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The Risks of Patent Litigation Within the
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**THE RISKS OF PATENT LITIGATION WITHIN THE EU
ENFORCEMENT FRAMEWORK**

HOW TO ADDRESS ABUSIVE PRACTICES

Alain Strowel and Amandine Léonard

The Risks of Patent Litigation Within the EU Enforcement Framework – How to Address Abusive Practices

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Abstract The debate over the degree of flexibility at the disposal of national courts in Europe to grant, deny, or tailor, injunctive relief in patent litigation seems to be a never-ending story. In most jurisdictions, absent exceptional circumstances, findings of infringement lead national courts to grant, quasi-automatically, an injunction. However, some scholars as well as industry players, have argued that in light of recent changes in litigation behaviour as well as technology developments, a general principle of proportionality should play a more prominent role vis-à-vis injunctive relief. It is in particular with reference to Art. 3(2) of the Enforcement Directive that such claims have been made. If UK courts have been inclined to consider that, under certain circumstances, a balance of interests may take place before granting a permanent injunction, German courts on the other hand have firmly stood on the ground that the principle of proportionality should not interfere with the right of patent holders to obtain such remedy. However, most recently, the German Ministry of Justice published a draft amendment to the German Patent Act providing some guidance on the role of proportionality vis-à-vis the rules of injunctive relief.

The issue of flexibility and injunctive relief is symptomatic of a broader debate regarding potential over-enforcement practices by right holders and the means to overcome or reduce the negative effects of these practices. Overall, this article examines how the origins and justifications of the Enforcement Directive, which focus on fighting piracy and counterfeiting, may affect the applicability of the principle of proportionality in the ever-changing context of patent law. How national courts have (or have not) relied on different mechanisms to infuse more flexibility in case of over-enforcement practices by right holders. And finally, how the principle of proportionality as well as the principle of the prohibition of abuse of rights may serve national courts in this endeavour of limiting excesses in patent litigation.

Introduction

1. Intellectual property (IP) laws have been designed to provide an incentive for creative, inventive, and entrepreneurial efforts by granting exclusive rights to control the market access of protected goods or services. To ensure that the substantive IP laws were effectively applied in the European Union (EU) and that innovation and creativity were not discouraged, the European legislator adopted in 2004, just before the EU enlargement to 10 new Central and Eastern European countries, the Directive 2004/48 on the enforcement of IP rights (hereafter, the Enforcement Directive or IPRED)¹.

2. Undeniably, the harmonisation of the effective civil means of enforcing IP rights (IPRs) is important for the success of the internal market as well as for the objectives of substantive IP laws. However, in recent years, the Enforcement Directive has been interpreted and applied in ways that strengthen the system of protection in favour of right holders. Great emphasis has been put on one of the aims of the Directive to provide for a “high level of protection” of IP rights, and therefore by extension, a high level of protection

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¹ Directive (EC) 2004/48 of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights. O.J. L 157/45, 30/04/2004. (Enforcement Directive or IPRED).

for IP right holders². Arguably, the pursuit of a high level of protection could lead to an imbalanced system of litigation and generate new opportunities for over-enforcement practices. Several commentators in Europe have highlighted the risks of (overly) strong IP enforcement tools, especially in the patent litigation field.³

3. The risk of over-enforcement is quite well discussed and documented in the United States (US). For the past 10 years, US commentators have claimed that patent holders benefit from opportunities to “abusively” exercise their patent rights or that new uses of patents are inappropriate as they keep pushing the system further away from its initial objectives⁴. The rise of new actors on the enforcement scene such as Non-Practicing Entities (NPEs) (also called Patent Assertion Entities (PAEs) or patent trolls) has been at the heart of the debate⁵. Recent studies⁶ also show that such phenomenon is not limited to the US and that these new actors are present on the European scene. Those entities do not necessarily bring many cases before the courts (see *infra* the analysis of the case law) but might be granted excessive power in the pre-litigation phase and the negotiation of authorizations. Litigated cases do not reflect the whole landscape of excessive behaviours, and many threats and burdens on businesses caused by the risks of patent enforcement and remedies might remain unnoticed. Nevertheless, the risks of over-enforcement in the patent field is also caused by some measures provided by the Enforcement Directive which, as will be reminded (see *infra*), was primarily meant to grant to copyright and trademark owners new ways to combat piracy and counterfeiting.

4. This paper reflects on these general concerns and in particular on the capacity (or lack thereof) of the Enforcement Directive to provide certain tools and remedies to defendants in patent infringement cases which may be victim of over-enforcement practices by right holders and PAEs. In the first part of the paper, we contend that, due to the fact that the Enforcement Directive has mainly been drafted with the view to more easily fight piracy and counterfeiting, it is less fit for patent litigation involving disputes between *bona fide* commercial parties operating within the normal course of business. Therefore, we argue that,

² See in particular recitals 3, 8 and 10 of the Enforcement Directive. The policy objective of achieving a “high level of protection”, combined with a repeated reference to the fundamental right protection of intellectual property (under Art. 17(2) Charter of EU fundamental rights) in the recent case law of the Court of Justice of the EU (CJEU), has on the whole strengthened the substance and enforcement of intellectual property rights. For a review of this case law, see A. Strowel, ‘Article 17 – La propriété intellectuelle’ in F. Picod and S. Van Droogenbroeck (eds), *Charte des droits fondamentaux de l’Union européenne. Commentaire article par article* (2nd ed. Larcier, 2019) 429.

³ R.M. Hilty, ‘The role of enforcement in delineating the scope of IP rights’ (2015) Max Planck Institute for Innovation and Competition Research Paper No. 15-03 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2602221> accessed 27 Jan. 2020. X. Seuba, *The Global Regime for the Enforcement of Intellectual Property Rights* (CUP 2017). D. Krauspenhaar, *Liability Rules in Patent Law – A Legal and Economic Analysis*, (Springer 2015). H-P. Götting, M. Du Vall, and H. Röder-Hitschke, *Enforcing Intellectual Property Rights: Necessary Instruments Versus Over-enforcement* (Nomos Publishers 2012).

⁴ E.g. B. Love, ‘Bad Actors and the Evolution of Patent Law’ (2015) 101 Va. L. Rev. 1.

⁵ M.A. Lemley and R.C. Feldman, ‘Is Patent Enforcement Efficient?’ (2018), 98 B. U. L. Rev. 649. R.C. Feldman and M.A. Lemley, ‘The Sound and Fury of Patent Activity’ (2018) Olin Stanford Working Paper Series No. 521 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3195988> accessed 27 Jan. 2020. C. Tucker, S. Kiezbak and G. Rafert, ‘The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity’ (2016), 45(1) Research Policy 218. L. Cohen, U.G. Gurun and S.D. Kominers, ‘Patent Trolls: Evidence from Targeted Firms’ (2016) Harvard Business School Finance Working Paper No. 15-002 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2464303> accessed 27 Jan. 2020. D.O. Taylor, ‘Legislative Responses to Patent Assertion Entities’ (2015) 23 Tex. Intel. Prop. LJ 313. D.L. Schwartz and J.P. Kesan, ‘Analyzing the role of non-practicing entities in the patent system’ (2014) 99 Cornell L. Rev. 425. M.J. Mazzeo, J.H. Ashtor and S. Zyontz, ‘Do NPEs Matter? Non-Practicing Entities and Patent Litigation Outcomes’ (2013) 9 J. Comp. L. & Econ 879. A. Hagiu and D.B. Yoffie, ‘The New Patent Intermediaries: Platforms, Defensive Aggregators and Super-Aggregators’ (2013) 27 J. Econ. Persp 45. A.W. Wang, ‘Rise of the Patent Intermediaries’ (2010) 25 Berkeley Tech. LJ 159. R.P. Merges, ‘The Trouble with Trolls: Innovation, Rent-Seeking, and Patent Law Reform’ (2009) 24 Berkeley Tech. LJ 1583.

⁶ N. Thumm and G. Gabison (eds), ‘Patent Assertion Entities in Europe: Their impact on innovation and knowledge transfer in ICT markets’ (2016) JRC Report <<https://ec.europa.eu/digital-single-market/en/news/study-patent-assertion-entities-europe>>, accessed 27 Jan. 2020. Darts-IP Report. ‘NPE Litigation in the European Union: Facts and Figures’ (Feb. 19, 2018) <<https://www.darts-ip.com/npe-litigation-in-the-european-union-facts-and-figures-2/>>, accessed 27 Jan. 2020.

under particular circumstances such as the presence of complex products, PAEs, as well as the new risks prompted by the Unitary Patent (UP) system, the Unified Patent Court (UPC) and the difficulties to assess patent validity in the new and fast changing technological environments, courts should infuse more flexibility in the ways in which patent claims are considered and in particular in the balancing processes leading to the imposition of permanent injunctions. The second part of this paper reviews a sample of cases involving dubious or excessive practices by PAEs in the enforcement of patents in Europe and the tools used by national courts to limit or sanction these practices. The last part of this paper concentrates on two closely interrelated mechanisms which could infuse more flexibility in patent litigation, i.e. the principle of the prohibition of abuse of rights and the principle of proportionality. We argue that those principles, when properly implemented, may mitigate some of the risks associated with over-enforcement practices notably adopted by PAEs.

A. Role and scope of the Enforcement Directive and the evolution of patent litigation

I. Origin and justification of the Directive

5. The initiative of the Commission to table in 2003 a proposal on measures and procedures to ensure the enforcement of IP rights⁷ was preceded by a long consultation process and a debate initiated by the October 1998 *Green paper on the fight against counterfeiting and piracy in the Single Market*⁸. Additional studies and a lobbying campaign in the early 2000s by the copyright industries, in particular the music, film, publishing and computer games sectors, and supported by the trade associations representing trademark owners, prompted the Commission to table its 2003 draft directive. The focus, as clearly exposed in the Explanatory Memorandum, was to fight piracy and counterfeiting⁹. According to recital 9 of the draft directive, “increasing use of the Internet enables pirated products to be distributed instantly” and “infringements appear to be increasingly linked to organised crime.” Commentators took notice that the fight against piracy and counterfeiting was the main driver of the draft directive, some of them later complained that the Enforcement Directive was “too much designed from this perspective”¹⁰.

⁷ The proposal was adopted by the Commission on 30/1/2003 (COM(2003) 46(1)). The text, including the explanatory memorandum, are available at: <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2003:0046:FIN>> accessed 30 July 2019.

⁸ COM(98) 569 final.

