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# The Latest Amendment to the German Law on Patent Injunctions: The New Statutory Disproportionality Exception and Third-Party Interests

Germany is a prominent jurisdiction for patent litigation. After a long and controversial discussion between stakeholders, the legislator amended the law on injunctive relief in summer 2021 and introduced a statutory disproportionality exception. This article gives an overview of the background to the reform and describes and analyses its implementation, the methodology to assess disproportionality, and the relation to the law on compulsory licensing as well as the special regime for standard-essential patents. The paper focuses particularly on the most controversial ground for denying an injunction: third-party interests in the infringing implementation of the invention.

## I. Introduction

Germany stands out as one of the most frequented patent litigation forums worldwide. Its market is the largest within the European Union and German IP law provides for a great deal of cost-effective patent enforcement. Proceedings are fast due to a bifurcated litigation system – a structure which does not allow for nullity defences within infringement proceedings.<sup>1</sup> A further key feature to attract patent litigation has been the law on injunctive relief. Patentees bring their cases to Düsseldorf, Hamburg, Mannheim or Munich,<sup>2</sup> since German courts hand down injunctions in virtually each and every case of patent infringement.<sup>3</sup> Provided that infringement is established, injunctive relief is granted almost automatically.<sup>4</sup>

In summer 2021, however, Parliament passed a bill to modernize the German Patent Act (GPA).<sup>5</sup> One of the main elements of the recent reform<sup>6</sup> concerns the law on

injunctive relief. The amendment introduces a statutory proportionality exception to Sec. 139(1) GPA which builds on the landmark *Wärmetauscher* decision by the German Federal Supreme Court (Bundesgerichtshof) in 2016.<sup>7</sup> The judgment held that a patent owner is entitled to an injunction only after a certain grace period if specific circumstances mean that an immediate enjoinder constitutes a disproportionate and unjustified hardship for the infringer.<sup>8</sup> The new law, however, goes further, allowing a defendant to also argue that an injunction would constitute a disproportionate, unjustified hardship for a potential third party. This reference to third-party interests within the wording of the new Sec. 139(1) GPA remained extremely controversial until the very end of the legislative period when the law had to be passed.<sup>9</sup>

Given the importance of Germany as a patent litigation forum and the ongoing discussions about proportionate injunctions, the reform will attract wide-reaching attention in practice and academia. This paper presents an overview of the amendment and highlights some of its specific features with a particular focus on third-party interests as a ground for denying injunctions. Firstly, it will address the new statutory disproportionality exception in general. In doing this, the article will summarize the discussions about its enactment, introduce its concept, highlight the methodological approach that courts will need to take in the future to assess

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<sup>1</sup> For an economic analysis of the bifurcated system see Katrin Cremers and others, 'Invalid but infringed? An analysis of the bifurcated patent litigation system' (2016) 131 J Econ Behav Organ 218.

<sup>2</sup> More recently, the Hamburg courts have also attracted some attention.

<sup>3</sup> German courts tend to hand down injunctions even in cases of standard-essential patents. See the high threshold on the side of the defendant in Federal Supreme Court, [2009] GRUR Int 747 – *Orange-Book-Standard* or Federal Supreme Court, [2021] GRUR International 89 – *FRAND-Einwand*.

<sup>4</sup> Martin Stierle, 'Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG' [2019] GRUR 873 with further references. See also Peter Georg Picht and Anna-Lena Karczewski, 'Germany' in Jorge L. Contreras and Martin Husovec (eds), *Injunctions in Patent Law* (Cambridge University Press 2022) 142, 158; Ralf Urich, 'Verhältnismäßigkeitseinwand, „Injunction Gap“ und prozessualer Geheimnisschutz nach dem 2. PatMoG' [2022] ZdiW 242, 242.

<sup>5</sup> 'Zweites Gesetz zur Vereinfachung und Modernisierung des Patentrechts' of 10 August 2021.

<sup>6</sup> For an overview of the various elements of the reform see Ansgar Ohly and Martin Stierle, 'Unverhältnismäßigkeit, Injunction Gap und Geheimnisschutz im Prozess. Das Zweite Patentrechtsmodernisierungsgesetz im Überblick' [2021] GRUR 1229.

<sup>7</sup> Federal Supreme Court, [2016] GRUR 1031 – *Wärmetauscher*.

<sup>8</sup> *Wärmetauscher* (n 7) 1031 para 41.

<sup>9</sup> See for example Klaus Grabinski, 'Injunctive Relief and Proportionality in Case of a Public Interest in the Use of a Patent' [2021] GRUR 200, 202 ff; Christian Harmsen, 'Zu den Voraussetzungen der Aufbrauchfrist im Patentrecht' [2021] GRUR 222, 226; Marie-Rose McGuire, 'Stellungnahme zum 2. PatModG: Ergänzung des § 139 I PatG durch einen Verhältnismäßigkeitsvorbehalt?' [2021] GRUR 775, 781 ff for opinions opposing the reference to third-party interests in the wording.

disproportionality, and outline its legal effect (Section II). The paper will then focus on third-party interests. It will describe the reasons to include such interests in the wording of the amendment as a ground for denying injunctive relief (Section III). It will outline two potential case types associated with third-party interests that fall under the exception (Section IV). Thereafter, the paper will compare the disproportionality exception with the existing German concept of compulsory licensing (Section V). It will also address the relationship between the new disproportionality-based exception and the existing competition-law-based exception, regularly raised in cases of standard-essential patents (SEPs) (Section VI). It will conclude with a summary of the main findings (Section VII).

## II . The new disproportionality exception

### 1. The discussion about its introduction

Traditionally, the German patent enforcement system is based on the property rule as a hallmark. Injunctions are issued as a matter of course if a patent infringement can be established. This notion is in line with the traditional understanding in German civil law that the holder of an exclusive right is naturally entitled to an injunction against an infringer.<sup>10</sup> In the light of the US Supreme Court decision in *eBay v MercExchange*<sup>11</sup> and the first prominent cases of patent enforcement by non-practicing entities (NPEs) in Germany,<sup>12</sup> patent scholars and practitioners had started to engage in a debate on whether patent law should provide an exception for cases where a permanent injunction is considered to be disproportionate.<sup>13</sup> The patent community has been discussing in particular two kinds of scenarios where an injunction might be excessive: cases of ‘patent trolls’ and cases concerning complex products with only a minor infringing component.

Although some voices had hoped for a change of the traditional practice in patent law after the *Wärmetauscher* decision, the majority opinion remained sceptical that such a change would actually happen.<sup>14</sup> Indeed, no court decision has been reported where judges issued a grace

period or denied an injunction.<sup>15</sup> At the same time, the general understanding of the right to an injunction in German private law began to evolve. A modern approach to remedies started to emerge which understood injunctive relief as a remedy that requires tailoring and allows for a more balanced enforcement system (‘emancipation of remedies’) instead of considering the right to an injunction as an automatic right consequential to an infringement.<sup>16</sup>

The discussion on the reform of statutory law picked up momentum with a wave of lawsuits involving allegations of patent infringement against German car manufacturers relating to components of the ICT sector and the respective lobbying efforts of these car producers.<sup>17</sup> Naturally, there was no unanimous support of the idea. Companies with large patent portfolios as well as various small and medium-sized enterprises feared the loss of an effective patent enforcement instrument, while implementers, more concerned with freedom-to-operate issues, welcomed the suggestion and supported the idea of an amendment to the GPA.<sup>18</sup> The discussion was also controversial within academic literature. While various authors pointed out that *Wärmetauscher* provided enough leeway for certain special cases and that the character of a patent as an exclusive right could be endangered by a reform,<sup>19</sup> others saw a clear need to amend Sec. 139(1) GPA.<sup>20</sup>

<sup>15</sup> Some scholars even argued that German judges have a certain bias towards robust patent enforcement: Stefan Bechtold, Jens Frankenreiter and Daniel Klerman, ‘Forum Selling Abroad’ (2019) 92 S. Cal. L. Rev. 487.

<sup>16</sup> For private law in general Hofmann (n 10); specific to copyright law Franz Hofmann, ‘Die Systematisierung des Interessenausgleichs im Urheberrecht am Beispiel des Rechts der öffentlichen Wiedergabe’ [2018] ZUM 641, 647 f.

<sup>17</sup> See the position statement of VDA, ‘Position des VDA für ein zeitgemäßes Patentrecht zur Sicherstellung der internationalen Wettbewerbsfähigkeit. Verhältnismäßigkeitsprüfung beim patentrechtlichen Unterlassungsanspruch und prozessrechtliche Anpassungen für eine sachgerechte Lösung bei Patentstreitigkeiten’ (February 2019).

<sup>18</sup> See the statements on the website of the German Federal Ministry of Justice <[https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG\\_2.html](https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG_2.html)> accessed 14 June 2022. For a reform: VDA, ‘Stellungnahme zum Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts (2. PatMoG)’ (14 January 2020). Against a reform: vfa and vci, ‘Gemeinsame Stellungnahme von VCI und vfa zum Diskussionsentwurf des BMJV für ein Zweites Gesetz zur Vereinfachung und Modernisierung des Patentrechts (2. PatMoG)’ (10 March 2020).

<sup>19</sup> Lea Tochtermann, ‘Injunctions in European Patent Law’ [2019] ZGE 257, 273 ff; Maximilian Schellhorn, *Der patentrechtliche Unterlassungsanspruch im Lichte des Verhältnismäßigkeitsgrundsatzes* (Wolters Kluwer 2020); Winfried Tilmann, ‘Erwiderung: Zu einem Unverhältnismäßigkeitsverbot im Patentrecht’ [2020] Mitt. 245; Uwe Fitzner and Michael Munsch, ‘Der patentrechtliche Unterlassungsanspruch – ein Teil einer Familie im deutschen Rechtssystem?’ [2020] Mitt. 250, 255; McGuire (n 9) 779; Maximilian Haedicke and Henrik Timmann, ‘Die zivilrechtlichen Rechtsfolgen der Patentverletzung’ in Maximilian Haedicke and Henrik Timmann (eds), *Handbuch des Patentrechts*, (2nd edn, CH Beck 2020) § 14 para 41; Christoph Ann, *Patentrecht. Lehrbuch zum deutschen und europäischen Patentrecht und Gebrauchsmusterrecht* (CH Beck 2022) § 3 para 62. See also Sascha S Zhu and Marcel Kouskoutis, ‘Der patentrechtliche Unterlassungsanspruch und die Verhältnismäßigkeit. Die vollstreckungsrechtliche Lösung über die Anpassung des § 712 ZPO im Patentgesetz’ [2019] GRUR 886 advancing an alternative reform proposal affecting the preliminary enforceability of first-instance decisions.

<sup>20</sup> Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 883; Martin Stierle, ‘Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts’ [2020] GRUR 262; Martin Stierle, ‘Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht’ [2020] Mitt. 486; Ansgar Ohly, ‘Acht Thesen zur

<sup>10</sup> cf Federal Supreme Court, [2003] NJW 3702; Franz Hofmann, *Der Unterlassungsanspruch als Rechtsbehelf* (Mohr Siebeck 2017) 77 ff and 304 ff.

<sup>11</sup> *eBay Inc. v MercExchange*, L.L.C. 547 U.S. 388 (2006).

<sup>12</sup> In particular the IPreCom litigation against Nokia starting in 2008 was widely discussed.

<sup>13</sup> cf Ansgar Ohly, ‘“Patentrolle” oder: Der patentrechtliche Unterlassungsanspruch unter Verhältnismäßigkeitsvorbehalt? Aktuelle Entwicklungen im US-Patentrecht und ihre Bedeutung für das deutsche und europäische Patentsystem’ [2008] GRUR Int 787; Ralf Uhrich, ‘Entwaffnung der „Patentrolle“? Zur Einschränkung des patentrechtlichen Unterlassungsanspruchs im anglo-amerikanischen und deutschen Recht’ [2009] ZGE 59; Christian Osterrieth, ‘Patent-Trolls in Europa – braucht das Patentrecht neue Grenzen?’ [2009] GRUR 540. See also Hanns Ullrich, ‘Patente, Wettbewerb und technische Normen: Rechts- und ordnungspolitische Fragestellungen’ [2007] GRUR 817, 830 and Hanns Ullrich, ‘Patente und technische Normen: Konflikt und Komplementarität in patent- und wettbewerbsrechtlicher Sicht’ in Matthias Leistner (ed), *Europäische Perspektiven des Geistigen Eigentums* (Mohr Siebeck 2010) 14, 81 ff (both in the context of standardisation but not limited to this constellation).

