre Bedeutung für das deutsche und europäische Patentsystem, GRUR Int. 2008, 787, 789 (calling the patent injunction the sharp sword).

3 One of the major reasons for common structures of modern patent law systems are international treaties harmonizing IP law. Cf. *Calboli*, The role of comparative legal analysis in intellectual property – From good to great?, in: *Methods and Perspectives in Intellectual Property*, 2013, 3, 4 (arguing that intellectual property law is one of the most internationally and regionally harmonized fields of law, and has been since the late nineteenth century, because of its inextricable connection to international trade). However, the harmonization of patent law remedies started in the 1990s only, with some very basic provisions in the TRIPS Agreement and more elaborate guidelines in the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.

The purpose of this article is not to present all common features of the law on patent injunctions in the various jurisdictions, but rather to elaborate on some of the current core elements of discussion. The six issues I want to address are: the trend towards less automatic injunctions (sub B.), the underlying fundamental conflict (sub C.), the treatment of non-practiced patents (sub D.), the issue of compensation in lieu of an injunction (sub E.), the difference between denied injunctions and compulsory licensing (sub F.) and the public interest as one factor to consider in granting or denying injunctions (sub G.). Although the different jurisdictions derive from different traditions and starting points, the approaches to the six issues or even their solutions are overall surprisingly similar or, as I will argue in parts, should be similar. In this article, I will neither cover exceptions to the general law of injunctions based on antitrust considerations, e. g. issues associated with standard essential patents and FRAND,<sup>4</sup> nor the law on preliminary injunctions<sup>5</sup>.

## B. The Trend towards Less Automatic Injunctions

### I. The Traditional View

The German Patent Code was introduced in 1877.<sup>6</sup> For almost 60 years, it lacked provisions on the right to obtain an order to desist despite having 45 sections on patentability, administrative patent procedure, criminal offenses and even a provision on the damage claim. Courts inferred the necessary grant of an injunction to stop infringing acts from the nature of the right itself.<sup>7</sup>

Since the reform of 1936, the German Patent Act contains a section providing that a patent holder has a right to an order to desist against an infringer – virtually without asking for any further requirements.<sup>8</sup> In today's practice, a German court will issue a permanent injunction against the patent infringer in each and every case, unless the defendant can prove that further infringement is unlikely.<sup>9</sup>

4 For issues concerning antitrust law see *Picht* (in this issue), p. 324.

5 For different approaches with regards to preliminary injunctions in patent litigation see *von Martels*, Preliminary Injunctions in Patent Litigation, Alternative Approaches to Provide Effective Justice under Uncertainty, 2019.

6 RGBL 1877, no. 23, 501.

7 Cf. RGZ 116, 151, 153.

8 Sec. 47 (1) of the German Patent Act (1936). The courts required a risk of recurrent infringement additionally, which was assumed after a first infringement. In the course of implementing the Enforcement Directive this practice was included in today's Sec. 139 Para. 1 (BT-Drs. 16/5048, 5) as well as the possibility of asking for an injunction in a case of the risk of first infringement (BR-Drs. 16/5048, 37).

9 A court will not grant an injunction, if the infringer agreed to a contractual penalty for recurrent infringement (for further information see *Grabinski/Zülch*, Patentgesetz, Benkard (fdr.), 2015, Sec. 139, no. 30).

Intriguingly, the traditional perspectives in the UK and the US are not very different from the German one. Although both systems follow an equity-based approach, courts had considered the exclusive nature of the right and had granted injunctions as a general rule. Justice McKenna, delivering the opinion of the US Supreme Court in *Continental Paper Bag* at the beginning of the 20<sup>th</sup> century, argued: “From the character of the right of the patentee we may judge of his remedies.”<sup>10</sup> In this tradition the Federal Circuit established a “general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it.”<sup>11</sup>

The only relevant exception to this general rule was based on public interest considerations. The US Supreme Court in *Continental Paper Bag*<sup>12</sup> emphasized the possibility of denying injunctions in cases involving the public interest and the District and Circuit courts applied<sup>13</sup> such an exception in the aftermath.

The UK courts decided traditionally in the same manner. In the mid-19<sup>th</sup> century, where validity and infringement of the patent had been established, it was a “duty of the court” to grant an injunction.<sup>14</sup> In *Shelfer*, a very famous case concerning not intellectual property but land law, the Court of Appeal called it a well-known rule to grant the injunction sought, if the plaintiff’s legal right has been invaded.<sup>15</sup> He would be *prima facie* entitled to an injunction. An exception could be made, if (1) the injury to the plaintiff’s legal rights is small, (2) is one which is capable of being estimated in money, (3) is one which can be adequately compensated by a small money payment, (4) and the case is one in which it would be oppressive to the defendant to grant an injunction (so-called *Shelfer* exception).<sup>16</sup>

10 *Cont’l Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 429 (1908).

11 *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247. (Fed. Cir. 1989) citing *Connell*, 722 F.2d 1548, 220 USPQ at 198: “[T]he right to exclude recognized in a patent is but the essence of the concept or property.” Cf. *Contreras*, Injunctive Relief in US Patent Cases, Patent Law Injunctions, Rafał Sikorski (ed.), 2019, 3, 7 (arguing that the approach to injunctive relief of the Federal Circuit was largely based on the property-like nature of patents leading to a general rule).

12 *Cont’l Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 430 (1908).

13 *Vitamin Technologists v. Wisconsin Alumni Research Found.*, 146 F.2d 941, 946 (9th Cir. 1945) (obiter dictum); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1547 f. (Fed. Cir. 1995); *MercExchange, L. L. C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005). Cf. *Chao*, After eBay, Inc. v. MercExchange: The Changing Landscape for Patent Remedies, 9 Minn. J. L. Sci. & Tech. 543, 543 (2008) (recognizing the narrow public interest exception as the only exception to this general rule); *Ullmer*, Paice Yourselves: A Basic Framework for Ongoing Royalty Determinations in Patent Law, 24 Berkeley Tech. L. J. 75, 77 (2009) (stating that a court could only deny injunctive relief in rare circumstances in order to protect the public interest).

14 *Bridson v. McAlpine* (1845) 8 Beav. 229, 230; *Davenport v. Jepson* (1862) 45 E. R. 1254, 1257.

15 *Shelfer v. City of London Electric Lighting Co Ltd* [1895] 1 ChD 287, 322.

16 *Shelfer v. City of London Electric Lighting Co Ltd* [1895] 1 ChD 287, 322 et seq. Under these requirements, “damages in substitution for an injunction may be given” instead of an injunction. For this concept of compensation in lieu of an injunction see sub E).

In *Coflexip*, Lord Justice of Appeal Aldous stated that a court will not grant an injunction as a matter of course, since it is a discretionary remedy.<sup>17</sup> Injunctions can be denied where the defendant satisfies the court that further infringement is not likely.<sup>18</sup> Nevertheless, Aldous L. J. named it a general rule to grant an injunction after the patentee has conclusively established the validity of his patent and its infringement.<sup>19</sup>

## II. The Modern Approach

### 1. USA

Recently, in all three jurisdictions there is a trend towards less automatic injunctions.<sup>20</sup> The milestone decision *eBay v. MercExchange* of the US Supreme Court marked a turning point in the law of patent injunctions.<sup>21</sup> While the Federal Circuit had relied on its general rule to grant injunctions,<sup>22</sup> the US Supreme Court emphasized the flexible principles of equity.<sup>23</sup> It overturned the Federal Circuit's approval of the injunction on appeal, holding that nothing in the Patent Act eliminated the traditional reliance on well-established principles of equity.<sup>24</sup> A plaintiff must satisfy the traditional four-factor test before a court may grant such relief. It has to demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law are inadequate to compensate for that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>25</sup>

Although *eBay* significantly changed the application of the law on permanent patent injunctions, the effect of the decision did not change the outcome for a vast majority of cases. Empirically, injunctions were denied in only one out of four cases after *eBay*.<sup>26</sup> However, the decision initiated a clear trend towards

17 *Coflexip S. A. v. Stolt Comex Seaway MS Ltd*, [2001] R. P.C. 182, 186.

18 *Coflexip S. A. v. Stolt Comex Seaway MS Ltd*, [2001] R. P.C. 182, 186 et seq.

19 *Coflexip S. A. v. Stolt Comex Seaway MS Ltd*, [2001] R. P.C. 182, 186.

20 Cf. Stierle, Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht, Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG, GRUR 2019, 873, 874.

21 *eBay Inc. v. MercExchange, L. L. C.*, 126 S.Ct. 1837 (2006).

22 *MercExchange, L. L. C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005).

23 *eBay Inc. v. MercExchange, L. L. C.*, 126 S.Ct. 1837, 1840 et seq. (2006).

24 *eBay Inc. v. MercExchange, L. L. C.*, 126 S.Ct. 1837, 1839 et seq. (2006).

25 *eBay Inc. v. MercExchange, L. L. C.*, 126 S.Ct. 1837, 1839 (2006).