⁹ The first paragraph of the Explanatory Memorandum highlighting the objective of the initiative refers several times to counterfeiting and piracy: “Counterfeiting and piracy, and infringements of intellectual property in general, are a constantly growing phenomenon which nowadays have an international dimension, since they are a serious threat to national economies and governments. In the European Internal Market, this phenomenon takes particular advantage of the national disparities in the means of enforcing intellectual property rights. These disparities seem to influence the choice of where counterfeiting and piracy activities within the Community are carried out, and this means that the counterfeited and pirated products are more likely to be manufactured and sold in those countries which are less effective than others in combating counterfeiting and piracy. They therefore have direct repercussions on trade between the Member States and a direct impact on the conditions governing competition in the Internal Market.”

¹⁰ E. Valgaeren and L. De Gryse, ‘Een Europese Richtlijn betreffende de handhaving van intellectuele eigendomsrechten’ (2005) SEW, issue 5, 202 (translation from Dutch: “(...) de strijd tegen de ‘piraterij’ blijktbaar de belangrijke drijfveer was voor de ontwerpers van de Richtlijn. Dit voedt ook het vermoeden dat de Richtlijn al te zeer vanuit die optiek is opgesleld”). See also, J.L. Huydecoper, ‘Nous maintiendrons – de nieuwe ‘Richtlijnhandhaving’ (2004) 4 AMI – Tijdschrift voor auteurs-, media- & informatierecht 202. W.R. Cornish et al., ‘Procedures and remedies for enforcing IPRs: the European Commission’s proposed Directive’ (2003) 25(10) EIPR 447. Ch. H. Massa and A. Strowel, ‘The Scope of the proposed IP Enforcement Directive: torn between the desire to harmonise remedies and the need to combat piracy’ (2004) 26(2) EIPR 244.

6. Although it targeted piracy and counterfeiting, the scope of the directive was couched in more general terms as it was initially confined to “infringements carried out for commercial purposes or causing significant harm to the right holder” (Art. 2 of the draft directive). The interested parties strongly opposed this delimitation of the directive’s scope. The copyright industries were afraid that some types of piracy activities could not be covered such as the massive online sharing of copyright files by Internet users¹¹ while the European Brands Association criticized the absence of definition of piracy and counterfeiting, and suggested to use the TRIPS-based definition of counterfeited and pirated goods that was incorporated in the draft Customs Regulation¹², whose aim was to facilitate border measures against those goods.¹³ Although the language on the directive’s scope disappeared during the legislative process, no agreement could be reached on a definition of piracy and counterfeiting. At the end, the scope of the Enforcement Directive was extended to “any infringement” of IP rights as provided by EU law and/or by national law (art. 2(1)). The declared aim of the directive to combat piracy and counterfeiting seemed somewhat incompatible with such extended scope of application comprising any infringement of economic relevance.¹⁴

7. The objective of harmonization between Member States was another reason put forward for this directive, and the Commission emphasized this dimension to justify its initiative¹⁵. The need for a quick harmonization of enforcement measures¹⁶ at a TRIPS-plus level was considered crucial in the light of the then forthcoming accession of 10 new Member States on May 1st, 2004 (just a few days after the final adoption of the Enforcement Directive) and the perceived threat that piracy would be imported from those Eastern and Central European countries.

8. The justifications at the origin of the Enforcement Directive reveal that patent enforcement was never the focus of the legislative discussions. At the time, some industries, companies or even Member States already feared that the extension of the Directive to patent would generate problems¹⁷. The main concern in relation to patent enforcement was the provision on criminal sanctions for IP infringement (art. 17 of the draft directive). Despite the fact that this provision was left out at the end of the legislative process, the Enforcement Directive has kept several provisions directly linked to the piracy context. For example, article 10 of the Directive deals with corrective measures, including the destruction, recall and removal of

¹¹ See Position of the Anti-Piracy Coalition on the proposed Enforcement Directive, 2 Sept. 2003 (Unpublished). This coalition comprised among others the Business Software Alliance (BSA), the European Film Companies Alliance (EFCA), the Federation of European Publishers (FEP), the International Association of Film Producers Associations (FIAPF), the International Federation of the Phonographic Industry (IFPI), the Interactive Software Federation of Europe (ISFE), the Motion Picture Association (MPA).

¹² COM(2013) 20 final.

¹³ AIM (Association des Industries de Marque-European Brands Association) Position Paper – Comments on the draft directive on measures and procedures to ensure the enforcement of IP rights, 2003 (Unpublished). EFPIA (the European Federation of Pharmaceutical Industries and Associations) understood that the draft directive could help to fight the growing problem of counterfeiting of pharmaceuticals, and insisted that “it is essential that any counterfeiting should come under the Directive whatever its scale or purpose, as provided in TRIPS”. Comments of EFPIA, Proposal for a directive on measures and procedures to ensure the enforcement of IP rights, 4 June 2003. (Unpublished).

¹⁴ A. Kur, ‘The Enforcement Directive – Rough Start, Happy Landing?’ (2004) 35(7) IIC 821, 822.

¹⁵ See for example the presentation of the Enforcement Directive by one of the Commission’s civil servants who has been in charge of the directive: D. Ellard, ‘The EU’s IPR Enforcement Directive. Origin, key provisions and future of the EU’s IPR Enforcement Directive’ (2004) CRi, issue 3, 65.

¹⁶ The legislative process for adopting the Enforcement Directive took only just over 15 months after the Commission’s original proposal, which is rather fast. The prospect that, after the enlargement, the at that time 14 Member States would have to negotiate with the 10 new Member States was obviously a motivation for accelerating the political process.

¹⁷ This is for instance illustrated by the fact that 6 countries (the Netherlands, Austria, Portugal, Denmark, the UK and Ireland) had reservations until December 2003 on the inclusion of “patents, including supplementary protection certificates” in the list of IP rights covered by the Directive. See Council of the EU, Working Document of the Presidency, File 2003/0024(COD), 16289/03 of 19 Dec. 2003, 2.

infringing goods from the channels of commerce. These measures are essential to pirated and counterfeited goods¹⁸, but they might be implemented in a disproportionate manner in other infringement contexts.¹⁹

9. For other measures considered in the Directive, in particular for injunctive relief, our view is that the focus on piracy, counterfeiting and more generally on wilful and intentional infringements, has prevented the legislator to go into the details of how the proportionality requirement should be articulated and deployed. There is only a reference to the need of proportionate measures in Article 3 of the Directive, but nothing is said on how this should be implemented. For instance, through a balancing test whose main factors and terms would be defined in legislation and probably distinguished depending on the context and the intellectual property right involved. We think in particular that the balancing test for granting an injunction in a patent infringement case must take other considerations on board than the test for granting an injunction in a copyright infringement case. For the simple reason that the assessment of a copyright infringement requires to prove that the defendant copied the protected work (or to prove that s/he had access to the work, as a presumption for copying), while the proof of such ‘unfair’ behaviour is not required for patent infringement. *Bona fide* businesses can be enjoined to stop selling their goods or offering their services although they never had any knowledge that their business would encroach on some existing patent.

10. In the end, the Enforcement Directive is “torn between the desire to harmonize remedies and the need to combat piracy”²⁰. The specific focus on piracy and counterfeiting, and its potential unfitness in the patent enforcement context, requires that the provisions of the Directive be read with some cautiousness, in particular when they apply outside the piracy and counterfeiting context. Beyond this, it appears important to go further than the horizontal approach of the Directive and to design balancing tests that take into account the specificities of the different intellectual property rights.

II. Concerns expressed during the evaluation of the Enforcement Directive

11. In 2016, the European Commission conducted an evaluation of the Enforcement Directive to further improve the application and enforcement of IP rights in the EU.²¹ Respondents to the public consultation²² pointed at several stumbling blocks to an optimal enforcement system. Next to concerns regarding online piracy and counterfeit in the areas of trademark and copyright²³, concerns were expressed regarding the lack of substantive law, lack of predictability, and the presence of broad and vague legal principles in the enforcement of patents. It was also contended that the provisions of the directive which relate to the remedies available for right holders (in particular articles 9, 11, and 12 IPRED) might have to be reconsidered to clarify the applicability to these provisions of the general requirements of fairness, equity

¹⁸ The wording used in this provision is also closely related to the Regulation concerning customs enforcement of IPRs which scope of application relates directly to counterfeiting and piracy. Regulation (EU) 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003 (Customs Regulation).

¹⁹ Kur, n. 14, 826.

²⁰ This formula was in the title of an article that one of the authors of the present contribution co-authored and published in EIPR. Voy. Massa and Strowel, n. 10, 244.

²¹ Commission, ‘Enforcement of intellectual property rights’ <https://ec.europa.eu/growth/industry/intellectual-property/enforcement_en> accessed 6 Aug. 2019.

²² Commission, ‘Summary of responses to the public consultation on the evaluation and modernization of the legal framework for IPR enforcement’ (April 14, 2016) <https://ec.europa.eu/growth/content/have-your-say-enforcement-intellectual-property-rights-0_en> accessed 6 Aug. 2019.

²³ See OECD, ‘The Economic Impact of Counterfeiting and Piracy’ (2008) <<http://www.oecd.org/sti/ind/theeconomicimpactofcounterfeitingandpiracy.htm#howto>> accessed 6 Aug. 2019.

and proportionality envisaged in article 3 IPRED. Some concerns have also been displayed vis-à-vis the practice of NPEs and PAEs.

12. Following the public consultation of 2016, a ‘Support Study for the ex-post evaluation and ex-ante impact analysis of the IPR Enforcement Directive (IPRED)’²⁴ was issued. Four essential points have been made in the study. First, it was observed that to provide right holders with particularly strong enforcement tools might be detrimental to defendants if the latter do not benefit from sensible measures to counter infringement claims. In particular when the underlying IP right might not be valid. In this sense, the study observed that the Enforcement Directive seems highly beneficial to right holders as it provides a rather robust toolbox. Second, the study emphasised that the question of balance and adequacy was of paramount importance in the design of IP enforcement legislation. Third, the authors of the study noted that there were growing concerns from legal academics, the judiciary, but also SMEs involved in litigation, regarding the effectiveness with which the Enforcement Directive was striking the right balance between plaintiff and defendant rights. Finally, it was concluded that there was sufficient evidence indicating a need to further investigate the tools and remedies on the defendant side to assess whether there was a need to re-balance the system of adjudication. A particular issue in this context was the topic of patent trolls which may engage in abusive exercises of patent rights and which could develop to sizeable magnitude if enforcement tools happen to be too strong.

