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Patent Law Permanent Injunctions and the Reception of Proportionality in the European Union

ABSTRACT

In 2024, the EU Intellectual Property Rights Enforcement Directive turns 20. Its adoption and subsequent implementation by the EU member states has clearly resulted in strengthening the position of the right holders *vis a vis* infringers. However, the Directive not only obliges the member states to provide for effective and dissuasive procedures, measures, and remedies. It also expressly requires that IPR enforcement be flexible enough so that it does not adversely and disproportionately affects neither infringers, nor third parties or the public. The paper discusses the EU approach to proportionality with respect to permanent injunctive relief in patent cases. It also analyzes how proportionality was received by major patent jurisdictions in the EU and what are the prospects for its application by the Unified Patent Court with respect to European unitary patents as well as traditional European patents. Although, as the paper shows, there is a growing consensus as to when proportionality analysis should result in tailoring or even denying injunctive relief, courts in major EU patent jurisdictions still seem somewhat hesitant about embracing proportionality. The Author proposes that in an attempt to modernize the IPR Enforcement Directive, the EU legislator should consider introducing a set of factors that the courts could look to when deciding whether an injunction is in line with the principle of proportionality. Such a list could not only bring proportionality to the attention of the courts but also be used to provide guidance for the judges adjudicating in patent disputes and ultimately provide more certainty to the market participants.

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INTRODUCTION

The Directive 2004/48¹ is about to turn 20. This seems to be an excellent occasion to revisit its functioning and see if it needs adaptations and amendments that would align it with the requirements of 21st century intellectual property rights enforcement. Directive 2004/48 has clearly strengthened the position of the right holders *vis a vis* infringers. Intellectual property disputes have always been marked by certain asymmetry between the infringers and IPR holders, with only the former having all the necessary information on the infringement and its consequences. Directive 2004/48 equipped the IPR holders with means sufficient to address those concerns².

But providing IPR holders with effective and dissuasive procedures, measures and remedies does not satisfy the goals set by the EU legislator with respect to enforcement of intellectual property rights. IP enforcement must also be flexible enough so that it does not adversely and disproportionately affects neither infringers, nor third parties and the public. Nowhere is the need for flexibility and proportionality more visible than in the context of patent law permanent injunctions. In the famous *eBay v. Merc Exchange*³ decision, the US Supreme Court clearly showed that flexible approach to injunctive relief could address those concerns.

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¹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Official Journal L 157, 30.4.2004 (later: Directive 2004/48, Enforcement Directive, IPR Enforcement Directive).

² Directive 2004/48 not only deals with remedies which are usually regarded as part of the substantive law. It also covers important procedural aspects, in particular rules on preserving evidence (art. 7), right to information (art. 8) as well provisions on provisional and precautionary measures (art. 9).

³ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), judgement of 15.05.2006.

This paper discusses the EU approach to proportionality with respect to injunctive relief in patent disputes. It also analyzes how proportionality was received by major patent jurisdictions in the EU and what are the prospects for its application by the Unified Patents Court with respect to European unitary patents as well as traditional European patents. Finally, in conclusions it suggests what can be done to adjust and modernize EU rules on IPR enforcement to meet the challenges facing patent enforcement in the 21st century.

1. Proportionality in the Enforcement Directive

The Directive 2004/48 was meant to implement the provisions of the TRIPS Agreement⁴ in the European Community law. Just like the provisions of Part III of the TRIPS Agreement it was primarily aimed at strengthening protection of intellectual property through strengthening the position of the right holders at the enforcement stage. Directive 2004/48, just like Part III of the TRIPS Agreement, assumed that without effective enforcement the protection of intellectual property was only illusory⁵. Directive 2004/48 was also aimed at strengthening intellectual property enforcement in the new member states that were to join the European Community on May 1, 2004⁶.

Though Directive 2004/48 was primarily aimed at providing effective means to combat trade in counterfeited goods and commercial infringements of intellectual property rights⁷, it soon became apparent that remedies guaranteed by its provisions could also be abused. It also became apparent that excessive enforcement of intellectual property rights could impact the situation of not only right holders and infringers but also third parties, and in some cases also the public. These negative consequences of excessive enforcement became particularly visible in the realm of patent law⁸.

In the 1990's and early 2000's it became obvious that the patent landscape had changed. In some areas of technology – particularly consumer electronics and the ICT market – the number of patents rose significantly, often resulting in dense patent thickets⁹. Additionally, numerous technologies have become highly complex and are protected by multiple patents, owned by

⁴ Annex 1C Trade-Related Aspects of Intellectual Property Rights to the Marrakesh Agreement Establishing the World Trade Organization of 15 April 1994 (later: TRIPS, TRIPS Agreement).

⁵ Justin Malbon, Charles Lawson, Mark Davison, *The WTO Agreement on Trade-Related Aspects of Intellectual Property. A commentary* (Cheltenham, Northampton : Edward Elgar 2014), p. 615.

⁶ See: Recitals 7-11 Directive 2004/48. The EU legislator aimed not only at harmonizing enforcement measures in the EU but also – recognizing the fact that some members do not have measures capable of ensuring proper enforcement – aimed at making the enforcement of substantive provisions on intellectual property more effective.

⁷ See: Recitals 14, 19, 29 Directive 2004/48 which directly refer to infringements on commercial scale, as well as trade in counterfeited goods and piracy.

⁸ In the EU it was Ansgar Ohly who showed the potential for abuse of enforcement measures – especially injunctions, as well the potential of proportionality to effectively deal with those concerns. See: Ansgar Ohly, *Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness*, in: Josef Drexel (ed.), *Technology and competition, contributions in Honour of Hanns Ullrich, Larcier 2009*, pp. 257–274, available at: <http://ssrn.com/abstract=1523277>.

⁹ The concept of patent thickets was widely popularized by Carl Shapiro. See: Carl Shapiro, *Navigating the Patent Thicket: Cross-licenses, Patent Pools, and Standard-Setting*, in: A. Jaffe, A., Lerner, J. and Stern, S. (eds.), *Innovation Policy and the Economy*, Vol. 1. MIT Press for the National Bureau of Economic Research 2001.

multiple patent holders¹⁰. Manufacturers of complex products often buy specialized components which implement multiple patent-protected inventions from independent suppliers, without being able to check if any of the patents are infringed. If one also adds to this the emergence of a class of right holders who are non-practicing entities and therefore do not risk countersuits directed at their products, one immediately realizes the potential for right holders to initiate infringement proceedings to threaten the potential infringer with injunctions only to obtain excessive royalties.

In the above situations patentees through excessive enforcement may obtain power over products that largely exceeds the scope of their innovation. In the complex products cases for example, even a patent that reads on a small part of the technology implemented in such a product, could be used by the patentee to obtain an injunction, effective against the entire product. In practice, the right to obtain an injunction gives the patentee the power over the whole technology implemented in a given product. Excessive enforcement in the above situations could also result in unfair compensation for the patentee. The infringers in such cases, faced with the prospect of exiting from the market, sunk costs, or high costs of preparing a workaround are more likely to agree to royalties exceeding the value of the innovation protected by a patent of the right holder.

More recently, it has also become apparent that enforcement of intellectual property rights, can have far-reaching and often devastating consequences for third parties as well the public in general. In case of patents protecting pharmaceutical inventions or technologies applied in medical devices, an injunction – especially when immediately enforceable – could have critical consequences for patients¹¹. Resolving these conflicts requires balancing of the rights of intellectual property holders and rights of third parties, and sometimes also the clear public interest in access to patented technologies.

