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1. Introduction: proportionality and enforcement of patent rights

A large part of the current debate surrounding the patent system is concerned with the perceived excessiveness of patent protection. Such arguments pertain to the scope and duration of patent protection, but also to enforcement of patent rights. The exponential technological and economic development and the emergence of multiple disturbing market practices led the literature and jurisprudence to identify certain factual patterns in which patent enforcement, in particular the issuance of final,¹ and preliminary injunctions,² may lead to results undesirable from the standpoint of the purposes of the patent system. Thus, a need emerged to provide for theoretical and legal tools which would ensure that all relevant policy factors are taken into account when deciding on the grant of injunctions. Amongst the principles that seem to be the most likely candidates to guide courts' discretion in this respect is the principle of proportionality, which can be found in the basic international documents in the area, the World Trade Organisation (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement)³ and the European Union (EU) Enforcement Directive.⁴ But what the principle of proportionality actually means and how it should be applied in practice is not clearly defined. Instead, scholars and courts have developed a variety of possible interpretations and applications which are concentrated around the following questions. Is the right to obtain an injunction absolute? Is complexity of the product a relevant factor? Should only practicing entities be entitled to receive an injunction? What role should the proportionality principle play in courts' decisions, namely is it simply a safety valve to prevent cases of gross abuse of patent rights, or is it an overarching principle applicable to all cases; and if the latter, how can the courts ensure an appropriate structure of argumentation and legal certainty? Finally, to what extent should these considerations apply to preliminary injunctions, given their specificity as provisional measures? The way in which the public decision makers will answer these questions is likely to shape the way patent rights are enforced, and will likely affect, for the good or the bad, the attractiveness of patent protection and thus investment in innovation. All these issues will be of even greater importance with

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¹ Note that final injunctions are also referred to as 'permanent' injunctions. For the sake of consistency, this chapter will apply the former term, unless when quoting from another source.

² Note that preliminary injunctions are also referred to as 'interim' or interlocutory' injunctions. For the sake of consistency, this chapter will apply the former term, unless when quoting from another source.

³ Art. 41 and 44 of The Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS' or 'TRIPS Agreement').

⁴ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004).

the advent of the Unified Patent Court (UPC), which will be issuing injunctions covering the territories of all contracting member states of the EU.

The purpose of this chapter is to address these issues by presenting the current landscape of the enforcement of patent rights through injunctions, identifying the most important tendencies that might shape the future European patent system, particularly the UPC. First, the chapter will outline the technological and economic developments that led to the identification of a set of policy considerations which in turn led commentators to call for greater inclusion of proportionality when deciding on the grant of injunctions. Second, it will describe how the subject matter literature tries to conceptualise the principle of proportionality. Third, an analysis of the current legal frameworks for the grant of injunctions will follow, with an explanation of the applicable provisions of the US, UK and German patent systems in comparative analysis. The chapter will also take into account the impact that policy considerations can have on preliminary injunctions, particularly with regard to provisional measures. Finally, the chapter will suggest how the proportionality principle can be better conceptualized in a manner capable of ensuring that the policy factors we have identified are properly addressed and, ultimately, reflected in judicial practice.

2. Injunctions: policy considerations

One possible approach for addressing policy considerations is to view injunctive relief as an essential component of patent protection.⁵ In this regard, in civil law jurisdictions, such as Germany or France, the courts' predilection for granting permanent injunctions seems to follow from the exclusionary nature of patent rights as property rights.⁶ Weakening patent protection by refusing to grant final injunctions could hinder the purpose of the patent, namely the protection of the invention. In the US, prior to the *Ebay* ruling, similar types of argumentation were traditionally presented within the framework of 'entitlement theory', which considered damages as an insufficient remedy in case of patent infringement.⁷ These traditional views subsequently came under pressure due to situations where, as Justice Kennedy put it, the nature of the patent being enforced and the economic function of the patent holder present considerations unlike earlier cases.⁸ Scholars identified several types of cases where such tensions are most likely to arise. First, there is a general problem of anticommons in patent law, and the related existence of patent thickets.⁹ The problem of anticommons in the context of patent law occurs where numerous entities possess patent rights over the same product, leading to

⁵ Bundesrat Drucksache 683/20, 56; see also, for example, the opinion of Advocate General Wathelet in *Huawei v ZTE* Case C-171/12 [34], as cited in Jorge Contreras, Martin Husovec, Introduction, [in] *Injunctions in Patent Law: A Trans-Atlantic Dialogue on Flexibility and Tailoring*, Contreras, Husovec (eds.), Cambridge University Press 2022, 334.

⁶ Germany: Bundesrat Drucksache 683/20; France: Thibault Gisclard, Emmanuel Py, 'France' [in] Contreras, Husovec (eds.), *Injunctions...* (n 5).

⁷ James Fischer, 'What hath the *eBay v. MercExchange* wrought', 14 *Lewis and Clark Law Review* (2010), 559.

⁸ *eBay v MercExchange* (2006) 547 U.S. 388.