26 Beckerman-Rodau, The Aftermath of *eBay v. MercExchange*, 126 S. Ct. 1837 (2006): A Review of Subsequent Judicial Decisions, 89 J. Pat. & Trademark Off. Soc'y 631, 658 f. (2007); Ellis et al., 17 Fed. Cir. B.J., 437, 441 (fn. 35 et seq.) (2008); Cotropia, Compulsory licensing under TRIPS and the Supreme Court of the United States' Decision in *eBay v. MercExchange*, in Patent Law and Theory: A Handbook of Contemporary Research, Toshiko Takenaka (ed.), 2008, 557, 570; Grumbels III et al., The Three Year Anniversary of *eBay v. MercExchange*: A Statistical Analysis of Permanent Injunctions, Intell. Prop. Today (Nov. 2009), 25, 27 et seq.; Streur, The eBay Effect:

non-automatic injunctions, particularly discouraging non-competing patent holders from litigation. Courts denied injunctions mostly if plaintiff and defendant were non-competing entities or the patent was not practiced.<sup>27</sup> Although a quarter of denied injunctions is not groundbreaking, it is still substantial in comparison to the old practice. Furthermore, the new way of applying the four-factor test by the Federal Circuit in recent times might raise the bar for injunctions in the future: in *Nichia Corp v. Everlight Americas, Inc.*, the Federal Circuit seemed to interpret the four-factor test as a four-step test, meaning that the plaintiff must fulfill all four requirements as opposed to a mere balancing test weighing the equitable factors.<sup>28</sup>

## 2. UK

In the UK, EU law has recently had a strong influence on the law of patent injunctions. Art. 3 (2) of the Enforcement Directive<sup>29</sup> requires from the Member States that “measures, procedures and remedies [ensuring the enforcement of intellectual property rights] shall [...] be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.” Justice Arnold, High Court, has argued that the principle of proportionality in Art. 3 (2) of the Directive replaces the general English approach with regards to injunctions in intellectual property law. In *HTC Corporation v. Nokia Corporation*, he said, “[s]o far as proportionality is concerned, it should [...] be recognised that the

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Tougher Standards but Courts Return to the Prior Practice of Granting Injunctions for Patent Infringement, 8 Nw. J. Tech. & Intell. Prop. 67, 89 (2009); *Seaman*, Permanent Injunctions in Patent Litigation After eBay: An Empirical Study, 101 Iowa L. Rev. 1949, 1982 et seq. (2016); *Cotter*, Comparative Patent Remedies, A Legal and Economic Analysis, 2013, 103. See also the data until end-2013 under [www.patstats.org/Injunction\\_rulings\\_post-eBay\\_to\\_12-31-2013.xls](http://www.patstats.org/Injunction_rulings_post-eBay_to_12-31-2013.xls) and *Holte/Seaman*, Patent Injunctions on Appeal: An Empirical Study of the Federal Circuit’s Application of eBay, 92 Wash. L. Rev. 145 (2017) (arguing that the Federal Circuit is generally more favorable to prevailing patentees regarding injunctive relief than the district courts).

27 Cf. *Petersen*, Injunctive Relief in the Post-eBay World, 23 Berkeley Tech. L. J. 193, 198 f., 203 f. (2008); *Cotropia* (fn. 26), 557, 570. See also *Beckerman-Rodau*, 89 J. Pat. & Trademark Off. Soc’y 631, 654 f. (2007), *Castanias et al.*, Survey of the Federal Circuit’s Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialogue with the Supreme Court, 56 Am. U. L. Rev. 793, 812 (2007), *Cotter* (fn. 26), 103 (all focusing on the character of the patent holder as a non-practicing entity, however) and *Diessel*, Trolling for Trolls: The Pitfalls of the Emerging Market Competition Requirement for Permanent Injunctions in Patent Cases Post-eBay, 106 Mich. L. Rev. 305 (2007) (criticizing the market competition requirement). See also *Stierle*, Das nicht-praktizierte Patent, 2018, 119.

28 *Nichia Corp v. Everlight Americas, Inc.* (Fed. Cir. 2017), 16–1585: “Because Nichia failed to establish one of the four equitable factors, the court did not abuse its discretion in denying Nichia’s request for an injunction.” In this regard cf. *Siebrasse et al.*, Injunctive Relief, in *Patent Remedies and Complex Products*, Biddle et al. (ed.), 2019, 115, 128.

29 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights.



proportionality of an injunction to restrain infringement of an intellectual property right may depend on which, if any, other rights are in play.”<sup>30</sup> He continued, referring to a number of CJEU cases which have concerned conflicts between intellectual property rights and other fundamental rights guaranteed by the European Convention on Human Rights and/or the Charter of Fundamental Rights of the European Union.<sup>31</sup>

In the recent decision *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.*, Justice Arnold emphasized that a court should exercise its discretion in accordance with Art. 3 of the Enforcement Directive and that the key consideration there is proportionality.<sup>32</sup> The case concerned artificial heart valves which were held to infringe. Justice Arnold stayed the injunction sought by the patentee on payment of royalties on account.<sup>33</sup> He found that there was a group of patients for whom the infringing embodiment was the only option.<sup>34</sup>

### 3. Germany

For about ten years, German practitioners and scholars have argued about more flexibility in the law of patent injunctions. At the annual conference of the German Association for the Protection of Intellectual Property in 2008, the Special Committee for Patent and Utility Model Law started to reflect on the need to introduce more flexibility in the light of *eBay* and patent trolls.<sup>35</sup> Since then, the leading opinion within academia and practice has shifted. Today, it has become more and more general opinion that exceptions to quasi-automatic injunctions are needed.<sup>36</sup> Scholars refer to the concept of abuse of law<sup>37</sup> which does not require intent or a special *mens rea* in German law and can reduce access to remedies if the exercise of such right is dysfunctional, particularly if it is

30 *HTC Corporation v. Nokia Corporation* (No. 2) [2013] R.P.C. 30, no. 27.

31 *HTC Corporation v. Nokia Corporation* (No. 2) [2013] R.P.C. 30, no. 27.

32 *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256, no. 16 (Pat).

33 *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256, no. 72 (Pat). The stay of an injunction is a partial denial of an injunction. Cf. *Stierle* (fn. 27), 276.

34 *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256, no. 37 et seq. (Pat).

35 The following articles are based on the presentations during this conference: *Ohly*, GRUR Int. 2008, 787; *Osterrieth*, Patent-Trolls in Europa – braucht das Patentrecht neue Grenzen?, GRUR 2009, 540.

36 *Uhrich*, Entwaffnung der „Patenttrolle“? Zur Einschränkung des patentrechtlichen Unterlassungsanspruchs im anglo-amerikanischen und deutschen Recht, ZGE 2009, 59, 78 et seq.; *Heusch*, Der patentrechtliche Unterlassungsanspruch, Festschrift für Wolfgang von Meibom zum 65. Geburtstag, Harmsen/Jüngst/Rödiger (ed.), 2010, 135; *Frick*, Patent-Trolling – Rechtsmissbräuchliche Verwendung des Patentrechts?, 2014; *Sonnenberg*, Die Einschränkung des patentrechtlichen Unterlassungsanspruchs im Einzelfall, 2014; *Hofmann*, Der Unterlassungsanspruch als Rechtsbehelf, 2017, 471 et seq.; *Stierle* (fn. 27), 293 et seq. and passim.

37 *Ohly*, GRUR Int. 2008, 787; 793; *Uhrich*, ZGE 2009, 59, 80 et seq.; *Frick* (fn. 36), 131 et seq.; *Stierle* (fn. 27), 167 et seq.; *Stierle*, GRUR 2019, 873, 881 et seq.

disproportionate.<sup>38</sup> This general concept of abuse found expression in specific provisions of the German Civil Code that might be applicable in some of the critical cases where an injunction does not seem to fit and should be denied, e. g. Sec. 242, Sec. 251 (2) or Sec. 275 (2).<sup>39</sup> Besides abuse of law, scholars argue based on Art. 3 of the Enforcement Directive<sup>40</sup> as Justice Arnold did in the UK case law. According to this scholarship, injunctions need to be proportionate in each and every case based on the Directive.

German courts are hesitating to apply those rules of exception.<sup>41</sup> In *Herzklappen* – the German parallel decision to the UK case *Edwards Lifesciences* – the Regional Court of Düsseldorf granted an injunction as a matter of course,<sup>42</sup> although Art. 3 of the Enforcement Directive is binding law for Germany, too.

In the recent decision *Wärmetauscher*, the Federal Court of Justice had to consider an exception to the general rule of granting injunctions quasi-automatically.<sup>43</sup> Plaintiff was a non-practicing entity, which had acquired the patent from an inventor during the proceedings. The equivalent infringement concerned a neck heating (special equipment) of Mercedes Benz convertibles and was established only in last instance. Trial and appeals court found no infringement. The injunction covered future cars as well as cars that were already built by the defendant.

In an obiter dictum, the Court emphasized the possibility of staying an injunction where an immediate cessation of the infringing act would lead to disproportionate results.<sup>44</sup> However, it argued for a very high threshold of such an excep-

38 Fundamentally: *Siebert*, Verwirkung und Unzulässigkeit der Rechtsausübung. Ein rechtsvergleichender Beitrag zur Lehre von den Schranken der privaten Rechte zur exceptio doli (§§ 226, 242, 826 BGB.), unter besonderer Berücksichtigung des gewerblichen Rechtsschutzes (§ 1 UWG.), 1934, 121 et seq. For case law cf. Federal Court of Justice, NJW 1975, 827, 828; Federal Court of Justice, NJW 2009, 1343, no. 41. Regarding patent law: *Ohly*, GRUR Int. 2008, 787, 793; *Stierle* (fn. 27), 175 et seq.; *Stierle*, GRUR 2019, 873, 882.

39 In the Netherlands the Rechtbank Den Haag applied the abuse of law doctrine via Art. 3:13 of the Dutch Civil Code on a patent injunction recently: Rechtbank Den Haag, decision of 18. July 2018, file C/09/537395/ HA ZA 17–848 = ECLI:NL:RBDHA:2018:8777, no. 4.44 et seq.