Concerns over sustainability and environmental protection have also been raised recently in the context of patent enforcement¹². Calls for application of the principle of proportionality when granting a permanent injunction could threaten the use of green technologies have been made by scholars leading in the field.

Realizing that enforcement of intellectual property rights may result in conflicts between on the one hand protection of intellectual property and the other protection of fundamental rights and interests of the infringer and third parties as well as the public interest resulted in interpreting Directive 2004/48 to justify more flexible solutions that enable fair balance between competing values, rather than only a source of tools for combatting IPRs infringements¹³. Interestingly, Directive 2004/48 not only allows for discretion in the application of remedies but demands that such discretion is exercised when application of remedies disproportionately affects the interests of the infringers, third parties and the public.

¹⁰ Tim Pohlmann, Magnus Buggenhagen and Marco Richter, Who is Leading the 5G Patent Race, IPLytics 2023. The authors of the report on the state of 5G technology point to over 60.000 patent families and over 130 unique patent holders.

¹¹ *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.*, [2018] EWHC 1256 (Pat).

¹² Reto Hilty, Pedro Henrique D. Batista, Potential and Limits of Patent Law to Address Climate Change (April 20, 2023). Max Planck Institute for Innovation & Competition Research Paper No. 23-10, available at SSRN: <https://ssrn.com/abstract=4424243>, pp. 30-32.

¹³ Recital 32 Directive 2004/48 requires that all rights and interests protected under the Charter of Fundamental Rights are respected.

Art. 11 Directive 2004/48 makes it obligatory for the member states to ensure that courts, upon establishing in the proceedings on the merits that an intellectual property right was infringed, may issue an injunction against an infringer prohibiting him from continuation of the infringement. The wording of the said provision suggests that the national courts may exercise some degree of discretion¹⁴. The question remains of course how big that degree of discretion is and to what extent the exercise of that discretion is guided by the provisions of Directive 2004/48 itself or whether member states are free to provide guidance in this respect in their national laws.

The analysis of the provisions of Directive 2004/48 clearly shows that a quite a number of its provisions as well as its recitals provide at least some guidelines as to how that discretion should be exercised with respect to injunctive relief in patent law.

Firstly, as specified in art. 3 sect. 2, the exercise of that discretion must respect the principles upon which intellectual property rights' enforcement is based on in the European Union – namely effectiveness, dissuasiveness, and proportionality. It is especially the last of the three principles that implies discretionary powers as its application necessarily entails balancing of often conflicting values and flexibility. All three principles are very broadly formulated, however art. 3 sect. 1 and 2, is somewhat helpful in defining the scope of available discretion. Art. 3 sect. 1 directive 2004/48 explicitly provides that remedies must be fair and equitable. This implies for example that injunctions when issued should not be unnecessarily onerous on the infringer. Art. 3 sect. 2 additionally provides that they should not create barriers to legitimate trade and should not be abused. Particularly the latter concept is part of all or most of the member states' civil laws, no matter if it is the civil law tradition as inspired by the Napoleon's *Code Civil* or the German *Buergeliches Gesetzbuch*. Abusive exercise of rights entails – among others – an exercise that goes beyond what is necessary for the right to perform its economic functions. Patent law incentivizes investment in innovation by providing the patentee with exclusivity to use an invention. That exclusivity enables a patentee, when a patentee practices the invention himself, to maintain competitive advantage over other market participants, by excluding them from the use of the protected invention. It also allows the patentee to exclude others from the use of an invention when the patentee exploits its invention by granting licenses to one or a limited number of licensees. Exclusivity thus creates conditions for recouping the investment in innovation. Permanent injunctions generally enable the patentee to maintain the conditions required to recoup the investment already made and to incentivize further innovation¹⁵.

Secondly, Directive 2004/48 in the preamble requires that when a particular remedy is to be applied all circumstances of the case must be considered, including the nature of the particular intellectual property right as well as fault of the infringer¹⁶. Application of proportionality is always very fact specific. Reference to the nature of a particular IP right at hand is extremely important. Patents should provide a reward for innovation that is commensurate to the particular contribution of the patentee to the society. This means that the patentees should not be rewarded for inventions or technologies that they have not contributed. This is exactly the danger in complex product cases. There, a patentee whose minor invention was used in that complex product can claim excessively high royalties knowing that the costs

¹⁴ Matthias Leistner, Viola Pless, European Union, in: Jorge L. Contreras, Martin Husovec (eds.) *Injunctions in Patent Law. Trans-Atlantic Dialogues on Flexibility and Tailoring*, Cambridge University Press 2022, p. 30.

¹⁵ *Ibid.* The Authors rightly observe that according to art. 11 Directive 2004/48 in typical infringement cases an injunction should be available to the patentee.

¹⁶ Recital 17 Directive 2004/48.

of a workaround could be prohibitively high. This would in fact allow the patentee to claim royalties that reflect the value of other technologies used in that product and not just its own invention¹⁷.

The question whether the infringement was intentional or negligent is essential not only from the perspective of the assessment of proportionality but also the other two pillars of IP enforcement, namely effectiveness and dissuasiveness. Clearly, allowing the infringer to escape an injunction when an infringement is deliberate or when it results from negligent behavior would only encourage future infringements of intellectual property rights. This would also weaken patent protection. However, especially in sectors of the economy where new technologies are developed constantly, it would be often unreasonable to claim negligent behavior. For example, a manufacturer who obtains supplies of components from third parties should not be required to conduct extensive patent searches for such components.

Remedies, including injunctive relief, should also be exercised in manner that respects fundamental rights not only of the parties to infringement proceedings but also third parties. The CJEU has already shown how balancing of various fundamental rights should be conducted in light of the principle of proportionality in a number of copyright cases such as *Promusicae*¹⁸, *Scarlet Extended*¹⁹, *UPC Telekabel*²⁰ and *McFadden*²¹. There the CJEU clearly recognized that intellectual property rights are not absolute rights and are subject to limitations justified by the protection of other fundamental rights. The CJEU found for example that a far-reaching monitoring obligation on the service provider in order to protect interests of the copyright holder from infringement would result in too onerous burdens for the service provider affecting his freedom to conduct business, an interest that is also protected in the Charter on Fundamental Rights²². These considerations are also valid when deciding whether to grant or deny an injunction in patent infringement disputes. An injunction that would disproportionately affect an innocent infringer leading to excessive workaround costs or high sunk costs resulting from forced market exit could be regarded as affecting freedom to conduct business²³.

It is understandable that since the focus of the drafters of the Directive 2004/48 was on the piracy and combatting trade in counterfeited goods, the directive primarily focuses on strengthening the position of the right holders. At the time of its drafting, the concerns over excessive litigation strategies were not – especially in the European Community – so obvious. Having said that, one must realize that Directive 2004/48, although it leaves a lot of room for implementation to the member states, it still provides meaningful guidelines to the courts as to the interpretation of proportionality. However, one can hardly avoid the impression that proportionality has been much more appreciated by scholars and academics than national legislators and courts. The analysis of the leading jurisdictions below only confirms that a lot still needs to be done so that proportionality is placed on the same level as the other two pillars of IP enforcement in the EU, namely effectiveness and dissuasiveness.

¹⁷ Leon Dijkman, *The Proportionality Test in European Patent Law*, Hart Publishing 2024, p. 189 et seq. The Author uses the term overreach to describe a situation when a patentee who holds a right over a relatively minor invention used in a complex product by obtaining an injunction is in fact capable of hindering further use of technological features not protected by the patent.