<sup>14</sup> Anette Gärtner, ‘Anmerkung zu BGH, Urt. v. 10.5.2016 – X ZR 114/13’ [2016] GRUR 1037; Maximilian Schellhorn, ‘Die Aufbrauchfrist als Schranke des patentrechtlichen Unterlassungsanspruchs. Praktische Implikationen der BGH-Entscheidung *Wärmetauscher*’ [2017] IPRB 14, 17; Christian Osterrieth, ‘Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch’ [2018] GRUR 985, 987 ff.

After more than two years of consultation and various draft bills, the German legislature passed a new law introducing a disproportionality exception to patent injunctions. Sec. 139(1) GPA reads:

‘Any person who uses a patented invention contrary to sections 9 to 13 [provisions on the infringement of the patent] is subject to the right to injunctive relief of the infringed party in case of the risk of recurrent infringement. This right is also available in the event of the risk of a first-time infringement.’

The reform, effective since 18 August 2021, adds the following sentences:

‘The right is precluded insofar as injunctive relief would due to special circumstances and in accordance with the principle of good faith constitute a disproportional hardship for the infringer or a third person which is not justified by the exclusive right. In such a case, the infringed person shall be granted adequate monetary compensation. The right to damages according to paragraph 2 remains unaffected.’

Paragraph 2 of Sec. 139 GPA lays down the right to damages in the event of patent infringement.

The Explanatory Memorandum of the amendment explains that the old law had already allowed for a proportionality assessment in special cases, although the exception barely came into effect at the regional and appellate courts.<sup>21</sup> The text points out that proportionality issues have been hardly addressed there. According to the Memorandum, a statutory disproportionality exception is necessary to clarify that there are exceptions to the right to an injunction in specific cases.<sup>22</sup> With the reform and these explanatory statements, German courts received a clear mandate from Parliament to take proportionality issues more seriously when issuing permanent injunctions.<sup>23</sup>

## 2. The need for a reform

The enforcement system needs to provide for an effective disproportionality exception of the right to an injunction. Besides arguments based on considerations of comparative law<sup>24</sup> or law and economics,<sup>25</sup> the German legal

framework itself calls for such a concept, with certain general principles established in the German legal system requiring such an exception. Scholarship has discussed the concept of abuse of law or a general principle of proportionality underlying the German statutory law.<sup>26</sup> More importantly however, such an effective defence is required by European Union law. Three sources have been frequently cited during the discussion: Firstly, some scholars have pointed out that proportionality is a general concept of EU enforcement law. German courts are required to take this general principle of EU law into account when deciding cases on IP enforcement.<sup>27</sup> Secondly, Art. 3(2) of the Enforcement Directive lays down a specific proportionality principle for IP enforcement. Some scholars hesitate to understand the provision as an obligation for courts to assess proportionality before deciding on an injunction.<sup>28</sup> However, the Court of Justice of the European Union (CJEU),<sup>29</sup> the European Commission,<sup>30</sup> various Member State courts,<sup>31</sup> certain judges<sup>32</sup> and the

<sup>26</sup> The discussion in particular addressed the fundamental concepts of abuse of law and/or proportionality underlying the German civil law system: Ansgar Ohly, ‘„Patenttrolle“ oder: Der patentrechtliche Unterlassungsanspruch unter Verhältnismäßigkeitsvorbehalt? Aktuelle Entwicklungen im US-Patentrecht und ihre Bedeutung für das deutsche und europäische Patentsystem’ (n 13) 787, 793; Clemens Heusch, ‘Der patentrechtliche Unterlassungsanspruch’ in Christian Harmsen and others (eds), *Festschrift für Wolfgang von Meibom zum 65. Geburtstag* (Carl Heymanns 2010) 135, 139 ff; Stierle, *Das nicht-praktizierte Patent* (n 20) 167 ff; Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 881 f; Martin Stierle, ‘Patent Injunctions – Identifying Common Elements’ [2019] ZGE/IPJ 334, 340 ff.

<sup>27</sup> Franz Hofmann and Franziska Kurz, ‘Introduction to the Law of Remedies’ in Franz Hofmann and Franziska Kurz (eds), *Law of Remedies. A European Perspective* (Intersentia 2019) 3, 18 ff; Rafał Sikorski, ‘Towards a More Orderly Application of Proportionality to Patent Injunctions in the European Union’ (2022) 53 IIC 31, 37 f; with respect to copyright law Orit Fischman Afori, ‘Proportionality – A New Mega Standard in European Copyright Law’ (2014) 45 IIC 889.

<sup>28</sup> In detail: Stierle, *Das nicht-praktizierte Patent* (n 20) 304 ff and Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 877, who argues that art 2(1) EnforcementDir forbids such an interpretation and that the proportionality principle of art 3(2) EnforcementDir addresses only national IP enforcement systems as a whole. However, national decisions of patent enforcement would need to align with the proportionality principle based on fundamental rights (primary EU law) which forbids disproportionate injunctions. See also Alexander Reetz and others, ‘Die Befugnisse der nationalen Gerichte unter dem EPÜ und des Einheitlichen Patentgerichts (EPG) nach Art. 63 (1) EPGÜ zum Erlass von Unterlassungsverfügungen – eine rechtsvergleichende Untersuchung’ [2015] GRUR Int 210, 211 ff and Maximilian Schellhorn, *Der patentrechtliche Unterlassungsanspruch im Lichte des Verhältnismäßigkeitsgrundsatzes* (Carl Heymanns 2020) para 563. See also Max-Planck-Institut für Innovation und Wettbewerb, ‘Stellungnahme zum Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts’ (2020) 5 f <<https://www.ip.mpg.de/de/publikationen/details/stellungnahme-zum-diskussionsentwurf-eines-zweiten-gesetzes-zur-vereinfachung-und-modernisierung-des-patentrechts.html>> accessed 14 June 2022, but unclear whether referring to art 3(2) EnforcementDir or a proportionality principle within primary EU law.

<sup>29</sup> Case C-324/09 *L’Oréal v eBay* ECLI:EU:C:2011:474, para 139.

<sup>30</sup> COM(2017), 712 final, sub 3.2.

<sup>31</sup> LG Düsseldorf, 4b O 273/10, decision of 24 April 2012, sub. VII. 1) a) – *UMTS-Mobilstation; HTC Corp. v Nokia Corp.* [2013] EWHC 3778 para 32; *Cartier v British Sky* [2014] EWHC 3354 (Ch) para 184 ff; *Edwards Lifesciences LLC v Boston Scientific Scimed Inc & Ors* [2018] EWHC 1256 (Pat) para 16 ff; *Evalue v Edwards Lifesciences* [2020] EWHC 513 para 73.

<sup>32</sup> Grabinski (n 9) 202; Hubertus Schacht, ‘Unverhältnismäßigkeit und Verletzerverhalten’ [2021] GRUR 440, 440.

Verhältnismäßigkeit im Patentrecht’ [2021] GRUR 304, 306. Advancing a reform in the light of non-practicing entities or rather non-practiced patents: Martin Stierle, *Das nicht-praktizierte Patent* (Mohr Siebeck 2018) 420 ff.

<sup>21</sup> BT-Drs. 19/25821, 53.

<sup>22</sup> BT-Drs. 19/25821, 52 f.

<sup>23</sup> Martin Stierle, ‘Unterlassung und Verhältnismäßigkeit – das 2. PatMoG als Neuanfang’ [2022] GRUR 273.

<sup>24</sup> See the case law mentioned in Section II.4.

<sup>25</sup> See for example Mark A Lemley and Carl Shapiro, ‘Patent Holdup and Royalty Stacking’ (2007) 85 Tex. L. Rev. 1991; Rosa Costra Bernieri, *Ex-Post Liability Rules in Modern Patent Law* (intersentia 2010); Daniel Krauspenhaar, *Liability Rules in Patent Law* (Springer 2015) 71 ff; Hendrik Fügemann, Claire F Danielsson and Neil Gallagher, ‘Economic implications of automatic injunctions in German patent litigation’ (*Copenhagen Economics*, 13 August 2019) <<https://www.copenhageneconomics.com/dyn/resources/Publication/publication-PDF/9/499/1565709386/automatic-injunctions.pdf>> accessed 14 June 2022.

majority opinion within academia<sup>33</sup> interpret this provision as a safeguard against excessive patent enforcement. Thirdly and most importantly, fundamental rights require courts to assess the proportionality of remedies.<sup>34</sup> A court decision enforcing IP will, as a rule, affect fundamental rights, in particular it will directly affect the rights of the defendant. A curtailment of fundamental rights needs to be proportional, as pointed out by CJEU case law in various decisions concerning copyright or trademark infringement.<sup>35</sup> Also, prominent German constitutional lawyers had doubted that the German practice before the reform was in line with fundamental rights.<sup>36</sup>

As seen in *Wärmetauscher*, German courts could already assess the proportionality of injunctions before the reform.<sup>37</sup> Nevertheless, the amendment to Sec. 139 was necessary to emphasize the importance of such an assessment and to signal to courts that they should take the principle more seriously.<sup>38</sup> Moreover, the reform clarified certain aspects of the disproportionality exception that were not or, rather, could not be addressed in the *Wärmetauscher* decision.<sup>39</sup> Firstly, the judgment only referred to a stay of an injunction for a limited time. Although the possibility must (and will) be reserved to extremely rare and exceptional cases, the new law indicates that courts can also deny injunctions on a permanent

basis.<sup>40</sup> Secondly, Sec. 139(1) GPA points out in its fourth sentence that, as a general rule, right holders will be entitled to compensation in lieu if a court denies or stays injunctive relief based on the exception. *Wärmetauscher* did not mention monetary compensation, and even the first discussion draft of the Federal Ministry of Justice<sup>41</sup> did not. It was academia<sup>42</sup> that advanced the concept prior to and during the reform process based on concepts of German contract<sup>43</sup> and real property<sup>44</sup> law and, most importantly, based on the well-established approach in other jurisdictions (compensation in lieu).<sup>45</sup> Finally, the statutory exception explicitly requires the courts to consider the interests of third parties that might be affected by a permanent injunction – an issue the Federal Supreme Court did not have to consider in *Wärmetauscher* and a concept on which the later sections of this article will focus.

All three examples are good proof that the Parliament did not merely intend to transform the existing case law (= *Wärmetauscher*) into statutory law.<sup>46</sup> Some practitioners seem to believe this when complaining about legal uncertainty as the predominant effect of the reform.<sup>47</sup> However, the legislator contoured the principle of proportionality with these clarifications. Since the law of injunctions falls within the scope of EU law and the competency of the CJEU, it is normal that certain issues remain open and will eventually be tackled and straightened out by academia and practice in the future.<sup>48</sup>

### 3. The concept of an exception

In the aftermath of the reform, prominent German judges argued that the amendment would not change the practice in the majority of cases. Some academics want to reduce the application of the new law to cases where a limited right to an injunction appears to be sufficient to defend

<sup>33</sup> Christian Heinze, *Einstweiliger Rechtsschutz im europäischen Immaterialgüterrecht* (Mohr Siebeck 2007) 278; Dennis Amschewitz, *Die Durchsetzungsrichtlinie und ihre Umsetzung im deutschen Recht* (Mohr Siebeck 2008) 105 f; Uhrich (n 13) 88 f; Ansgar Ohly, ‘Three principles of European IP enforcement law: Effectiveness, proportionality, dissuasiveness’ in Josef Drexler and others (eds), *Technology and Competition. Contributions in Honour of Hanns Ullrich* (Larcier 2009) 257, 258 ff; Heusch (n 26) 142; Uhrich (n 13) 84; Axel Wälz, ‘Patentverletzungsklagen im Lichte des Kartellrechts. In Sachen Europäische Kommission gegen Orange-Book’ [2013] GRUR Int 718, 727; Hanns Ullrich, *Technology protection and competition policy for the information economy. From property rights for competition to competition without proper rights?* 9 f <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3437177](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3437177)> accessed 14 June 2022; Matthias Leistner and Viola Pless, ‘European Union’ in Contreras and Husovec (n 4) 26, 30 ff.