40 *Uhrich*, ZGE 2009, 59, 88 et seq.; *Ohly*, Three principles of European IP enforcement law: Effectiveness, proportionality, dissuasiveness, Technology and Competition, Contributions in Honour of Hanns Ullrich, 2009, 257, 266 et seq.; *Walz*, Patentverletzungsklagen im Lichte des Kartellrechts, In Sachen Europäische Kommission gegen Orange-Book, GRUR Int. 2013, 718, 728 et seq.; *Frick* (fn. 36), 415. Critically *Stierle* (fn. 27), 304 et seq.

41 The reasons are not clear-cut. Based on empirical research *Bechtold/Frankenreiter/Klerman*, Forum Selling Abroad, 92 S. Cal. L. Rev. (2019) (forthcoming) argue that German patent judges try to enlarge their influence by making their courts attractive to plaintiffs. They identify quality and predictability, speed, limitation of expert witnesses and reluctance to stay proceedings during pending invalidity challenges as measures of courts to compete. Following these suggestions, granting quasi-automatic injunctions might be a fifth vehicle.

42 Regional Court of Düsseldorf, decision of 9. March 2017, file 4a O 137/15, GRUR-RS 2017, 104657 – *Herzklappen*.

43 Federal Court of Justice, GRUR 2016, 1031 – *Wärmetauscher*.

44 Federal Court of Justice, GRUR 2016, 1031, no. 45 et seq. – *Wärmetauscher*.

tion – higher than in comparable cases of trade mark or unfair competition law.<sup>45</sup> The court did not see a relevant kind of disproportionality in the case at stake and granted a full and immediate injunction.<sup>46</sup> So far, no other case law has been recorded where a competent court stayed a patent injunction. The acknowledged exception by the Federal Court of Justice seems to be purely theoretical without any practical impact.

At the moment, the German legislator considers reforming Sec. 139 (1) Patent Act – the governing section on patent injunctions.<sup>47</sup> A flood of lawsuits against German car manufacturers preceded this new development. During a preparatory talk at the Federal Ministry of Justice and Consumer Protection, the discussion between judges, industry and scholarship revolved around implementing an exception to the concept of quasi-automatic injunctions.<sup>48</sup> Some argue for procedural reforms, like a lower threshold for the stay of infringement proceedings during pending opposition or nullity proceedings,<sup>49</sup> provisional enforceability of first instance judgments only upon the condition of a first decision by the Federal Patent Court on the validity of the patent,<sup>50</sup> or stronger defenses<sup>51</sup> against provisional enforceability. However, those procedural measures can only alleviate problems deriving from a lack of validity of some granted patents and the German bifurcation system.<sup>52</sup> They cannot solve cases like *Herzklappen* or *Wärmetauscher*.

Considering *Wärmetauscher* as a first step away from per se injunctions, the substantial critique by scholarship during the last years and the current discussion at the legislative level, there is a strong trend towards less automatic injunctions in Germany which is particularly influenced by similar developments in the US and the UK.

45 Federal Court of Justice, GRUR 2016, 1031, no. 45 – *Wärmetauscher*. For a critique on this argumentation see Hoppe, Berücksichtigung von Unteransprüchen und Aufbrauchfrist, GRUR-Prax 2016, 447; Stierle, GRUR 2019, 873, 877 et seq.

46 Federal Court of Justice, GRUR 2016, 1031, no. 51 et seq. – *Wärmetauscher*.

47 Stierle, GRUR 2019, 873 et seq., 883 et seq.

48 For the reasons and a potential wording of an amendment see Stierle, GRUR 2019, 873, 883 et seq.

49 See Wuttke/Guntz, Wie weit reicht die Privilegierung des Klägers durch das Trennungsprinzip?, Mitt. 2012, 477, 482.

50 See Wuttke/Guntz, Mitt. 2012, 477, 481 et seq. and Meier-Beck, Bifurkation und Trennung, Überlegungen zum Übereinkommen über ein Einheitliches Patentgericht und zur Zukunft des Trennungsprinzips in Deutschland, GRUR 2015, 929, 934 (arguing for provisional enforceability only upon a first positive statement or even positive decision of the *Federal Patent Court* in the nullity action regarding the patent in suit).

51 Zhu/Kouskoutis, Der patentrechtliche Unterlassungsanspruch und die Verhältnismäßigkeit, GRUR 2019, 886, 888 et seq. (arguing for a reform of Sec. 712 of the German Civil Procedure Code).

52 Stierle, GRUR 2019, 873, 883 et seq.

## C. The Fundamental Conflict

In the current discussion on patent injunctions, all jurisdictions have to address a fundamental conflict inherent to the characteristics of a strict case-by-case approach or a concept of quasi-automatic injunctions. Depending on the perspective, we can describe this conflict in three different ways: a tension between legal certainty and equity (sub I.), between property and liability rules (sub II.) or between restriction and access (sub. III.).

### I. The Tension between Legal Certainty and Equity

The fundamental conflict can be described as one of legal certainty<sup>53</sup> and equity<sup>54</sup> – two principles of traditional legal theory. This tension is a major issue discussed within the philosophy of law, prominently described by *Radbruch* as one of the antinomies of the idea of law.<sup>55</sup> Legal certainty is supposed to provide justice through predictability. Its primary goal is to ensure peace and order – one of the most fundamental goals of law in general.<sup>56</sup> If the law becomes unclear due to vague terminology or the wide discretion of adjudging bodies, it loses its force to control behavior.<sup>57</sup>

With regards to the patent system, the principle of legal certainty calls for a regime of remedies that enables patent holders and patent infringers to accurately predict the remedies a court will make available under a known set of facts. In the context of patent injunctions, *Golden* names it the principle of administrability.<sup>58</sup> It requires a very clear law on permanent patent injunctions which courts or other competent government actors can apply readily.<sup>59</sup> Granting injunctions after established infringement as a matter of course ensures a high standard of legal certainty.

53 In German, the term “Rechtssicherheit” covers legal certainty and legal security in this one word due to the double meaning of “Sicherheit”. For those two meanings see *Geiger*, *Vorstudien zu einer Soziologie des Rechts*, 4th ed. 1987, 63 et seq. (distinguishing “Orientierungssicherheit” (certus) and “Realisierungssicherheit” (securus)).

54 In this regard, equity must not be understood as the body of law originally developed in the English Court of Chancery, but rather in the sense of justice or “individual equity”. Cf. *Bodenheimer*, *Jurisprudence: The Philosophy and Method of the Law*, 1974, 250 et seq.

55 Cf. *Radbruch*, *Rechtsphilosophie*, 4th ed. 1950, 169 et seq., describing it as a conflict of justice and purposiveness with regards to law in more general. For a short English summary and analysis see *Leawoods*, *Gustav Radbruch: An Extraordinary Legal Philosopher*, 2 Wash. U. J. L. & Pol’y 489, 492 et seq. (2000).

56 Cf. *Radbruch* (fn. 55), 169; *von Arnald*, *Rechtssicherheit*, 2006, 111 et seq.; *Zippelius*, *Das Wesen des Rechts*, 6th ed. 2012, 103.

57 *Zippelius* (fn. 56), 106.

58 *Golden*, *Principles for Patent Remedies*, 88 Tex. L. Rev. 505, 563 (2010).

59 Cf. *Radbruch* (fn. 55), 170 et seq. (“operability”).

From an economic viewpoint, another benefit of strong legal certainty is the reduction of costs. Firstly, complex and hardly administrable rules lead to a delay in the process of decision-making. Longer proceedings result in a longer time frame of uncertainty for the actors involved and generate higher litigation costs. Secondly, predictable results render proceedings unnecessary since the potential parties have no need for judicial clarification.<sup>60</sup> All actors have absolute certainty on the remedies a court would issue in a potential infringement proceeding. The parties can act in accordance with this prediction and avoid incurring litigation costs.

On the other hand, high legal certainty – meaning in this regard a concept of quasi-automatic injunctions – leads to suboptimal decisions in a single case. This idea reaches back to the roots of legal philosophy, namely *Aristotle*.<sup>61</sup> Highly predictable rules must ignore some of the tiny details of a case in order to work predictably. A case-by-case approach can take all relevant factors into account and find the optimal decision<sup>62</sup> for the subject in dispute but it cannot produce this decision as fast and predictably as a legal system following a quasi-automatic approach to injunctions.

All jurisdictions need to find the right balance between certainty and equity. The modern US approach seems to favor equity the most, while the current German law focuses completely on legal certainty using a categorical rule. The new UK approach with its corrective Art. 3-based proportionality assessment lies between those two poles.

## II. The Tension between Property and Liability Rules

The classic economic legal theory of patent law labels this conflict as a trade-off between property and liability rules. An invention is protected by a property rule if someone who wishes to use the invention must agree upon its use with the inventor.<sup>63</sup> Whenever someone can use the invention without the consent of the inventor, an entitlement is protected by a liability rule.<sup>64</sup>

Besides the general economic arguments already mentioned with regard to legal certainty and equity and the general concern regarding transaction costs, there are specific arguments associated with the implementation of property and

60 Cf. *Posner*, *The Economic Approach to Law*, 53 *Tex. L. Rev.* 757, 761 et seq. (1975). *Landes/Posner*, *Legal Precedent: A Theoretical and Empirical Analysis*, 19 *J. L. & Econ.* 249, 270 (1976). Critically *D'Amato*, *Legal Uncertainty*, 71 *Cal. L. Rev.* 1, 13 (1983).