⁹ Generally on anticommons see: Michael Heller, 'The Tragedy of Anticommons: A Concise Introduction and Lexicon' (2013) 76(1) *MLR* 6–25 and the literature cited therein; in the context of patent law see: Dan

L. Burk, Mark A. Lemley, 'Tailoring Patents to Different Industries' [in:] *Biotechnology and Software Patent Law*, Emanuela Arezzo and Gustavo Ghidini (ed.), Edward Elgar 2011, 21.

a problem of patent thickets. A patent thicket arises when the patent rights of different entities in relation to one product coincide. The existence of anticommons and patent thickets require interested parties to enter into complex licensing arrangement, which makes market access more difficult and costly. This is exacerbated by the increasing complexity of products,¹⁰ especially in information and communication technology,¹¹ and also in the vehicle manufacturing sector.¹² The practical consequence is that entities owning a patent, even on an insignificant component of a complex product, may prevent manufacturing and distribution of an entire product.¹³ What is more, the order granting a final injunction may come at a time when production has commenced, or the product has already been distributed. In this way, a relatively small patent can have a disproportionate significance.

Another facet of the anticommons problem is the emergence of ‘patent hold-up’ and royalty stacking,¹⁴ which are not caused inasmuch by the grant of injunctions as such, but rather by the mere possibility of them being granted. The potential market significance of receiving a final injunction enhances a patentee’s bargaining power, allowing him to overcharge for licensing. This problem is magnified by the practice of royalty stacking, that is to say the situation whereby numerous patents cover the same product. Thus, judicial reliance on permanent injunctions as a matter of course may provide undue market advantages. In addition, there is a problem of excessive patent litigation in general, which amplifies all the foregoing factors.¹⁵

The problems associated with excessive patent litigation are exacerbated by the activities of non-practicing entities (NPEs), patent trolls and patent assertion entities (PAEs).¹⁶ Excessive enforcement of patent rights by such entities is considered to be in itself inconsistent with the purpose of the patent system, because it forces implementers to conclude disadvantageous settlements.¹⁷ At the same time, some NPEs, with the most notable example being universities, may be justified in not wanting to practice the invention and having legitimate interests in enforcing their rights through injunctions.¹⁸ Thus, the problem of patent trolls is usually context-sensitive.

¹⁰ Anton Frey, *Die Aufbrauchfrist im Patentverletzungsprozess*, Tectum Verlag 2021, 2.

¹¹ Rafał Sikorski, ‘Towards a More Orderly Application of Proportionality to Patent Injunctions in the European Union’, IIC 53, 31–61 (2022), 33.

¹² Position paper of the VDA (*Verband der Automobilindustrie*) of 27 October 2020, available at <https://www.vda.de/de/presse/Pressemeldungen/201028-Patentrechtsreform—Verhältnismäßigkeitsprüfung—Sorgfalt—Schutz—der—Industrieproduktion>, accessed 19 May 2023.

¹³ Zhu/Kouskoutis, *Der patentrechtliche Unterlassungsanspruch und die Verhältnismäßigkeit*, GRUR 2019, 886.

¹⁴ Mark A. Lemley & Carl Shapiro, ‘Patent Holdup and Royalty Stacking’, 85 TEX. L. REV. 1991, 1992–93 (2007).

¹⁵ For the discussion in the US, see James Bessen, Michael J. Meurer, ‘The Patent Litigation Explosion’, 45 Loyola University Chicago Law Journal 401 (2013).

¹⁶ Jacques de Werra, ‘La mise en œuvre judiciaire de la protection des droits de propriété intellectuelle : réflexions prospectives sur les conditions des actions défensives en interdiction et en cassation’, Sic!, 2008, n° spécial pour ses 10 ans, 5–21, 15; Annsley Merelle Ward ‘Has Europe turned into the Eastern District of Texas? New study shows NPE activity has risen 19% year-on-year’, <https://ipkitten.blogspot.com/2018/02/has-europe-turned-into-eastern-district.html>, accessed on 19 May 2023.

¹⁷ de Werra (n 16) provides an example of the settlement between Research in Motion (the producer of Blueberry products) and NTP, where the threat of litigation by NTP, considered a patent troll, led the former to enter into a \$612.5m settlement.

¹⁸ Mark A. Lemley, ‘Are Universities Patent Trolls?’, 18 Fordham Intell. Prop. Media & Ent. L.J. 611 (2008). Available at: <https://ir.lawnet.fordham.edu/iplj/vol18/iss3/2>.

The issuance of injunctive relief in patent rights can also unduly affect not only the defendant, its employees, suppliers and customers, but also unrelated third parties and the general public. Injunctive relief can potentially infringe fundamental human rights that come into frequent conflict with patent protection, such as the right to health.¹⁹ The recent COVID-19 pandemic led to several instances in which public health constituted the core policy factor for the courts when deciding on the grant of an injunction. In Germany, a dispute arose between Fisher & Paykel, a producer of respirators, essential medical devices for COVID-19 patients, and the unauthorized distributor of the patented product, Flexicare.²⁰ In the course of proceedings between the Regional Court in Düsseldorf, the defendant invoked the general health crisis and distribution bottlenecks as the grounds on which injunctions should be refused and the ‘use-by’ period (Aufbrauchfrist) granted.²¹ The court rejected the defendant’s demands, indicating that no evidence has been presented that there were no alternatives available on the market that would not infringe the patent in suit. According to the court, the defendant’s assertion pertained to the general pandemic situation, and could not justify the limitation of patent protection in this case. At the same time, the court acknowledged the interest of patients in receiving medical care with the use of all available medical equipment. In a similar fashion, the English High Court considered the right to health in the context of final injunction in *Evalve*.²² The defendant in this case, argued that its product, which had been found to infringe the patent in suit, is considered by at least some doctors in the UK as the best solution for some patients. Consequently, preventing patients from receiving the product would, the defendant argued, give rise to a situation that would undermine their right to receive the best available treatment. The court considered the evidence presented by the defendant as insufficient and granted the injunction, with a carve out for the patients in instances where therapy with the patented product has been unsuccessful. While both sets of public health arguments were ultimately unsuccessful, both of these cases provide an illustration of the possible negative impact of the grant of a final injunction on the right to health. It also demonstrates that the courts are, at least as a matter of principle, inclined to entertain the arguments of defendants invoking health as a public policy defence.