<sup>34</sup> Christian Osterrieth, ‘Der Verhältnismäßigkeitsgrundsatz im Patentrecht’ in Thomas Kühnen (ed), *80 Jahre Patentgerichtsbarkeit in Düsseldorf* (Carl Heymanns 2016) 415, 416 ff; Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 878 f; Stierle, ‘Patent Injunctions – Identifying Common Elements’ (n 26) 334, 358 f; Stierle, ‘Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts’ (n 20) 262, 266; Stierle, ‘Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht’ (n 20) 486, 488 f, 494; Julia Schönbohm and Natalie Ackermann-Blome, ‘Zur Modernisierung des Patentrechts: Ursache, Wirkung und Abhilfe? – Eine erste Analyse des Diskussionsentwurfs des BMJV’ [2020] Mitt. 101, 104 ff; Julia Schönbohm and Natalie Ackermann-Blome, ‘Products, Patents, Proportionality – How German Patent Law Responds to 21st Challenges’ [2020] GRUR International 578, 581. See also Peter Picht, ‘The Future of FRAND Injunction’ [2019] GRUR 1097, 1101.

<sup>35</sup> Case C-275/06 *Productores de Música de España [Promusicae]* ECLI:EU:C:2008:54, para 68; Case C-314/12 *UPC Telekabel Wien GmbH* ECLI:EU:C:2014:192, para 46; Case C-484/14 *Tobias Mc Fadden* ECLI:EU:C:2016:689, para 83.

<sup>36</sup> Hans-Jürgen Papier, ‘Verfassungsrechtliche Anforderungen an den Patentschutz’ [2016] ZGE/IP 431. Judge Papier is a former professor for constitutional law at the LMU Munich and served as the President of the Federal Constitutional Court of Germany.

<sup>37</sup> See also BT-Drs. 19/25821, 52; Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 883; Ohly (n 20) 306.

<sup>38</sup> BT-Drs. 19/25821, 52 f; Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 880; Ohly (n 20) 305.

<sup>39</sup> See Stierle, ‘Unterlassung und Verhältnismäßigkeit – das 2. PatMoG als Neuanfang’ (n 23) 274.

<sup>40</sup> BT-Drs. 19/25821, 55.

<sup>41</sup> The draft bill is available at <[https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG\\_2.html](https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG_2.html)> accessed 14 June 2022.

<sup>42</sup> Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 885; Stierle, ‘Patent Injunctions – Identifying Common Elements’ (n 26) 334, 353 and Stierle, ‘Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts’ (n 20) 262, 265 proposed a concept of damages in lieu of an injunction for the new law. It was finally included in the ministerial draft bill. For compensation within the de lege lata before the reform see Stierle, *Das nicht-praktizierte Patent* (n 20) 274 ff and 370; Osterrieth, ‘Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch’ (n 14) 994 f.

<sup>43</sup> See s 275(4) German Civil Code (damages depend on fault of infringer).

<sup>44</sup> cf Federal Supreme Court, [1974] WM 572, 573 and Federal Supreme Court, [1974] NJW 1552, 1553.

<sup>45</sup> *Paice LLC v Toyota Motor Corp.* 504 F.3 d 1293, 1314 ff (Fed. Cir. 2007); *Amado v Microsoft Corp.* 517 F.3 d 1353 (Fed. Cir. 2008); *Edwards Lifesciences LLC v Boston Scientific Scimed Inc & Ors* (n 31) [12 ff]; *Evalue v Edwards Lifesciences* (n 31) [59 ff].

<sup>46</sup> See also Ohly and Stierle (n 6) 1232; Stierle, ‘Unterlassung und Verhältnismäßigkeit – das 2. PatMoG als Neuanfang’ (n 23) 274; Picht and Karczewski (n 4) 159 f; Uhrich (n 4) 243.

<sup>47</sup> Moritz Meckel, ‘Das „Zweite Gesetz zur Vereinfachung und Modernisierung des Patentrechts“ aus Sicht des Prozessanwalts’ [2021] GRUR-Prax 585, 587.

<sup>48</sup> Stierle, ‘Unterlassung und Verhältnismäßigkeit – das 2. PatMoG als Neuanfang’ (n 23) 274.

the patent.<sup>49</sup> This conservative approach is also linked to the traditional German notion that a patent can fulfil its function as a means to induce investments in R&D only if right holders can defeat patent infringements with injunctive relief.<sup>50</sup> Some emphasise that a strong property rule offers an important tool for negotiating a remuneration.<sup>51</sup>

It is true that the new disproportionality exception allows only for ‘fine-tuning’ in specific cases, in particular when fundamental rights demand such a balance. The grant of an injunction will continue to be the general rule and the denial of an injunction will form a rare exception in practice.<sup>52</sup> However, in such specific situations, judges must reflect seriously on the exception’s application. They will need to consider the specific facts of the case and the principle of good faith to identify whether the obligation to desist from infringing a right instantly entails a disproportionate hardship that is not justified by the legitimate interest of its right holder.<sup>53</sup>

Although in practice defendants will be well-advised to invoke the new exception, in theory they will not need to proactively raise it as a defence. Courts are obliged to consider potential disproportionalities of patent injunctions *ex officio*,<sup>54</sup> similar to the application of the disproportionality exception in trade secret law (Sec. 9 of the German Trade Secret Act). This approach has been criticised.<sup>55</sup> Most recently, the Munich I Regional Court held in one of the first decisions on the new law that the exception must not be applied *ex officio*, but without giving any arguments.<sup>56</sup> Applying the exception *ex officio* will not require a judge to investigate the relevant facts. Generally, the party relying on an exception bears the burden of proof, so in practice defendants will be required to assert facts to persuade the court to deny an injunction.<sup>57</sup> According to general principles of German civil procedure law, the burden can shift to the plaintiff under certain conditions (*‘sekundäre Darlegungs- und Beweislast’*).<sup>58</sup>

#### 4. A mid-level framework to assess disproportionality

The right to an injunction in the German system is a remedy at law. Although judges will assess the specific facts of the case, the new disproportionality exception of Sec. 139(1) GPA does not as such grant discretion to the

court. Its application is subject to full judicial review by the higher instance. Traditionally, this is different in the UK and the US as the concept of injunctive relief is historically based on equity, a particular body of law which gives the judge wide discretion.<sup>59</sup>

US patent law does not provide for a general rule to the grant of injunctions.<sup>60</sup> The plaintiff can demonstrate that the remedy is warranted due to specific circumstances. Theoretically, it is an uphill battle for patentees to fight for injunctive relief. The court’s assessment is framed by the traditional four-factor test.<sup>61</sup> It requires a plaintiff seeking an injunction 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. The Federal Circuit applies this approach as a four-element test, meaning that each factor must be individually proven to the court for injunctive relief to be issued.<sup>62</sup> In practice however, although the US approach differs from the German one, US courts tend to hand down permanent injunctions in the majority of cases where a patent infringement is established.<sup>63</sup>

In the UK, established case law as a general rule requires the judge to award an injunction.<sup>64</sup> It is considered the normal remedy for patentees although built on principles of equity rather than law. As in Germany, the burden is on the defendant to give reasons why injunctive relief should not be granted.<sup>65</sup> Traditionally, courts used the four factors of *Shelfer v City of London Lighting Co Ltd* to determine whether a court must depart from the general rule (‘Shelfer exception’).<sup>66</sup> More recently, UK courts have developed a more flexible approach, giving the judge wide discretion.<sup>67</sup> The UK, however, remains a jurisdiction in which injunctions are the norm where an intellectual property right is found to be valid and infringed.<sup>68</sup>

In the UK and the US, courts are required to perform a case-by-case analysis based on the specific circumstances asserted by the parties. As pointed out by the US Supreme Court in *eBay*, the equitable approach does not permit

<sup>49</sup> Jan Busche, ‘Vom Wert des Patents oder: Ist der Patentschutz absolut?’ [2021] GRUR 157, 161.

<sup>50</sup> McGuire (n 9) 775 f.

<sup>51</sup> cf Hofmann (n 10) § 8 III. See, however, Lemley and Shapiro (n 25).

<sup>52</sup> cf BT-Drs. 19/25821, 52 f. See also Thomas Kühnen, *Handbuch der Patentverletzung* (14th edn, Carl Heymanns 2022) para D. 546.

<sup>53</sup> BT-Drs. 19/25821, 53. See also COM(2017) 708 final, sub III.1.

<sup>54</sup> Schacht (n 32) 442; Harmsen (n 9) 225 f; Ohly and Stierle (n 6) 1230 f.

<sup>55</sup> Lea Tochtermann, ‘Bedenken hinsichtlich der Rechtsnatur und Rechtswirkungen des geplanten § 139 Abs. 1 S. 3 PatG-E’ [2021] Mitt. 253, 254 ff; Mary-Rose McGuire, ‘Zweites Patentrechtsmodernisierungsgesetz – Offene (prozessuale) Fragen’ [2022] Mitt. 49, 52 f.

<sup>56</sup> LG München, decision of 25 May 2022, 7 O 14091/19, para 75 – *Sprachsignalcodierer II*.

<sup>57</sup> BT-Drs. 19/25821, 53; Kühnen (n 52) para D 547 ff; Schacht (n 32) 442 f.

<sup>58</sup> Kühnen (n 52) para D 551; Ohly and Stierle (n 6) 1231.

<sup>59</sup> cf Hofmann (n 10) 77 ff; Franz Hofmann, ‘“Equity” im deutschen Lauterkeitsrecht? Der “Unterlassungsanspruch” nach der Geschäftsgeheimnis-RL’ [2018] WRP 1, 6 ff.

<sup>60</sup> *eBay Inc. v MercExchange, L.L.C.* 547 U.S. 388, 393 f (2006). In contrast, see s 226 of the US Trademark Modernization Act of 2020.

<sup>61</sup> *eBay Inc. v MercExchange, L.L.C.* 547 U.S. 388, 391 (2006). For a detailed overview see John M Golden, ‘United States’ in Contreras and Husovec (n 4) 291, 293 ff.

<sup>62</sup> *Nichia Corp v Everlight Americas* 855 F.3d 1328 (Fed. Cir. 2017).

<sup>63</sup> cf Christopher Seaman, ‘Permanent Injunctions in Patent Litigation After eBay: An Empirical Study’ (2016) 101 Iowa L. Rev. 1949, 1982 ff (in 158 of 217 cases).

<sup>64</sup> *Coflexip SA v Stolt Comex Seaway MS Ltd* [2001] RPC 182, 186; *Evalve v Edwards Lifesciences* (n 31) [73].

<sup>65</sup> *Evalve v Edwards Lifesciences* (n 31) [73].

<sup>66</sup> *Shelfer v City of London Electric Lighting Co Ltd* [1895] 1 Ch 287, 322–323. For a detailed overview of the development of the law see Lionel Bently and Sir Richard Arnold, ‘United Kingdom’ in Contreras and Husovec (n 4) 261, 271 ff.

<sup>67</sup> *Lawrence v Fen Tigers Ltd* [2014] UKSC 13, [2014] AC 822, [121 ff, 161, 239]. See also *Evalve v Edwards Lifesciences* (n 31) [49].

<sup>68</sup> Daniel Alexander, ‘Injunctions and alternative remedies in English intellectual property law’ [2019] ZGE/IPJ 279, 292.

broad classifications in strictly defined case groups.<sup>69</sup> Such case-by-case analysis is also suggested for the application of the new German disproportionality exception.<sup>70</sup> The wording of Sec. 139(1) contains certain elements like the principle of good faith and the lack of justification of the exclusive right. They are of comprehensive-clause type and cannot be applied by a simple one-to-one subsumption.