¹⁸ Case C-275/06 *Promusicae*, judgement of 29 January 2008, ECLI:EU:C:2008:54.

¹⁹ Case C-70/10 *Scarlet Extended*, judgement of 24 November 2011, ECLI:EU:C:2011:771.

²⁰ Case C-314/12 *UPC Telekabel*, judgement of 27 March 2014, ECLI:EU:C:2014:192.

²¹ Case C-484/14 *McFadden*, judgement of 15 September 2016, ECLI:EU:C:2016:689.

²² *Scarlet Extended*, par. 48, 50-51.

²³ Art. 16 Charter of Fundamental Rights.

2. Implementations of proportionality in national patent laws

2.1. Germany

Germany has traditionally been seen as a jurisdiction that is particularly patentee friendly²⁴. Most of patent litigation in the European Union has been conducted in German courts²⁵. Though, it is likely that it is the Unified Patent Court that will take over as a leading *forum* for resolving patent disputes, but the influence of German patent law and German judges is unlikely to be diminished²⁶.

With respect to injunctive relief, the position taken by German courts has been very clear. Permanent injunctions have traditionally been granted nearly automatically by German courts upon finding infringement²⁷. An injunction could – in practice rather theoretically - be denied only in a very limited number of cases and only when injunctive relief would disproportionately affect the infringer. German courts have been very reluctant to deny or tailor injunctive relief upon finding infringement even though German law has institutions that could provide the courts with solid grounds for exercising discretion. The justification for at least some degree of flexibility could be found in the principle of proportionality as enshrined in the German Constitution²⁸, the principle of good faith²⁹ and Article 3(2) of the Directive 2004/48. The availability of at least some discretionary power with respect to granting permanent injunctions was confirmed by the Federal Court of Justice in the famous *Heat Exchanger* decision³⁰. There the FCJ admitted that a permanent injunction should not be granted if its enforcement would result in unreasonable hardship for the patent infringer.

In the past years German patent law on injunctive relief has been amended. The principle of proportionality was expressly introduced into German law in the *Second Law for the Simplification and Modernization of Patent Law* which entered into force on August 18, 2021³¹. Art. 139(1) of the German Patent Act prior to that amendment did not contain any reference to proportionality, though interestingly proportionality was mentioned expressly with respect to other remedies³². It merely stated that: "*Any person who uses a patented invention in contravention of Sections 9 to 13 may be sued for injunctive relief by the infringed party if there is a risk of repetition. The claim shall also exist if an infringement is threatened for the first time.*"

In the amended form art. 139(1) now contains a direct reference to proportionality³³. It now states that: "*Any person who uses a patented invention in contravention of Sections 9 to 13 may*

²⁴ Peter Georg Picht, German Law on Patent Injunctions: Legal Framework and Legal Developments, Chicago-Kent Journal of Intellectual Property, vol. 19, 1/2020, p. 240.

²⁵ Peter Georg Picht, Germany, in: Jorge L. Contreras, Martin Husovec, Injunctions in Patent Law. Trans-Atlantic Dialogues on Flexibility and Tailoring, Cambridge University Press 2022, p. 142.

²⁶ Mathieu Klos, Dutch and German Judges lead the Pack in UPC Cases, available at: <https://www.iuve-patent.com/people-and-business/dutch-and-german-judges-lead-the-pack-in-upc-cases/>, 2 November 2023.

²⁷ Peter Georg Picht, German Law on Patent Injunctions, p. 216.

²⁸ Article 19(4) German Constitution.

²⁹ Section 242 German Civil Code.

³⁰ Judgement of BGH from May 10th, 2016, case XZR 114/13.

³¹ Zweites Gesetz zur Vereinfachung und Modernisierung des Patentrechts, Bundesgesetzblatt Jahrgang 2021 Teil I Nr. 53, ausgegeben zu Bonn am 17. August 2021.

³² See: art. 140 GPA which deals with claims for destruction and recall of products.

³³ For in-depth analysis of the amendment introducing proportionality to German patent law injunctions see: Martin Stierle, Franz Hofmann, The Latest Amendment to the German Law on Patent Injunctions: The New

be sued for injunctive relief by the infringed party if there is a risk of repetition. The claim shall also exist if an infringement is threatened for the first time. The claim shall be excluded if the claim would lead to disproportionate hardship for the infringer or third parties not justified by the exclusive right due to the special circumstances of the individual case and the requirements of good faith. In this case, the infringed party shall be granted appropriate compensation in money. The claim for damages under paragraph 2 shall remain unaffected."

It remains to be seen, how the new wording of art. 139(1) GPA would affect the practice of German courts in patent disputes. Some claimed that the purpose of the amendment was merely to codify the *status quo*. If that was indeed the case, then the above legislative amendment might have little, or none influence on the current approach of the German courts. Rather - and this seems to be a dominant view - the amendments to the German Patent Law should be seen as aimed at achieving change of approach towards injunctive relief. This change requires more openness towards proportionality and the resulting flexibility in applying injunctions. The Explanatory Memorandum to the proposal for amendments to § art. 139 GPA stated explicitly that legislative intervention was required to clarify that proportionality must be considered when deciding upon injunctive relief³⁴.

That the injunctive relief results in hardship for the infringer is beyond question. It always does. What seems to be the key issue is what degree of hardship can still be justified by the exclusive nature of the patent. If one sees any incursions on patent exclusivity as a threat to the ability of patent law to incentivize innovation, then the bar for hardship that would trigger tailoring of injunctive relief is set extremely high. Therefore, if one subscribes to the view that only a very strong property-like patent can promote innovation, the degree of discretion resulting from art. 139(1) GPA would be very small and consequently almost irrelevant. Though the Explanatory Memorandum assumes that proportionality will allow for tailoring in limited class of patent infringement disputes³⁵, it also names explicitly a number of situations when the application of proportionality could lead to tailoring or even denying injunctive relief altogether. These include in particular complex products, enforcement by non-practicing entities, cases where economic consequences for the infringer would be excessively burdensome or when there would be lack of intent to infringe, nor negligence on part of the infringer³⁶.

The Explanatory Memorandum explicitly provides that when a patent which was infringed protects only a minor feature of a complex product, the injunctive relief might be limited³⁷. Such a limitation of injunctive relief be particularly justified when a viable workaround would require a lot of time or if could result in significant costs caused by the need to meet requirements for statutory or regulatory approval. In such cases, the loss caused by blocking the access to the market of a complex product could significantly exceed the value of the invention itself. Whether the patent-protected feature is a functionally essential feature or an optional extra one should not be a decisive factor, because an injunction for a luxury component that is not readily interchangeable also prevents the entire product from being marketed.

Statutory Disproportionality Exception and Third-Party Interests, *GRUR International*, Volume 71, Issue 12, December 2022, Pages 1123–1137.

³⁴ BT-Drs. 19/25821, p. 52.

³⁵ BT-Drs. 19/25821, p. 52.

³⁶ BT-Drs. 19/25821, p. 53-56.

³⁷ BT-Drs. 19/25821, p. 54.

The decision whether injunctive relief should be denied in a particular case requires careful weighing of various factors. One of those could be the non-practicing status of the patent holder³⁸. NPEs are generally primarily interested in monetizing their patent portfolios through licensing and collecting royalties. It is believed that the threshold for limiting the claim could be lower for non-practicing patents, since the interests of NPEs can usually be satisfactorily satisfied through payment of appropriate compensation.