61 *Aristotle*, *Nicomachean Ethics*, 1137b4.

62 Optimal decision meaning optimal in the light of justice, economic analysis or any other comparable measuring principle.

63 Cf. *Calabresi/Melamed*, *Property Rules, Liability Rules and Inalienability: One View of the Cathedral*, 85 *Harv. L. Rev.* 1089, 1092 (1972).

64 Cf. *Calabresi/Melamed*, 85 *Harv. L. Rev.* 1089, 1092 (1972).

liability rules in patent law. Such advantages generally associated with property rules are as follows: firstly, they set a bargaining incentive between the parties.<sup>65</sup> Owners and interested users can balance their interest via money in negotiations ensuring an efficient outcome. Secondly, property rules avoid the risk of under-compensation.<sup>66</sup> This concern is of special interest in the area of patent law because of the dynamic effects, i. e. incentives to invest in the creation of the invention. Thirdly, property rules avoid the risk of under-use. Complete transferability of a right and the exclusive use of that right – possibilities that exist only under property rules – can both be important for ensuring that commercialization is conducted.<sup>67</sup>

Recently, scholarship advanced substantial arguments for liability rules. Property rules bear the risk of over-compensating the patent holder in modern patent systems. Unlike the situation in real property law, there is a high level of uncertainty regarding the boundaries of patent rights, including a high level of uncertainty regarding the validity of the patent itself. Due to significant costs of acquiring such information, a potential infringer might pay or refrain from using the invention, both to the advantage of the patent holder.<sup>68</sup> Property rules increase the risk of creating a tragedy of the anticommons.<sup>69</sup> Thickets<sup>70</sup> and overlapping patents might lead to an under-use of the owned invention if multiple owners are endowed with the right to exclude others.<sup>71</sup> The danger of hold-up contributes to the risk of over-compensation.<sup>72</sup> In such situations, the infringer has already invested heavily to design, manufacture, market and sell the product with the infringing feature.<sup>73</sup> As a result, the infringer is usually willing to pay not only

65 Kieff, *Coordination, Property, and Intellectual Property: An Unconventional Approach to Anticompetitive Effects and Downstream Access*, 56 Emory L. J. 327, 347 (2006); Bernieri, *Ex-Post Liability Rules in Modern Patent Law*, 2010, 49. For reduced bargaining incentives under liability rules cf. *Kaplow/Shavell*, *Property Versus Liability Rules: An Economic Analysis*, 109 Harv. L. Rev. 713, 765 f. (1996).

66 Bernieri (fn. 65), 49; *Krauspenhaar*, *Liability Rules in Patent Law, A Legal and Economic Analysis*, 2015, 45.

67 Kieff, *Property Rights and Property Rules for Commercializing Inventions*, 85 Minn. L. Rev. 697, 732 (2001); *Krauspenhaar* (fn. 66), 46.

68 *Krauspenhaar* (fn. 66), 49 et seq.

69 For anticommons in general see *Heller*, *The Tragedy of the Anticommons: Property in the Transition from Marx to Markets*, 111 Harv. L. Rev. 621 (1998). With regards to patent law see also *Heller/Eisenberg*, *Can Patents Deter Innovation? The Anti-commons in Biomedical Research*, 280 Science 698 (1998) and *Burk/Lemley*, *Policy Levers in Patent Law*, 89 Va. L. Rev. 1575, 1624 et seq. (2003).

70 *Shapiro*, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting, Innovation Policy and the Economy*, Adam B. Jaffe et al. (ed.), 2001, 119, 149 et seq. See also *Burk/Lemley*, 89 Va. L. Rev. 1575, 1624 et seq. (2003).

71 *Krauspenhaar* (fn. 66), 53 et seq.

72 *Krauspenhaar* (fn. 66), 51 et seq. See also *Schankerman/Scotchmer*, *Damages and injunctions in protecting intellectual property*, 32 RJE 199, 218 et seq. (2001).

73 *Lemley/Shapiro*, *Patent Holdup and Royalty Stacking*, 85 Tex. L. Rev. 1991, 1993 (2007); *Krauspenhaar* (fn. 66), 52.

for the ex-ante value of the invention, but for anything that is below his costs for restructuring his product.

All jurisdictions have to decide between adopting an approach that is based more on property rules or more on liability rules. The current German concept is based on a strict property rule concept granting injunctions as a matter of cause. The UK practice seems to follow a property rule model in general, but with strong elements of a liability rule due to Art. 3 Enforcement Directive. On the contrary, the starting point of the US approach after *eBay* lies in a model of liability rules. Generally, patentees are not entitled to injunctions, unless they fulfill the *eBay*-requirements. However, from a de facto perspective, the US concept is a hybrid of both systems granting injunctions in the vast majority of cases.

### III. The Tension between Restriction and Access

From a third and final perspective, this conflict can be described as one of restriction and access. A modern approach influenced by systems theory emphasizes the importance of access rules to subject-matter protected by intellectual property rights.<sup>74</sup> Intellectual property must take the multiplicity of its social references seriously. A legal system that restricts the use of intangible goods as a first step has to implement sufficient rules of access as a second step. This follows inter alia from the systematic context of intellectual property rights, which function in a system of knowledge-sharing. In this system, access has the same priority as restriction.<sup>75</sup>

This scholarship is very influential in copyright law,<sup>76</sup> but not limited to certain fields of IP.<sup>77</sup> Patent law is part of a bigger social system working in many ways towards technological progress.<sup>78</sup> Legal rules have to take this environment into account and address the need of having access rules. Freedom to use is of paramount importance for the creation of technological knowledge but has to be considered as well with regards to other legitimate interests of individuals within the system (e.g., competitors, consumers). Those participants of the system are part of its establishment by backing the patent environment. A case-by-case concept of granting injunctions as well as an exception to a concept of quasi-automatic injunctions can be part of a larger scheme of access rules, which are a necessary

<sup>74</sup> *Wielsch*, Zugangsregeln, 2008. See also *Wielsch*, Relationales Urheberrecht, ZGE 2013, 274, 297 et seq. and *Wielsch*, Über Zugangsregeln, in *Privatrechts-theorie heute*, Grünberger / Jansen (ed.), 2017, 268.

<sup>75</sup> *Wielsch* (fn. 74), 8.

<sup>76</sup> Cf. *Grünberger*, Vergütungsansprüche im Urheberrecht, ZGE 2017, 188, 193 et seq. (interpreting rights of remuneration as access rules in the sense of *Wielsch*).

<sup>77</sup> *Wielsch* (fn. 74) develops his theory with regards to IP in general.

<sup>78</sup> *Stierle* (fn. 27), 237 et seq.



counterpart to a general access restriction of an implemented exclusive right within a system taking its social references seriously.

German patent law does not seem to understand that the denial of an injunction can work as a way to allow the necessary access to technology. De facto, German patent law provides access only by way of limitations and exceptions to the right or by way of compulsory licenses. However, the law of remedies could address this conflict as well.

On the contrary, US and UK practice apply a very balanced approach with regard to injunctions considering access very seriously, e.g. by taking third party interests into account before issuing an injunction. The fourth *eBay* factor (“the public interest would not be disserved by a permanent injunction”) and the decision in *Edwards Lifesciences* are clear signs for a deliberate access approach. We will come back to this issue of public interest later.<sup>79</sup>

## D. Non-Practiced Patents

A further element in the discussion on patent injunctions is the issue of patent rights that are not practiced by their owner.

### I. The Discussion on Non-Practicing Entities

The debate about more flexibility in the law of patent injunctions was initiated due to the rise of non-practicing entities litigating patents, particularly in the US system. A first proceeding attracting very broad attention was the litigation between the non-practicing claimant NTP and Research-in-Motion, the producer of Blackberry devices. The parties reached a 612.5 million US-Dollar settlement in 2006.<sup>80</sup>

In the hallmark case *eBay v. MercExchange*, a non-practicing entity sued eBay for patent infringement. Justice Kennedy described the backdrop of this discussion in his concurring opinion with the words: “An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.”<sup>81</sup> Initially, the District Court denied an injunction taking into account the nature of the patent holder,<sup>82</sup> while the Federal Circuit followed its general rule approach.<sup>83</sup>

<sup>79</sup> See sub. G.

<sup>80</sup> For the order see E.D. Va., case no. 3:01-cv-00767, docket doc. no. 464, March 3, 2006.

<sup>81</sup> *eBay Inc. v. MercExchange*, L.L.C., 126 S.Ct. 1837, 1842 (2006) (Kennedy, J., concurring).

<sup>82</sup> *MercExchange, LL.C. v. eBay, Inc.*, 275 F.Supp.2d 695, 712 (E.D. Va. 2003).

<sup>83</sup> *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 et seq. (Fed. Cir. 2005).



*eBay* was the starting point of the discussions in the UK<sup>84</sup> as well as in Germany.<sup>85</sup> Particularly, academics focused on non-practicing patent holders, who should not be entitled to an injunction.<sup>86</sup> This is intriguing, because in its central holding, the Supreme Court stated that “traditional equitable principles do not permit such broad classifications.”<sup>87</sup> Thus, according to *eBay*, a court must not deny an injunction based merely on the character of the plaintiff.