German courts will need to build a mid-level framework by establishing factors refining the application of the new exception. The Explanatory Memorandum suggests a non-exhaustive list of five exemplary aspects or characteristics of cases which could be relevant when balancing the very circumstances of the case and which interact with each other:<sup>71</sup> interests of the infringed party, economic effects of the injunction, complex products, subjective elements, and third-party interests.<sup>72</sup> These aspects were discussed in the literature prior to the reform.<sup>73</sup>

Obviously, courts will need to consider the interests of the infringed party.<sup>74</sup> They will not only take account of the general and abstract interest<sup>75</sup> that every right holder shares but also assess the specific interests at stake. If the patentee's products stand in direct competition with the infringer's products, and in particular if this competition puts the patentee's business and employees at economic risk, the grant of an injunction is quite likely despite the hardship for the infringer.<sup>76</sup> This also appears to be a decisive factor in the US case law post-*eBay*.<sup>77</sup> It weighs against the grant of an injunction if the right holder is merely interested in the monetization of his or her rights and not in the implementation of the invention.<sup>78</sup> The Memorandum emphasizes that such a behaviour does not support the request for an injunction given the 'innovation function' of patent law.<sup>79</sup> Courts will need to assess the intention with regards to the specific patent and not only the plaintiff's overall business model.<sup>80</sup>

<sup>69</sup> *eBay Inc. v MercExchange, L.L.C.* 547 U.S. 388, 393 (2006): 'But traditional equitable principles do not permit such broad classifications.'

<sup>70</sup> BT-Drs. 19/25821, 53; Ohly and Stierle (n 6) 1231. See also Schacht (n 32) 442 (arguing that a court cannot reduce the assessment to the application of case groups). Dissenting: Daniel Voß, '§ 139' in Rainer Schulte (ed), *Patentgesetz mit Europäischem Patentübereinkommen*, (11th edn, Carl Heymanns 2022) para 78.

<sup>71</sup> BT-Drs. 19/25821, 53.

<sup>72</sup> BT-Drs. 19/25821, 53 ff.

<sup>73</sup> For example, Osterrieth, 'Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch' (n 14) 991 ff; Picht (n 34) 1101; Stierle, 'Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG' (n 4) 875 ff with further references.

<sup>74</sup> BT-Drs. 19/25821, 53.

<sup>75</sup> Against a general priority of the patentee's interest in an injunction: Max-Planck-Institut (n 28) 6.

<sup>76</sup> BT-Drs. 19/25821, 53.

<sup>77</sup> cf Stierle, *Das nicht-praktizierte Patent* (n 20) 119 with further references.

<sup>78</sup> BT-Drs. 19/25821, 53. Against monetization as a relevant factor: Busche (n 49) 161. See also Kühnen (n 52) para D 563 f.

<sup>79</sup> BT-Drs. 19/25821, 53. For the innovation function and its implication for permanent injunctions see Stierle, *Das nicht-praktizierte Patent* (n 20) 215 ff and 239 f as well as Stierle, 'Patent Injunctions – Identifying Common Elements' (n 26) 334, 349.

<sup>80</sup> Against a focus on the right holder and for a focus on the patent: Stierle, *Das nicht-praktizierte Patent* (n 20) 245 ff; Stierle, 'Patent Injunctions – Identifying Common Elements' (n 26) 334, 348 ff. See also Mark A Lemley and A Douglas Melamed, 'Missing the Forest for the Trolls', (2013) 113 Colum. L. Rev. 2117, 2167 ff ('It is not the companies themselves that the law should care about, but rather their patents [...]').

The request for injunctive relief based on a non-practiced patent by a primarily practicing entity can be disproportionate under certain conditions in the same way as the request by a non-practicing entity can be limited.<sup>81</sup> Moreover, it also weighs against an injunction, according to the Memorandum of the amendment, if the patentee demands clearly excessive licensing fees.<sup>82</sup>

Courts will not only need to consider the interests of the plaintiff in the exclusive right but also the interests of other parties that share an interest in the enforcement of the patent. As examples, Mary-Rose McGuire has pointed out the interest in the enforcement of the patent by licensees or by competitors who, unlike the defendant, invested money in a successful work-around.<sup>83</sup> These parties are not third parties in the sense of Sec. 139(1) GPA.<sup>84</sup> Nevertheless, their interests support the enforcement of the patent, in addition to the patentee's interest in an injunction.

When assessing the economic effects, courts will need to determine if an injunction would inflict a damage of extraordinary degree. It will be of relevance if the infringer has made extensive investments in the development and manufacture of a product.<sup>85</sup> This aspect also relates to the third point mentioned by the Memorandum: the complexity of the infringing product (or service). If the infringing product implements a large number of patents, an injunction might entail disproportionate economic consequences to the infringer's business, in particular if a design-around involves a highly time-consuming and economic effort (switching costs).<sup>86</sup> The evaluation of these aspects explores the intensity of the lock-in and the holdup effects against the backdrop of the innovative value of the technology.<sup>87</sup> In *Wärmetauscher*, the Federal Supreme Court held that a patent infringement by a minor, non-essential element of a complex product did not establish an undue hardship for the infringer.<sup>88</sup> This rather general approach will need to be reconsidered, since in such situations, switching costs might be substantially high in comparison to the technological contribution of the patented invention to the complete product.<sup>89</sup>

<sup>81</sup> For a detailed framework see Stierle, *Das nicht-praktizierte Patent* (n 20) 251 ff.

<sup>82</sup> BT-Drs. 19/25821, 53.

<sup>83</sup> McGuire (n 9) 781.

<sup>84</sup> The wording of the law refers to third-party interests only when weighing against an injunction.

<sup>85</sup> BT-Drs. 19/25821, 54. Against the defendant's prior investments as a relevant factor: Busche (n 49) 161.

<sup>86</sup> BT-Drs. 19/25821, 54. See also Kühnen (n 52) para D 572.

<sup>87</sup> For the importance of the technological value see Christian Osterrieth, 'Die Aufbrauchsfrist im Patentrecht' in Wolfgang Büscher and others (eds), *Festschrift für Karl-Heinz Fezer zum 70. Geburtstag* (CH Beck 2016) 1035, 1045 f; Osterrieth, 'Der Verhältnismäßigkeitsgrundsatz im Patentrecht' (n 34) 424 f; Osterrieth, 'Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch' (n 14) 992.

<sup>88</sup> *Wärmetauscher* (n 7) 1031 para 52. See also BT-Drs. 19/25821, 54 and Harmsen (n 9) 224.

<sup>89</sup> cf Osterrieth, 'Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch' (n 14) 994; Stierle, 'Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG' (n 4) 877; Ohly and Stierle (n 6) 1231.

The Memorandum also mentions subjective elements, in particular whether the infringer conducted an adequate freedom-to-operate analysis.<sup>90</sup> Conversely, the fact that the right holder deliberately waits until the infringer has made substantial investments before informing him or her about the infringement may constitute a disproportionality.<sup>91</sup> However, if the defendant infringed the patent with intent or with gross negligence, he/she will regularly be required to bear the hardship of an injunction.<sup>92</sup>

We will come back later in detail to the fifth and last aspect mentioned by the Memorandum: third-party interests. Interestingly, however, Parliament did not refer to the validity of the patent. As a general rule, courts with jurisdiction on patent infringement cases will not be competent to decide on issues of validity. The Federal Patent Court has exclusive jurisdiction to nullify patents in Germany.<sup>93</sup> Infringement courts can only stay the infringement proceedings and wait for the decision of this specialized forum.<sup>94</sup> The new exception raises the question whether a likelihood of invalidity is relevant to the disproportionality assessment. Based on the bifurcated structure of the German system, one might tend at first glance to deny this possibility.<sup>95</sup> The disproportionality exception, however, requires an overall assessment taking all the circumstances of the specific case into account. A high likelihood of invalidity in conjunction with other aspects weighing against an injunction might tip the balance to deny the remedy.<sup>96</sup>

## 5. Legal effect

### a) Limitation of the right to injunctive relief

When an injunction imposes a disproportionate hardship which is not justified by the patent, the right to injunctive relief is automatically limited by the law itself. In such a case, the denial of the injunction or the limitation of its scope is not at the judge's discretion, nor is the assessment of disproportionality. Both aspects are subject to full judicial review by the higher court. Depending on the reasons that make an injunction appear to be disproportionate, the court must limit the injunction to certain infringing products or limit it timewise (stay of an injunction).<sup>97</sup> The law even allows the permanent rejection of an injunction, but such exceptional cases are hard to imagine.<sup>98</sup>

The disproportionality exception is not a limitation of or exception to the exclusive right. Hence, it does not change the fact that the defendant is infringing.<sup>99</sup> It is only an exception to the right to an injunction. Therefore, the

plaintiff is not prevented from claiming damages although injunctive relief is denied.<sup>100</sup> However, the reform exempts the infringer from criminal liability as far as an injunction is disproportionate (Sec. 142(7) GPA).<sup>101</sup>

### b) Compensation in lieu

If the right to injunctive relief is limited by the disproportionality exception, the plaintiff is entitled to a claim to compensation according to the fourth sentence of Sec. 139(1) GPA. Based on the suggestion from academia,<sup>102</sup> the Government included the concept of compensation in lieu in the last draft bills. The ultimate wording, however, was incorporated during the final stage of the parliamentary process when constructive feedback was already impossible. Some German<sup>103</sup> and European<sup>104</sup> IP provisions implement similar instruments in other fields, but the new provision on compensation in lieu of a patent injunction has several unique features that will need to be interpreted by courts.

Similar to the situation in the US<sup>105</sup> and the UK,<sup>106</sup> it is unclear how the compensation is to be calculated as provided by sentence 4 of Sec. 139(1) GPA.<sup>107</sup> The Explanatory Memorandum of the amendment understands reasonable royalties as the regular minimum for the basis of the calculation while a lower or higher compensation depends on the circumstances of the case.<sup>108</sup> The Memorandum mentions a dysfunctional use of the patent as an exemplary reason to reduce the compensation and an insufficient freedom-to-operate analysis as a reason to increase the compensation.<sup>109</sup> In the current discussion, some argue that the compensation should equal reasonable royalties<sup>110</sup> while others argue for greater compensation as a rule.<sup>111</sup> Due consideration will have to be given to the fact that compensation will be awarded as a substitute for the suspension or limitation of the injunction but not for the use of the patented subject matter.

Various other aspects of the right to be compensated will need to be discussed in the future. The effect of

<sup>100</sup> See sentence 5 of s 139 (1) GPA.

<sup>101</sup> The first drafts of the amendment did not contain an exception to s 142 GPA. Academia advanced such a provision during the reform process (Stierle, 'Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts' (n 20) 262, 265). The government included it in the later drafts and Parliament in the final bill.

<sup>102</sup> See n 42.

<sup>103</sup> s 100 German Copyright Act; s 45 German Design Act; s 11 German Trade Secret Act.

<sup>104</sup> art 12 EnforcementDir; art 13(3) Trade Secret Dir.

<sup>105</sup> See the decisions *Paice LLC v Toyota Motor Corp.* 504 F.3 d 1293, 1314 ff (Fed. Cir. 2007) and *Amado v Microsoft Corp.* 517 F.3 d 1353 (Fed. Cir. 2008). See also Mark A Lemley, 'The Ongoing Confusion Over Ongoing Royalties' (2011) 76 Mo. L. Rev. 695; J Gregory Sidak, 'Ongoing Royalties for Patent Infringement' (2016) 24 Tex. Intell. Prop. L. J. 161.

<sup>106</sup> *Edwards Lifesciences LLC v Boston Scientific Scimed Inc & Ors* (n 31) [72]; *Evalue v Edwards Lifesciences* (n 31) [59 ff]. See also Alexander (n 68) 288 ff.

<sup>107</sup> For an overview see Ohly and Stierle (n 6) 1233 ff.

<sup>108</sup> BT-Drs. 19/30498, 56.

<sup>109</sup> BT-Drs. 19/30498, 56.

<sup>110</sup> Ansgar Ohly, 'Der Ausgleichsanspruch gemäß § 139 I 4 PatG als Rechtsfortwirkungsanspruch' [2022] GRUR 303.

<sup>111</sup> Fabian Hoffmann, 'Der Ausgleichsanspruch im Patentrecht. Eine leistungsgerechte Monetarisierung eines Drohpotenzials' [2022] GRUR 286.

<sup>90</sup> BT-Drs. 19/25821, 54.

<sup>91</sup> BT-Drs. 19/25821, 54. See also Kühnen (n 52) para D 565.

<sup>92</sup> BT-Drs. 19/25821, 54. See also Kühnen (n 52) para D 565.

<sup>93</sup> See ss 65(1), 66(1)(n 2), 81(4) GPA.

<sup>94</sup> s 148 German Civil procedure Code.

<sup>95</sup> Kühnen (n 52) para. D 555 ff; Johann Pitz, '§ 139' in Uwe Fitzner, Raimund Lutz and Theo Bodewig (eds), *BeckOK Patentrecht*, (23rd edn, CH Beck 15 January 2022) para 90g.

