

05 December 2018

Vice-President Andrus ANSIP
European Commission
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1049 Brussels

By email: cab-ansip-web@ec.europa.eu

CC:

Jyrki Katainen, Vice-President for Jobs, Growth, Investment and Competitiveness

Elżbieta Bieńkowska, Commissioner for Internal Market, Industry, Entrepreneurship and SMEs

Mariya Gabriel, Commissioner for Digital Economy and Society

Věra Jourová, Justice, Consumers and Gender Equality

Margrethe Vestager, Commissioner for Competition

Dear Vice-President Ansip,

INDUSTRY CALLS ON COMMISSION TO ISSUE GUIDELINES TO SUPPORT EFFECTIVE APPLICATION OF PROPORTIONALITY PRINCIPLE TO PATENTS

In its IP Package of 29 November 2017, the Commission acknowledged that there are differences in the way Member States apply certain provisions of the EU Directive on IPR enforcement (IPRED) (such as those on injunctions) across the Single Market, thereby limiting the effectiveness of the Directive¹. The Commission therefore undertook to “work with Member States’ national experts and judges on further, more targeted guidelines, to give more detailed and practical guidance on specific IPRED issues, based on best practices experience”² with a view to improving the system of judicial enforcement in the EU.

One year after the publication of the IP Package, the thirty-four companies and associations signatories to this letter call on the European Commission to expand its work

¹ Commission Staff Working Document, *Executive Summary – IPR Enforcement Directive Evaluation post RSCC*, SWD(2017) 432 of 29 November 2017, p. 2

² Commission Communication, *A balanced IP enforcement system responding to today's societal challenges*, COM(2017) 707 of 29 November 2017, p. 7

with Member States, judges and stakeholders to publish targeted guidelines to support the homogenous and effective application of the proportionality principle to patents.

Innovation in the EU Single Market will be undermined if certain requirements of the IPRED are not applied in practice to patents. While Article 3(2) of the IPRED requires that remedies granted by courts must be equitable and proportionate, these requirements are not effectively applied in practice in many Member States. Upon a finding of patent infringement, courts generally grant an immediate permanent order (an injunction) to remove the product from the market, without considering whether an injunction is the most appropriate and proportionate remedy in each particular case. This presents an imbalance in the European patent system that should be addressed by the European Commission.

One sign of how that imbalance is undermining innovation in the EU Single Market is the growing activity of patent assertion entities (PAEs) in Europe. The issuance of an injunction without consideration of proportionality is a powerful weapon when wielded by PAEs who seek to force settlements based on the damage that would result from an automatic injunction removing the accused product from the market, rather than on the basis of the actual damage they are suffering as a result of the infringement. The leverage obtained from the threat of an injunction on a complex product can greatly exceed the value of a patent covering a minor feature incorporated into that product, especially when the patent owner's true goal is to receive royalties, not to remove a product from the market. Such practices can discourage R&D investments, slow innovation in Europe, and are harmful to consumers.

Guidelines published by the Commission would support the homogenous and effective application of equity and the proportionality principle to patent enforcement. Effective guidelines would contain a list of factors that courts should consider in deciding whether to issue a permanent injunction or grant an alternative remedy and guidance on how those factors might apply in different scenarios. Such factors should include:

- Whether the patent owner relies on the patent to protect a market position or distinguish its products in the marketplace, or whether the patent owner's primary business goal is to receive monetary compensation for use of the patent;
- Whether an injunction creates leverage for the patent owner disproportionate to the value of the patented technology, such as when the infringement concerns a minor feature of a complex product³;
- The impact of the injunction on the defendant compared to the benefit to the patent owner;

³ See Commission Communication, *Setting out the EU approach to Standard Essential Patents*, COM(2017) 712 final, p. 10: "The Commission feels that considerations need to be given to the relative relevance of the disputed technology for the application in question and the potential spill-over effects of an injunction on third parties".

- The impact of the injunction on the public and third parties^{4,5}.

Guidelines supporting consideration of these factors would promote consistency among EU Member States and balance in the patent system to avoid disproportionate outcomes and abusive litigation practices⁶.

List of signatories:

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| adidas AG | European Semiconductor Industry Association | Samsung Electronics Co., Ltd. |
| AirTies | Honda Motor Co., Ltd. | SAP |
| Bayerische Motoren Werke AG | HP Inc. | Sequans |
| Bullitt Group Limited | Iliad | Sierra Wireless |
| Bury | Intel | Spotify |
| Cisco | Imec | Telit Communications S.p.A |
| Computer & Communications Industry Association | IP2Innovate | u-blox AG |
| Daimler | Laird | Visteon Corporation |
| Dell | Microsoft | Volkswagen AG |
| DENSO Corporation | Proximus | Vrijscrift Foundation |
| Deutsche Telekom AG | Robert Bosch GmbH | Wiko |
| | Sagemcom | |

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⁴ Ibidem.

⁵ See Recital 24 of the Directive 2004/48/EC: "These corrective measures should take account of the interests of third parties including, in particular, consumers and private parties acting in good faith".

⁶ COM(2017) 707 final, p. 4 (acknowledging differences in the way certain IPRED provisions including injunctions are implemented in practice while also recognising the importance of avoiding disproportionate outcomes and abusive litigation).