13. In November 2017, the Commission published its guidance paper *on certain aspects of Directive 2004/48/EC on the Enforcement of IPRs* and a communication *on a balanced IP enforcement system responding to today’s societal changes*.²⁵ The communication specifically stated that it aimed to ensure a balanced approach to IPR enforcement *and* to prevent abuse of measures, procedures and remedies set out in the Directive. The Commission re-affirmed that the general principles of proportionality, fairness and equity should govern the enforcement framework of IPRs. This included striking an appropriate balance between the different parties involved and not favour the position of right holders.²⁶ The guidance paper of the Commission may be fairly general in its conclusion. However, as suggested in the support study, further investigation regarding the tools and remedies on the defendant side remains necessary to assess whether there is a need to re-balance the system of adjudication. This paper, without being exhaustive in such investigation, notably aims at providing more information on these tools and remedies, and could serve as a basis for bringing further guidance to the concerned parties.

III. Evolving patent litigation strategies in the new market and legal environments

14. The adequacy of the Enforcement Directive in the field of patent litigation is even more questionable when we consider various changes in the market and legal environments that have happened since 2004. Smartphones did not exist back then and other complex products integrating many IT components were not commonly marketed. Today, many products such as smart watches, tablets or other wearables, smart TVs, intelligent thermostats and other connected products belonging to the Internet of Things (IoT) integrate

²⁴ Commission, ‘Support Study for the ex-post evaluation and ex-ante impact analysis of the IPR enforcement Directive (IPRED). Final Report’ (2017) <<https://publications.europa.eu/en/publication-detail/-/publication/1e3b2f41-d4ba-11e7-a5b9-01aa75ed71a1>> accessed 7 Aug. 2019.

²⁵ Commission, ‘Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of IPRs’ (Communication) COM (2017) 708 final. Commission, ‘A balanced IP enforcement system responding to today’s societal challenges’ (Communication) COM (2017) 707 final.

²⁶ In its communication, the Commission makes clear that article 17 of the European Charter of Fundamental Rights implies a “full respect of IP” and that the rules of the directive must be interpreted and applied in a manner to safeguard this fundamental right. It also makes clear that if measures, procedures and remedies may be abused and that safeguards should be put in place in order to limit these abuses, the safeguards should not be so strong as to deter legitimate right holders from enforcing their rights.

multiple pieces of hardware and software (not to speak of the “smartphones on wheels”: the connected and ever more autonomous vehicles). In an environment characterized by the increased use of information and communication technology, the risks of infringing a patent on one small component have increased alongside the level of globalisation in the production lines, the increased outsourcing and the longer supply chains.

15. Those new market conditions have prompted new strategies by companies as well as the arrival of new sophisticated and strategic actors. In the US, the total number of patent applications has grown from 382,139 in 2004 to 629,647 in 2014.²⁷ In Europe, the number of patent applications has not grown as fast over the decade 2009-2018 (from 134,511 to 174,317), but the number of patents granted per year has more than doubled (from 51,952 in 2009 to 127,623 in 2018).²⁸ Between 2014 and 2016, the rate of growth of patent applications for technologies related to the fourth industrial revolution was of 54 %.²⁹ In parallel to the increase in patent activity, new strategies to extract value from the patent portfolios have developed with the appearance of NPEs and PAEs which were not as numerous and visible back in the early 2000s.³⁰ The often aggressive practices of those new actors in enforcing their patents, whether in the US or in Europe, is amply attested by several studies.³¹

16. A third important factor likely to affect the strategies of the PAEs in the future is the not yet into force UPC system.³² Its rules, such as the bifurcation principle borrowed from the law in Germany (where PAEs already concentrate their actions), have the potential to increase the leveraging power associated with the holding of patents: with the risk of a pan-European injunction, many companies might be induced or even forced to pay for a license fee even if the value of the claimed patent is dubious.³³

17. In conclusion, it is clear that the new risks of patent hold-up due to the increasing incorporation of many ICT elements in the more and more complex products, the inflation in the number of patents applied for and granted (without a guarantee of their quality) and the strategies of using the available enforcement tools

²⁷ See the U.S. Patent Statistics Chart (1963-2015) <https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm> accessed 19 Oct. 2019.

²⁸ See the EPO statistics (2009-2018). <<https://www.epo.org/about-us/annual-reports-statistics/statistics.html#applications>> accessed 19 Oct. 2019.

²⁹ European Patent Office, ‘Patents and the Fourth Industrial Revolution. The inventions behind digital transformation’ (2017) <<https://www.epo.org/news-issues/news/2017/20171211.html>> accessed 21 Oct. 2019.

³⁰ In the US, it is in the late nineties that stories regarding NPEs and PAEs have started to make the headlines. The term NPE first appeared somewhere in 2003, in the report from the US Federal Trade Commission (FTC) on the proper balance of competition and patent law and policy. By contrast, in Europe, it is essentially after 2010 that the same phenomenon grabbed the attention of the media. Some of the changes brought by the reforms of 2011 in the US, in particular, the America Invents Act, are considered as a trigger for NPEs or PAEs to move to Europe in order to test strategies which may not be as successful in the US as they once were. On this timeline, see e.g.: E. Lee, ‘Patent Trolls: Moral Panics, Motions in Limine, and Patent Reform’ (2015) 19 *Stanford Tech. L. Rev.* 113. S. Fusco, ‘Markets and Patents Enforcement: A Comparative Investigation of Non-Practicing Entities in the U.S. and Europe’ (2014) 20 *Mich. Telecomm. & Tech. L. Rev.* 439.

³¹ E.g.: B. Love et al., ‘Patent Assertion Entities in Europe’ in D. Sokol (ed), *Patent Assertion Entities and Competition Policy*, (CUP 2017). G. Gabison, ‘Lessons that Europe can learn from the US Patent Assertion Entity Phenomenon’ (2015) 24 *Info. & Comm. Tech. L.* 278, 299.

³² C. Pentheroudakis and N. Thumm (eds), ‘Innovation in the European Digital Single Market: The Role of Patents’ (2015) JRC Report. Thematic Report on the Brussels Conference, 53: “Excessive litigation and coercive practices that force potential infringers to take a license under the threat of litigation are negatively disruptive and overly resource-consuming for the innovation system, leading to a loss in social welfare and patent incentives. Currently, PAE account for the majority of patent litigation in the US and are less active in the UE. However, possible *abuse of the new procedure before the UPC* by non-European PAE and subsequent spillovers of their aggressive activities into the EU market have caused uncertainty” (Emphasis added).

³³ See references below. On bifurcation see: C. Chien, C. Helmers, and A. Spigarelli, ‘Inter Partes Review and the Design of Post-Grant Patent Reviews’ (2019) 33 *Berkeley Tech. LJ* 817.

as a pressure for extracting fees, are several outside factors that reinforce the need for a balanced system of enforcing patents in the EU.³⁴

B. Case study on PAEs and the risks of over-enforcement

I. PAEs in Europe

18. The topic of PAEs in Europe has recently seen an increased interest by the European Commission³⁵, the EPO³⁶, industry³⁷ as well as academics³⁸. It has generally been argued in the literature that the currently fragmented system of litigation in Europe, the differences in national legal systems, the availability of funding for PAEs, as well as cultural differences, have prevented PAEs from entering the European market.³⁹ Recent studies have nonetheless shown that PAEs are active in Europe.⁴⁰

19. PAEs use patents primarily to obtain license fees rather than to support the development or transfer of technology. They use patents to sue, or threaten to sue, practicing companies. They usually threaten these companies by sending vague or overly broad demand letters or notices of infringement. They are generally invulnerable to patent counterattack and have little to lose from patent litigation besides legal fees.⁴¹ They are considered opportunistic because they do not base their decision to sue on the merits of the case but rather on the ease of extracting (excessive) rents.⁴² Moreover, it is argued that their goal is to enforce patents

³⁴ On the issue of complex products see: B. Biddle et al. (eds), *Patent Remedies and Complex Products: Toward a Global Consensus* (CUP 2019).

³⁵ M. de Heide et al., 'Study on the changing role of intellectual Property in the semiconductor industry – including non-practicing entities' (2015) Final Report for the European Commission, DG Communications Networks, Content & Technology <<https://ec.europa.eu/digital-single-market/en/news/study-changing-role-intellectual-property-semiconductor-industry-including-non-practicing-0>> accessed 27 Jan. 2020. Thumm and Gabison, n 6.

³⁶ Report from Europe Economics for the EPO, 'Economic Analysis of the Unitary Patent and the Unified Patent Court' (2014) <<https://www.epo.org/about-us/services-and-activities/chief-economist/studies.html>> accessed 6 Aug. 2019. ESAB Report for the EPO, 'Workshops on the unitary patent and the Unified Patent Court' (2013) <<https://www.epo.org/news-issues/news/2014/20140430.html>> accessed 6 Aug. 2019.

³⁷ IP2Innovate, 'Supporting Innovation in Europe Through a Balanced Patent System: A Paper Responding to the European Commission's IP Package' (2018) <<http://www.ip2innovate.eu>> accessed 6 Aug. 2019. IP2Innovate, 'IP2Innovate calls for UPC judges to receive training to counter abusive patent litigation tactics' (2017) <<http://www.ip2innovate.eu/advocacy/>> accessed 6 Aug. 2019. The Financial Time, 'Apple, Microsoft and BMW urge EU to stop patent trolls' (15 Jan. 2020) <<https://www.ft.com/content/26230960-37a7-11ea-a6d3-9a26f8c3cba4>> accessed 28 Jan. 2020. The Financial Time, 'Letter: The patent troll myth has little basis in fact' (20 Jan. 2020) <<https://www.ft.com/content/e8eb0cac-3894-11ea-a6d3-9a26f8c3cba4>> accessed 28 Jan. 2020.

³⁸ See e.g.: Love et al., n. 31. N. Thumm, 'The good, the bad and the ugly – the future of patent assertion entities in Europe' (2018) 30 *Tech. An. & Strat. Mngmnt.* 1046. J. Contreras and P. Picht, 'Patent Assertion Entities and Legal Exceptionalism in Europe and the United States, a Comparative View' (2017) Max Planck Institute for Innovation & Competition Research Paper No. 17-11 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3036578> accessed 27 Jan. 2020. K. Larson, *The Exploitation and Enforcement of Patents by Non-practicing Entities: Practices, Developments, and Future Challenges* (2017) (Haken School of Economics, Economics and Society) <<https://helda.helsinki.fi/dhanken/handle/123456789/168689>> accessed 27 Jan. 2020. C. Helmers and L. McDonagh, 'Trolls at the High Court?' (2012) LSE Law, Society and Economy Working Paper No. 13/2012 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2154958> accessed 27 Jan. 2020.

³⁹ Gabison, n. 31. Fusco, n. 30. A. Mayergoyz, 'Lessons from Europe on How to Tame U.S. Patent Trolls' (2009) 42 *Cornell Intl. LJ.* 241.

⁴⁰ Thumm and Gabison, n. 6. Darts-IP Report, n. 6. Love et al., n. 31.