The fact that the patentee knowingly tolerated infringement of his patent could also be a factor to be considered when deciding whether to deny a permanent injunction. The Explanatory Memorandum clarifies that when the patent proprietor refrains from swiftly enforcing his exclusive right without a good reason and thereby leads to considerable investments to be made by the infringer, is a sign that the patentee's need for injunctive relief protection is relatively low³⁹. However, no specific time period has been set in the literature nor in the jurisprudence of the courts. Rather, the circumstances of the particular case would be decisive. The courts could also consider disloyal behavior by the patentee, for example when a patent holder induces reliance by the user that a license would be granted but despite his actions refrains from granting such a license.

Protection of fundamental rights is an interesting case for consideration. German courts have rejected third-party interests, even when protected by fundamental rights, as a possible limitation on the right to obtain injunctive relief. While the High Court in the UK in the case *Edwards Lifesciences v. Boston Scientific* tailored the injunctive relief by allowing for a conversion period to competing life-saving medical devices (in that case heart valves) in order to protect the interests of patients, the Düsseldorf Regional Court in 2017 granted the plaintiff a Germany-wide injunctive relief without delaying the injunction's entry into force⁴⁰. The Düsseldorf Regional Court argued that third-party interests could not restrict the right to injunctive relief, because their consideration was sufficiently and insofar conclusively guaranteed by the action for the grant of the compulsory license.

It would be interesting to see how this case would be decided after the amendment of art. 139(1) GPA. The German legislator, as it appears from the preparatory materials, seems to have adopted a different understanding of the relationship between the proportionality defense and the action for compulsory licensing. The action for compulsory licensing pursuant to Sec. 24 (1) GPA and proportionality defense pursuant to Sec. 139 (1) sentence 3 GPA, are independent and coexisting legal institutions. According to the Explanatory Memorandum, these two legal institutions differ as to their legal effects. Whereas the compulsory license results in a right to use a patented invention, the proportionality defense only limits the right to obtain an injunction in individual cases (temporarily) and therefore allows for flexible tailoring of the injunctive

³⁸ BT-Drs. 19/25821, p. 53.

³⁹ BT-Drs. 19/25821, p. 54.

⁴⁰ Düsseldorf Regional Court, judgment of March 9, 2017, 4a O 137/15 – Heart valves.

relief considering circumstances of a given case. This approach however was recently rejected by the Dusseldorf court⁴¹ which was later criticized in the legal literature.⁴²

So far, there are no signs that practice of the courts has changed with the adoption of the art. 139(1) GPA in its current form. It seems that the courts remain very cautious to realize that injunctive relief might lead to disproportionate hardships. That cautious approach towards the amended patent law is partly justified by the Explanatory Memorandum which emphasizes that the explicit consideration of the principle of proportionality in Sec. 139 (1) GPA must not lead to a devaluation of patent rights. Still, strong injunctive relief is perceived by many German judges and parts of the industry to be indispensable for the effective enforcement of patents.

2.2. France

The provisions of the French Intellectual Property Code do not explicitly mention permanent injunctions as a remedy available to patent holders in case of patent infringement⁴³. There is no doubt however that patentees may demand an injunction when a valid patent is infringed. French IPC grants the patentee an exclusive right over the invention⁴⁴ and provides that, absent consent of the patentee, the use of invention is prohibited⁴⁵. It also states that every act ruled as infringing engages civil liability of their author⁴⁶.

French law, although it does not implement the principle of proportionality expressly, allows for proportionality considerations with respect to some of the remedies available in case of IP infringement. This is the case for example with publication of the court decision on infringement⁴⁷. Similarly, the courts refer directly to art. 3 and Recital 22 of the Directive 2004/48 when considering proportionality for the purposes of granting interim injunctive relief⁴⁸.

⁴¹ The Düsseldorf Regional Court in its decision of July 7, 2022, (LG Düsseldorf, GRUR-RS 2022, 26676, marginal no. 45 - Sofosbuvir) assumed the subsidiarity of the objection of disproportionality to the action for compulsory licensing. The reason given for the subsidiarity of Sec. 139 (1) sentence 3 GPA is that the requirements of the compulsory license action under Sec. 24 GPA and the jurisdiction of the Federal Patent Court must not be circumvented. Only in the alternative did the Düsseldorf District Court then examine whether the requirements for the objection of disproportionality under Section 139 (1) sentence 3 GPA were met. The Court acknowledged that third-party interests had been affected and "that the decision meant great hardship for individual patient groups, since certain patient groups were dependent on the challenged embodiments of the defendant due to the lack of alternative medications. However, these third-party interests were not sufficient to support the objection of disproportionality. The conduct of the patent infringer was also to be considered. In that case, the decisive factor was that the defendant had not made sufficient efforts to obtain a compulsory license and had done so only at a very late stage. The third-party interests concerned could not overcome this lack of effort on the part of the patent infringer. Thus, the requirements for the objection of disproportionality were not met.

⁴² See among others: Martin Stierle, Discussion Draft of a Second Law for the Simplification and Modernization of Patent Law, GRUR 2020, 262 and M. Stief, The Proportionality Principle under Patent Law in the Field of Pharmaceuticals and Medical Devices, PharmR 2023, 61.

⁴³ Thibault Gisclard, Emmanuel Py, France, in: Jorge L. Contreras, Martin Husovec (ed.), Injunctions in Patent Law. Trans-Atlantic Dialogues on Flexibility and Tailoring, Cambridge University Press 2022, p. 126.

⁴⁴ Article L. 611-1 Intellectual Property Code (later referred to as : IPC).

⁴⁵ Articles L. 613-3 and L. 613-4 IPC.

⁴⁶ Article L. 615-1 IPC.

⁴⁷ Cass. com , 12 July 2012, Docket No. 11-13.666 confirming the application of a proportionality test to order the publication of the decision holding a copyright infringed.

⁴⁸ Paris Court of Appeal, 27 November 2020, No. 19/16128.

However, in contrast to other measures, such as recall or publication of the judgement, which are discretionary⁴⁹, permanent injunctions are automatically granted when the patent is found valid and infringed⁵⁰. Therefore, a permanent injunction will not be denied when it is sought by a non-practicing entity⁵¹, nor when a patent covers only a minor feature, of an otherwise, non-infringing complex product. Similarly, the fact that the patentee tolerated infringement is unlikely to be considered as a ground for refusing an injunction. Equally, there is no caselaw as to whether fundamental rights' concerns, and particularly the protection of third-party fundamental rights could be considered a ground for denying injunctive relief⁵². French IPC however expressly allows to deny an injunction if justified by the requirements of national defense⁵³.

Some flexibility with respect to permanent injunctive relief may also arise under the doctrine of abuse of rights⁵⁴. However, the abuse of rights doctrine is very rarely applied when a patent is found to be valid and infringed. One of the examples is when the patent infringement claim is made solely for the purpose of harming the reputation of the defendant, others include negligence in exercising one's rights or disregard for the social function of the right⁵⁵.