3. Injunctions and proportionality: an outline of the debate

The foregoing analysis presents a wide spectrum of policy factors putting the idea of an automatic final injunctions under pressure. At this point, the notion of proportionality enters the picture. As we shall see, the proportionality principle, which can be derived from the main international law documents in

¹⁹ See Graeme B. Dinwoodie and Rochelle C. Dreyfuss, ‘Injunctive Relief in Patent Law under TRIPS Agreement’, [in:] Contreras, Husovec (eds.), *Injunctions...* (n 5) 18–19. For the discussion on the relation between human rights and patent law, see Matthews, Duncan, ‘Intellectual Property Rights, Human Rights and the Right to Health’ [in:] *Intellectual Property Rights and Human Rights: A Paradox*, W. Grosheide, ed., Edward Elgar November 2009.

²⁰ Frey (n 10) 3. See also Konstanze Richter, ‘Despite COVID-19 no exemption for Flexicare against Fisher Paykel’, *Juve-patent*, 27 August 2020, available at <https://www.juve-patent.com/news-and-stories/cases/despite-COVID-19-no-exemption-for-flexicare-against-fisher-paykel/>, accessed on 19 May 2023.

²¹ Regional Court in Düsseldorf, decision of 4 August 2020, 4c O 43/19, available at <https://openjur.de/u/2374373.html>.

²² *Evalve Inc, Abbott Cardiovascular Systems Inc., Abbott Medical U.K. Limited v. Edwards Lifesciences Limited* [2020] EWHC 513 (Pat).

the field, has been used by legal scholars and courts as a strategy to invoke when policy reasons speak against the grant of injunctions.

Proportionality is a legal concept of wide scope, present in common law for centuries.²³ Today, it is mostly associated with constitutional law, both at the national and European level. In this context, the principle of proportionality invites the judges to engage in a ‘structured discretion’ to assess whether any limitations of rights serve a ‘proper purpose’.²⁴ A balancing exercise is therefore implied.

In the context of patent law, Siebrasse et al. suggested that the concept of proportionality should be used as a limiting principle for injunctive relief.²⁵ An injunction would be disproportionate where ‘the expected negative effects of an injunction substantially outweigh, rather than merely incrementally outweigh, the expected non-compensable harm to the patentee if an injunction is denied’.²⁶ While the authors refrain from adopting a very far-reaching, equipoise style of proportionality analysis, in their opinion disproportionality should always preclude the grant of the measure, regardless of the size of damage incurred by the patentee.²⁷ Martin Husovec describes this notion of proportionality as establishing a ‘prescriptive policy tool’.²⁸ At the same time, he warns not to conflate proportionality as constitutionality with proportionality as equity, with the latter being the proper one for patent law purposes. Proportionality would be ‘a test of equity for individual circumstances given the goals and accepted costs of the patent system’.²⁹

One possible downside of proportionality is legal uncertainty resulting from the judicial discretion. This is especially true where the exercise of discretion lacks adequate structure.³⁰ In addition, efficient infringement may occur where there is a deliberate strategy of optimising infringing acts so as to make the benefits of infringement outweigh the costs of litigation and remedies awarded to the patentee.³¹ Efficient infringement weakens patentees’ control over their statutory monopoly and undermines the attractiveness of the patent system. Because of these factors, it has been suggested that any discretionary intervention by the court should be conducted in a structured manner, with due account of the traditional presumptions stemming from case law.³² As one can appreciate, several possible interpretations of what proportionality should look like and how it should be exercised can be

²³ Thomas J. McSweeney, ‘Magna Carta, Civil Law, and Canon Law’ (2014) Faculty Publications, 1854. <https://scholarship.law.wm.edu/facpubs/1854>, 284.

²⁴ Aharon Barak, *Proportionality. Constitutional Rights and their Limitations*, Cambridge University Press, 2012, 460–461.

²⁵ Norman V. Siebrasse, Rafal Sikorski, Jorge L. Contreras, Thomas F. Cotter, John Golden, Sang Jo Jong, Brian J. Love, and David O. Taylor, ‘Injunctive Relief’, forthcoming [in:] *Patent Remedies and Complex Products: Toward a Global Consensus*, C. Bradford Biddle, Jorge Contreras, Brian Love, Norman V. Siebrasse (eds.), Cambridge University Press, SMU Dedman School of Law Legal Studies Research Paper No. 406, Available at SSRN: <https://ssrn.com/abstract=3249058>, 145.