<sup>96</sup> Ohly and Stierle (n 6) 1231.

<sup>97</sup> BT-Drs. 19/25821, 55 citing the wording 'soweit'. See also Ohly and Stierle (n 6) 1233.

<sup>98</sup> BT-Drs. 19/25821, 56; Ohly and Stierle (n 6) 1233.

<sup>99</sup> BT-Drs. 19/25821, 55; Ohly and Stierle (n 6) 1232 f.

compensation on the claim for damages is not clear. The new sentence 4 of Sec. 139(1) GPA enshrines in the law the principle that the right to damages remains unaffected by compensation. However, it is not clear whether the law provides the right to claim damages regardless of any kind of financial compensation that was paid in lieu of an injunction<sup>112</sup> or whether the sentence only emphasises that compensation in lieu does not exclude the right to damages in general. In the latter understanding, a patentee can only ask for damages if they exceed the financial compensation paid. This follows the fundamental principle that compensatory remedies shall compensate damages but not enrich the defendant.<sup>113</sup> Moreover, it is unclear whether the defendant is required to compensate the patent holder only for the future or also for the time during which an injunction was disproportionate in the past,<sup>114</sup> and whether the patentee can demand compensation in lieu from multiple defendants, e.g. manufacturer, wholesaler, retailer, if all of them infringe the patent.<sup>115</sup>

### III. Reasons to include third-party interests as a ground for disproportionality

Besides signalling the importance of proportionality assessments before issuing an injunction and establishing compensation in lieu of such remedy,<sup>116</sup> the introduction of a statutory basis for the consideration of third-party interests is one of the major outcomes of the reform. Courts had been reluctant to consider such aspects<sup>117</sup> and during the reform process various prominent judges,<sup>118</sup> scholars<sup>119</sup> and practitioners<sup>120</sup> openly opposed the idea of taking third-party interests into account.<sup>121</sup>

At the EU level, third-party interests have always been understood as a factor when assessing proportionality. The CJEU addressed these interests in various decisions relating to other areas of IP law, in particular in several cases of platform liability in copyright law.<sup>122</sup> The Commission explained that Art. 3(2) of the Enforcement Directive requires courts to assess the potential spill-over effects of an injunction on third parties on a case-by-case basis.<sup>123</sup> UK courts<sup>124</sup> understand the provision

accordingly. In the German Patent Act, all other disproportionality exceptions take third-party interests into account.<sup>125</sup> Hence, critics were misguided when they stated that patent enforcement rules are designed with the sole purpose to regulate the relations between right holders and infringers.<sup>126</sup> Furthermore, it must be perceived as a general trend within private law to consider third-party interests as a factor if a bilateral dispute is affecting multiple parties.<sup>127</sup>

In considering third-party interests within the disproportionality exception, it is important to keep the patent system in line with its immanent goal to further the public interest.<sup>128</sup> Public interest is one of the two pillars of this exception. The system is supposed to serve it by offering a form of investment protection in R&D, thereby promoting innovation and technological progress to the benefit of society. Once a patent has been found valid and infringed, it is generally in the public interest to protect the right by an injunction in order to further the purposes of the system.<sup>129</sup> However, in exceptional cases, injunctions can generate substantial negative effects on society that can cast doubt on the justification of the patent system as a whole, when considered against the backdrop of the overarching narrative. The framework comprises certain restrictions that can arise from public-interest considerations on all other levels of patent law – protection, exceptions, disclosure – as safeguards.<sup>130</sup> At the level of enforcement, public interest also needs to be taken into account when necessary in order to ensure that the law fulfils the goal of the patent system.<sup>131</sup> The US system, even before *eBay*, had a working public-interest exception in the law of injunctions in times where injunctions were granted in a quasi-automatic manner.<sup>132</sup> In the UK

<sup>112</sup> Hans-Martin Helwig, 'Der Referentenentwurf des Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts' [2020] IPRB 262, 264.

<sup>113</sup> Stierle, 'Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht' (n 20) 486, 490 f.; Ohly and Stierle (n 6) 1235 f.

<sup>114</sup> Ohly and Stierle (n 6) 1234 ff.

<sup>115</sup> Ohly and Stierle (n 6) 1237 f.

<sup>116</sup> See above II., in particular II.2 including the respective references.

<sup>117</sup> LG Düsseldorf, decision of 9 March 2017, 4 a O 137/15, para 132 ff – *Herzklappen*; LG Düsseldorf, decision of 16 June 2020, 4c O 43/19, [2020] GRUR-RS 52267 para 101 – *Flexibles Atemrohr*.

<sup>118</sup> Grabinski (n 9).

<sup>119</sup> McGuire (n 9) 781 f.; Busche (n 49) 159 ff.

<sup>120</sup> Tilmann (n 19) 246 ff.; Harmsen (n 9) 226.

<sup>121</sup> See also the general critique of the reform referred to above, eg in n 18 f.

<sup>122</sup> See for example *UPC Telekabel Wien GmbH* (n 35) para 47 and *Tobias Mc Fadden* (n 35) para 82 including the freedom of information of internet users, whose protection is ensured by art 11 of the CFR, in the proportionality assessment.

<sup>123</sup> COM(2017) 712 final, sub. 3.2.

<sup>124</sup> See *Evaluate v Edwards Lifesciences* (n 31) [73] ('The public interest, such as the impact on third parties, is a relevant consideration. This applies [...] under Art 3 of the Enforcement Directive.')

<sup>125</sup> See s 140a (4), s 140b (4), s 140c (2) and s 140d (2) GPA.

<sup>126</sup> Busche (n 49) 160.

<sup>127</sup> See Jörg Fritzsche, '§ 8' in Peter W Heermann and Jochen Schlingloff (eds), *Münchener Kommentar zum Lauterkeitsrecht*, (3rd edn, CH Beck 2022) para 161 ff (regarding a grace period in unfair competition law); Claudia Schubert, '§ 242' in Franz Jürgen Säcker and others (eds), *Münchener Kommentar zum BGB* (8th edn, CH Beck 2019) para 52 (regarding the application of s 242 of the German Civil Code); Michael Grünberger, 'Verträge über digitale Güter' [2018] AcP 213, 280 ff (regarding contract law); Franz Hofmann and Louisa Specht-Riemenschneider, 'Verantwortung von Online-Plattformen. Ein Plädoyer für ein funktionszentriertes Verkehrspflichtenkonzept' [2021] ZGE 48 (regarding platform liability); Franz Hofmann and Tim Sprenger, 'Privatisierung der Rechtsdurchsetzung' [2021] UFITA 249, 258 ff.

<sup>128</sup> Stierle, 'Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG' (n 4) 879; Stierle, 'Patent Injunctions – Identifying Common Elements' (n 26) 334, 358; Stierle, 'Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts' (n 20) 262, 266; Max-Planck Institut (n 28) 12.

<sup>129</sup> cf *Evaluate v Edwards Lifesciences* (n 31) [73 sub vi and vii].

<sup>130</sup> See McGuire (n 9) 776; Max-Planck-Institut (n 28) 12.

<sup>131</sup> Max-Planck-Institut (n 28) 11 f. Dissenting: McGuire (n 9) 776.

<sup>132</sup> *Vitamin Technologists v Wisconsin Alumni Research Found.* 146 F.2d 941, 946 (9th Cir. 1945); *Rite-Hite Corp. v Kelley Co., Inc.* 56 F.3d 1538, 1547 f. (Fed. Cir. 1995). See also Bernhard H Chao, 'After eBay, Inc. v. MercExchange: The Changing Landscape for Patent Remedies' (2008) 9 Minn. J.L. Sci. & Tech. 543, 542 ('The only recognized exception to this rule was a narrow 'public interest' exception [...]); Stephen M Ullmer, 'Paice Yourselves: A Basic Framework for Ongoing Royalty Determinations in Patent Law' (2009) 24 Berkeley Tech. L.J. 75, 77 ('In the pre-*eBay* era, [...] a court could only deny injunctive relief in rare circumstances in order to protect the public interest.')

too, public interest has to be considered in the law of injunctions.<sup>133</sup>

The second and, at the same time, strongest pillar in the reasons why courts are required to consider potential spill-over effects on third parties when enforcing IP rights is the existence of conflicting fundamental rights protecting such parties.<sup>134</sup> An injunction granted by a court will not only affect the situation of the patent owner and infringer (direct effect) but also certain companies or individuals that depend on the supply of the infringing product, e.g. customers or users (indirect effect). Fundamental rights like the right to the integrity of the person (Art. 3 CFR) or the freedom to conduct a business (Art. 16 CFR) protect their interests. In the famous case on patent-infringing artificial heart valves, the injunction issued by the Düsseldorf court had substantial impact on the supply of these devices to patients and hospitals who had no possibility to find replacement devices within a short time.<sup>135</sup> The UK courts in contrast limited the right to an injunction under UK law in conjunction with EU law.<sup>136</sup>

During the reform process, certain opponents of the inclusion of third-party interests in the proportionality assessment of Sec. 139 GPA, including the prominent Judge Grabinski of the Federal Supreme Court, advanced the argument that the existing German provisions on compulsory licensing<sup>137</sup> were sufficient to take protected third-party interests into account.<sup>138</sup> According to Judge Grabinski, it is for the Member States to decide on how to implement the principle of proportionality in national law, as EU law does not give strict guidelines. The provision for granting a compulsory licence would be undermined, according to Grabinski, if courts needed to deny an injunction based on third-party interests while the infringer has not tried to obtain a compulsory licence.<sup>139</sup>

Section 24(1) No. 2 GPA allows a compulsory licence to be issued if public interest requires the Federal Patent Court to grant such a right and the licence seeker has, within a reasonable period of time, unsuccessfully attempted to obtain permission from the proprietor of the patent to use the invention on reasonable commercial terms and conditions. Often, the interests of an individual person who is affected by the patent do not carry

enough weight to cause such a public interest. Regularly, cumulated interests of various (third) parties are required. According to the prominent *Raltegravir* decision of the Federal Supreme Court however, a public interest in the grant of a compulsory licence may arise, even if only a relatively small group of patients (= third parties) is affected, especially if this group would be exposed to a particularly high risk if the infringing product (a pharmaceutical compound in the case decided) was no longer available.<sup>140</sup> This shows that the disproportionality exception applied on the basis of third-party interests might indeed overlap with the existing concept of compulsory licensing. In the famous case on artificial heart valves mentioned above, the infringer had not applied for a compulsory licence although the interests in the continued supply of the infringing embodiment were not only substantial third-party interests but might have also satisfied the requirement of public interest in the sense of Sec. 24(1) No. 2 GPA.

Nevertheless, the existence of compulsory licensing provisions cannot render the consideration of third parties on the level of patent enforcement superfluous.<sup>141</sup> The existing scheme is insufficient to cover all cases that affect the objective of the patent system and trigger the public interest. Firstly, Sec. 24 GPA lays out several other requirements for a compulsory licence to be issued. For example, before a licence seeker receives such a licence by court, he/she has to try to obtain permission from the proprietor of the patent to use the invention on reasonable commercial terms and conditions within a reasonable period of time (Sec. 24(1) No. 1 GPA). In certain cases, public interest might be at stake but the licence seeker failed to comply with other requirements. Secondly, the existing compulsory licensing scheme is also not sufficient to safeguard fundamental rights of third parties. The law requires the party seeking such a licence to be able to use the invention commercially him/herself.<sup>142</sup> Hence, affected third parties are as a rule de facto unable to obtain a compulsory licence – think of the patients in the artificial heart valve litigation who lacked any financial and technological means to organize the commercial production of such valves themselves.<sup>143</sup> The opportunity lies solely in the hands of someone else, e.g. the patent infringer, to bring an action for the grant of a compulsory licence against the patentee. This is clearly insufficient to protect the fundamental rights of such third parties who are de facto affected by the injunction.

<sup>133</sup> *Lawrence v Fen Tigers Ltd* [2014] A.C. 822, 856: ‘I find it hard to see how there could be any circumstances in which it arose [public interest] and could not, as a matter of law, be a relevant factor.’