⁴¹ C.V. Chien, 'From Arms Race to Marketplace: The New Complex Patent Ecosystem and Its Implications for the Patent System' (2010) 62 *Hastings L. J.* 297.

⁴² Cohen, Gurun and Kominers, n. 5.

by relying on the right to exclude third parties but that they have no interest in the patented technology. This type of exercise of the right to exclude may be considered contrary to the purpose of substantive patent laws.⁴³

20. One of the main criticisms vis-à-vis the strategies adopted by PAEs in Europe, is that they can (too) easily rely on the threat of injunction. Regarding preliminary injunctions, national courts in Europe have certain discretionary powers to consider the potential impact that such interim relief may have on both parties before granting it. The combination of discretionary powers with a general principle of proportionality is said to limit the credibility of threats of PAEs.⁴⁴ On the merits, however, most European courts follow the rule according to which findings of infringement will lead to the grant of an injunction. Therefore, permanent injunctions are granted on a (quasi) automatic basis. Only exceptional circumstances, generally interpreted strictly, justify that courts deviate from this principle.

II. Case law analysis – Mechanisms currently in place and further risks

21. We studied a sample of decisions (102 in total)⁴⁵ from jurisdictions of selected European Member States (i.e. Belgium, France, Germany, the Netherlands, and the United Kingdom) which involved at least one litigant qualified as an NPE and/or a PAE in literature⁴⁶. Since the identification of these instances relied on the identity of litigants, not all are either infringement actions or revocation actions, some mainly revolve around preliminary and/or evidentiary measures such as seizure measures and/or border measures. Some instances also concern unfair commercial practices related to the threat of litigation, contractual issues, or the recovery of costs. This set of cases is necessarily restricted since, by relying on the identification previously made in literature, instances involving an un-identified NPE/PAE have not been under our radar. The complex structure of certain PAEs (i.e. those who own multiple subsidiaries or affiliated companies) also renders the analysis particularly complicated.

22. Undeniably, the study conducted here is not intended to provide an exhaustive list of cases or to provide an overview of all possible means by which PAEs can (and have) exercise their rights in an abusive way. The purpose of this research was to identify the mechanisms used by national courts to reduce (or prevent)

⁴³ In Europe, see: C. Caron, 'Les mauvaises actions en contrefaçon' (2019) *Comm. Commerce électronique* n.4. C. Le Stanc, 'L'abus dans l'exercice du droit de brevet : les « patent trolls »' (2010) 9(10) *Propriété Industrielle* 3.

⁴⁴ Thumm and Gabison, n. 6, 40-41. Gabison, n. 31, 296.

⁴⁵ Most cases come from the Darts-IP database, others have been provided by IP2 Innovate. Three sources have been relied upon in order to identify NPEs/PAEs active in Europe. First, the "Stanford NPE Litigation Dataset and Taxonomy" has been used as it provides the largest dataset of patent asserters as well as the most comprehensive categorization of NPEs to date. At the time of writing, only 20% of the dataset had been made available (i.e. 10.821 cases between 2000 and 2015). The NPEs/PAEs identified in the Stanford dataset have then been searched for on the Darts-IP database in order to uncover instances in which they may have been involved in Europe. Only a fraction of NPEs/PAEs active in the US, and included in the 20% of the Stanford dataset, have been found on the Darts-IP database. Second, a list of NPEs/PAEs active before national European courts and identified in the work of Contreras et al. (2018), Love et al. (2017), Helmers and McDonagh (2012), Pohlman and Opitz (2010), the JRC Report (2016), the Darts-IP Report (2018), as well as the instances provided by IP2Innovate has been drawn (see full references infra). Finally, publicly available information has been used to complete the set of entities studied. With regard to the list of NPEs/PAEs active in Europe and identified in the literature (i.e. the second source mentioned), not all entities have been found to be engaged in patent litigation. For example, in the JRC Report, defensive aggregators have naturally been identified as NPEs. However, it is generally not in their business model to litigate. Concerning entities which have been found to litigate (e.g. in Helmers and McDonagh (2012)) not all instances listed were available on Darts-IP. This is due to the fact that some of the cases studied in the literature have been physically collected at the premises of courts and are not included in the online database.

⁴⁶ Thumm and Gabison, n. 6. Darts-IP Report, n. 6. Love et al., n. 31. Helmers and McDonagh, n. 38. S.P. Miller et al., 'Who's Suing Us? Decoding Patent Plaintiffs since 2000 with the Stanford NPE Litigation Dataset' (2018) 21 *Stan. Tech. L. Rev.* 235. J. Contreras et al., 'Litigation of Standards-Essential Patents in Europe: A Comparative Analysis' (2018) 32(5) *Berkeley Tech. LJ* 1457. T. Pohlmann and M. Opitz, 'The Patent Troll Business: An Efficient model to enforce IPR? A typology of patent trolls, using empirical evidence from German case studies' (2010) MPRA Paper No. 27342.

potentially excessive or abusive behaviours of PAEs. We also compared the different approaches that courts from different jurisdictions have adopted vis-à-vis PAEs. The method adopted for this study is therefore fundamentally qualitative and not quantitative. We suggest that quantitative studies be developed in Europe with regard to the phenomenon of PAEs.

23. As mentioned in the introduction, litigated cases do not represent the full extent of the activities of PAEs. Some of the practices adopted by these entities take place in the shadow of litigation and the latter is sometimes considered as being only the “tip of the iceberg”⁴⁷. Patent litigation data only provides partial information on PAEs activities, i.e. the visible part of their activities.⁴⁸ For example, information regarding settlements is necessarily absent from the case law. Since some PAEs rather settle quickly and for a lower price than the estimated cost of litigation⁴⁹ (thereby engaging in “nuisance value settlements”⁵⁰) the information relative to these settlements could not be found during the search focusing on actual litigation. Finally, contrary to the US where information regarding litigated patents is more readily available, in Europe it is still difficult to depict a perfect picture of litigation. This is due to the fragmented system of litigation but also to the lack of transparency which makes it difficult to detect the scale of the problem. However, to study a set of cases in which PAEs have been involved is not a vain endeavour⁵¹. This exercise provides relevant information on the strategies adopted by PAEs within the framework of patent litigation in Europe and helps in brushing a first picture of the current situation despite not being exhaustive or definitive. It also helps in understanding the role that the Enforcement Directive may play vis-à-vis new strategies in patent litigation.

24. Overall, the study revealed that national courts in Europe benefit and have resorted to a multitude of mechanisms in order to assess, and sometimes sanction, the (over-)enforcement practices of NPEs/PAEs. However, we argue that more reliance on flexible mechanisms would be beneficial for the overall patent litigation system, in particular with regard to injunctive relief.

1. Competition law and unfair competition

25. First and foremost, courts heavily rely on the rules of competition law to limit some over-enforcement practices by right holders.⁵² This is particularly the case in the context of litigation involving standard essential patents (SEPs) but not exclusively. Arguably, the assessment framework elaborated by the Court

⁴⁷ M.A. Lemley, K. Richardson and E. Oliver, ‘The Patent Enforcement Iceberg’ (2017) Stanford Public Law Working Paper <<https://ssrn.com/abstract=3087573>> accessed 26 Aug. 2019.

⁴⁸ Gabison, n. 31, 288. Lemley et al., n. 47.

⁴⁹ H.O. Chen, ‘Combating baseless patent suits: Rule 11 sanctions with technology-specific application’ (2014) 54 *Jurimetrics J.* 135, 146. E. Rogers and Y. Jeon, ‘Inhibiting Patent Trolling: A New Approach for Applying Rule 11’ (2014) 12 *Nw. J. Tech. & Intell. Prop.* 291. US FTC, ‘Patent Assertion Entity Activity: An FTC Study’ (2016) 20. <<https://www.ftc.gov/reports/patent-assertion-entity-activity-ftc-study>> accessed 26 Aug. 2019. B. Love, ‘Informational Hearing on Patent Assertion Entities’ (2013) <<https://digitalcommons.law.scu.edu/facpubs/808>> accessed 26 Aug. 2019. This is also supported by the Stanford Law School study on NPEs and PAEs as reported in Miller et al., n. 46.

⁵⁰ D.H. Brean, ‘Ending Unreasonable Royalties: Why Nominal Damages are Adequate to Compensate Patent Assertion Entities for Infringement’ (2015) 39 *Vt. L. Rev.* 867, 881. P.R. Gugliuzza, ‘Regulating Patent Assertions’ (2016) *B. U. L. Pub. L. Research Paper No.* 16-36, 4 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2833548> accessed 27 Jan. 2020.

⁵¹ Gabison, n. 31, 94.

⁵² In Germany: LG Dusseldorf 4b O 274/10 (24.04.12). LG Dusseldorf 4a O 54/12 (11.12.12). In the UK: *Unwired Planet International Ltd. v. Huawei & Samsung* [2017] EWHC 711 (Pat). *SanDisk Corp. v. Philips et al. (including SISVEL)* [2007] EWHC 332 (Ch). *Vringo Infrastructure Inc. v. ZTE (UK) Ltd.* [2014] EWHC 3924 (Pat).

of Justice of the European Union (CJEU) in *Huawei v. ZTE* (C-170/13)⁵³ has offered the most elaborate set of guiding principles to courts.

26. Defendants in infringement have argued that to engage in litigation, or to request specific measures, amounted to an abuse of dominant position and therefore should be considered an over-enforcement practice.⁵⁴ These claims have, nonetheless, not always been successful since the conditions to demonstrate a violation of the rules of competition law are fairly strict. Moreover, in Germany, some transitional cases (i.e. instances which had been introduced before the decision of the CJEU in *Huawei v. ZTE* but which were resolved after this case) rendered the application of the framework established by the EU court particularly difficult. German courts have been more indulgent vis-à-vis right holders who may not have fully complied with this framework.⁵⁵

27. Additionally, the law of unfair competition or specific provisions under UK patent law⁵⁶ have also provided some comfort to litigants vis-à-vis the practice of right holders to send overly vague demand letters or to proceed with broad assertions of claims.⁵⁷

2. Procedural rules

28. National courts have also been attentive to the fact that mandatory, and essentially procedural, requirements for the adjudication of patents were met. We refer here to the fact that an infringement action can only be brought by a plaintiff with proper standing to sue, derived from a valid patent in suit and against a proper defendant who is alleged to have infringed such patent.⁵⁸ For example, French courts have held that, where an NPE/PAE had not registered a transfer of rights before asserting its patents, suchasserter lacked proper standing to sue.⁵⁹

29. Other procedural requirements have been relied upon to limit the enforcement practices of right holders. For example, where a right holder's situation did not meet the condition of urgency or timeliness to obtain

⁵³ Case C-170/13, *Huawei Technologies Co. Ltd. v. ZTE Corp. and ZTE Deutschland GmbH*. ECLI:EU:C:2015:477.