²⁶ *Ibid*, 152.

²⁷ *Ibid*, 153.

²⁸ Martin Husovec, ‘How Will the European Patent Judges Understand Proportionality?’, 60 *JURI-METRICS*, (4) 383–387 (2020).

²⁹ *Ibid*.

³⁰ Mark P. Gergen, John M. Golden, Henry E. Smith, ‘The Supreme Court’s Accidental Revolution? The Test for Permanent Injunctions’, *Columbia Law Review*, March 2012, Vol. 112, No. 2, 242, where the authors indicate the risks of ‘destabilizing and chilling effect’ of the application of the eBay four factors test.

³¹ Adam Mossoff, Bhamati Viswanathan, ‘Explaining Efficient Infringement’, Center for Intellectual Property x Innovation Policy, 11 May 2017, available at <https://cip2.gmu.edu/2017/05/11/explaining-efficient-infringement/>.

³² Gergen et al. (n. 30) 249.

identified. Proportionality can mean the analysis of harm/benefit elements of the case at hand; it can pertain to equity and fairness; or it can be understood as a structured exercise of equitable presumptions.

4. Injunctions and proportionality in national and international law

The recent US experience with injunctions is particularly informative when we consider the cases where the grant of a final injunction may be denied on the grounds of equity or proportionality. In the watershed judgment in eBay, the principle of ‘proportionality’, even though not a legal term in the US had immense influence on the scholarly debate about the EU Enforcement Directive.³³ In the UK, a consistent thread of case law has been built up to include equitable considerations when granting final injunctions. Equally, Germany has introduced specific legislative provision dealing with the problem of proportionality, and the guidance provided by the provision itself, the accompanying legislative documents, as well as the jurisprudential response (or lack thereof) offers a helpful insight into how law on patent injunctions in Europe may develop in the future. Against this background, the chapter will then consider how the injunctions framework in the new UPC system may evolve.

4.1. International law

The main international documents covering injunctions in patent cases are the TRIPS Agreement and the EU Enforcement Directive. The TRIPS Agreement binds all members of the WTO and provides for a basic uniform framework for minimum standards of patent protection. If a WTO member does not comply with the provisions of TRIPS, it may face complaint proceedings in accordance with the Agreement.

The Part III of the TRIPS Agreement is dedicated in its entirety to the enforcement of IP rights. Article 41 provides a set of requirements for the enforcement provisions in the WTO member states. Under the provision, each WTO member must ensure that enforcement procedures enable ‘effective action’ against infringement of IP rights, including expeditious remedies to prevent infringement, and remedies which constitute a deterrent to further infringements. All such procedures should be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against abuse. In addition, such procedures should be ‘fair and equitable’, and not be unnecessarily complicated or costly, entail unreasonable time-limits or unwarranted delays.³⁴ Article 44 of the TRIPS Agreement deals directly with injunctions, requiring each member to grant its judicial authorities with the authority to order a party to desist from an infringing act. The provision, in itself, does not indicate that the TRIPS Agreement requires automatic grant of final injunctions. Thus, the TRIPS Agreement creates a twofold standard for WTO members: on the one hand, injunctions should be effective but, at the same time, fair and equitable and should not amount to abuse, what constitutes a basic form of

³³ See Lisa von Dongen, ‘The Enforcement Directive: Judicial Discretion on a leash?’, Tilburg University, 2 February 2018, available at <http://arno.uvt.nl/show.cgi?fid=145202>, 2.

³⁴ Art. 41(2) TRIPS.

the standard of proportionality.³⁵ Indeed, arguments have been made that it is an actual obligation of the members to ensure that such a standard is included within their national laws and, therefore, that excessive enforcement would constitute a breach of the TRIPS Agreement.³⁶

In a similar fashion, the EU Enforcement Directive permits, and arguably requires, EU member states to allow for judicial discretion when granting an injunction. Article 3 of the Directive stipulates that measures and remedies necessary to ensure the enforcement of IP rights are fair and equitable, not unnecessarily complicated or costly, and do not entail unreasonable time-limits or unwarranted delays. They should be also effective, proportionate and dissuasive, and be applied in such a manner so as to avoid the creation of a barrier to legitimate trade and to provide for safeguards against abuse. The latter obligation implies that, in some cases, a claim for a final injunction may be disproportionate under the Directive.³⁷ Article 11 of the Directive imposes on member states an obligation to ensure that, in case of infringement, judicial authorities may issue a final injunction. The way this provision is formulated seems to imply that the European legislator required judicial discretion in the grant of injunctions, but the extent of such discretion is not specified. It can be argued that even minimal discretion would satisfy the Directive's requirements, as long it appropriately addresses the values outlined above. The Directive provides an option for member states to grant their judicial authorities the discretion to impose, on the request of the defendant and in appropriate cases, that, instead of an injunction, a pecuniary compensation be available if the infringer acted un-intentionally and without negligence, where the execution of the injunction would cause him disproportionate harm, and if the pecuniary compensation seems satisfactory to the other party. The literature in the field has identified several issues with the application of the Directive.³⁸ While motivated by the desire to prioritise the public interest when preventing 'unfair litigation', the measure may only be applied on the application of the defendant. Furthermore, the imposition of damages where the defendant's conduct was unintentional and not negligent is problematic in many civil law jurisdictions.