<sup>134</sup> Stierle, ‘Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG’ (n 4) 878 f; Stierle, ‘Patent Injunctions – Identifying Common Elements’ (n 26) 334, 358 f; Stierle, ‘Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts’ (n 20) 262, 266; Stierle, ‘Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht’ (n 20) 486, 488 f, 494; Schönbohm and Ackermann-Blome, ‘Zur Modernisierung des Patentgesetzes: Ursache, Wirkung und Abhilfe? – Eine erste Analyse des Diskussionsentwurfs des BMJV’ (n 34) 101, 104 ff; Schönbohm and Ackermann-Blome, ‘Products, Patents, Proportionality – How German Patent Law Responds to 21st Challenges’ (n 34) 578, 581; Ohly (n 20) 307; Kühnen (n 52) para D 560.

<sup>135</sup> *Herzklappen* (n 117).

<sup>136</sup> *Edwards Lifesciences LLC v Boston Scientific Scimed Inc & Ors* (n 31) [16 ff]; *Evaluate v Edwards Lifesciences* (n 31) [73 sub iii].

<sup>137</sup> For a critical overview of the current case law on compulsory licensing in Germany see Martin Stierle, ‘Neues von der patentrechtlichen Zwangslizenz. Ein Überblick anlässlich BGH “Alirocumab”’ [2020] GRUR 30.

<sup>138</sup> Grabinski (n 9) 202 f.

<sup>139</sup> Grabinski (n 9) 202.

<sup>140</sup> Federal Supreme Court, decision of 11 July 2017, X ZB 2/17, [2017] GRUR 1017 para 48 f – *Raltegravir*.

<sup>141</sup> Osterrieth, ‘Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch’ (n 14) 988; Stierle, ‘Patent Injunctions – Identifying Common Elements’ (n 26) 334, 358 f; Stierle, ‘Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts’ (n 20) 262, 266; Ohly and Stierle (n 6) 1232.

<sup>142</sup> cf Rüdiger Rogge and Helga Kober-Dehm, ‘§ 24’ in Georg Benkard (founder), *Patentgesetz* (11th edn, CH Beck 2015) para 10 and Maximilian Haedicke and Lukas Wollenschlaeger, ‘Zwangslizenzen’ in Maximilian Haedicke and Henrik Timmann (eds), *Handbuch des Patentrechts* (2nd edn, CH Beck 2020) § 16 para 268 each with further references. The seeker of a compulsory licence is not required to use his/her own factory but must produce on his/her own account according to the literature.

<sup>143</sup> Kühnen (n 52) para D 560.

The objectives of the patent system and fundamental rights provide two strong pillars for the relevance of third-party interests within the new disproportionality exception. Against this backdrop, arguments advanced against their consideration appear to be minor. McGuire, for example, pointed out that the assessment of third-party interests will delay the enforcement proceedings at the expense of patentees.<sup>144</sup> A substantial delay, however, cannot be expected. Following the general principles of German civil procedure, courts will hear and consider only such spill-over effects that have been put forward by the parties to the proceedings. Moreover, the Federal Patent Court manages to decide within less than three months on cases concerning (provisional) compulsory licences<sup>145</sup> and, as seen, there is a certain similarity between both requirements – public interest and third-party interests – and, with that, a similar level of complexity.

#### IV. Case types of third-party interests

Courts are required to conduct a case-by-case analysis if facts indicate that the requested injunction is disproportionate for the infringer or a third party. The new exception does not comprise two discrete grounds ('*Alternativen*') of disproportionality – one addressing the hardship for the defendant and a separate one concerning the hardship for third parties.<sup>146</sup> Both aspects share the principle of proportionality as a unitary legal basis. Hence, if the isolated assessment of the infringer's interests and the assessment of third-party interests involved in the case is insufficient to overcome the required disproportionality threshold, both interests in conjunction can tip the balance to deny or limit the injunction (multifactorial assessment).<sup>147</sup> This approach is also suggested by the Explanatory Memorandum of the reform.<sup>148</sup>

We cannot elaborate an exhaustive taxonomy of third-party interests that will establish a clear and unambiguous case against an injunction. As already mentioned above,<sup>149</sup> the required flexible approach is incompatible with an application of broad classifications such as strictly defined case groups. Nevertheless, we can distinguish two very general scenarios where third-party interests will be discussed to deny an injunction: when the third party is non-infringing (subsection 1) and where a third party is infringing (subsection 2).

##### 1. Interests of non-infringing third parties

When Parliament included third-party interests in the wording of the disproportionality exception, it had in

mind primarily such constellations where persons who do not infringe the patent themselves are indirectly affected by an injunction. The drafting materials refer to the supply of patients with products of vital importance and mention the artificial heart valve litigation.<sup>150</sup> Another example from recent practice would be patent-infringing breathing tubes when the injunction would endanger the supply of respirators during the COVID-19 pandemic.<sup>151</sup> The Memorandum also mentions a significant impact on important infrastructures as another example.<sup>152</sup> An imminent shutdown of a communication network due to the patent infringement of network-essential ICT devices would be a possible case if replacement technologies were not available quickly. Such a scenario has characteristics in common with certain cases of copyright law, where the CJEU emphasized the important consideration of fundamental rights that might be affected by an injunction.<sup>153</sup>

One of the most pressing questions, obviously, concerns the threshold of the disproportionality exception. Future discussions will need to address whether the disproportionality exception requires an actual infringement of fundamental rights of third parties or whether it is sufficient that an injunction would have a substantial negative effect on such rights. EU law seems to argue for the latter. The CJEU tends to balance fundamental rights in a rather abstract and value-based manner when it comes to the proportionality of IP enforcement.<sup>154</sup> However, the new exception must not be misunderstood as a (de-facto) 'right to access' that allows third parties to benefit at their convenience from the use of the technology without the owner's consent. The Memorandum emphasises that not every impairment of interests can lead to a denial of an injunction. An injunction that is detrimental to third parties is a typical consequence of patents and their enforcement.<sup>155</sup> In the *Wärmetauscher* case, for example, a consideration of third-party interests would not have changed the decision. The interest of cabriolet passengers in avoiding a cold while driving with an open top will definitely continue to be insufficient to establish a disproportionality-based exception to the grant of an injunction.

As yet, there has been no discussion on whether the disproportionality exception comprises only such third-party interests arising within Germany or also interests deriving from other jurisdictions. Regarding third parties originating in other EU Member States, one might refer to the principle of non-discrimination enshrined in EU law. In the light of the discussions about the supply of the global south with pharmaceuticals and other medical products,<sup>156</sup> the issue appears to be of even higher practical importance when the interests derive from states outside the EU. An example would be a certain infringing

<sup>144</sup> McGuire (n 9) 782.

<sup>145</sup> See Federal Patent Court, decision of 31 August 2016, 3 LiQ 1/16 (EP), [2017] GRUR 373 – *Iseintress I* where the petitioner filed an action for a provisional compulsory licence on 7 June 2016 and the court granted such licence on 31 August 2016.

<sup>146</sup> Ohly and Stierle (n 6) 1231.

<sup>147</sup> cf Kühnen (n 52) para D 573.

<sup>148</sup> BT-Drs. 19/25821, 53 states five different aspects as examples (see sub II. 4.) including third-party interests that interact with each other and, according to the Explanatory Memorandum, must be balanced in a case-by-case assessment. The examples include aspects that are related to the interests of the infringer as well as of third parties.

<sup>149</sup> See II.4. above.

<sup>150</sup> BT-Drs. 19/25821, 54.

<sup>151</sup> *Flexibles Atemrohr* (n 117). However, the court did not see the risk that an injunction would endanger third-party interests.

<sup>152</sup> BT-Drs. 19/25821, 55.

<sup>153</sup> See for example *UPC Telekabel Wien GmbH* (n 35).

<sup>154</sup> cf *UPC Telekabel Wien GmbH* (n 35) para 45 ff; *Tobias Mc Fadden* (n 35) para 83 ff.

<sup>155</sup> BT-Drs. 19/25821, 55.

<sup>156</sup> See for example the discussion about a TRIPS Waiver during the COVID-19 pandemic.

medical device which is produced within Germany to be exported to a country of the global south where patients share an urgent demand.<sup>157</sup>

The legal obligation to consider third-party interests arises predominantly from the need to take fundamental rights into account.<sup>158</sup> The relevant fundamental rights, in particular the right to the integrity of the person (Art. 3 CFR), protect not only EU citizens or individuals living within the borders of the EU, but everyone affected by an act of an institution, body, office or agency bound by these rights. Hence, third-party interests arising from outside of Germany or the EU need to be at least considered if the interests fall within the scope of an applicable fundamental right that provides protection.

## 2. Interests of infringing third parties

The consideration of third-party interests will also be an issue within supply chains.<sup>159</sup> It is not only the supplier or the manufacturer that might be liable for an infringement of the patent but also wholesalers or retailers. To begin with, the disproportionality of the injunction must be judged against each infringer taken separately.<sup>160</sup> The denial of an injunction in the case against one of the infringers does not give that infringer a right to use the invention, unlike the concept of compulsory licences.<sup>161</sup> Moreover, the principle of exhaustion does not apply.<sup>162</sup> Therefore, if a manufacturer successfully defends him/herself against an injunction with the disproportionality exception, the decision has no effect in the case against a second infringer, e.g. the wholesaler, who might be subject to parallel infringement proceedings of the patentee.<sup>163</sup> This is quite different from Sec. 100 of the German Copyright Act, which also provides for a concept of compensation in lieu of an injunction but stipulates that the payment of compensation 'shall be equivalent to *granting* the injuring party *permission* to exploit the right to the customary extent.'<sup>164</sup> Such a far-reaching proposal similar

to a concept of compulsory licensing was rejected during the reform discussions of the Patent Act,<sup>165</sup> since an injunction might be disproportionate regarding one link of the supply chain but justified against all the other links.

In certain cases, however, the limited effect of the new disproportionality exception generates problems. If the injunction against the manufacturer entails undue hardship and was accordingly denied by the competent court, an injunction against the main wholesaler of the product would de facto hit the manufacturer to the same extent as a direct injunction against him/her.<sup>166</sup> In many cases the wholesaler will be able to switch to a non-infringing substitute from another supplier with only marginal inconveniences. He/she will stop purchasing the infringing products, return the products already acquired to the manufacturer, and claim compensation.

In this scenario, the wholesaler can advance the manufacturer's interests in the proceedings as third-party interests, although he/she might not experience an undue hardship by the injunction him/herself.<sup>167</sup> Given the hardship on the manufacturer caused indirectly by the threat of an injunction, the court might need to deny or limit the remedy against the wholesaler. In such scenarios, however, courts will need to analyse very carefully which aspect of an injunction would unfold disproportionate hardship against the third party and how an injunction against someone else would de facto generate such an effect as well. If the injunction against the manufacturer was only disproportionate with regards to the sale of infringing products already produced, the injunction against the manufacturer's supplier is not disproportionate if the exception is merely based on the hardship for the manufacturer.<sup>168</sup>

## V. Disproportionality exception and the existing compulsory licensing regime

One of the main arguments against the introduction of third-party interests as a ground to deny an injunction referred to the existing regime of compulsory licensing – as described above.<sup>169</sup> After the reform, a new discussion has emerged that concerns the relationship, the similarities and the differences between both legal concepts implemented in the German patent system.<sup>170</sup> This comparison will be of academic interest but will also have a very practical impact on the application of the new disproportionality exception based on considerations of systematic interpretation.

disproportionate harm and the injured party can be expected to accept pecuniary compensation. (...); s 9 of the German Law on the Protection of Trade Secrets also does not include such provision. However, Ansgar Ohly, '§ 9' in Henning Harte-Bavendamm, Ansgar Ohly and Björn Kalbfus (eds), *Gesetz zum Schutz von Geschäftsgeheimnissen*, (CH Beck 2020) para 42 suggests applying the third sentence of s 100 of the German Copyright Act by analogy also in trade secret law.

<sup>165</sup> See for example Stierle, 'Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht' (n 20) 486, 491.

<sup>166</sup> Ohly (n 20) 304, 309; Ohly and Stierle (n 6) 1237.

<sup>167</sup> Stierle, 'Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht' (n 20) 486; Ohly (n 20) 304, 309; Ohly and Stierle (n 6) 1237.

<sup>168</sup> See McGuire (n 9) 781 f.

<sup>169</sup> See Section III.