⁵⁴ In France: TGI Paris (3^e ch. 2^e sct.) 17 Avril 2015, RG 14/14124. In the UK: *SanDisk Corp. v. Philips et al. (including SISVEL)* [2007] EWHC 332 (Ch). In Germany: LG Dusseldorf 4b O 140/13 (26.03.15).

⁵⁵ LG Dusseldorf 4b O 157/14 (19.01.16). LG Dusseldorf 4a O 73/14 (31.03.16) and OLG 15 U 36/16 (09.05.16).

⁵⁶ Intellectual Property (Unjustified Threats) Act of 2017 <<http://www.legislation.gov.uk/ukpga/2017/14/contents/enacted>> accessed 6 Aug. 2019. See also an older decision in patent litigation: *Cintec International Ltd. v. John. H. Parkes (t/a Dell explosives) and Martin Frost* [2003] EWHC 2328 (Ch).

⁵⁷ In France: CA Versailles (14^e ch.) 06 Nov. 2013, RG 12/08367. The court observed: "the letter which does not contain the existence of the contestation, nor the final outcome of the case, and cannot be legitimized by the existence of annexed documents. [] The letter also does not include information regarding the terms, motives and justifications of the position of the defendant, which is problematic. [] The letter questions, without basis, the loyalty of the defendant vis-à-vis its customers. [] The letter amounts to an act of disparagement constitutive of acts of unfair competition and causes a manifestly unlawful disturbance in the business of the defendant" (Free translation). Confirmed by C. Cass (Comm.) 27 Mai 2015, D14-10.800. The court observed that, first, the letter focused exclusively on the licensing program offered by the right holders, second, the terms used were threatening and finally, that there was no explanation on the allegedly infringing acts. A contrario see: T. Comm Marseille, 20 Sept. 2016, RG 2016F01637. In the Netherlands: Rechtbank Den Haag, 10 Oct. 2007, KG ZA 07-1000.

⁵⁸ In Germany: LG Dusseldorf 4a O 54/12 (11.12.12). In the UK: *Nokia OYJ v. IPCom GmbH & Co. KG* [2011] EWHC 3460 (Pat). *Sandvik IP AB v. Kennametal UK Ltd., Kennametal Europe GmbH* [2011] EWHC 3311 (Pat). *Vringo Infrastructure Inc. v. ZTE (UK) Ltd.* [2014] EWHC 3924 (Pat). *SanDisk Corp. v. Philips et al. (including SISVEL)* [2007] EWHC 332 (Ch). *Rovi Solutions Corp. & United Video Properties, Inc. v. Virgin Media Ltd. et al.* [2015] EWHC 646 (Pat). In France: CA Paris (4^e ch. sct. A) 23 Oct. 2002, RG 1996/20620.

⁵⁹ TGI Paris (3^e ch. 1^e sct.) 22 Nov. 2000, RG 00/0254, confirmed on appeal by CA Paris (4^e ch. sct. A) 29 Mai 2005, RG 2001/05850. CA Paris, 5-1, 25 Nov. 2009, RG 08/07235. CA Paris, 1-3, 28 Jan. 2014, RG 13/08128. TGI Paris (3^e ch. 3^e sct.) 10 Mars 2017, RG 14/16022.

a preliminary injunction.⁶⁰ In one German case, the Dusseldorf Regional Court⁶¹ held that since the right holder had been “hesitant and negligent” in bringing his action, a preliminary injunction should not be granted. This case is rather exceptional and German courts have clearly specified that right holders are under no duty to monitor the market. However, they have indicated that, in the event right holders have tangible indications of infringement by a third party, they should act promptly if they wish to obtain a preliminary injunction. If they fail to do so in such a way that their inaction objectively suggests an indifference in the pursuit of their own legal interest, then, the urgency in obtaining the measure is lost.⁶²

3. *Proportionality, unreasonableness, abuse and bad faith*

(a) Measures other than permanent injunctions

30. Some national courts have made use of the room of manoeuvre left in national patent laws, or have called upon their discretionary powers, to refuse to grant “unreasonable” or “disproportionate” measures requested from right holders. This was particularly the case for UK and French courts. Such denial from courts overwhelmingly concerned evidentiary measures (i.e. seizure measures or search orders), recall and destruction orders, publication orders, and to a certain extent, preliminary injunctions.

31. In most instances involving this set of issues, courts have taken into account all the circumstances of a case and have engaged in a balancing exercise between the interests of the parties before granting these measures.⁶³ In Germany and, to a lesser extent, in the Netherlands⁶⁴, the interests of right holders have prevailed over those of the defendants. This, however, does not detract from the fact that, in this context which does not concern permanent injunctions, an exercise of proportionality has been conducted by these courts.

32. Defendants have also argued that to engage in litigation, or to request specific measures, violated the principle of the prohibition of abuse of rights or the principle of good faith. These claims have rarely been successful due to the lack of proof of a specific intention to harm, a malicious intent or the bad faith of right holders.⁶⁵

⁶⁰ In Germany: OLG Berlin 5 U 149/14 (20.02.15). In the Netherlands: Rechtbank Den Haag, 06 Jan. 2017, KG ZA 16-906. Although ultimately rejected. The court observed that, under certain circumstances, the inaction of the plaintiff can result in the fact that there is no more urgency. This would notably be the case if the inaction last for a long period and where no new set of facts or circumstances could justify delaying the introduction of the proceedings. This was also evoked, but ultimately rejected, in Rechtbank’s-Gravenhage, 26 Mei 2009, KG-ZA 09-157.

⁶¹ LG Dusseldorf 4b O 16/16 (24.05.16).

⁶² OLG Berlin 5 U 149/14 (20.02.15). OLG Dusseldorf I-2 U 23/17 (18.07.17).

⁶³ In Germany: LG Dusseldorf 4b O 157/14 (19.01.16). In the UK: *Shire Pharmaceutical Contracts Ltd. v. Mount Sinai School of Medicine of New York University* [2011] EWHC 3492 (Pat). *IPCom GmbH & Co KG v. HTC Europe Co. Ltd. et al.* [2013] EWHC 52 (Pat). In France: TGI Paris (3^e ch. 3^e sct.) 08 Avril 2011, RG 11/02062. TGI Paris (3^e ch. 1^e sct.) 16 Avril 2015, RG 12/12329. TGI Paris (3^e ch. 3^e sct.) 15 Avril 2016, RG 15/01377. TGI Paris (ord. ref.) 28 Juin 2011, RG 11/55030. CA Paris, 1-3, 28 Jan. 2014, RG 13/08128, on appeal from TGI Paris (3^e ch. 3^e sct.) 29 Mars 2013, RG 12/16718.

⁶⁴ Rechtbank Den Haag, 09 Nov. 2005, KG 05/1175. Court of Amsterdam, 12 Sept. 2008, KG ZA OS 1721 WT/MB. The court held that, in light of the overriding importance of Sisvel’s enforcement of its patents in the Netherlands, there was no reason to reduce the measure as requested by the defendant. The defendant essentially argued that to grant a seizure measure and to allow this measure to be enforced during a public fair was disproportionate as a descriptive seizure would have been sufficient for the purpose of enforcement. The defendant argued that the court should withdraw the measure before its enforcement.

⁶⁵ In France: TGI Paris (3^e ch. 2^e sct.) 17 Avril 2015, RG 14/14124. TGI Paris (3^e ch. 3^e sct.) 07 Juin 2013, RG 10/08326. TGI Paris (3^e ch. 3^e sct.) 10 Mars 2017, RG 14/16022. TGI Paris (3^e ch. 3^e sct.) 24 Mai 2013, RG 11/09609. In the UK: *Nokia Corporation v.*

(b) Permanent injunctions

33. Overall, considerations of proportionality have only sporadically affected the grant of permanent injunctions. Findings of validity and infringement have been deemed necessary and sufficient conditions for their grant. It is only in cases where the grant of an injunction would be “grossly disproportionate” that some courts would refuse to grant such remedy. In instances where the grant as such may not have been considered grossly disproportionate, some UK courts have granted the remedy but engaged in a tailoring exercise. For example, they have granted a so-called FRAND injunction⁶⁶. They also have ordered temporary stay on enforcement of injunction when proportionality concerns combined with the public interest required them to do so. This tailoring of injunctive relief aimed at ensuring that the order fit the particular circumstances of a case.

34. A contrario, in Germany, courts have been clear that the principle of proportionality does not (and cannot under German patent law) affect the grant of permanent injunctions. Findings of validity and infringement are the only required conditions. Moreover, due to the system of bifurcation⁶⁷, a finding of infringement without a complete review of validity can support a grant of an injunction. In practice, permanent injunctions have been granted despite the fact that invalidity proceedings were on-going.⁶⁸ To discuss the issue of the so-called “injunction-gap”⁶⁹ would go beyond the scope of this paper. However, had German courts relied on the principle of proportionality before issuing an injunction (or stayed the enforcement of such injunction until a decision on validity), situations of patents which are found invalid but nonetheless infringed would potentially have been avoided. Additionally, it may be argued that the presence of such an “injunction-gap” works as a further threatening factor (together with the threat of

Interdigital Technology Corp. [2004] EWHC 2920 (Pat). In Germany: BGH, 10 May 2016, XZR 114/13. LG Dusseldorf 4b O 157/14 (19.01.16).

⁶⁶ *Unwired Planet International Inc. v. Huawei Technologies Co Ltd.* [2017] EWHC 1304 (Pat). Confirmed on appeal *Unwired Planet v. Huawei Technologies* [2018] EWCA Civ 2344.

⁶⁷ In Germany, claims of infringement and validity are decided by different courts. Regional courts and higher regional courts decide exclusively on infringement while the Federal Patent Court (*Bundespatentgericht* – BPatG) decides exclusively on validity.

⁶⁸ LG Dusseldorf 4a O 73/14 (31.03.16), OLG Dusseldorf 15 U 36/16 (09.05.16) and BPatG 6 Ni 6/16 (EP) (11.01.17): In this instance, an injunction was issued even though a challenge to the patent’s validity, brought by different parties in a separate legal action, was ongoing and ultimately successful. LG Dusseldorf 4a O 114/13 (30.10.14) and BPatG 4 Ni 5/14 (EP) (21.07.15): In this instance, an injunction was issued even though a challenge to the patent’s validity was ongoing and ultimately successful. LG Mannheim 2 O 106/14 (27.11.15), OLG Karlsruhe 6 U 220/15 (27.04.16) and BPatG 4 Ni 6/15 (EP) (25.10.16). LG Munchen 7 O 16945/15 (21.04.16) and BPatG 2 Ni 21/16 (21.04.15): In this instance, an injunction was issued even though a challenge to the patent’s validity was ongoing. Ultimately, the patent infringement action as well as the patent validity challenge were withdrawn, and the case has been assumed to be settled.