Thus, both the TRIPS Agreement and the EU Enforcement Directive provide a basis for the inclusion of proportionality in injunction proceedings, but give only a limited guidance as how proportionality should be understood. A wide variety of possible interpretations can be acceptable, as is evidenced by the fact that considerable differences still exist between the members states in this regard.

4.2. United States

In the US, final injunctions constitute an equitable remedy, subject to a judge's discretion.³⁹ Despite being statutorily authorized to do so, US trial courts were traditionally reluctant to refuse a final injunction, which could only take place in exceptional circumstances, for instance when the non-use of the invention by the patentee would frustrate an important public need such as the protection of

³⁵ See Dinwoodie, Dreyfuss (n 19) 10.

³⁶ Ibid. 7.

³⁷ Bundesrat Drucksache 683/20, 30.

³⁸ See von Dongen (n 33) 7ff and the sources cited therein.

³⁹ 35 US § 283.

public health.⁴⁰ This practice has traditionally been rooted in the belief that infringement of patent rights could not be adequately compensated by damages. In the face of strategic litigation by some patent owners and faced with an increasing complexity of products,⁴¹ in 2006 the US Supreme Court in *eBay v Merckexchange* decided that the four-factor test applicable when deciding on the grant of permanent injunctions should apply to such measures sought under the Patent Act.⁴² Under the equitable remedy test in the US, the claimant needs to prove: (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. While the Supreme Court clearly contested the principle, relied on by the Court of Appeals, that the injunction should be granted in case of infringement as a matter of course,⁴³ it also cautioned against applying the four factors too ‘expansively’, as had been the case in the District Court which decided not to grant an injunction at first instance.

The eBay ruling incited controversies, with its effects being described as cataclysmic.⁴⁴ Gergen et al. suggest that the judgment undermines a set of valuable presumptions, traditionally present in equity.⁴⁵ The presumption of irreparable harm, the only element of the test that has provided a ground for a consistent post-eBay jurisprudence,⁴⁶ which had been applied in situations of continuous or threatened infringement of patent rights, has been effectively undermined in eBay.⁴⁷ As a result, it is now harder for NPEs to obtain an injunction.⁴⁸ What may disproportionately affect patentees is that lack of recourse to use the invention themselves undermines innovation.⁴⁹ In addition, the good faith exception, which has been traditionally applied in equity to ensure that market participants are not restrained by excessive fear of infringement, has also not been accounted for by the Supreme Court in eBay. Thus, eBay fails to consider traditional factual patterns that used to guide courts’ discretion in equity.

Other scholars note a significant drop of injunction grants in what has been described as a ‘broad abuse’ and a corresponding change in the number of motions filed.⁵⁰ According to a study published in 2016, from 2000 to 2012, while the number of patent cases in District Courts rose by approximately

⁴⁰ *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246–47 (Fed. Cir. 1989); *Rite-Hite Corp.*, 56 F.3d at 1547.

⁴¹ Stephen Bennett, Stanislas Roux-Vaillard, Christian Mammen, ‘Shifting Attitudes to Injunctions in Patent Cases’, 246 *Managing Intellectual Property* 22 (2015), 25.

⁴² *Ebay Inc. v. Mercexchange*, L. L. C. 547 U. S. 388 (2006).

⁴³ *eBay 4*: ‘this Court has consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed’.

⁴⁴ Gergen et al. (n 30) 205.

⁴⁵ *Ibid* 220ff.

⁴⁶ Fischer, (n 7) 574.

⁴⁷ Gergen et al. (n 30) 220.

⁴⁸ *Voda v Cordis Corp.* 536 F.3d 1311 (Fed. Cir. 2008).

⁴⁹ Gergen et al. (n 30) 245.

⁵⁰ Ryan Holte, ‘The Misinterpretation of eBay v MercExchange’ 18 *Chapman Law Review* 677 (2015), Available at SSRN: <https://ssrn.com/abstract=2570944>, 733.

38 %, the number of motions for injunctions fell by approximately 29 %.⁵¹ At the same time, the number of granted injunctions between 2000 and 2006 (pre-eBay) was 191 for operating entities and 20 for NPEs, and for the corresponding 6-year period 2006–2012, the numbers were 101 and 9 for operating entities and NPEs respectively. What is more, the ruling has disproportionately affected smaller businesses that find it more difficult to enforce their rights on great corporations, and who thus obtain a licence to ‘wilfully steal patented technology.’⁵² Sir Robin Jacob describes the eBay judgment as ‘irrelevant and wrong’.⁵³ The ruling was intended to address the flood of patent litigation, but instead of solving the real issues that caused it, including lack of compensation of the winner by the loser for the costs of litigation, it in fact undermined patents themselves.⁵⁴

The impact of the eBay ruling seems to be industry-specific. Life sciences firms, for instance, find it relatively easy to prove irreparable harm, as market exclusivity is considered to be of paramount importance in life sciences sector, but sometimes struggle under the public interest factor.⁵⁵

4.3. United Kingdom

In the United Kingdom, once infringement and validity of the patent have been successfully established, a final injunction will generally be granted. However, as injunction is a discretionary measure, the grant is not available as a matter of course.⁵⁶ Case law has identified several types of situation where injunctions are most likely to be denied. The first scenario is when there is no intention of further infringement, given that the main purpose of an injunction is the prevention of further infringing acts.⁵⁷ Secondly, an injunction will not be granted where the grant would be ‘grossly disproportionate’.⁵⁸