<sup>170</sup> For an abstract distinction of both concepts see Stierle, 'Patent Injunctions – Identifying Common Elements' (n 26) 334, 355 f.

<sup>157</sup> This situation is partly addressed by art 31<sup>bis</sup> and Regulation (EC) No 816/2006 but the scope of both regimes is more limited (it covers only pharmaceutical products) and the legal effect of both regimes is more intense (it grants compulsory licences). The procedure of both regimes has recently been criticized as being too complicated (Katarina Foss-Solbrekk, 'The IP waiver and COVID-19: reasons for unwavering support' (2021) 16 *JIPPL* 1347, 1352).

<sup>158</sup> See sub III.

<sup>159</sup> See already Stierle, 'Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht' (n 20) 486, 491; McGuire (n 9) 781 f; Ohly and Stierle (n 6) 1237 f.

<sup>160</sup> Stierle, 'Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht' (n 20) 486, 491.

<sup>161</sup> BT-Drs. 19/25821, 55.

<sup>162</sup> Stierle, 'Zum Verhältnismäßigkeitsvorbehalt im patentrechtlichen Unterlassungsrecht' (n 20) 486, 491. See however, Ansgar Ohly, 'Stellungnahme zum Diskussionsentwurf des BMJV eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts: Ergänzung des § 139 Abs. 1 PatG und Einfügung eines neuen § 145a PatG' <[www.bmjv.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG\\_2.html](http://www.bmjv.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG_2.html)> accessed 14 June 2022 (demanding a provision similar to the exhaustion doctrine if the right to an injunction is disproportionate).

<sup>163</sup> Ohly (n 20) 304, 309; Sascha S Zhu, 'Der Quasi-Verletzer im Patentrecht: Zivil- und strafrechtliche Folgeprobleme des geplanten Verhältnismäßigkeitsvorbehalts in § 139 PatG' [2021] *GRUR-Prax.* 193, 194.

<sup>164</sup> s 100 of the German Copyright Act provides: 'Where the injuring party acts neither intentionally nor negligently, he may, in order to avert the assertion of the claims under ss 97 and 98, pay pecuniary compensation to the injured party if the fulfilment of the claims would cause

## 1. Scope and delimitation

### a) Time-based delimitation

The scope of the provisions on compulsory licensing (Sec. 24 GPA)<sup>171</sup> and the new exception to the right to an injunction (Sec. 139(1) sentence 3 GPA) overlap, since *third-party* interests in the supply of a product or service implementing the patented technology can amount, as already pointed out,<sup>172</sup> to a *public* interest in such supply. In some jurisdictions, where licence seekers need to wait for a certain period to be allowed to file a request for a compulsory licence, a discussion about a time-based delimitation of the realms of both concepts appears to be natural.<sup>173</sup> In the UK for example, three years must lapse before an application can be made (see Sec. 48(1) UK Patent Act). However, the GPA does not enshrine such a grace period between the patent grant and the application for a compulsory licence. In practice, time lags between the issue of an injunction and the grant of a compulsory licence might be possible given the fact that the two proceedings are separate and must be brought before different courts.<sup>174</sup> Anyone who seeks a compulsory licence needs to sue the patentee before the Federal Patent Court despite any parallel infringement proceedings at one of the (higher) regional courts or the Federal Supreme Court. Section 85 GPA, however, provides for fast-track proceedings that allow a request for provisional compulsory licences. As already mentioned, in *Raltegravir* the Federal Patent Court managed to grant such a licence less than three months after the proceedings were initiated.<sup>175</sup> The competent court in the infringement proceedings will not issue an injunction any more quickly, since it takes a regional court about a year or more to reach a first-instance decision. According to some commentators, the court hearing the case for infringement can also stay the proceedings and wait until the Federal Patent Court decided as to whether it will grant a compulsory licence.<sup>176</sup> Although it cannot be excluded that cases might arise where a compulsory licence is granted before a patent injunction is issued, overall, a time-based delimitation is not very convincing for the new German system.

<sup>171</sup> For a critical overview of the current case law on compulsory licensing in Germany see Stierle, 'Neues von der patentrechtlichen Zwangslizenz. Ein Überblick anlässlich BGH "Alirocumab"' (n 137). For a recent assessment of the function of compulsory licensing see Klaus-Jürgen Melullis, 'Zur Einräumung von Zwangslizenzen im Patentrecht' [2021] GRUR 294.

<sup>172</sup> See sub III.

<sup>173</sup> cf *Evalue v Edwards Lifesciences* (n 31).

<sup>174</sup> s 24 GPA cannot be used within infringement proceedings unless a compulsory licence was granted by the Federal Patent Court. Without such licence, s 24 GPA cannot be raised as a defence against a claim for patent infringement, see Johann Pitz, *Patentverletzungsverfahren* (2nd edn, CH Beck 2010) para 73; Hanns Ullrich, 'Mandatory Licensing under Patent Law and Competition Law: Different Concerns, Complementary Rules' in Reto M Hilty and Kung-Chung Liu (eds), *Compulsory Licensing* (Springer 2015) 333, 355 f; Martin Stierle, 'Anmerkung zu Isentress' [2017] GRUR 383, 384 (sub 5); Stierle, *Das nicht-praktizierte Patent* (n 20) 300 f. Dissenting: Rüdiger Wilhelmi, '§ 24' in Uwe Fitzner, Raimund Lutz and Theo Bodewig (eds), *BeckOK Patentrecht* (23rd edn, CH Beck 15 October 2021) para 85.

<sup>175</sup> See n 145.

<sup>176</sup> Michael Nieder, 'Zwangslizenzklage – Neues Verteidigungsmittel im Patentverletzungsprozess?' [2001] Mitt. 400. Nevertheless, it appears to be more convincing that a stay is not possible since a compulsory licence affects only the time after its grant (see Klaus Grabinski and Carsten Zülch, '§ 139' in Georg Benkard (founder), *Patentgesetz* (11th edn, CH Beck 2015) para 109.

### b) Precedence of compulsory licensing regime

Some scholars and practitioners have advanced the idea that the disproportionality exception based on third-party interests should only be available where the infringer was not able to successfully claim a compulsory licence.<sup>177</sup> However, there appears to be no conclusive reason why the concept of compulsory licensing should supersede the disproportionality exception. Firstly, the Explanatory Memorandum of the amendment refers to the heart valves case<sup>178</sup> – a constellation which could have warranted the consideration of public interest and the grant of a compulsory licence. Secondly, a precedence of compulsory licensing would be cumbersome in practice if not practically unfeasible. The court competent for the infringement proceedings would need to assess in detail whether the case meets the standards for the grant of a compulsory licence – an assessment that ordinarily falls in the realm of the Federal Patent Court<sup>179</sup> – and then issue an injunction (because (!) the public interest would have required the grant of a compulsory licence). Thirdly, superseding the disproportionality exception would not be in line with its creation. The consideration of third-party interests was predominantly based on the need to safeguard the fundamental rights of such parties affected by an injunction. The fact that the infringer – not even the third party (!) – could have applied for a compulsory licence does not render the protection of such rights superfluous.

### c) No strict delimitation and differences in scope

There appears to be no conclusive reason to delimit the two concepts. Both regimes work complementary to each other to safeguard fundamental rights and the public interest on different levels: infringement (compulsory licence regime) and enforcement (disproportionality exception). Hence, both concepts can be applied to the respective levels without excluding the application of the other. However, if the Federal Patent Court grants a compulsory licence, obviously the question of the disproportionality of an injunction would become irrelevant, as the defendant would not be infringing the patent anymore.

The scope of the disproportionality exception based on third-party interests and the compulsory licence overlap in major elements, given the overlapping concepts of public interest and third-party interests. Nevertheless, there are still various differences. Firstly, the public interest and third-party interests cannot be applied in isolation. Both concepts have to take other requirements into account, for example whether the seeker of a compulsory licence has tried to obtain permission from the proprietor of the patent (Sec. 24(1) No. 1 GPA), as already pointed out. Secondly, the requirements of public interest and third-party interest have different characteristics. For a compulsory licence to be issued according to Sec. 24 GPA, the interest of the general public needs to outweigh the

<sup>177</sup> Kühnen (n 52) para D 560.

<sup>178</sup> BT-Drs. 19/25821, 54 f.

<sup>179</sup> See n 93.

right holder's interest in exclusivity,<sup>180</sup> while third-party interests in the sense of Sec. 139(1) can be quite individual in comparison. Even after *Raltegravir*<sup>181</sup> there are possible scenarios in which the public interest would not be affected while an injunction would impact an extremely limited number of individuals in the exercise of their fundamental rights – probably even just one or two persons – and trigger the disproportionality exception, thus limiting the right to injunctive relief. For a compulsory licence to be issued, no fundamental rights need to be at stake.

This conceptual difference in scope can also be observed from an economic perspective: In general, the patent system is built on the consensus that negative static effects will be accepted (artificial exclusivity for public goods = property rule) with the intention to generate an overcompensating positive dynamic efficiency (various incentives generating technological progress).<sup>182</sup> For the liability rules to apply, the negative effects need to be somehow extraordinary. However, for the disproportionality exception, negative effects on individual parties are sufficient while for the compulsory licence a negative impact on technological progress (at the level of implementation) in general is required.

The scope of both concepts is also different when it comes to interests originating from other jurisdictions. As pointed out, such interests can be relevant when applying the new disproportionality exception. Compulsory licences, however, can only be authorized according to Art. 31(f) TRIPS for the predominant supply of the domestic market of the country authorizing such use.<sup>183</sup> For countries outside the EU, Art. 31b TRIPS and Regulation (EC) No. 816/2006 enshrine a special regime for pharmaceutical products.<sup>184</sup> The disproportionality exception in contrast is not restricted to a special group of products.

## 2. Legal effect

The legal effects of a compulsory licence and the denial of an injunction are quite different. A compulsory licence justifies the use of a patent, whereas the disproportionality exception does not cure the infringement but limits the right to a certain remedy.<sup>185</sup> In case of a compulsory licence, the right holder will be entitled to remuneration

from the user (Sec. 24(6) GPA)<sup>186</sup> but cannot claim any remedies based on patent infringement (injunctive relief, right to compensation, etc.). The new disproportionality exception allows the patentee to claim compensation in lieu of an injunction (Sec. 139(1) sentence 4 GPA). As seen, the method for calculating the compensation is highly controversial and, depending on the outcome of the discussion, the payment due might be substantially higher than the remuneration for a compulsory licence. According to literature, the compulsory licence covers not only the licensee's production but also the resale by others,<sup>187</sup> whereas, as already explained above,<sup>188</sup> the limitation of the right to injunctive relief has no direct effects on the injunction against other infringers. Moreover, courts deny injunctions only with regards to a specific infringing conduct, whereas a compulsory licence is not limited to a specific implementation.<sup>189</sup> A compulsory licence allows the licensee to produce an improved product, while disproportionality does not have such an effect.

## VI. Disproportionality exception and existing SEP case law

### 1. Overlaps

Another very complex issue concerns the application of the new disproportionality exception in cases of standard essential patents (SEPs). In these scenarios, implementers lack the possibility to work around the patent. The right holder is able to prevent products from entering the market, although third parties might have a strong interest in them. In such cases, courts have had to strike a balance between Art. 102 TFEU and Art. 17(2) of the Charter of Fundamental Rights of the European Union and the various interests involved.<sup>190</sup> The CJEU<sup>191</sup> and German courts<sup>192</sup> have addressed this problem from a competition law perspective, while other jurisdictions have also used a contract law approach<sup>193</sup> when a FRAND declaration was involved. Today, a German court also needs to consider applying the new exception within Sec. 139(1) of the German Patent Act when a right holder is seeking an injunction based on a SEP. The blocking effect of an SEP can cause an undue hardship that is not justified by the purpose of the exclusive right granted to implementers. It can also have detrimental and very substantial effects on third parties, e.g. consumers. Therefore, the scope of the case law at the intersection of Art. 102 TFEU and patent law somehow overlaps with the new disproportionality exception. The legal effects of both regimes are similar

<sup>180</sup> Federal Supreme Court, decision of 11 July 2017, X ZB 2/17, [2017] GRUR 1017 para 38 – *Raltegravir*; Haedicke and Wollenschlaeger (n 142) para 277; Wilhelmi (n 174) paras 25 and 27 with further references. See also Melullis (n 171) 295 f.