Besides the general equity-based argumentation by the US Supreme Court, this ratio follows from the structure of patent law that is mutual to the US, the UK and Germany. Like real property, a patent right is an absolute right. It entitles the owner independently of his nature.<sup>88</sup> This might be different in other fields of law like unfair competition law, where competitive relationships are required.<sup>89</sup> Furthermore, the long and weary discussion about the question “Who is a patent troll?”<sup>90</sup> demonstrates clearly that it seems to be impossible to identify unwanted patentees conclusively.<sup>91</sup>

## II. Change in Perspective

However, notwithstanding such refusal to participate in a “troll hunt”, the non-practiced status of a patent should be considered in infringement proceedings. This change of research object is a new trend in German as well as in US law.<sup>92</sup> Taking into account whether a patent is practiced can be backed up by the specific functions of a patent right. The approach derives directly from patent law

84 See for example: *Helmers/McDonagh*, Trolls at the High Court?, LSE Law, Society and Economy Working Paper No. 13 (2012); *Love/Helmers/McDonagh*, Is there a Patent Troll Problem in the U.K.?, 24 *Fordham Intell. Prop. Media & Ent. L. J.* 509 (2014); *Nikolic*, A Comparative Study of Patent Infringement Remedies Related to Non-Practicing Entities in the Courts of Canada, the United Kingdom, and the United States, 2014.

85 *Ohly*, GRUR Int. 2008, 787; *Osterrieth*, GRUR 2009, 540; *Uhrich*, ZGE 2009, 59; *Stierle* (fn. 27), 1 et seq.

86 *Frick* (fn. 36), 55 et seq.; *Sonnenberg* (fn. 36), 21 et seq.

87 *eBay Inc. v. MercExchange, L. L. C.*, 126 S.Ct. 1837, 1840 (2006).

88 *Mes*, Ist etwas faul im Staate D.? Gedanken zum patentrechtlichen Unterlassungsanspruch, Festschrift für Michael Hoffmann-Becking zum 70. Geburtstag, Krieger (ed.), 2013, 821, 824.

89 Cf. Sec. 8 (3) of the German Unfair Competition Act.

90 Exemplary *Lemley*, Are Universities Patent Trolls?, 18 *Fordham Intell. Prop. Media & Ent. L. J.*, 611 (2008).

91 For a critique of the discussed characteristics of a “patent troll” *Stierle* (fn. 27), 245 et seq.

92 *Lemley/Melamed*, Missing the Forest for the Trolls, 113 *Colum. L. Rev.* 2117, 2167 et seq. (2013) (“It is not the companies themselves that the law should care about, but rather their patents [...]”); *Liivak/Peñalver*, The Right Not to Use in Property and Patent Law, 98 *Cornell L. Rev.* 1437 (2013) (comparing the non-use of real property law and patent law); *Perel*, From Non-Practicing Entities (NPEs) to Non-Practiced Patents (NPPs): A Proposal for a Patent Working Requirement, 83 *U. Cin. L. Rev.* 747 (2015) (proposing a working requirement); *Stierle* (fn. 27), particularly 244 et seq. and passim (developing guidelines for the treatment of non-practiced patents).

theory and is applicable to quasi-automatic injunctions as well as a case-by-case jurisdiction.<sup>93</sup>

IP rights are based on specific functions, which they are supposed to fulfill.<sup>94</sup> Traditionally, scholars justified the establishment of intellectual property ex ante:<sup>95</sup> the goal of a patent system is deemed to be that of influencing the behavior that occurs before the right comes into being. The patent system is supposed to embody incentives to invent (inventive function) and to disclose a conceived invention (informative function) in order to support technological progress.<sup>96</sup> However, patent law fulfills some functions post grant as well. Granted patent rights are supposed to induce their owners to invest in the transformation of inventions into innovation (incentive to innovate).<sup>97</sup> Depending on the industry, commercialization costs can be higher than the initial research costs incurred before applying for the patent. This function is of paramount importance<sup>98</sup> to society since inventions contribute ultimately to technological progress when they are being used. Alternatively, a patent can enable its owner to allow others to practice the invention in return for payment (incentive to transfer). Without a property right, negotiations would be hard to accomplish in practice. Information – here the invention – cannot be evaluated by a buyer until it is disclosed, but then the buyer has no reason to pay for it because he or she has it.<sup>99</sup>

Non-practiced patents do not fulfill the innovation function of patent law. The idea of restricting the right to an injunction in such cases can be based on the lack of commercialization.<sup>100</sup> However, not every non-practiced patent lacks the right to an injunction. A patentee may well have very valid grounds for refraining from practicing the invention. These grounds have to be considered, since denials of injunctions create a negative feedback effect on ex ante-incentives.<sup>101</sup> Generally weakening the rights of a patent holder due to a lack of commercialization might increase the incentive to practice, but will weaken the incentive to invent

<sup>93</sup> For such an approach see *Stierle* (fn. 27), particularly 244 et seq.

<sup>94</sup> For a detailed analysis of patent functions as well as the outlined theory see *Stierle* (fn. 27), 187 et seq. and 237 et seq.

<sup>95</sup> For this distinction between ex ante and ex post theories see *Lemley*, Ex Ante versus Ex Post Justifications for Intellectual Property, 71 U. Chi. L. Rev. 1031 (2004).

<sup>96</sup> For all four traditional theories see *Machlup/Penrose*, The Patent Controversy in the Nineteenth Century, 10 J. Econ. Hist. 1, 10 et seq. (1950) and *Machlup*, An Economic Review of the Patent System, 1958, 21 et seq.

<sup>97</sup> *Rich*, The Relation between Patent Practices and the Anti-Monopoly Laws, 24 J. Pat. & Trademark Off. Soc'y 159, 177 et seq. (1942).

<sup>98</sup> *Rich*, 24 J. Pat. & Trademark Off. Soc'y 159, 177 (1942) ("by far the greatest in practical importance").

<sup>99</sup> *Arrow*, Economic Welfare and the Allocation of Resources for Invention, The Rate and Direction of Inventive Activity: Economic and Social Factors, NBER (ed.), 1962, 609, 614 et seq.; *Merges*, A Transactional View of Property Rights, 20 Berkeley Tech. L. J. 1477 (2005).

<sup>100</sup> *Stierle* (fn. 27), 251 et seq.

<sup>101</sup> *Stierle* (fn. 27), 262 et seq.

and to disclose. The more reasonable the grounds for refraining, the greater the negative feedback effect will be. In this regard, I developed a three-step test in my previous works as a method to balance, on the one hand, the fact that a patent owner chooses not to practice the patent (leading to a dysfunctional lack of innovation) with the negative feedback effect, on the other hand, of the denial of an injunction (leading to a negative dynamic effect on the incentive to invent as well as the incentive to disclose).<sup>102</sup>

Although patent theory suggests considering whether a patent is used or not, the courts decline totally to take this issue into account with regards to permanent patent injunctions. There is no reported case law in Germany where a court has denied a permanent injunction based on the plaintiff not practicing the invention.<sup>103</sup> The same is true for the UK.<sup>104</sup> In the US, the Supreme Court precedent *Continental Paper Bag* which dates back to 1908 and forbids District Courts to deny injunctions based on a lack of practicing,<sup>105</sup> is still good law. *EBay* did not touch on this precedent. The Supreme Court argued against broad classifications and upheld specifically *Continental Paper Bag*.<sup>106</sup> It is simply a matter of fact that a non-competing plaintiff generally does not fulfill the four-factor test in the aftermath of *eBay*, contributing substantially to the overall quarter of denied injunctions already mentioned.

The approach of the courts is questionable even apart from the functional arguments mentioned. In his dissenting opinion in *Special Equipment Co. v. Coe*, Justice Douglas, US Supreme Court, argued convincingly against *Continental Paper Bag* and wished to follow the decisions of 19<sup>th</sup> century courts denying injunctions in cases of non-practiced patents.<sup>107</sup> Furthermore, there are many examples where courts considered the unused status of the patent in other contexts of patent law. The paper patent doctrine for instance, allowed a US court to refrain from a broad interpretation of patent claims, if the patent was unused.<sup>108</sup>

<sup>102</sup> Stierle (fn. 27), 251 et seq.

<sup>103</sup> See Stierle (fn. 27), 73 et seq. with further references to case law (noticing a paradigm of equivalence of practiced and non-practiced patents with regards to the right to desist in German practice).

<sup>104</sup> See for instance *Unwired Planet v. Huawei* [2018] EWCA Civ 2344, where the unpracticed nature of the patent was not an issue for the court.

<sup>105</sup> *Cont'l Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 429 et seq. (1908). See also *Hartford-Empire Co. v. United States*, 323 U.S. 386 et seq. (1945) and *Special Equip. Co. v. Coe*, 324 U.S. 370 (1945). An analysis of this triad of decisions can be found at Stierle (fn. 27), 99 et seq.

<sup>106</sup> *eBay Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837, 1840 et seq. (2006).

<sup>107</sup> *Special Equip. Co. v. Coe*, 324 U.S. 370, 382 et seq. (1945) (Douglas, J. dissenting) with reference to *Hoe v. Knap*, 27 F. 204 (N.D. Ill. 1886). *Hoe v. Knap* is the most prominent decision in this regard. It was good practice to deny injunctions in a case of an unused patent before *Continental Paper Bag* (cf. Stierle (fn. 27), 96 et seq. with further references).

<sup>108</sup> Cf. *Van Kannel Revolving Door Co. v. General Bronze Corp.*, 77 F.2d 300, 303 (2nd Cir. 1935); *American Laundry Mach. Co. v. Strike*, 103 F.2d 453, 457 (10th Cir. 1939); *Reynolds v. Whitin Mach. Works.*, 167 F.2d 78, 84 (4th Cir. 1948); *Kobe, Inc. v. Dempsey Pump Co.*, 198 F.2d 416, 430

This theory vanished during the 1980s with the rise of the Federal Circuit without being explicitly overruled. In Germany, the courts consider the non-practiced status of a patent when assessing the value in dispute,<sup>109</sup> they take it into account in preliminary proceedings<sup>110</sup> and consider it within a Sec. 712-defense against provisional enforceability<sup>111</sup>.