4.4. Germany

While German law did not address the proportionality of injunctions directly until the recent amendment to the German Patent Act, the jurisprudence of the German courts, particularly of the Federal Court of Justice, has provided some guidance in this respect. In the *Wärmetauscher* judgment, the court acknowledged that the right to immediate injunctive relief in the case of patent infringement

⁵¹ Kirti Gupta, Jay P. Kesan, ‘Studying the Impact of eBay on Injunctive Relief in Patent Cases’, University of Illinois College of Law Legal Studies Research Paper No. 17-03, available at SSRN: <https://ssrn.com/abstract=2816701> or <http://dx.doi.org/10.2139/ssrn.2816701>, 10.

⁵² William R. Everding, ‘Heads-I-Win, Tails-You-Lose: The Predicament Legitimate Small Entities Face post eBay and the Essential Role of Willful Entities Face post eBay and the Essential Role of Willful Infringement in the Four-Factor Permanent Injunction Analysis’, *Infringement in the Four-Factor Permanent Injunction Analysis*, 41 J. Marshall L. Rev. 189 (2007) J. Marshall L. Rev. 189 (2007), 205.

⁵³ Sir Robin Jacob, ‘Injunctions in Patent Cases’, talk delivered during the Munich IP days, available at https://discovery.ucl.ac.uk/id/eprint/10093090/6/Jacob_Injunctions%20in%20Patent%20Cases_AAM.pdf, question 4.

⁵⁴ *Ibid.*, question 4.

⁵⁵ Aaron Stiefel, ‘10 Years Later—Impact of eBay on Patent Injunctions in the Life Sciences’, available at https://www.arnoldporter.com/en/perspectives/publications/2016/06/2016_06_21_10_years_later_impact_of_ebay_13037.

⁵⁶ *Coflexip SA v. Stolt Comex Seaway MS Ltd* [2001] RPC 182, 186.

⁵⁷ Lionel Bently, Richard Arnold, ‘United Kingdom’ [in:] Contreras, Husovec (eds.) (n 5) 270–271.

⁵⁸ *Virgin Atlantic Airways Ltd v Premium Aircraft Interiors UK Ltd* [2009] EWCA Civ. 1513.

may be limited if, considering special circumstances of the case, the enforcement of proprietary rights over the invention would constitute disproportionate, unjustified in view of regular effects of enforcement, hardships for the defendant and thus be inconsistent with good faith.⁵⁹ The case concerned a patent over a vehicle heating system which the defendants were incorporating into the seats of the vehicles they produced. The defendants argued that, in case of the court finding infringement, instead of granting immediate injunctive relief, additional time should be given to allow them to sell the vehicles to deliver the vehicles that have already been manufactured. The court acknowledged, referring to related judgments of the English courts, that injunctive relief may be refused in the case of infringement but only if its effect would be grossly disproportionate to the benefit of the right holder. As the court stated, this was not the case in this instance. The prohibition of further use of the patented heating system did not affect the general usability of the produced vehicles, and given the imminent expiry of the patent in question, the inability to sell the vehicles did not affect the entire business of the defendants disproportionately.

In 2020 the German legislator introduced an amendment to § 139 of the German Patent Act, which introduces the right to injunctive relief. Under the new provision, an application for an injunction is not to be allowed if, due to special circumstances of the case and the requirements of good faith, enforcement would lead to disproportionate hardships for the defendant, which hardships cannot be justified by the exclusionary nature of patent rights. In such a case, the defendant should pay equivalent damages, without prejudice to the main claim for damages. The amendment constitutes a 'legislative clarification'.⁶⁰ It is based on the rationale that the proportionality principle is consistent with general principles of Article 14 of the German Constitution and the civil law (§§ 242 and 275(2) of the German Civil Code), and is reflected in the jurisprudence of the German courts. While the legislative bill acknowledged that the necessity to apply proportionality when deciding on injunctions is required by the EU Enforcement Directive and recommended by literature, it also emphasized that any limitation in this respect encroaches on the essence of IP rights, and hinders effectiveness and deterrence also required by the Directive. Thus, the new regulation should be only used in exceptional circumstances.

Some commentators view the amendment as being of moderate, yet useful, significance. Indeed, while not going as far as the US Supreme Court in eBay, it opens a 'small door' to allow the courts to be more flexible when deciding on the grant of injunctions and determining their scope, and thus to better address the technological and economic changes.⁶¹ So far, the impact of the amendment on the jurisprudence of German trial courts therefore appears insubstantial.⁶²

⁵⁹ Federal Court of Justice, judgment of 10.05.2016, X ZR 114/13.

⁶⁰ Bundesrat Drucksache 683/20, 55.

⁶¹ Julia Schönbohm, Natalie Ackermann-Blome, 'Products, Patents, Proportionality – How German Patent Law Responds to 21st Century Challenges', GRUR International, Volume 69, Issue 6, June 2020, 583.