<sup>181</sup> Federal Supreme Court, decision of 11 July 2017, X ZB 2/17, [2017] GRUR 1017 para 48 f – *Raltegravir* (a public interest in the grant of a compulsory licence may arise even if only a relatively small group of patients is affected).

<sup>182</sup> William Landes and Richard A Posner, *The economic structure of intellectual property law* (Harvard University Press 2003) 11 ff.

<sup>183</sup> Given the principle of non-discrimination enshrined in EU law, the requirement of public interest might be satisfied if the interests originate in another EU Member State cf Wilhelmi (n 174) para 26.

<sup>184</sup> cf art 2(1) REG 816/2006 in conjunction with art 1(2) DIR 2001/83/EC.

<sup>185</sup> BT-Drs. 19/25821, 55; Stierle, 'Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht. Ein Beitrag im Lichte der Reformdiskussion des § 139 I PatG' (n 4) 879; Schönbohm and Ackermann-Blome, 'Zur Modernisierung des Patentgesetzes: Ursache, Wirkung und Abhilfe? – Eine erste Analyse des Diskussionsentwurfs des BMJV' (n 34) 101, 107 ff; Ohly (n 20) 307.

<sup>186</sup> For the calculation of such remuneration see Federal Patent Court, decision of 21 November 2017, 3 Li 1/16 (EP), [2018] GRUR 803 – *Iseintress II*.

<sup>187</sup> For further details see Theo Bodewig, 'Einige Überlegungen zur Erschöpfung bei Zwangslizenzen an standardessentiellen Patenten' [2015] GRUR Int 626.

<sup>188</sup> See IV.2.

<sup>189</sup> Stierle, 'Patent Injunctions – Identifying Common Elements' (n 26) 334, 355 f.

<sup>190</sup> cf Case C-170/13 *Huawei Technologies Co. Ltd* ECLI:EU:C:2015:477, para 57.

<sup>191</sup> *Huawei Technologies Co. Ltd* (n 190) para 1.

<sup>192</sup> *Orange-Book-Standard* (n 3) 747; *FRAND-Einwand* (n 3) 89.

<sup>193</sup> cf *EWHC Unwired Planet v Huawei* [2017] EWHC 711 (Pat) para 98 ff regarding French law.

too, since the case law on SEPs also addresses injunctive relief.<sup>194</sup>

## 2. Sequential application

This raises the question of how both concepts interrelate – the competition law-based exception to patent injunctions on the one side and the disproportionality-based exception on the other side. Certain commentaries give the impression that German judges might understand the case law on SEPs as the governing concept, leaving no leeway for an application of the new disproportionality exception in a case of an infringed SEP.<sup>195</sup> At first glance, the hierarchy of legislation appears to suggest this. Article 102 TFEU, the legal basis for the *Huawei* decision,<sup>196</sup> forms part of primary EU law, while Sec. 139 of the GPA is national law. However, approaching the issue merely from a perspective of legislative hierarchy is too formalistic. It is, moreover, not conclusive if one considers fundamental rights (being primary EU law) as the basis of the proportionality assessment of the new exception.

It is also not conclusive to distinguish between (alleged) patent-law-internal concepts (sentence 3 of Sec. 139(1) GPA) and patentlaw-external ones (Art. 102 TFEU). One could argue that the disproportionality exception as a patent law internal rule must always be considered as a first step before deploying patent law-external concepts. As a consequence, the SEP case law might not be applicable at all. It is hard to see how there could be a case that limits the right to an injunction under the *Huawei* framework but at the same time would not reach the threshold of the disproportionality exception.

The SEP case law is more specific than the new disproportionality exception. It also entails a more far-reaching effect. The patentee will lose the right to an injunction even without compensation in lieu if he/she does not comply with the obligations enshrined in the *Huawei* decision by the CJEU. The lawmaker implemented the disproportionality exception, which is wider in scope and has less far-reaching legal effect, but did not address its relation to the competition-law based concept established by courts. The genesis of the new law suggests that both the competition-law based exception to the right to an injunction and the disproportionality-based exception can be considered when an SEP holder seeks an injunction.<sup>197</sup> According to general principles of legal application, a court will need to assess the request for an injunction firstly under the more specific competition law-based framework.<sup>198</sup> If the SEP holder did not fulfil his/her obligations, no injunction (and no compensation in lieu) will be granted.<sup>199</sup> In this

case, the court will not need to apply the new disproportionality exception. However, if the SEP holder met the requirements of the competition law-based framework or the defendant did not meet his/her obligations, the court will continue, as a second step, to assess the case under the disproportionality-based exception. The aspects already considered within the competition-law framework will not lead to a different outcome under the disproportionality exception. The standards for both concepts are the same (parallelism of valuation).<sup>200</sup> However, other factors that were not subject to the earlier assessment might require the court to deny or limit an injunction to the benefit of the defendant, for example in the case of a complex infringing product with a minor infringing component or if the right holder is merely interested in the monetization of the patent. However, courts will also factor in all the aspects that point in favour of the plaintiff and have not been considered under the framework of competition law, e.g. whether the defendant infringed with intent or gross negligence.

Moreover, there are various cases which relate to the SEP framework established by the CJEU but which might be outside its scope. Authors have pointed out two exemplary constellations:<sup>201</sup> Firstly, cases where the patent was declared to be standard essential but it is not relevant for the standard (over-declaration). Article 102 TFEU might not apply here given the potential lack of a dominant market position, but the new disproportionality exception will.<sup>202</sup> Secondly, it is unclear whether FRAND declarations of a predecessor in title have an effect on a patentee who subsequently seeks an injunction.<sup>203</sup> The new disproportionality exception allows for the consideration of such a declaration in particular if the new right holder knew about the declaration.<sup>204</sup>

The outlined approach will not undermine the CJEU's case law on the intersection of competition law and IP. If the plaintiff meets the *Huawei* requirements, a court can only deny an injunction under the disproportionality exception (and the proportionality principle of EU law) when other serious circumstances lying outside the *Huawei* framework turn the tide in the defendant's favour. Nevertheless, it will be interesting to see how the CJEU distinguishes the assessment under competition law (Art. 102 TFEU) and the principle of proportionality (Art. 3(2) Enforcement Directive or primary EU law).<sup>205</sup>

## VII. Conclusion and outlook

The German legislator amended the German Patent Act during summer 2021 and implemented a statutory disproportionality exception in Sec. 139(1) GPA. The law

<sup>194</sup> See *Orange-Book-Standard* (n 3) 747; *Huawei Technologies Co. Ltd* (n 190); *FRAND-Einwand* (n 3) 89.

<sup>195</sup> See Kühnen (n 52) para D 559. Unclear Voß (n 70) para 79 (arguing that if a FRAND defence was not successful based on the consideration that the defendant did not show his/her willingness to take a licence, the disproportionality exception does not apply either).

<sup>196</sup> *Huawei Technologies Co. Ltd* (n 190) para 1.

<sup>197</sup> cf *Sprachsignalcodierer II* (n 56) paras 73 ff and 91 ff.

<sup>198</sup> The competition-law regime has more specific requirements and a far-reaching effect. Different, however, *Sprachsignalcodierer II* (n 56) paras 73 ff and 91 ff.

<sup>199</sup> cf *Huawei Technologies Co. Ltd* (n 190) para 61, 63.

<sup>200</sup> Ohly and Stierle (n 6) 1236.

<sup>201</sup> Ohly and Stierle (n 6) 1236.

<sup>202</sup> Ohly (n 20) 308; Ohly and Stierle (n 6) 1236; Urich (n 4) 244.

<sup>203</sup> See OLG Düsseldorf, decision of 22 March 2019, ECLI:DE:OLGD:2019:0322.2U31.16.00 – *Improving Handovers*. Critical: Tim W Dornis, 'Standardessenzielles Patent, FRAND-Bindung und Rechtsübergang' [2020] GRUR 690, 692 f; Lea Tochtermann, 'The fate of the ETSI FRAND declaration in the transfer of SEPs' [2021] JIPLP 150.

<sup>204</sup> Ohly and Stierle (n 6) 1236.

<sup>205</sup> For the possible foundations of the proportionality principle within EU law see II.2.

on patent injunctions had already allowed for a proportionality assessment before the reform. As the legislator pointed out, this leeway, however, was barely used by regional and appellate courts – even after *Wärmetauscher*. Hence, a reform was necessary according to Parliament and some parts of academia and industry to signalize the importance of proportionality considerations before issuing injunctions.

The amendment to Sec. 139(1) GPA requires courts to take proportionality issues more seriously. It contours the proportionality principle and goes well beyond the scope of the initial decision of the Federal Supreme Court. Nevertheless, the grant of an injunction will continue to be the general rule in practice. The new law allows courts to deny injunctive relief only in exceptional cases. Judges will not be able to rely on strictly defined case groups but will be required to perform a case-by-case analysis based on the specific circumstances asserted by the parties. The Explanatory Memorandum mentions five exemplary aspects that can become relevant when assessing disproportionality: interests of the infringed party, economic effects of the injunction, complex products, subjective elements, and third-party interests. When the injunction imposes a disproportionate hardship not justified by the patent, the right to injunctive relief is limited to this extent. Often, only a stay of an injunction will be justified. The right holder is entitled to financial compensation in lieu but the standards on the calculation of the monetary compensation are unclear and will need to be developed by courts and academia.

One of the most controversial issues during the reform process was the question whether the wording of the new statutory exception should refer to third-party interests as a ground to deny an injunction. Before the reform, courts were reluctant to include such interests within the analysis, although EU law required judges to take them into account. On a more fundamental level, the objectives of the patent system and fundamental rights provide two strong pillars for such considerations within the law of patent injunctions. The new exception does not comprise two discrete grounds (*Alternativen*) of disproportionality – one addressing the hardship for the defendant and a separate one the hardship for third parties. Both aspects have to be included in one assessment (multifactorial assessment). One of the most pressing questions after the reform will concern the threshold of the exception. Cases that will arise in the future where interests of non-infringing third parties are at stake will most likely be related to the life sciences or ICT industry. In certain constellations, in particular within supply chains, interests of infringing third parties might also weigh against the right to an injunction.

After the reform, a new discussion has emerged concerning the relationship between the disproportionality exception (particularly the ground of third-party interests) and the existing law on compulsory licensing. There appears to be no conclusive reason to delimit the concepts based on the age of the patent or to establish a principle according to which the existing compulsory licensing regime prevails over the disproportionality exception. Instead, both levers work complementary to each other and do not reduce the other's scope of application on its

respective level of application (infringement and enforcement). The concepts of public interest and third-party interests overlap in major parts, as do the concepts of compulsory licensing and disproportionality. Nevertheless, their scopes and more importantly their legal effects differ in various ways.

The amendment to Sec. 139(1) GPA has also initiated a discussion about the relation of the new law to the existing case law on SEP enforcement. The two regimes do not conflict but must be applied sequentially: firstly, the competition law-based case law on SEPs and secondly the new disproportionality exception. Many aspects can be considered within the second step that are irrelevant from a competition-law-based perspective. Moreover, certain cases which relate to the SEP-specific framework but lie outside its scope might now be subject to the new disproportionality exception.

Judges, practitioners and academics debated the reform of the German law of patent injunctions with considerable heat. The amendment was necessary to emphasise the importance of proportionality considerations and to realign the law on injunctions with EU law, the objectives of the patent system and the impact of fundamental rights on private law. Nevertheless, German courts will not lose their attractiveness for patent litigation in the future. The right to injunctive relief is limited only in exceptional cases and the effectiveness of German patent enforcement is not at risk. On the contrary, after the first court decisions in the aftermath of the reform, certain industries are discussing whether a new amendment will need to limit the right to an injunction of patentees even further.

In the long run, it will be interesting to see whether the German reform and the ongoing discussions will affect the interpretation of Art. 63 of the UPC Agreement.<sup>206</sup> In the past, various German practitioners and scholars had argued for automatic injunctions by the Unified Patent Court.<sup>207</sup> Given the change in the German statutory law, their perspective might also change.

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<sup>206</sup> cf Tilmann (n 19) 249 f arguing that the proponents of a disproportionality exception in s 139(1) GPA intended an impact on the UPC framework.

<sup>207</sup> cf Tochtermann (n 19) 271 ff.