## E. Compensation in lieu of an Injunction

A further issue common to jurisdictions following a case-by-case approach as well as jurisdictions knowing an exception to quasi-automatic injunctions concerns the consequence of denied injunctions where infringement has been adjudged: should a court just deny or grant compensation in lieu thereof?

### I. The Law in the UK and the US

In jurisdictions based on common law, a well-established concept of granting compensation in lieu of an injunction exists. This remedy has a long tradition in the UK and the US. In fact, the old and famous *Shelfer* precedent of the Court of Appeal of England and Wales describes not only the requirements for the denial of an injunction as an exception to the general rule, it lays out the requirements courts should consider to adjudge compensation in lieu. Also in the more recent case law, compensation in lieu of an injunction is a well-established remedy. Justice Arnold granted compensation in lieu thereof in *Edwards Lifesciences*.<sup>112</sup>

The same applies to the US. Traditionally, US courts compensated the patentee financially if they denied an injunction.<sup>113</sup> After *eBay*, there are numerous decisions granting compensation in lieu.<sup>114</sup>

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(10th Cir. 1952). For a detailed analysis of this doctrine see *Duffy*, Reviving the Paper Patent Doctrine, 98 Cornell L. Rev. 1359 (2013).

109 Federal Court of Justice, GRUR 2011, 757 – *Nichtigkeitsstreitwert*.

110 Regional Court of Düsseldorf, GRUR 2000, 692, 696 et seq. – *NMR-Kontrastmittel*.

111 Higher Regional Court of Karlsruhe, GRUR-RR 2010, 120, 122 – *Patentverwertungsgesellschaft*.

112 *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256, no. 72 (Pat).

113 Cf. *Dorsey Harvester Revolvingrake Co. v. Marsh*, 7 F. Cas. 939, 945 f. (E. D. Pa. 1873); *Hoe v. Knap*, 27 F. 204, 204 (N. D. Ill. 1886); *Electric Smelting & Aluminum Co. v. Carborundum Co.*, 189 F. 710, 714 (W. D. Pa. 1900); *Foster v. American Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2nd Cir. 1974).

114 *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1313 et seq. (Fed. Cir. 2007); *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1361 (Fed. Cir. 2008). But cf. *Janicke*, Implementing the “Adequate Remedy at Law” for Ongoing Patent Infringement After *eBay v. MercExchange*, 51 IDEA 163, 176 (2011) (suggesting that US courts have no statutory authority to award ongoing royalties).

## II. The German Situation

Since no German case law exists on denying permanent injunctions, there is plenty of uncertainty as to whether courts would adjudicate compensation in lieu. Judging from the perspective of German trademark and unfair competition law, it seems unlikely that a German court would adjudge compensation in lieu thereof if it would deny a patent injunction. The relevant case law in the other fields of industrial property protection does not grant compensation in lieu if an injunction is denied.<sup>115</sup>

However, four aspects should lead a court or at least parliament to grant compensation in lieu of an injunction. Firstly, it would follow the principle of minimal intervention.<sup>116</sup> If we assume with the underlying paradigm of the patent system that patents and their enforcement are efficient tools for fostering technical progress in general, interventions in the current system should be only as far reaching as is necessary. If the property rule does not fit for certain cases and injunctions are to be denied, compensating the patentee in lieu thereof is less intervening than an uncompensated denial. It upholds pre-grant incentives as much as possible and overrules the property rule at the same time. The negative feedback effect on the incentives to invent and disclose in the future (dynamic perspective),<sup>117</sup> while denying an injunction, is as low as possible.

Secondly, without any logical flaws, German courts can deny injunctions in trademark law and unfair competition cases without compensation, while they do grant compensation in lieu thereof in patent decisions. Unlike a trademark or unfair competition plaintiff, a patentee, having developed and disclosed the invention, invested substantial efforts before obtaining a patent. Although the line of argument is different, the outcome of this reasoning is in line with the idea of the Federal Court of Justice in *Wärmetauscher*, where the court argued for a higher threshold for a stay of an injunction in patent law by comparing it to soft IP, which is governed allegedly by a lower threshold.<sup>118</sup>

Thirdly, there are various role models for compensation in lieu of an injunction in German and European IP law. Although not fully identical with the UK and the US concept, the German Copyright Act and the German Design Act contain a provision enabling courts to order pecuniary compensation instead of

115 Federal Court of Justice, GRUR 1974, 735, 737 – *Pharmamedan*; Federal Court of Justice, GRUR 1982, 420, 423 – *BBC/DDC*. See also Köhler, Die Begrenzung wettbewerbsrechtlicher Ansprüche durch den Grundsatz der Verhältnismäßigkeit, GRUR 1996, 82, 90 et seq. (arguing for compensation in lieu of an injunction in German unfair competition law).

116 Cf. for this principle Stierle (fn. 27), 271 et seq., with regard to compensation in lieu thereof particularly 276.

117 For negative feedback effects between patent functions in general see Stierle (fn. 27), 240 et seq.

118 Federal Court of Justice, GRUR 2016, 1031, no. 45 – *Wärmetauscher*.

an injunction.<sup>119</sup> The Enforcement Directive followed this role model of the German law by including Art. 12 with similar content<sup>120</sup> – the only non-obligatory provision to the Member States.<sup>121</sup>

Fourthly, the current law provides enough leeway to grant compensation in lieu of an injunction based on the legal concept of Sec. 251 (2) of the German Civil Code.<sup>122</sup> This section states that a person liable for damages may compensate the obligee in money if restoration is only possible at disproportionate expense. The Federal Court of Justice<sup>123</sup> as well as parliament<sup>124</sup> infer a general legal concept from this provision applicable to the claim for removal. The *Kammergericht* applied this section to copyright injunctions in the 1930s<sup>125</sup> and the German parliament based the implementation of Sec. 100 of the German Copyright Act on this decision.<sup>126</sup> There are no reasons why the underlying concept of Sec. 251 (2) of the German Civil Code should not cover claims for injunctive relief in patent law, too.

In the end, if German courts decide to deny injunctions in patent law in exceptional cases, they should compensate the plaintiff by compensation in lieu thereof like the US and UK courts. If parliament decides to amend the wording of Sec. 139 (1) of the German Patent Act by adding an exception to the general rule of injunctions, it should follow the role model of these jurisdictions.<sup>127</sup>

## F. Denial of an Injunction ≠ Compulsory License

Another element the US, the UK and Germany share in the discussions about the denial of requested injunctions is the association of such a decision with a compulsory license.

<sup>119</sup> See Sec. 100 of the German Copyright Act and Sec. 45 of the German Design Act.

<sup>120</sup> See the comments to article 16 in COM(2003) 46 final. Sec. 101 of the German Copyright Act is Sec. 100 in the current version.

<sup>121</sup> Hence, the grant of compensation in lieu of an injunction is not determined by the high threshold of Art. 12's requirements. The role of Art. 12 is to clarify under which requirements Member States may provide authority to a court to grant alternative measures. It is not binding in the sense that injunctions can be denied only under the requirements mentioned in Art. 12. Against the backdrop of the genesis of Art. 12, one can assume that its function was predominantly to clarify that the old Sec. 101 of the German Copyright Act (now: Sec. 100) is in line with the Enforcement Directive.

<sup>122</sup> *Stierle* (fn. 27), 370; *Stierle*, GRUR 2019, 873, 882.

<sup>123</sup> Federal Court of Justice, WM 1974, 572, 573; Federal Court of Justice, NJW 1974, 1552, 1553.

<sup>124</sup> BT-Drs. 14/6040, 130. Legislative did not suppress the application with the introduction of Sec. 275 (2) of the German Civil Code (see in this regard *Stierle*, GRUR 2019, 873, fn. 110).

<sup>125</sup> *Kammergericht*, UFITA II (1938), 287, 289 – *Sefira*.

<sup>126</sup> BT-Drs. 4/270, 105.

<sup>127</sup> Cf. *Stierle*, GRUR 2019, 873, 885 (demonstrating possible wordings).

## I. The Confusion

Regularly, institutions, judges, and scholars associate exceptions to a general rule of granting injunctions with a concept of compulsory licenses. Countless examples exist: during the *eBay* proceedings, the US government questioned whether an injunction could be denied on the ground that “the United States has entered into international treaties [...] that limit compulsory licensing.”<sup>128</sup> The brief cited Art. 31 TRIPS, the relevant provision of the TRIPS Agreement for compulsory licensing. In *Foster v. American Mach. & Foundry Co.*, the Second Circuit upheld the District Court’s decision in denying an injunction and granting compensation in lieu thereof. It called this approach compulsory licensing.<sup>129</sup> Another example of this association is the famous concurring opinion of Judge Rader in *Paice*. He wrote in his concurring opinion, “calling a compulsory license an ‘on-going royalty’ does not make it any less a compulsory license.”<sup>130</sup> Recently, the prominent Munich Regional Court I considered the denial of an injunction in a case of patent infringement. The court argued for a high threshold stating that the denial of an injunction would amount to a compulsory license.<sup>131</sup> Likewise, scholarship describes the denial of an injunction as a compulsory license<sup>132</sup> or at least a de-facto<sup>133</sup> compulsory license.