⁶² Mathieu Klos, 'One year since the new German patent law, the injunction remains the same', juve.patent.com, 17 August 2022, <https://www.juve-patent.com/news-and-stories/legal-commentary/one-year-since-the-new-german-patent-law-the-injunction-remains-the-same/>, accessed 19 May 2023.

4.5. Final injunctions in the UPC

The UPC Agreement (UPCA) appears to confirm the trend towards a more flexible approach towards the granting of injunctive relief. Article 63 of the UPCA states that, upon finding infringement, the UPC may grant an injunction against the infringer or an intermediary, subject to, where appropriate, a recurring penalty in case of non-compliance. Unfortunately, however, no further clarification of the grounds on which a final injunction could be granted or refused has been provided in the UPC Rules of Procedure. In the course of public consultations, numerous suggestions have been made about providing for more specific grounds under which the injunction could be denied by the UPC.⁶³ In response to this suggestion, it has been stated that Article 63 provides for a ‘general discretion’ to grant a final injunction. Thus, it appears that the UPCA drafters deliberately left the matter for the judges of the UPC to develop. In this way, the UPC system has a potential for a wide inclusion of proportionality in their jurisprudence. However, whether the potential will be realised remains to be seen and it is hard to imagine the UPC would go much further than the English or German courts. Injunctions issued by the UPC will cover the territories of all UPCA contracting states. Concern has been expressed that the wide territorial scope of the injunction will provide fertile ground for patent trolls’ activities. In response to such claims, it has been argued that the combination of the opposition procedure before the UPC, the strong power of discretion of the UPC judges and some patent abuse prevention mechanism already put forward by the Court of Justice of the European Union (CJEU), constitutes a sufficient safeguard for the system.⁶⁴ While the relatively high quality of European patents certainly helps, as has been previously mentioned, it remains to be seen to what extent the judges will consider proportionality in their decisions, and how will it affect patent trolls’ activity in the new system.

5. Preliminary injunctions

All the foregoing policy factors apply also to preliminary injunctions, but these call for some additional remarks. In the case of preliminary measures injunctions, infringement is only alleged, and not proven, until the issuance of the final judgment after trial. At the early stage of legal proceedings, or even before the main proceedings have even commenced, the court can only consider the prima facie evidence submitted by the claimant. Moreover, in case of ex parte applications, the respondent will not be able to address the applicant’s allegations. Thus, the courts have remained cautious, requiring the applicant to show likelihood of infringement and at least some degree of urgency.⁶⁵ In addition, most jurisdictions envisage some form of legal protection of the respondent in case the preliminary measure process prove to have been unfounded. In the UK, for instance, the applicant may be required

⁶³ Responses to the Public Consultation on the Rules of Procedure of the UPC – Digest of Comments Received, 93ff.

⁶⁴ See the opinion of Andrus Ansjp, Vice President for the European Digital Single Market, cited in Emmanuel Gougé, Valicha Torrecilla, ‘SMEs and Patent Litigation: A European Perspective’, *les Nouvelles – Journal of the Licensing Executives Society*, Volume LII No. 4, September 2017, available at SSRN: <https://ssrn.com/abstract=3009023>, 165.

⁶⁵ Noam Shemtov, Olga Gurgula, Maciej Padamczyk, Alina Trapova, Anna Shtefan, Ukraine DFID/FCO IP Court Project: The Final Report (February 21, 2021), Queen Mary Law Research Paper No. 353/2021, Bocconi Legal Studies Research Paper No. 3789913, available at SSRN: <https://ssrn.com/abstract=3789913>, 46–47.

to provide an adequate undertaking, and in civil law jurisdictions the respondent will be subject to civil liability and may be demanded to provide adequate security.⁶⁶

However, in many jurisdictions, especially in civil law countries, the grounds for the issuance of injunctions refer mostly to the timeframes of the proceedings and the likely outcome of the case rather than to the interests of the parties. In civil law countries like Poland,⁶⁷ Italy,⁶⁸ France⁶⁹ and the Netherlands,⁷⁰ if sufficiently convincing prima facie evidence of validity of the patent and likelihood of infringement is presented and urgency substantiated, a preliminary injunction will usually be granted. Nevertheless, even in these legal systems, some limited consideration is given to the possible negative effects of the injunction on the respondent, especially if the claimant is not practicing the invention.⁷¹ In other jurisdictions, especially common law jurisdictions,⁷² and also to a certain extent in Germany,⁷³ the interest of the parties will be taken into account, and this may include scope for argumentation relying on the policy factors presented above.

Thus, the grant of preliminary injunctions faces similar problems with the inclusion of the policy factors described above. To some extent these are addressed indirectly, as the grant of preliminary injunctions requires some degree of urgency, which may in itself preclude NPEs from obtaining the provisional measure. Nevertheless, many civil jurisdictions still do not incorporate sufficient legal tools to allow for the full considerations of proportionality considerations in practice.

6. Concluding remarks

As has been established above, the traditional policy of granting final injunctions almost automatically has been challenged by the identification of numerous vital policy factors, such as the existence of patent thickets, growing complexity of products, increasing role of NPEs and PAEs, booming patent litigation, and concerns surrounding the rights of third parties and fundamental rights. In order to

⁶⁶ Ibid.