⁶⁹ This refers to a situation in which a court finds that there is an infringement and therefore issues an injunction despite the fact that invalidity proceedings are still pending before another court. On this topic see: Chien, Helmers, Spigarelli, n. 33. K. Cremers et al., ‘Invalid but infringed? An analysis of Germany’s bifurcated patent litigation system’ (2016) 31 J. Econ. Behav. Organ., Part A 218. Those last authors stress that the longer duration of invalidity proceedings (compared to infringement proceedings), combined with an average delay of at least 4 months for the initiation of the invalidity proceedings (following the starting of the infringement proceedings), “imply in practice that decisions on invalidity follow infringement decisions with a considerable lag”. A 2019 study reports that, due to the number of cases, the backlog and the lack of resources, it takes now longer, nearly 27 months, for the German Federal Patent Court to rule on invalidity. As patent infringement proceedings take just a year in Munich, longer in Mannheim and between 14 and 24 months in Düsseldorf, the injunction gap thus varies between at least 7 months (for long infringement proceedings in Düsseldorf) and 19 months (for fast infringement proceedings in Munich). The trend is in any case worrying and appears as “the fundamental ill of the German system”. M. Klos, ‘Nullity suits leave large wake at Federal Patent Court, Juve Patent’ (30 Aug. 2019) <<https://www.juve-patent.com/market-analysis-and-rankings/courts-and-patent-offices/nullity-suits-leave-large-wake-at-federal-patent-court/>> accessed 27 Jan. 2020.

injunctive relief) against alleged infringers which may drive to settlements and withdrawals of validity challenges, leaving disputed patents unreviewed.⁷⁰

35. German courts have adopted a particularly strong view on the fact that there can be little to no reason for treating NPEs or PAEs differently than other patent holders.⁷¹ They also have been more reluctant than other European courts to deny or tailor injunctive relief in light of, e.g. the public interest or the fact that the infringing part constituted only a small component of a highly complex product.⁷² If these elements have been considered to fall within the scope of a test of proportionality, the application of such test was so strict⁷³ that, *in fine*, it provided almost no room for manoeuvre (see *infra*, Part III, 2.4.1. Temporary stay). What German courts have nonetheless done on a larger scale than any other courts in the instances studied, was to grant injunctive relief on the condition that a security, in the form of a bank guarantee, was posted.⁷⁴

III. Conclusive remarks: Further risks and search for more flexibility

36. Despite the fact that courts were “hesitant to draw patent law or competition law consequences based solely on the fact that a party is a PAE”⁷⁵, they did provide some responses to over-enforcement practices

⁷⁰ This was arguably the case in LG Mannheim 2 O 106/14 (27.11.15) (on infringement) and BPatG 4 Ni 6/15 (EP) (25.10.16) (on validity). A patent infringement action was filed, shortly followed by an invalidity challenge. After findings of infringement and the issuance of an injunction, but before a decision of the BPatG, the case was withdrawn and the appeal hearing on infringement was scheduled but not registered.

⁷¹ LG Mannheim 7 O 94/08 (27.02.09). The fact that the right holder was exclusively exploiting patents through licensing activities was considered irrelevant regarding the right to obtain and enforce an injunction. To obtain and enforce such measure was considered permitted under patent law and did not amount to a misuse of a legal position. Neither were any constraints derived from a FRAND declaration and competition law. LG Dusseldorf 4a O 114/13 (30.10.14). The fact that a right holder’s only purpose was the acquisition, holding, and administration of patents, and that it had no market position to protect, did not affect the right to obtain injunctive relief.

⁷² In the case of complex products: OLG Karlsruhe 6 U 12/12 (07.08.13) overturned on appeal in BGH X ZR 114/13 (10.05.16). LG Munchen 7 O 16945/15 (21.04.16). With regard to the public interest: LG Dusseldorf 4a O 114/13 (30.10.14). LG Munchen 7 O 16945/15 (21.04.16).

⁷³ For example, in one instance, an injunction and the recall of products was ordered despite the fact that the infringing part constituted only a small component of a highly complex product. The court was not influenced by the fact that the patent owner produced no product, sought only to collect royalties on a patent that would expire few months later, that the patent related to a single feature of a product containing thousands of them or that many products would have to be recalled from the market. The BGH held that a stay on enforcement of an injunction could only be granted if the patent in suit concerned “a small but essential component of a technically complex device and [could not] be replaced within a reasonable timeframe by an expired patent or licensable product” (Free translation). In the case at hand, the BGH held that, in light of this test, the measures were not disproportionate. BGH X ZR 114/13 (10.05.16).

⁷⁴ LG Mannheim 7 O 98/16 (17.03.17). OLG Dusseldorf I-2 U 5/13 (19.01.17). OLG Munchen 6 U 2888/15 (02.06.16). LG Munchen 7 O 16945/15 (21.04.16). LG Dusseldorf 4b O 140/13 (26.03.15). LG Dusseldorf 4a O 54/12 (11.12.12). LG Dusseldorf 4b O 274/10 (24.04.12). LG Mannheim 7 O 20/11 (20.04.12). LG Mannheim 7 O 472/04 (20.01.12). LG Dusseldorf 4a O 139/10 (01.12.11). LG Dusseldorf 4b O 279/06 (31.07.07).

⁷⁵ Contreras and Picht, n. 38, 3. In the following instances, national courts paid attention to the form or business model adopted by the enforcer without necessarily drawing any conclusions from it. In the UK: *Affymetrix Inc., Affymetrix UK Ltd. v. Multilyte Ltd.* [2004] EWHC 291 (Pat). *Environmental Recycling Technologies Plc. v. Upcycle Holdings Ltd.* [2013] EWPC 4. *Nokia Corp. v. InterDigital Tech. Corp* [2006] EWCA Civ 1618. *Unwired Planet International Ltd. v. Huawei & Samsung* [2016] EWHC 958 (Pat). *Unwired Planet International Ltd. v. Huawei & Samsung* [2015] EWHC 2097 (Pat). *SanDisk Corp. v. Philips et al., including SISVEL* [2007] EWHC 332 (Ch). In France: TGI Paris (3^e ch. 2^e sct.) 17 Avril 2015, RG 14/14124. TGI Paris (3^e ch. 1^e sct.) 26 Mai 2016, RG 14/05090. T. Comm. Marseille, 20 Sept. 2016, RG 2016F01637. TGI Paris (3^e ch. 3^e sct.) 30 Oct. 2015, RG 13/06691. TGI Paris (3^e ch. 1^e sct.) 17 Mars 2016, RG 12/12329. TGI Paris (3^e ch. 3^e sct.) 10 Mars 2017, RG 14/16022. In Germany: LG Dusseldorf 4b O 140/13 (26.03.15). LG Dusseldorf 4b O 16/16 (24.05.16). LG Munchen 7 O 16945/15 (21.04.16). OLG Munchen 6 U 2888/15 (02.06.16). LG Mannheim 7 O 38/14 (26.02.16). OLG Karlsruhe 6 U 29/11 (18.04.11). LG Mannheim 7 O 20/11 (20.04.12). LG Mannheim 7 O 255/10 (17.06.11). OLG Mannheim 2 O 53/12 (28.02.14). In Belgium: HvB te Brussel (8^{ste} kamer) 03 Sept. 2002,

as practices that could either be classified as anti-competitive or unlawful under other sets of legal rules. Nevertheless, some drawbacks have been identified which let us believe that more reliance on flexible mechanisms would be beneficial in the enforcement framework.

37. First, there are some disparities between national courts regarding the interpretation of the different provisions of the Enforcement Directive. This is particularly the case for the interpretation given by UK courts compared to the one provided by German courts. While UK courts are more ready to exercise their discretion in order to evaluate all the circumstances of a case before granting an injunction (or to tailor such grant), German courts regularly stand by the fact that they do not benefit from the same discretion. As explained in Part III of this contribution, it is generally argued that German courts neither benefit from discretionary powers nor engage in a proportionality test or a balancing exercise before granting permanent injunctions⁷⁶ (see *infra*, 2.4. Abuse of rights and proportionality with regard to injunctive relief). In recent decisions involving PAEs, but also operating companies, UK courts have supported that article 3 of the Enforcement Directive should be more relied upon in order to infuse flexibility in injunctive relief.⁷⁷ This has generally been refused by German courts.⁷⁸ The disparities in interpreting this article 3 and in applying its principles are particularly harmful and should therefore be reduced.

38. Second, the burden of proof which lied on defendants to demonstrate that a right holder engaged in over-enforcement is particularly burdensome. The focus on subjective elements, such as bad faith or intention to harm, as well as the general reluctance of certain courts to find that some prerogatives may be exercised abusively although patents may be found valid and/or infringed, is a serious hurdle for defendants. A claim of over-enforcement should not necessarily be successful on a lower burden of proof. However, there might be over-enforcement practices which do not fall within the scope of a competition law defence or a bad faith defence, because they do not reach the level of harmfulness required, but which could nonetheless be subjected to a moderation test. For example, the approach adopted by certain courts, in particular in the UK, to assess unreasonableness in the exercise of patent prerogatives, a lack of proportionality, as well as acts of unfair competition (in France and Belgium), appear to provide some positive results in terms of limiting over-enforcement claims.

39. Third, one of the main concerns identified in the literature regarding the enforcement practices of PAEs was that PAEs can heavily rely on the threat of injunctive relief. To study this threat through a set of decisions is not an easy task. First, cases where PAEs capitalize on the threat of injunction and settle for a fee that is bearable by the defendant (and more attractive than the money, efforts and time spent in litigating) might be consequential but will not be discovered by the study undertaken here. Second, we should make a clearer distinction between different types of injunctions. We believe that the possibility to get preliminary injunctions should be studied and factored in the analysis. The risks of such injunctions compared to permanent injunctions might as well have a threatening effect, and lead to early settlements that remain confidential and thus unnoticed. Third, more in-depth analysis would be needed to assess the probability for a patent holder to obtain an injunction and, more importantly, the influence this probability and the perceived litigation risk have on the behaviour of the targeted companies, for instance whether they settle or prefer to abandon some product developments. In light of the criticisms made by companies active in

DSM N.V. et al. v. Rohme Enzyme GmbH et al. (AR nr. 2000/AR/2557). In the Netherlands: Rechtbank den Haag, 24 Oct. 2014, KG ZA 14-870. Rechtbank den Haag, 6 Juli 2011, HA ZA 10-2069.