Even though, the principle of proportionality has not been implemented in French intellectual property law and instances of denying permanent injunctive relief are extremely rare, there is some room for tailoring permanent injunctions which results from the discretion that courts have when deciding on the penalties due for non-compliance with the injunctive order of the court⁵⁶. The courts may decide that penalties shall be due for each act of non-compliance or per unit of time of the delay in complying with the injunctive order. Thus, it is up to the court to set the amount of the relevant penalty, the manner in which these penalties are to be calculated, the duration and also the start date. The conditions under which these penalties for non-compliance shall be due are decided considering the circumstances of each case. Penalties for non-compliance with the injunctive order are to be paid to the intellectual property right holder and are due in addition to the damages for the infringement.

Since the court has discretion with respect to the penalties, it can by setting the start date for the payment of penalties in fact tailor the injunctive relief. In particular, the court may delay the entry in force of the penalty payment arrangement for the time that is required for the infringer to find another supplier, or the time required to develop the work-around solution to the one that is patent infringing⁵⁷.

⁴⁹ Article L615-7-1 IPC.

⁵⁰ Thibault Gisclard, Emmanuel Py, France, p. 128.

⁵¹ Paris Court of Appeals, 15 December 2004, Docket No. 92-11633. Recently, the French Government, replying to the question raised by a member of the parliament, recently stated that, when a patent is asserted by a non-practicing entity, French law enable the judge to deny an injunction even if the patent is found infringed. Of course, this position does not have authority over the courts and must be taken with caution. (See: Assemblée Nationale, Rep. min. No. 4621, JOAN, 16 May 2023, p. 4467, Blanchet C.).

⁵² Under French Law these concerns could also be addressed through the grant of compulsory licenses. In this case however strict conditions as specified in Articles L. 613- 11 to L. 613-15 IPC would have to be observed.

⁵³ Article L.615-10 IPC.

⁵⁴ Amandine Leonard, Injunctions in French Patent Law, in: Rafal Sikorski, Patent Law Injunctions, Kluwer Law International, 2019, p. 98-99. See also: Thibault Gisclard, Emmanuel Py, France, p. 132.

⁵⁵ Ibid.

⁵⁶ Article L.131-1 Code of Civil Enforcement Procedure. See also: Thibault Gisclard, Emmanuel Py, France, p. 136-137.

⁵⁷ Thibault Gisclard, Emmanuel Py, France, p. 137.

2.3. Italy

Though Italian law, like the French law, only recently expressly recognized permanent injunctions, there has never been doubt as their availability in case of patent infringement⁵⁸. In practice Italian courts, upon finding in the proceedings on the merits the validity of a patent and its contravention, will automatically grant a permanent injunction⁵⁹. This is so even though Italy is one of the few jurisdictions where proportionality was explicitly introduced into the law.

Art. 124 § 1 of the Italian Intellectual Property Code Article 124 of the Italian IP Code states, under paragraph 1, that (...) *an injunction against the manufacture, commercialization and use of the goods constituting an infringement of the right may be granted with the judgment that ascertains the infringement of an industrial property right*. Paragraph 6 – which is applicable to all corrective measures, including permanent injunctions – states that (...) *the judicial authority must take account of the necessary proportion between the seriousness of the infringement and the remedies granted*".

The Italian legislator also implemented the provisions of the Trade Secrets Directive that require member states to provide for injunctive relief. That Directive, like the directive 2004/48, requires the courts to consider proportionality of the remedies, including proportionality of the permanent injunctive relief. Unlike directive 2004/48 however, the Trade Secrets Directive contains a list of factors to be considered when deciding upon the proportionality of permanent injunctive relief⁶⁰. Italy implemented the relevant factors in its Intellectual Property Code in art. 124 § 6 *bis*.

The Italian implementation of Directive 2004/48 provides the courts with the necessary degree of discretion when deciding whether permanent injunction should be granted. It seems that injunctions should only be issued after performing an assessment of proportionality, considering all circumstances of each case, including the actual scope of the infringement as well as the overall significance of the infringing feature in the given product incorporating the patented invention. Interestingly, whereas the courts consider proportionality when issuing interim injunctions and corrective measures such as publication of the court judgement, infringing products recall or destruction of goods – proportionality is rarely considered when decision on final injunctions is made⁶¹.

Apart from proportionality as such, the doctrines of abuse of rights as well as good faith may also be used to limit the applicability of permanent injunctions. Under Italian law, no right can be enforced in violation of the general principle of good faith in business dealings (so called "*exceptio doli*"). This argument has been used in a number of FRAND cases, to argue that the request for injunctive relief was inconsistent with the undertaking to grant a license to any person willing to take such license on FRAND terms. To the best of the Author's knowledge, these cases were settled before the conclusion of the first instance. There are hence no precedents on the merits on that point.

⁵⁸ Alessandro Cogo, Marco Ricolfi, Italy, in: Jorge L. Contreras, Martin Husovec (ed.), *Injunctions in Patent Law. Trans-Atlantic Dialogues on Flexibility and Tailoring*, Cambridge University Press 2022, p. 196.

⁵⁹ Alessandro Cogo, Marco Ricolfi, Italy, p. 204.

⁶⁰ Art. 11 sect. 2 Trade Secrets Directive.

⁶¹ See also the discussion by Alessandro Cogo, Marco Ricolfi, Italy, p 205-206. The authors point that it remains unclear whether proportionality may be used to justify denial of injunctive relief since Italian law does not explicitly implement the corrective measure provided for in art. 12 Directive 2004/48.

There are also no precedents regarding applicability of injunctive relief in cases where the patentee is a non-practicing entity. Neither is there caselaw concerning availability of permanent injunction in litigation over minor patent protected features of complex products. There are also no precedents related to forfeiture of patents when a patentee knowingly tolerated the infringement of its patents, this lack of enforcement plays a role when the courts decide on interim injunctions.

Italian courts have recognized that public interest and the fundamental rights of third parties could be an obstacle to granting permanent injunctions. Here, in the lack of viable alternatives – injunctions could be denied if patients were exposed to a risk of being deprived of a potentially lifesaving medical treatment. There is a number of cases where these health-related or other constitutional based defences are raised.

The application of the principle of proportionality, implemented in art. 124 section 6, does not have to result in denying injunctive relief. Its application could also lead to more sophisticated tailoring. So far, in one patent infringement case the Court in Turin has found there to be sufficient grounds to tailor an injunction following a finding of patent validity and infringement⁶². The dispute concerned a number of patents owned by the plaintiff covering an aortic valve and its positioning system, two of which were held valid and infringed by the products of the defendant entities. Referring explicitly to Art. 124 § 6 IPC, the Court of Turin issued the requested injunction. The permanent injunction however came with a carve-out. The Court carved out from its scope, three orders to health facilities, two of which had already been made and one of which had been filed and was in the process of being delivered.

The arguments brought by the Court of Turin in favor of proportionality mirrored closely the ones that were also discussed by the Court of Milan in the other precedent of a tailored injunction on the basis of the general principle of proportionality, which was issued in a case of misappropriation of trade secrets⁶³. In the case before the Court of Milan, the Court granted an injunction but provided for a grace period of one year for the defendant to complete ongoing supplies, allowing hospitals and health facilities to replace their sources of supply and to train their staff. The Court of Milan awarded damages in lieu of the injunction for all infringing sales that would occur during the 1-year “*grace period*” granted to the defendant.

Concerns over national security or an important national interest could also justify denying injunctive relief. This could be the case with respect to national electric grid or national telecommunications networks.