One can think of two reasons to qualify the denial of an injunction as a compulsory license. Firstly, in both situations the law decides the fundamental conflict in favor of the same concept, namely, equity, liability rules and access depending on the perspective. Secondly, in both cases the exclusive right does not lead to an injunction, although patents are property-like exclusive rights and their core feature is traditionally deemed to be the power to exclude others from the use of the protected subject-matter.

<sup>128</sup> US Government, Brief as Amicus Curiae, 2006, 18 (citing Art. 31 TRIPS).

<sup>129</sup> *Foster v. American Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2nd Cir. 1974).

<sup>130</sup> *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1316 (Fed. Cir. 2007) (Rader, J., concurring)

<sup>131</sup> Munich Regional Court I, 13. June 2019, file 7 O 10261/18, no. 61.

<sup>132</sup> *Tang*, The Future of Patent Enforcement After *eBay v. MercExchange*, 20 Harv. J. L. & Tech. 235, 247 et seq. (2006); *Chao*, 9 Minn. J. L. Sci. & Tech. 543, 545, 565 (2008); *Venkatesan*, Compulsory Licensing of Nonpracticing Patentees After *eBay v. MercExchange*, 14 Va. J. L. & Tech. 26 (2009); *Contreras* (fn. 11), 15 et seq.

<sup>133</sup> *Beckerman-Rodau*, The Supreme Court Engages in Judicial Activism in Interpreting the Patent Law in *eBay, Inc. v. MercExchange*, L. L. C., 10 Tul. J. Tech. & Intell. Prop. 165, 204 (2007); *Cotropia* (fn. 26), 557, 574; *Lim/ Craven*, Injunctions Enjoined; Remedies Restructured, 25 Santa Clara Computer & High Tech. L. J. 787, 787 (2008).



## II. The Truth

The denial of an injunction does not lead to the grant of an actual or de-facto compulsory license. Besides reasons deriving from the specialties of individual jurisdictions,<sup>134</sup> two arguments can be made.

Firstly, granting or denying an injunction is an issue of remedies; it is an issue of patent enforcement after established infringement.<sup>135</sup> A regular license – as well as a compulsory license – qualifies an act as not infringing. This difference is substantial and follows from the four-level structure of intellectual property laws: The first level being subject matter, the second exploitation rights, the third limitations, exceptions and licenses, and the fourth and final level remedies and enforcement. The concept of compulsory licenses is located at level three, one level below remedies and enforcement. After the grant of a compulsory license, the patentee cannot enforce the patent as a principle, while in the case of a mere denial of an injunction other ways of enforcement might still be open, e.g. damages or restitution.

If the denial of an injunction is a concept at the level of remedies and enforcement, compensation in lieu of an injunction has to be as well. Mere compensation for the denial of an injunction does not qualify it as a compulsory license. The infringing act is still an infringement. Thus, the infringer has no actual right to infringe and the patentee might be able to claim an actual loss as damages in the future, apart from the standard ongoing compensation.<sup>136</sup> This argumentation is in line with the Federal Circuit's majority opinion in *Paice*, where the court emphasized: "We use the term ongoing royalty to distinguish this equitable remedy from a compulsory license."<sup>137</sup>

Secondly, the scope of a denied injunction is regularly narrower than that of a compulsory license.<sup>138</sup> After the denial, the defendant is not subject to the property rule only with regards to the subject matter in dispute. The legal effect of the denial is very limited. If the defendant changes the infringing product into a different version, e.g. by marketing an improved version, the patentee might be able to successfully sue the defendant for patent infringement in a new action based on a new subject of dispute.

The scope of a compulsory license is broader.<sup>139</sup> It can be granted with regards to any kind of use of the invention, independently of the embodied infringing

<sup>134</sup> For instance, in most jurisdictions, authorities other than the courts of infringement proceedings grant compulsory licenses (cf. Sec. 48 of the UK Patent Act (comptroller) or Sec. 65 (1), 66 (1) No. 1 of the German Patent Act (Nullity Senate of the Federal Patent Court)).

<sup>135</sup> *Stierle* (fn. 27), 277.

<sup>136</sup> Cf. *Stierle* (fn. 27), 278 et seq., 373 et seq. (arguing for a concept of compensation in lieu of an injunction in German patent law and granting patentees a claim for damages at the same time, if the damage exceeds already paid compensation).

<sup>137</sup> *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1313 (Fed. Cir. 2007)

<sup>138</sup> *Stierle* (fn. 27), 277.

<sup>139</sup> *Stierle* (fn. 27), 277.



product.<sup>140</sup> Normally after the grant of a compulsory license, if the defendant markets an improved version of his product, a new infringement action will not be successful.

In conclusion, the difference between the denial of an injunction and a compulsory license is huge. The latter is a more intense interference with the right of the patentee, which has to be reflected in the requirements of both concepts.

### III. The Consequences

The rules on compulsory licenses are rather strict. However, the distinction between the grant of a compulsory license and the denial of an injunction leads to the important consequence that the rules governing compulsory licenses must not be applied to the law on injunctions. This is true for national laws on compulsory licenses like Sec. 24 of the German Patent Act, but applies even more importantly to international requirements concerning compulsory licenses. Thus, a concept of non-automatic injunctions does not need to meet the requirements of Art. 5A (2) of the Paris Convention and Art. 31 of the TRIPS Agreement.<sup>141</sup> It is governed by Art. 44 (1) TRIPS and Art. 3, 11 and 12 Enforcement Directive only.<sup>142</sup> Although courts and scholars regularly cite Art. 30 TRIPS with regards to denied injunctions,<sup>143</sup> the provision neither applies to compulsory licenses nor to the denial of an injunction.<sup>144</sup> It provides exceptions to the rights conferred. In those cases, the use of the invention is deemed to be not infringing. Thus, no compulsory license is needed and there is no injunction which could be adjudged in the first place.

This insight has an important practical impact. Since the European and international provisions on injunctions are rather blurry, there is plenty of leeway for competent national authorities, e.g. courts or parliament, to design the law on permanent injunctions. The list of directives for the requirements of a grant or the exception to a grant is rather short.<sup>145</sup>

140 Cf. Sec. 24 (1) first half sentence of the German Patent Act (defining a compulsory license as a right to the commercial use of the *invention*) and e contrario Sec. 24 (6) sentence 2 and 3 (allowing the granting authority to restrict the scope of use in appropriate cases („kann“)) of the German Patent Act as one example.

141 In detail: Stierle (fn. 27), 396 et seq.

142 In detail: Stierle (fn. 27), 389 et seq.

143 *HTC Corporation v. Nokia Corporation* (No. 2) [2013] R.P.C. 30, no. 31; Federal Court of Justice, GRUR 2016, 1031, no. 47 et seq. – *Wärmetauscher*; *Cotropia* (fn. 26), 557, 576 et seq., 581 et seq.; *Subramanian*, Different Rules for Different Owners – Does a Non-Competing Patentee Have a Right to Exclude? A Study of Post-eBay Cases, IIC 2008, 419, 447.

144 In detail: Stierle (fn. 27), 399 et seq. See also *Sonnenberg* (fn. 36), 61 et seq. (analyzing Art. 30 TRIPS in the alternative only).

145 One directive might be given by the prohibition on discrimination in Art. 27 (1) (2) TRIPS.

## G. Public Interest

A further common element in the discussions on the law of patent injunctions is the issue of public interest. The question at stake is whether a court can deny the grant of an injunction based on public interest considerations.

In the US, public interest considerations have always played an important role in the law on permanent patent injunctions. The approach of the courts changed from time to time, but public interest has been a relevant factor in granting or denying an injunction continuously, as already mentioned, even in times when the grant was the general rule.<sup>146</sup> In *eBay*, the United States Supreme Court emphasized the traditional rules of equity including the four-factor approach – one of them concerning public interest.<sup>147</sup>

In the UK, public interest in the infringing embodiment can be considered in the law on injunction as well. In *Lawrence v. Fen Tigers Ltd*, Lord Neuberger wrote: “I find it hard to see how there could be any circumstances in which it arose and could not, as a matter of law, be a relevant factor.”<sup>148</sup> In *Edwards Lifesciences*, Justice Arnold denied an injunction based on public interest considerations.<sup>149</sup> He balanced the interest of the patent holder and the interest of the public in the patent infringing artificial heart valves and decided in favor of the latter by denying an injunction against the infringer.

In the German case law, public interest has not been a factor in the law on permanent patent injunctions at all. In *Herzklappen* – the parallel German proceeding to *Edwards Lifesciences* – the prominent Regional Court of Düsseldorf rejected the admission of public interest as a valid argument against a permanent patent injunction and granted injunctive relief. The German court based its reasoning on Sec. 24 of the German Patent Act – the section on compulsory licensing – suggesting that this is the only context in which one could take public interest into account.<sup>150</sup> Indeed, Sec. 24 states public interest as one of the main requirements for the grant of a compulsory license.<sup>151</sup>

However, the Regional Court is wrong in refusing to consider public interest with regard to patent injunctions. Firstly, Sec. 24 of the German Patent Act cannot create a barrier effect against public interest as a relevant factor in the law of remedies. There are no indications within the spirit of Sec. 24 or its genesis

<sup>146</sup> See references in fn. 12 and 13.

<sup>147</sup> *eBay Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837, 1839 (2006).

<sup>148</sup> *Lawrence v. Fen Tigers Ltd* [2014] A.C. 822, 856.

<sup>149</sup> *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256, no. 13 et seq. 60 (Pat).