⁷⁶ C. Rademacher, 'Injunctive relief in patent cases in the US, Germany and Japan: Recent developments and outlook' in T. Takenaka (ed), *Intellectual property in Common law and Civil law* (Edward Elgar 2013). U. Scharen, 'The practice of claiming injunctive relief for patent infringement in Germany' (2018) 14(2) *JIPLP* 112.

⁷⁷ *HTC Corporation v. Nokia Corporation* [2013] EWHC 3778 (Pat) at 26-27. Justice Arnold observed that: "the time has come to recognize that, in cases concerning infringements of intellectual property rights, the criteria to be applied when deciding whether or not to grant an injunction are those laid down by Art. 3(2): efficacy, proportionality, dissuasiveness, the avoidance of creating barriers to legitimate trade and the provision of safeguards against abuse".

⁷⁸ LG Mannheim 7 O 182/08 (18.12.09). LG Dusseldorf 4b O 274/10 (24.04.12). BGH, 10 May 2016, XZR 114/13.

Europe and which have been approached or sued by PAEs, the problem appears more serious than what the sample of cases studied in this contribution indicates.

40. In the next part, we argue that more reliance on flexible mechanisms such as the principle of abuse or the principle of proportionality may mitigate some of the remaining risks associated with over-enforcement practices, in particular vis-à-vis permanent injunctions.

C. The principles of the prohibition of abuse of rights and of proportionality – how to better incorporate them in the patent enforcement framework

I. The principle of abuse of right: A principle common to many EU member states

1. Definition

41. Numerous civil law countries have adopted or even incorporated in their legislation, a principle prohibiting abusive exercises of rights. Such principle is grounded on a variety of theories such as the notion of fault (e.g. in Belgium and France), good faith (e.g. in Germany) or reasonableness and fairness (e.g. in the Netherlands). It is accepted that whatever the foundation theory chosen, the abuse of rights theory is commonly understood as an “instrument allowing judges to find a remedy for an imbalanced situation and a tool for recovery of distorted exercises of a right”⁷⁹.

42. A common concept of abuse is also generally accepted, i.e. the exercise of a person’s rights in a manner which is unreasonable, with consequent harm to another, whether there was an intent or mere carelessness or indifference as to harm resulting (or not).⁸⁰ An abuse can be considered as a crossing of internal limits revealing that despite adherence to formal and external limits by a right holder the exercise of a right may be considered reprehensible.⁸¹ In other words, the exercise is not illegal but is considered illegitimate.

43. Multiple criteria are relied upon by national judges in order to determine whether the exercise of a right may be considered abusive. These criteria are either subjective, i.e. they refer to the specific intentions of the right holder, or objective, i.e. they refer to the particular circumstances of a case without necessarily taking the intentions of the right holder into account. The most common criteria relied upon in civil law countries are: the fact that a right may be exercised with the intention to harm others (which can generally encompass the exercise of rights with bad faith), that such exercise may be considered disproportionate (which includes the exercise of rights with disregard for the interests of third parties or without legitimate

⁷⁹ V-L. Benabou, ‘L’abus de droit peut-il servir la cause de l’intérêt général en droit de la propriété intellectuelle’ in *L’intérêt général et l’accès à l’information en propriété intellectuelle* (Université Libre de Bruxelles, colloque des 21 et 22 Avril 2006, Bruylant 2008).

⁸⁰ A. Lenaerts, ‘The general principle of the prohibition of abuse of rights: A critical position on its role in a codified European contract law’ (2010) 18(6) ERPL 1121. T. Léonard, *Conflits entre droits subjectifs, libertés civiles et intérêts légitimes: un modèle de résolution basé sur l’opposabilité et la responsabilité civile* (Bruxelles Larcier 2005). W. Van Gerven, *Beginnselen van Belgisch privaatrecht. 1: Algemeen deel* (2e druk, Antwerpen: Standaard 1973).

⁸¹ S. Stijns, ‘Abus, mais de quel(s) droit(s)?’ (1990) JT n 5533, 33. A. Lenaerts, ‘The role of the general principle of abuse of rights in a codified European contract law’ in I. Samoy (ed), *Evolutie van de basisbeginselen van het contractenrecht* (Metro No. 50, Intersentia 2010). P-E. Moyse, ‘L’abus de droit: L’anténorme – Partie I’ (2012a) 51(4) McGill LJ 859. P-E. Moyse, ‘L’abus de droit: L’anténorme – Partie II’ (2012b) 58(1) McGill LJ 1. G. Palombella, ‘The abuse of rights and the rule of law’, in A. Sajo (ed), *The Dark side of Fundamental Rights* (Eleven International Publishing 2006). M. Byers, ‘Abuse of rights: An old principle, a new age’ (2002) 47 McGill LJ 389. A. Kjellgren, ‘On the Border of Abuse – The jurisprudence of the European Court of Justice on circumvention, fraud and other misuses of community law’ (2000) 11(3) Eur. Bus. L. Rev. 179. For an application of this theory to copyright, see C. Caron, *Abus de droit et droit d’auteur* (Litec 1998).

interests) and that the exercise of rights contradicts the purpose or function for which they have been granted.

44. If the principle of the prohibition of abuse is particularly well-known in Belgium and France, the place and role of such principle in the German legal order is less straightforward. In Germany, the theory of abuse is considered to be a specific application of the general principle of good faith (*'Treu und Glauben'*) that originates in §242 of the *'Bürgerliches Gesetzbuch'* (the German civil code or BGB)⁸². This general provision only provides guidelines to courts and there is a need for interpretation in light of the circumstances of each particular case in order to determine if the exercise of a right is contrary to the principle of good faith. It is nonetheless recognised that, if a right is exercised contrary to its objective, or in a disproportionate manner to the detriment of others, the exercise of that right may be reduced to its normal proportions on the basis of the limitative or corrective function (*'Korrektur des Gesetzesrechts'*) of good faith⁸³. The principle of good faith is also said to be broad enough to encompass cases where a right is exercised only for the purpose of harming others or cases where the right is being used against its rationale or its social function.⁸⁴

2. The functions and sanctions of the principle of abuse

45. Similar to the limitative and corrective functions of good faith previously mentioned, the principle of the prohibition of abuse of rights also has an interpretative and a corrective function. Its interpretative function is closely connected to the fact that the exercise of a right may be considered abusive despite the fact that it complies with the right granted. As previously mentioned, this materialises in the distinction between an illegitimate and an illegal exercise of rights. The interpretative function allows to take some distance with the black letter law in order to ensure that the underlying objectives or purposes of a corpus of rules are respected. Additionally, the prohibition of abuse of rights also functions as a correction mechanism. It is there to redress deviant exercises of rights.

46. The sanction or correction stemming from findings of abuse is not the forfeiture of the right which has been abused. Rather, it is only the exercise of this right which is limited to what is considered a proper use by a deciding authority. This tailoring of exercise may be accompanied by the allocation of damages⁸⁵ if a particular prejudice has to be repaired. The sanction is there to remove the ability from the right holder to assert his right in a manner considered improper by a judge as well as to compensate for the harm caused.

II. Abuse of rights, proportionality and the Enforcement Directive

1. Abuse of rights in the Enforcement Directive

⁸² §242 BGB. Performance in good faith: An obligor has a duty to perform according to the requirements of good faith, taking customary practice into consideration <https://www.gesetze-im-internet.de/englisch_bgb/englisch_bgb.html#p0731> accessed 6 Aug. 2019.

⁸³ A. Lenaerts, 'The relationship between the principles of *fraus omnia corrumpit* and the prohibition of abuse of rights in the case law of the European Court of Justice' (2011) 48 CMLR 1703. M. Taruffo, *Abuse of Procedural Rights: Comparative Standards of Procedural Fairness* (Kluwer Law International 1999). F. Ranieri, 'Bonne foi et exercice du droit dans la tradition du civil law' (1998) 50(4) RID Comp. 1055. R. Zimmermann and S. Whittaker, *Good Faith in European Contract Law (CUP 2000)*.

⁸⁴ Ranieri, n. 83.

⁸⁵ Stijns, n. 81. P. Ancel, 'L'abus de droit en droit français et en droit belge' in E. Van Den Haute (ed), *Le droit des obligations dans les jurisprudences française et belge* (Bruxelles, Bruylant 2013) 99. P. Bazier, 'Abus de droit, rechtsverwerking et sanctions de l'abus de droit' (2012) 8 TBBR 393. F. Terré et al., *Droit civil. Les obligations* (12^e ed. Dalloz 2019) 1050.

47. The prohibition of abuse of rights is not limited to a specific field of law but, on the contrary, is to be considered “one of those pervasive legal concepts that is common to all disciplines”⁸⁶. It is, therefore, not necessary to have an explicit provision which would state that the abusive exercise of a right is prohibited.

48. Nevertheless, in the context of IP enforcement, it should be noted that a specific anti-abuse provision is included in the Enforcement Directive.⁸⁷ Article 3 explicitly requires that measures, procedures and remedies necessary for the enforcement of intellectual property rights shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays. Article 3(2) also provides that those “measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their *abuse*” (Emphasis added). This paragraph is generally applicable to all remedies and procedures in European IP law.⁸⁸ Next to article 3(2), article 8(2) and article 41(1) of the TRIPs Agreement postulate that safeguards against the abuse of IP rights, as well as abuse of procedures, shall be in place in order to ensure that the balance between the protection of IPRs and the interests of third parties is not wrongfully tilted in favour of one or the other.

49. Since the Enforcement Directive is an instrument of EU law, its provisions are subject to the interpretation and scrutiny of the CJEU. Therefore, hypothetically, guidance on the interpretation of article 3(2), and the meaning of abuse in the adjudication context, in particular, may be found in the case law of the Court. In practice, however, the case law of the Court is of little assistance in this matter. Most decisions referring to article 3(2) concentrate on the effectiveness and dissuasiveness⁸⁹ of measures, procedures and remedies, while the other half of the sentence, i.e. that they should also be applied in a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse, is almost absent from the case law of the Court.

50. In the landmark case *Huawei v. ZTE* (C-170/13), AG Wathelet⁹⁰ evoked one possible meaning of abuse under article 3(2) of the Enforcement Directive. In his opinion (footnote 37) he noted that: “The concept of abuse is not defined in Directive 2004/48. I take the view, however, that that concept necessarily, *though not exclusively*, encompasses infringements of Articles 101 TFEU and 102 TFEU” (Emphasis added). If the AG recognised that the word abuse under article 3(2) encompasses anti-competitive behaviour, he also emphasised that abusive practices are not exclusively constitutive of abuses from the point of view of competition law. Therefore, alternative conceptions of abuse, next to anti-competitive practices, may be comprised under this provision. These alternative conceptions may include the principle of the prohibition of abuse of rights as previously presented.