⁶² Court of Turin, 16 June 2021, *Edward Lifesciences Corp et al. v. Meril Life Science Private Ltd et al.* See the comments on the case by : [Maurizio Santoro](#), [Daniel Borgogni](#), The Court of Turin applies the proportionality principle to a patent injunction in Edwards Lifesciences Corp. et al. v. Meril Life Sciences Private Ltd. et al., available at: <https://www.ipinitialia.com/patents/the-court-of-turin-applies-the-proportionality-principle-to-a-patent-injunction-in-edwards-lifesciences-corp-et-al-v-meril-life-sciences-private-ltd-et-al/>, (September 14, 2021).

⁶³ Court of Milan, 29 October 2019, *Heraeus v. Biomet*. See also the comments on the case by D. Borgoni, *Heraeus v. Biomet*: in application of the proportionality principle the Court of Milan grants a one-year “grace period” for a final injunction to take effect, available at: <https://www.ipinitialia.com/trade-secrets/heraeus-v-biomet-in-application-of-the-proportionality-principle-the-court-of-milan-grants-a-one-year-grace-period-for-a-final-injunction-to-take-effect/>, (May 21, 2020).

2.4. Spain

Spanish Patent Law grants to the patentee an exclusive right to use an invention⁶⁴. When that right is infringed – that is when the patent is exploited without the consent of the right holder and outside of the scope of exceptions and limitations⁶⁵ – the patentee may seek an injunction⁶⁶. Permanent injunctions – once a patent has been found valid and infringed – are granted automatically. This means that generally the court – upon finding validity and infringement of a patent – would not consider other circumstances.

However, it is also widely accepted in Spanish civil law that patents are just one of the examples of a broader category of private, subjective rights and as such they are subject to the general limitations on the exercise of such rights as specified in the Spanish Civil Code⁶⁷. Thus, the fact that the patentee acted in bad faith or that he abused his right constitute a defense for the infringer who could in this way avoid the granting of an injunction. These general limitations have in fact been invoked in standard essential patents litigation; however, these disputes have so far been either mostly settled and the courts have had no chance to rule on the applicability of the good faith and abuse doctrines to the exercise of patent rights or the courts established patent infringement and granted injunctions⁶⁸.

The doctrines of good faith and abuse of rights are interpreted in a very restrictive manner and therefore can be applied only in exceptional cases. In one of the leading cases on the application of the abuse of rights doctrine, the Spanish Supreme Court stated that the abuse of rights "*acts as a limit to the subjective right, and hence its character as an extraordinary remedy, its exceptional nature and its singularly restrictive scope. And being an extraordinary remedy, it can only be applied when the abuse is notable, manifest and only imbued with the intention to harm*".⁶⁹

Spanish Patent Law does not explicitly refer to proportionality when it comes to permanent injunctions. Specifically, the Spanish Patent Act does not make the grant of an injunction dependent upon consideration of the circumstances of the case. This is particularly interesting because at the same time it recognizes proportionality, either explicitly or implicitly with respect to other remedies. Thus, for example, with respect to publication of the court decision establishing infringement the SPA states that such publication may only be ordered

⁶⁴ Art. 59 and 60 Spanish Patent Law (later referred to as: SPA).

⁶⁵ Art. 61-66 SPA.

⁶⁶ Art. 71(1)(a) SPA.

⁶⁷ Art. 7(2) Spanish Civil Code states that "the law does not protect the abuse of rights or the antisocial exercise of rights. Any act or omission that by the intention of its author, by its object or by the circumstances in which it is carried out clearly exceeds the normal limits of the exercise of a right, with damage to third parties, shall give rise to the corresponding compensation and to the adoption of judicial or administrative measures that prevent the persistence of the abuse".

⁶⁸ See: Commercial Court No. 6 of Madrid decision dated 23 April 2010, *Philips v Duplicaciones Videograficas* (ECLI: ES:JMM:2010:146). Philips, the patentee, brought patent infringement actions against a former licensor of its optical technology for manufacturing DVD-Video discs, which kept on exploiting the licensed technology after the termination of the contract. The merits of the infringement as such were not challenged, but the defendant only argued as a defence that the grant of an injunction was excessive because it would mean its business closing down. The Court, however, did not make any assessment of this allegation by the defendant, and awarded the injunction once the infringement was established without any further considerations; see also: Court of Appeals of Madrid, 28th Chamber, 7 November 2011, *Sisvel v. Alechip* (ECLI: ES:APM:2011:15144). The Court of Appeals rejected an objection of patent nullity filed by Alechip and granted the injunction sought by Sisvel.

⁶⁹ Spanish Supreme Court decision dated 22 June 2010 (ECLI:ES:TS:2010:3902).

exceptionally⁷⁰. Similarly, the court may order the transfer of the infringing goods to the right holder when possible and when the value of the goods transferred exceeds that of the compensation awarded to the patentee, the latter must compensate the infringer for the excess⁷¹. Additionally, the objects and means used by the defendant for the purposes of infringement may only be seized or their destruction ordered when it is indispensable to prevent further infringement⁷². Accordingly, all measures that the courts intend to adopt against the intermediaries must also be objective, non-discriminatory and proportionate⁷³.

There are no reported cases where a permanent injunction would be denied because the patentee was a non-practicing entity, although the NPE-status of the plaintiff was considered when the courts were deciding on interim injunctions. Similarly, the fact that a patent reads on a minor feature of a complex product was considered by the court in deciding on the proportionality and the possible damage to the defendant resulting from a preliminary injunction. The courts also considered lack of patent enforcement by a patentee aware of infringement as a ground for refusing interim, rather than permanent injunctions. Finally, there are no reported cases when a permanent injunction would be denied because of the need to consider protection of third-party fundamental rights.

However, it would not be correct to draw the conclusion that courts – when deciding whether to grant a permanent injunction are not bound to consider proportionality. Although, proportionality is not explicitly mentioned in art. 71(1)(a) SPA which provides the courts with the power to grant cease and desist orders against infringers, proportionality is regarded as a general principle of law that applies to all fields of private law⁷⁴. It is also worth noting that the Spanish Patent Act does not require the court to grant a permanent injunction when it finds infringement. Thus, the Patent Act does not require automatism. To the contrary, the generally recognized principle of proportionality allows for discretion to the courts.

However, it is not only the national civil law that is the source of proportionality. It is also recognized that Spanish Patent Act must be interpreted in light of the European Union Law, including art. 3 Directive 2004/48. EU directives produce the so-called indirect effect in the laws of the member states, requiring all institutions to interpret their laws in accordance with EU law. Therefore if, after taking into consideration all circumstances of a particular case, the court decides that a permanent injunction would be a disproportionate measure, the court would have to deny or tailor a cease-and-desist order.

The obligation to consider proportionality of a permanent injunction is widely recognized by patent specialists and academics. S. Lucea for example believes that – in light of art. 3(2) Directive 2004/48 – national courts (including Spanish courts) should deny an injunction, irrespective of the approach taken by their national laws, when an injunction would be disproportionate⁷⁵. Similarly, R.G. Perez claims that recitals 17 and 24 as well art. 3 directive 2004/48 preclude the automatic granting of permanent injunctions upon finding infringement of a valid patent. Automatism – he continues – would deprive the courts of the possibility to

⁷⁰ Art. 71(1)(f) Spanish Patent Law.

⁷¹ Art. 71(1)(e) Spanish Patent Law.

⁷² Art. 71(1)(e) Spanish Patent Law.

⁷³ Art. 72(1) Spanish Patent Law.

⁷⁴ See: Judgment no. 437/2012 of 28 June 2012, handed down in appeal no. 546/2009 (ECLI: ES:TS:2012:5762); Judgment of the Civil Chamber of the Supreme Court (Civil) no. 50/2020, of 22 January 2020 (ECLI:ES:TS:2020:99).