<sup>150</sup> Düsseldorf Regional Court, 9. March 2017, file 4a O 137/15, GRUR-RS 2017, 104657, no. 133 et seq. – *Herzklappen*.

<sup>151</sup> Just recently, the Swiss Federal Patent Court decided the same way with similar reasoning *Evalve, Inc. v. Edwards Lifesciences AG*, file S2019\_002, 15. August 2019 (plaintiff seeking preliminary injunctive relief).

that legislature intended to restrict the issue of public interest exclusively to compulsory licensing thereby prohibiting courts to use this aspect when analyzing other issues. Furthermore, as already demonstrated, the concept of a compulsory license is not a concept of remedies, particularly not a concept of injunctions. It works on a more fundamental level of the IPR structure and generates a broader legal effect. Thus, using an *argumentum e contrario*<sup>152</sup> to neglect the consideration of public interests at the remedy level, which is a way finer level, is not convincing.<sup>153</sup> Considering this *argumentum e contrario* valid, courts could never apply elements of broader levels to finer levels, like aspects of patentability within the issue of infringement. However, as one example, current practice uses aspects of obviousness and inventive step within the analysis of patentability as well as on the level of exploitation rights, more precisely the issue of infringement.<sup>154</sup>

Secondly, the whole patent system is based on public interest considerations. Patent law with its different functions is supposed to generate technological progress to the benefit of the public.<sup>155</sup> This is the major justification for patent law. Against this backdrop, it sounds absurd that the overarching goal of all patent provisions can only be considered in the framework of compulsory licenses. Every branch of patent law has to be applied in the light of this objective.<sup>156</sup>

Thirdly, the dimension of fundamental rights must make a German court consider public interest if public interest is affected by a patent injunction.<sup>157</sup> Every injunction in IP litigation addresses conflicting parties with different interests protected by fundamental rights. In various decisions, the European Court of

152 This technique of legal reasoning is known as *argumentum e contrario* in German law and is similar to the *maxim expressio unius exclusio alterius* in common law.

153 Vice versa might be possible, though.

154 Non-obviousness is a concept of inventive step (Art. 56 EPC and Sec. 4 of the German Patent Act). According to the Federal Court of Justice obviousness and inventive step have to be considered within the assessment of patent infringement by equivalent means. Cf. Federal Court of Justice, GRUR 1994, 597, 600 – *Zerlegevorrichtung für Baumstämme* (considering inventive step as determining for the assessment of infringement by equivalence); *Brandi-Dohrn*, Das Naheliegen bei der Äquivalenz, Gewerbliche Schutzrechte und ihre Durchsetzung, Festschrift für Tilman Schilling zum 70. Geburtstag am 29. Juli 2007, Grosch / Ullmann (ed.), 2007, 43, 46 (obviousness as reflection of inventive step); *Wuttke*, Äquivalenz und erfinderische Tätigkeit: was liegt hier nahe?, Mitt. 2015, 489 (arguing for an identical obviousness standard regarding inventive step and equivalence); *Kühnen*, Handbuch der Patentverletzung, 11th ed. 2019, A. no. 124 (stating that an identical standard of inventive step applies within patentability and infringement by equivalence).

155 *Stierle* (fn. 27), 237 with further references.

156 See *Stierle* (fn. 27), 178 with regards to the abuse of law (functions of the rights granted – the patent – must be considered when analysing a right of the patentee to injunctive relief) and 244 et seq. (applying such concept with regards to non-practiced patents).

157 See *Stierle*, GRUR 2019, 873, 878 et seq.

Justice<sup>158</sup> as well as the German Federal Court of Justice<sup>159</sup> emphasized that fundamental rights need to be considered in the law of IP injunctions via the principle of proportionality<sup>160</sup>. Third party interests are part of this conflict of fundamental rights and there is no compelling reason to exclude such issues. The Federal Court of Justice takes public interest considerations into account with regards to injunctions in copyright law.<sup>161</sup> Why should this be different for patent injunctions?

## H. Conclusion

Permanent injunctions in patent law have been the object of a world-wide discussion over the past few years. All modern approaches to injunctions range from a case-by-case concept on the one side to quasi-automatic injunctions on the other side, highly influenced by the common or civil law tradition of the jurisdiction. Referring to the US, the UK and Germany, we have identified six elements that are common to the discussions in all jurisdictions.

Firstly, all three jurisdictions share a trend towards fewer automatic injunctions. Traditionally, the US and the UK practice established a general rule to injunctions with very few exceptions. Despite being originally common law-based jurisdictions, courts in equity considered the exclusive character of the patent right relevant for the law on injunctions. The Supreme Court decision *eBay v. MercExchange* and Art. 3 of the Enforcement Directive applied by Justice Arnold resulted in more flexibility being applied in the US and the UK. *eBay* implemented a case-by-case approach into US practice. The application of Art. 3 of the Enforcement Directive established a proportionality check in the UK. In Germany, a quasi-automatic approach has always been practiced and this is still the case today. However, over the past ten years, academia, attorneys and industry have pushed for more flexibility leading to current reform considerations.

Secondly, the discussions in all jurisdictions address a fundamental conflict inherent to the characteristics of the various possible approaches to the law of patent injunctions. Depending on the perspective, this conflict can be described as one of legal certainty and equity, property and liability rules, or restriction and access. With regards to injunctions, jurisdictions which follow a quasi-automatic

158 GRUR 2008, 241, no. 61 et seq. – *Promusicae*; GRUR 2014, 468, no. 45 et seq. – *UPC Telekabel*; GRUR 2014, 972, i.a. no. 25 – *Deckmyn*; GRUR 2019, 934, no. 49 – *Funke Medien NRW GmbH*.

159 BGHZ 208, 82, no. 30 et seq. – *Störerhaftung des Access-Providers*; GRUR 2017, 1233, no. 17 et seq. – *Loud*.

160 For this principle in particular see the following decisions of the European Court of Justice as examples: GRUR 2008, 241, no. 68 et seq. – *Promusicae*; GRUR 2009, 579, no 28 et seq. – *LSG*; GRUR 2014, 468, no. 46 – *UPC Telekabel*; GRUR 2016, 1146, no. 81 et seq. – *McFadden*.

161 Federal Court of Justice, GRUR 2018, 1044, no. 34 – *Dead Island* (taking the rights of internet users (third parties to the case) into account).

approach – particularly the current German practice – favor legal certainty, property rules, and restriction, while a case-by-case concept prefers equity, liability rules, and access.

A third element in the discussion on patent injunctions is the issue of non-practiced patents. The current debate on more flexibility in the law of patent injunctions was initiated by *eBay* and the rise of non-practicing entities. Notwithstanding the Supreme Court's central holding that traditional equitable principles do not permit broad classifications, non-practicing entities as plaintiffs seeking injunctive relief raised a lot of discussion. Recently, the perspective within scholarship started to change from the patentee to the actual patent held by the plaintiff. Based on the functions of patent law, particularly the function to innovate, the non-practiced status of a patent should be taken into account while assessing remedies.

A fourth issue common to the various jurisdictions concerns the question of whether a patentee should be compensated in lieu of an injunction, if infringement has been adjudged but an injunction was denied. The UK and the US law share a long tradition in granting compensation in lieu of an injunction. Since German courts issue injunctive relief quasi-automatically by now, there is no German decision adjudging compensation in lieu thereof. However, if the current trend towards more flexibility leads to a change of practice or an amendment of statutory law, there are multiple reasons to follow the role model of the UK and the US system.

Fifthly, the denial of an injunction is associated with compulsory licensing in all jurisdictions. However, the denial of an injunction does not lead to the grant of a compulsory license. Both concepts have different characteristics. As a consequence, the rules on compulsory licenses cannot be applied to the denial of an injunction leaving the competent national authorities plenty of leeway in adopting a quasi-automatic or case-by-case system.

A sixth common element in the discussions is the issue of public interest. In the UK and the US, public interest has always been a considerable factor in the law of patent injunctions, even under the old approach of granting injunctions according to a very strict general rule. It still is today. By contrast, the prominent Regional Court of Düsseldorf decided just recently that German law would not allow considerations of public interest within the law of injunctions. However, there are multiple reasons why the court should change its opinion.

## Zusammenfassung

Der patentrechtliche Unterlassungsanspruch ist in den letzten Jahren Gegenstand einer lebhaften internationalen Diskussion. Alle derzeitigen Konzepte liegen abhängig von der Tradition der jeweiligen Jurisdiktion auf der Bandbreite zwischen Einzelfallanalyse auf der einen Seite und quasi-automatischer Anspruchsgewährung auf der anderen Seite. Dieser Beitrag

beleuchtet sechs Elemente der derzeitigen Diskussion unter Bezugnahme auf die USA, das Vereinigte Königreich und Deutschland. Erstens herrscht derzeit in allen drei Ländern ein Trend zur Flexibilisierung des Unterlassungsrechts vor. Zweitens bezieht sich die Diskussion letztlich auf einen Grundlagenkonflikt, der in dreierlei Hinsicht beschrieben werden kann. Drittens verkörpert die Frage nach dem rechtlichen Einfluss der Nicht-Praktizierung ein wesentliches Element der Diskussion. Viertens gilt es einen finanziellen Ausgleich zu leisten, falls das Unterlassungsrecht versagt wurde (*compensation in lieu of an injunction*). Fünftens begründet die Versagung eines Unterlassungsanspruchs keine (faktische) Zwangslizenz. Sechstens müssen entgegenstehende öffentliche Interessen im Rahmen des Unterlassungsrechts Berücksichtigung finden.



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