⁶⁷ Art. 730¹(1) of the Polish Civil Procedure Code (Kodeks Postępowania cywilnego); Tomasz Targosz, 'Zabezpieczenie roszczeń w prawie własności intelektualnej – przesłanki udzielenia i specyfika postępowania', *Transformacje Prawa Prywatnego*, 1/2019, SSN 1641–1609.

⁶⁸ See *Pharmaceutical, Biotechnology and Chemical Inventions*, Duncan Bucknell, Theo Bodewig (eds.) Oxford University Press, 195.

⁶⁹ Art. 615-3 of the Code of Intellectual Property (*code de la propriété intellectuelle*).

⁷⁰ Article 254 of the Dutch Civil Procedure Code, in the jurisprudence of Hoge Raad 15.04.2016, (ECLI:NL: HR:2016:666).

⁷¹ France: The Paris Court of High Instance held that if an owner of a patent portfolio is unable to prove that absent preliminary injunctive relief it would suffer harm resulting from the annihilation of the value of the portfolio which it would not be compensated by the final judgment of the court, the measure would not be proportionate (*Tribunal de grande instance de Paris*, 20 janvier 2020, 19/60318). Poland: Under art. 730¹(2) of the Polish Civil Procedure Code, a legal interest exists when refusing to grant preliminary injunctive relief will make it impossible or significantly more difficult to perform the final judgment, or will make it impossible or significantly more difficult to achieve any other objective of the legal proceedings in the case.

⁷² Shemtov et al (n 65), Parts I and II, s. 2.4.1. about US and UK.

⁷³ In patent cases in Germany, preliminary injunctive relief is governed by the provisions of the Civil Procedure Rules (*Zivilprozessordnung*) and of the German Patents Act (*Patentgesetz*). An applicant has to demonstrate and substantiate two elements: 1) entitlement (*Verfügungsanspruch*), i.e. that the applicant is entitled to file for injunction and that the infringement has likely occurred or will occur in the future, and 2) urgency (*Verfügungsgrund*), which covers not only the question as to whether the applicant filed for relief without undue delay but also involves the balance of interests ('*Abwägung der Interesse*', Rüdiger Rogge, Klaus Grabinski in Benkard, *Patentgesetz*, 10th ed., 2006, 1474.

provide a conceptual framework for the inclusion of these considerations into patent law, commentators and courts referred to the principle of proportionality, the meaning of which is still not entirely clear. While further empirical studies would be of paramount importance as a means of providing clarification in this respect, one may point out several issues on which the solution to the problem turns.

The main issue from which all others will follow is whether we consider injunctions to be an essential and necessary component of patent protection. This had been the pre-valent approach both in Europe and was the case in the US before the eBay decision. The right to an injunction gives patentees market control and allows them to build up optimal market structures. The weakening of the power to exclude others undermines the statutory monopoly over the claimed invention and may facilitate infringement, or even allow for the existence of efficient infringement. Thus, patent protection is compromised and innovation hindered. At the same time, however, the policy factors presented above indicate that such a rigid view may lead to obviously unfair and inequitable results. If, on the other hand, one believes that proportionality should govern the grant of injunctions, one takes control over the patent monopoly from the patentees and gives it to the courts. If a court considers the exploitation of a patent to be excessive (disproportionate) in an individual case, it can deny the patentee the exclusionary right of use and make the invention available not only to the defendant in question, but also to the group of similar defendants in the future. One might argue that patent protection remains attractive, as it gives the patentee the right to demand damages or even pecuniary compensation for unintentional or not negligent use, but to do so ultimately affects the patentee's ability to take full advantage of the patent monopoly. Conversely, it can be claimed that the lack of strong injunctive relief may adversely affect weaker market participants, such as SMEs⁷⁴, and enable effective infringement by big corporations.

In our view as the authors of this chapter, these points illustrate that the question of injunctions cuts to the heart of the debate concerning the utility of the patent system. Depending on the answer to the question of what should be the degree of patent monopoly, and how it should be kept in check, one may come up with a corresponding notion of proportionality. Some suggest this should be understood as a general principle that negative consequences of the injunction should not outweigh the positive. Others emphasize the close link between proportionality and equity and fairness. Finally, as is the case in Germany and the UK, proportionality may be limited only to exceptional circumstances, a kind of safety valve intended to prevent cases of blatant abuse.

Thus, the question of proportionality of injunctions is closely linked with the core issues concerning the utility of the patent system as an innovation incentivising mechanism. At the same time, as Sir Robin Jacob has suggested, solving the problem of unfair injunctions should not be considered as a solution for a systemic reform of patent law which would eliminate patent thickets, patent trolls or remedy the lack of sufficient compulsory licences mechanisms.⁷⁵ Injunctions are only a part of the problem which can only be solved by a variety of measures, for example by improving the

⁷⁴ Everding (n 52) 217–218.

⁷⁵ Sir Robin Jacob (n 53).

quality of patents, enhancing the system of compulsory licences and by implementing other access-improving mechanisms.

To sum up, how proportionality should be defined depends on our general understanding of the role of the patent system and our convictions as regards its utility. In addition, the grant of injunctions is just one of the instruments of patent law and any changes in this respect should be considered alongside the other policy options available.

Regardless of the concept of proportionality ultimately adopted by the courts, the analysis of the literature and the judicial and legislative developments in the US, the UK and Germany allows us to identify some practical advice that can make the exercise of the principle more structured and focused.