⁷⁵ Aurea Suñol Lucea, *Patents and hold-up: injunctive relief against FRAND commitments*. InDret Revista para el Análisis del Derecho, 4/2015, p. 21.

consider all circumstances of the case in order to assess the proportionate nature of the remedy as applied in the case before it⁷⁶.

In the scholarly discussions on remedies, Spanish experts have also touched upon the relationship between articles 3 a 12 directive 2004/48 and the consequences of non-implementation of art. 12 into Spanish law. S. Lucea states that in those countries that implemented art. 12 directive 2004/48 into its national law, courts may deny a permanent injunction on the basis of that provision, whereas in countries that have not implemented art. 12, a permanent injunction can be denied directly on the basis of art. 3 which subjects all measures to assessment of proportionality⁷⁷. Similar view is presented by G. Vidal who also adds that art. 3 may justify not only denial of injunctive relief but also to various forms of tailoring, in light of all the circumstances of the case⁷⁸. Interestingly, J. Massaguer reaches similar conclusions as to the need for courts to have discretion in the application of remedies. However, unlike others, Massaguer seems – in the absence of direct implementation of art. 12 directive 2004/48 – to justify flexibility by reference to general principles recognized in Spanish private law, namely abuse of rights and good faith⁷⁹.

2.5. The Netherlands

In the Netherlands, a patentee who succeeds on the merits is automatically entitled to an injunction⁸⁰. Courts have very little flexibility when granting injunctive relief⁸¹. The limited flexibility in granting injunctive relief may be derived from doctrines such as abuse of rights⁸², forfeiture of rights or when substantial public interests is involved⁸³. Competition law could also be used to challenge the patentee's right to an injunction. Some discretion may also be derived from the fact that the courts determine the scope of an injunction and its duration as well as conditions to be met before an injunction take effect⁸⁴. However, each of these doctrines requires that strict conditions are met for their application. Therefore, neither of the doctrines can be regarded as granting any significant discretion to the courts.

Dutch courts have accepted the argument that a non-practicing entity should not be allowed to interim relief⁸⁵, however that argument was not accepted with respect to a permanent injunction⁸⁶. Similarly, the fact that a patent protected only a minor feature of a complex product was accepted as a reason for not granting an interim injunction⁸⁷, however was rejected as a ground for denying a permanent injunction⁸⁸.

⁷⁶ Rafael García Pérez, *Injunctions in Intellectual Property Cases: What is the Power of the Courts?* I.P.Q. Issue 1, 2016, 87-101.

⁷⁷ Aurea Suñol Lucea, *Patents and hold-up: injunctive relief against FRAND commitments*, p. 6.

⁷⁸ García Vidal, *Las acciones civiles por infracción de la propiedad industrial*, Tirant lo Blanch, Valencia 2020, p. 345.

⁷⁹ Jose Massaguer, *Actions and proceedings for infringement of industrial property rights*, 2020, section 3.5.

⁸⁰ Article 3:296 Dutch Civil Code (DCC). See also: Matt Heckman, *Patent Injunctions in Dutch Law*, in: Rafal Sikorski (ed.), *Patent Law Injunctions*, Kluwer Law International 2019, p. 122.

⁸¹ Dutch Supreme Court in its decision of 28 June 1985, *NJ 1986/356 Claas/Van Tongeren*.

⁸² Article 3:13 DCC.

⁸³ Article 6:168 DCC

⁸⁴ Matt Heckman, *Patent Injunctions in Dutch Law*, p. 122.

⁸⁵ Court of Appeal The Hague 17 March 2020, ECLI:NL:GHDHA:2020:711 (*Sisvel/Xiaomi*).

⁸⁶ Court of Appeal The Hague 2 July 2019 ECLI:NL:GHDHA:2019:3613 (*Philips/Wiko*).

⁸⁷ DC The Hague 9 May 2022, ECLI:NL:RBDHA:2022:6079 (*Ericsson/Apple*).

⁸⁸ DC The Hague 18 July 2018, ECLI:NL:RBDHA:2018:8777 (*Nikon/ASML*).

In a trademark infringement dispute, the District Court in the Hague decided that a permanent injunction should not be granted when the trademark holder knew of the infringement but tolerated it for a significant period of time prior to initiating the court proceedings⁸⁹. In the case the infringer was sued only ten years after the initial cease and desist order was sent by the trademark holder. The doctrine of rights' forfeiture could also be invoked with respect to patents, however there are no specific rules as to how long the infringement should be tolerated, all circumstances of an individual case will have to be considered.

The doctrine of precontractual good faith could also be a ground for refusing a permanent injunction. That could be the case when a patentee made a pledge to license its patent but then refused to license acting contrary to its promise and the reliance induced. To assess whether reliance could have reasonably been induced, all actions, omissions and representations need to be considered⁹⁰.

Interestingly, the Dutch courts have accepted that in certain circumstances, third-party fundamental rights' considerations could serve as a ground for denying injunctive relief. Though in an earlier decision the Supreme Court rejected such a possibility⁹¹, in a recent copyright case, the Supreme Court accepted that protection of fundamental rights could justify denial of injunctive relief⁹². As the language of the decision was quite broad the reasoning of the Court should also be applicable to patent cases. One should also add that, although, there are no decisions where the court would admit that third party rights could justify denying permanent injunctive relief to the patentee, in a recent case the concern over the rights of third parties – along others such the non-practicing entity status justified denying an interim injunction⁹³.

In principle, significant public interest could also be a justification for denying injunctive relief. According to Article 6:168 DCC, an injunction may be denied – and damages awarded in lieu – when a substantial public interest so requires. The provision was inspired by older Supreme Court cases where government entities, in the performance of public services, infringed on private interests. However, it was never successfully invoked in a patent law case. Despite doctrinal differences, it can be presumed that the threshold for its application would be similarly high to that of the grant of a compulsory license.

It is important to add that Article 3 of the Directive 2004/48, including in particular the principle of proportionality, has not been transposed into Dutch law. The Dutch courts have not independently applied it either. However, it also essential to note that some criticism over the current Dutch approach towards permanent injunctions has been raised. Willem Hoyng and Leon Dijkman for example suggested that Dutch courts should have greater discretion when deciding whether to grant permanent injunctions, particularly in patent law⁹⁴. Both have advocated for more liberal approach towards the application of the principle of proportionality. Some reservations about conformity of the Dutch patent law on permanent injunctions with the Directive 2004/48 were also expressed by Peter Blok, a respected judge

⁸⁹ DC The Hague 16 February 2022, ECLI:NL:RBDHA:2022:1133 (*PK Holdline/VeMedia*).

⁹⁰ DC The Hague 18 July 2018, ECLI:NL:RBDHA:2018:8777 (*Nikon/ASML*).

⁹¹ Supreme Court 21 April 1995, ECLI:NL:HR:1995:ZC1705 (*Boehringer Mannheim/Kirin Amgen*).

⁹² Supreme Court 3 April 2015, ECLI:NL:HR:2015:841 (*GeenStijl/Sanoma*).

⁹³ DC Amsterdam 3 May 2022, ECLI:NL:RBAMS:2022:2418 (*Boston Scientific v Cook*).

⁹⁴ Willem Hoyng, Leon Dijkman, Netherlands, in: Jorge L. Contreras, Martin Husovec (eds.), *Injunctions in Patent Law*, Cambridge University Press 2021.

at the Hague Court of Appeals, who referred to art. 12 Directive 2004/48 as a provision that contains guidance as to conditions for staying patent injunctions⁹⁵.

In a recent study conducted by Maastricht University on the application of proportionality in Dutch patent law⁹⁶ its authors admit that the principle of proportionality is not part of the Dutch Patents Act. However, they point to the fact that Dutch courts can and should apply Article 3 of Directive 2004/48 as – in their opinion – it produces direct effect. Thus, they conclude that further codification is not needed, and that national legislation as it stands now is sufficient.

While the study is correct that Dutch courts should apply Article 3 of Directive 2004/48, though technically it only produces indirect effect in horizontal disputes such as private patent infringement disputes, they have not done so in practice. The study makes the argument that the lack of application is due to the requirement for exceptional circumstances, which do not come up often, and that the law needs to develop over time.

This argument fails to recognize that litigants in Dutch courts may not raise proportionality defenses in patent litigation because traditionally courts have recognized that they have only very limited flexibility when deciding whether to grant injunctive relief. Therefore, it remains very uncertain whether Dutch patent jurisprudence would embrace proportionality over time as the study suggests. It is questionable whether application of proportionality indeed requires only exceptional circumstances. In some sectors of the industry, especially those dealing with complex products where often hundreds or even thousands of patents read upon technologies used in a given product, the application of proportionality is a problem encountered on daily basis, rather than something highly exceptional or purely theoretical. Finally, the application of proportionality does not necessarily result in denying injunctive relief, much more often it would lead to more sophisticated tailoring.

3. Permanent Injunctions before the UPC for Unitary and European Patents

The role of the Unified Patent Court will grow in the coming years. It is likely to become one of the leading, if not the leading *forum* for resolving patent disputes in the European Union. The UPC – after the entry into force of the UPC Agreement on June 1, 2023 – will have exclusive jurisdiction over infringement actions concerning European Patents with Unitary Effect (Unitary Patents) as well as conventional European Patents, unless in the latter case the right holders of the conventional European Patents decide to opt-out of the exclusive jurisdiction of UPC – in that case national courts will retain jurisdiction over infringement actions⁹⁷.

⁹⁵ Peter Blok, A harmonized approach to prohibitory injunctions: reconsidering Article 12 of the Enforcement Directive' (2016) 11 *Journal of Intellectual Property Law & Practice* 56.

⁹⁶ Th.C.J.A. van Engelen, A.W.J. Kamperman Sanders, Proportionality in Patent Law: a role for the Dutch Legislator, Maastricht (25 September 2023).

⁹⁷ See: art. 32(1) UPC Agreement (exclusive jurisdiction of the UPC), art. 83 UPC Agreement (Transitional Period, Opt-out). The data shows that as of mid-September 2023 some 560.000 of the existing European Patents and European Patent applications have been opted-out from the jurisdiction of the UPC, whereas in August 2023, the patentees have requested the unitary effect for roughly 2500 of the 6700 European patents granted that month. For statistic on the Unitary Patents and the unified Patent Court see: <https://www.dyoung.com/en/knowledgebank/articles/up-upc-statistics-oct2023>.

The UPC is a court common to the member states that have ratified the UPC Agreement. As such – just like all other EU member state courts – the UPC shall apply the Union Law in its entirety and shall respect its primacy⁹⁸. The decisions of the UPC will be based on the UPC Agreement, the European Patent Convention, international agreements binding all member states which are parties to the UPC Agreement, the relevant national laws, and the EU Law, including provisions of directive 2004/48⁹⁹. Primacy of the EU law implies that the UPC is under an obligation to interpret the provision of the UPC in conformity with the directive 2004/48.

Therefore, the UPC in its decisions will have to respect the principle of proportionality as enshrined in art. 3 Directive 2004/48. In addition, the UPC itself makes a direct reference to proportionality, balancing and flexibility on a number of occasions. First, in the preamble to the UPC Agreement, it is stated that the UPC will strike a fair balance between the interests of the right holders and other parties and that it will consider the need for proportionality and flexibility. Here, the reference to interests of the other parties is a reference not only to the interests of the parties to the proceedings before the court but also interests of third parties. Second, art. 42 UPC Agreement expressly provides that the UPC shall ensure that remedies are used in a fair and equitable manner and that they do not distort competition. Third, art. 56(2) requires the UPC when exercising its powers to take due account of the interests of all the parties to the proceedings. Finally, the wording of art. 63(1) clearly suggests that the UPC can exercise discretion when it comes to granting permanent injunctive relief.

As can be seen the UPC Agreement makes on a number of occasions, direct references to proportionality, fairness, flexibility, balancing of interests of the parties and discretionary powers of the UPC. The way in which this flexibility is used will be largely decided by the UPC itself. The primacy of EU law, including the primacy of the directive 2004/48, given the very general formulation of the principle of proportionality and relative lack CJEU jurisprudence on the application of that principle with respect to patent remedies, leaves the UPC with significant discretion as to the application of proportionality. Therefore, it is very likely that in practice the judges will adopt the approach favoured by jurisdictions of their origin.

It remains to be seen how the UPC applies the principle of proportionality in its jurisprudence. The EU – though its role with respect to shaping the unitary patent protection has been significantly diminished particularly through the UPC Agreement – still can significantly influence the unitary patent system, at least with respect to enforcement. Since the EU law must be applied and its primacy must be respected by the UPC, the EU may at least have important influence over how the remedies, measures, and procedures for enforcement of the unitary patents are designed and applied.

Certainly, the EU may clarify in its directive on IP enforcement what circumstances are to be considered by the UPC when applying remedies, including injunctions. If the EU decides to provide greater clarity as to the meaning of the principle of proportionality, as it had already done in the Trade Secrets Directive, the EU could exert greater influence over how the unitary patent protection functions.

⁹⁸ Art. 20 UPC Agreement.

⁹⁹ Art. 24 UPC Agreement.

CONCLUSION

There seems to be agreement in the European Union that proportionality is an important foundation for the enforcement of IPRs in the European Union. This approach is largely shared by academic community and numerous patent practitioners.

It still seems that courts are very cautious in applying proportionality to injunctive relief. Only in selected jurisdictions analyzed in this report – such as Germany or Italy – has proportionality been introduced explicitly. Most jurisdictions analyzed – namely France, the Netherlands and Spain - have not added such provisions in their patent laws. None of the jurisdictions however provides for a list of factors that should be considered when deciding on the proportionality of a given remedy.

Step-by-step however the consensus is growing as to when proportionality analysis should result in tailoring or even denying injunctive relief in patent law. In an attempt to modernize the IPR Enforcement Directive, one could consider introducing a set of factors that the courts should consider when applying proportionality. I

This approach has already been taken by the EU legislator in the Trade Secrets Directive. Such a set of factors could bring proportionality to the attention of the courts and at the same time be used to provide guidance for the courts. Thus, it could assist them when deciding whether to grant, tailor or deny an injunction. It would also provide much more certainty to the market participants, both the patentees and the patent implementers.

Finally, it would also be advisable to expressly provide in the Enforcement Directive, that application of proportionality does not necessarily lead to denying injunctive relief. Rather it only provides the courts with more options and more flexibility. This, together with the list of factors – similar to that found in the Trade Secrets Directive – should address the concerns of the patent holders that patents would be devalued as a result of adopting more flexible approach towards permanent injunctions.