⁸⁶ R. Dussault, ‘De l’abus des droits’ (1961) 4(3) Les cahiers du droit 114.

⁸⁷ A. Metzger, ‘Abuse of Law in EU private law: A (re-) construction from fragments’ in R. De La Feria and S. Vogenauer (eds), *Prohibition of abuse of law, a new general principle of EU law?* (Hart Publishing 2011) 250-251.

⁸⁸ *Ibid.*, 243. European Observatory on Counterfeiting and Piracy. Injunctions in Intellectual Property Rights <<https://euipo.europa.eu/ohimportal/en/web/observatory/observatory-publications>> accessed 6 Aug. 2019.

⁸⁹ On the principle of effectiveness, see: Opinion of Advocate General Szpunar, Case C-149/17, *Bastei Lübbe GmbH & Co. KG v. Michael Strotzer*, EU:C:2018:400. Case C-494/15, *Tommy Hilfiger Licensing LLC and Others v. DELTA CENTER a.s.*, EU:C:2016:528. Opinion of Advocate General Szpunar, Case C-223/15, *combit Software GmbH v. Commit Business Solutions Ltd.*, EU:C:2016:351. Opinion of Advocate General Wathelet, Case C-99/15, *Christian Liffers v. Producciones Mandarin SL, Mediaset España Comunicación SA, formerly Gestevisión Telecinco SA*, EU:C:2015:768. Opinion of Advocate General Villalón, Case C-580/13, *Coty Germany GmbH v. Stadtsparkasse Magdeburg*, EU:C:2015:243. Opinion of Advocate General Villalón, Case C-314/12, *UPC Telekabel Wien GmbH v. Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft GmbH*, EU:C:2013:781. Case C-180/11, *Bericap Záródástechnikai Bt. v. Plastinnova 2000 Kft*, EU:C:2012:717. Case C-324/09, *L’Oréal SA and Others v. eBay International AG and Others*, EU:C:2011:474. On the principle of dissuasiveness, see: Case C-57/15, *United Video Properties Inc. v. Telenet NV*, EU:C:2016:611, and the Opinion of Advocate General Sánchez-Bordona, EU:C:2016:201.

⁹⁰ Opinion of Advocate General Wathelet, Case C-170/13, *Huawei Technologies Co. Ltd. v. ZTE Corp. and ZTE Deutschland GmbH*, EU:C:2014:2391. The Court, however, did not develop on this point in its decision.

2. Proportionality principle in the Enforcement Directive

51. With regards to the principle of proportionality, commentators have argued that national courts should rely more regularly on the principle of proportionality in order to limit the exercise of IP rights.⁹¹ This approach directly comes from the interpretation to be given to article 3(2) IPRED. As previously mentioned, article 3 stipulates that: “measures, procedures and remedies shall also be effective, *proportionate* and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse” (Emphasis added).

52. Much ink has been spilled on the role that such principle could play in balancing different fundamental rights.⁹² For example in balancing, on the one hand, the fundamental property right of right holders (as protected under article 17(2) of the European Charter of Fundamental Rights) and, on the other hand the right of, e.g., conduct of business (protected under article 16 of the EU Charter) of defendants.⁹³ In these instances, courts are requested to engage in a balancing test to infuse some flexibility in litigation in order to attain an adequate or satisfactory outcome. In the framework of patent litigation in particular, there is a growing trend in literature that considers that such balancing should also take place vis-à-vis injunctive relief⁹⁴.

53. What is proposed in this paper is that, the principle of proportionality should not necessarily be limited to a balancing exercise between different fundamental rights but should be more internalised and functions as a criterion for assessing the adequacy of enforcement measures. A balancing exercise may be relied upon in order to determine whether the exercise of an IP right has or not encroached on a fundamental right. Additionally, the proportionality principle could play a potentially more prominent role at the remedial level. In most of the recent fundamental rights case law of the CJEU in the field of copyright the focus has already been on the role of the principle vis-à-vis the grant of remedies.⁹⁵ Without necessarily involving a balance between fundamental rights, the proportionality principle could infuse more flexibility in patent litigation. After all, the text of the Enforcement Directive clearly stipulates that the “measures, procedures and remedies” shall be proportionate.

3. Abuse of rights, proportionality and over-enforcement in patent litigation

⁹¹ A. Ohly, ‘Three principles of European IP enforcement law: effectiveness, proportionality, dissuasiveness’ in J. Drexler et al. (eds), *Technology and Competition, contributions in honour of Hanns Ullrich* (Bruxelles, Larcier 2009) 257. See also: Seuba, n. 3. On the role of proportionality in the enforcement of IPRs in the United States, see the seminal work of P. Merges, *Justifying Intellectual Property* (Harvard University Press 2011).

⁹² This balancing exercise is particularly present in the case law of the CJEU, as well as national courts, in the field of copyright. See e.g.: C. Geiger and E. Izyumenko, ‘Blocking Orders: Assessing Tensions with Human Rights’ (2019) CEIPI Research Paper No. 2019-03 < https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3392253 > accessed 27 Jan. 2020. M. Husovec, ‘Intellectual Property Rights and Integration by Conflict: The Past, Present and Future’ (2016) 18 CYELS 239.

⁹³ In patent law, see e.g., in the Netherlands: Rechtbank’s Gravenhage, 30 Sept. 2009, HA ZA 09-1951. Gerechtshof Den Haag, 27 Jan. 2015, KG ZA 14-185 (on appeal). HR, 14 April 2017, 15/01813 (judicial review). Opinion AG Van Peursem, HR, 30 Sept. 2016, 15/01813, pt. 2.37 et seq.

⁹⁴ Biddle, n. 34. Caron, n. 43. R. Sikorski (ed), *Patent Law Injunctions* (Kluwer Law International 2019). In April 2019, LMU Munich hosted a conference on ‘Injunctions and Flexibility in Patent Law’ <<https://www.en.zr11.jura.uni-muenchen.de/conference-april/presentations/index.html>> accessed 6 Aug. 2019. A contrario, some authors also argue that to infuse more proportionality in the grant of injunctive relief would be hazardous and could severely disturb the balance of the patent system as a whole. L. Tochtermann, ‘Injunctions in European Patent Law’ (2019) 4IP Council <<https://www.4ipcouncil.com/research/injunctions-european-patent-law>> accessed 24 July 2019.

⁹⁵ Husovec, n. 92, 251. Strowel, n. 2.

54. In light of the previous developments, it appears that the theory of abuse of rights, as a correction mechanism, has strong underpinnings in the Enforcement Directive and, together with the principle of proportionality that lies at the core of this theory, has the potential to address situations of excessive exercise of IP rights and prerogatives.

55. Within the framework of patent litigation and enforcement, the prerogatives of patent holders include, but are not limited to, the right to send a notice of infringement, the right to initiate an action before a court, the right to obtain evidentiary and provisional measures, the right to obtain final remedies in case of infringement, as well as the right to appeal. These prerogatives give concrete content to the negative right to exclude third parties. It is the exercise of these specific prerogatives which should be put to the test of abuse or contained via the application of the proportionality principle.

56. By doing so, and by relying on article 3(2) of the Directive (and the national conceptions of abuse) some of the concerns identified in the communication papers of the Commission and its evaluation of the Enforcement Directive may be reduced. In particular, we point here at three common criteria used by national courts (within and outside the framework of IP litigation) to limit the abusive exercise of IP rights, i.e. i) the intention to harm criterion, ii) the proportionality criterion and iii) the right-function criterion.⁹⁶

57. The first two criteria do not require extensive explanation. National courts have generally considered that the exercise of rights with bad faith or with an intention to harm was to be considered abusive. As for the proportionality criterion, it has been previously mentioned that it could be internalised in order to function as a criterion for assessing the adequacy of enforcement measures. The last criterion, however, has less often been relied upon by national courts. This is somewhat regrettable as it could be most helpful in light of the current concerns and practices of certain IP right holders such as PAEs.

58. The right-function criterion could be relied upon in order to counteract the use of rights and remedies in a manner that would notably contradict the purpose of the legal rules granting those rights and remedies.⁹⁷ The purpose which may serve as a reference for the assessment of abuse could be found under the rules of enforcement adopted in national legislation and interpreted in conformity with the Enforcement Directive (i.e. an enforcement purpose)⁹⁸. The purpose referred to may also be the general purpose of patent law under the rule of national patent law but also in light of general treaties such as the TRIPs Agreement or the Paris Convention (i.e. substantive purpose).

4. Abuse of rights and proportionality with regard to injunctive relief

59. In the past few years, the CJEU, as well as some national courts, have tailored new solutions in terms of injunctive relief.⁹⁹ The idea is growing that courts should infuse more considerations of flexibility and proportionality before granting this remedy. We envisage here three sanctions of abuse which could infuse these considerations of flexibility and proportionality in the context of injunctive relief. All three sanctions are elaborated in light of the fact that the sanction of abuse is not the forfeiture of a right, but only the

⁹⁶ A. Léonard, ‘Abuse of Rights’ in Belgian and French Patent Law – A Case Law Analysis’ (2016) 7(1) JIPITEC 30. A. Léonard, ‘L’abus de droit dans le contentieux des brevets – Entre divergences nationales et vœu d’harmonisation de la juridiction unifiée du brevet – Une piste à suivre?’ (2017) 1 Prop. Ind., étude 2.

⁹⁷ Metzger, n. 87, 251.

⁹⁸ For example, recital 2 of the Enforcement Directive stipulates that “the protection of intellectual property should allow the inventor or creator to *derive a legitimate profit* from his/her invention or creation” (Emphasis added). The re-assessment of the exercise of patent prerogatives in light of this recital may influence courts to decide on whether the exercise is actually in line with this objective of “legitimate” profit.

⁹⁹ S.A. Smith, ‘The Structure of Remedial Law’ in D. Campbell and R. Halson (eds), *Research Handbook on Private Law Remedies* (Edward Elgar 2019).

tailoring or reduction of the exercise of this right to what is considered a proper use by a deciding authority.¹⁰⁰

(a) Temporary stay

60. A first sanction would be for national courts to order an injunction but to stay its enforcement for a certain period. This would represent a minor encroachment vis-à-vis injunctive relief and could constitute an adequate means to prevent abusive enforcement. Under this scenario, courts would not alter the legal requirements for the grant of injunctive relief. Findings of infringement (and validity) would still be sufficient to justify the measure. However, courts would put the enforcement on hold by, for example, undergoing a balance of interests, by considering the potential for a wrongful enforcement of the measure, or by taking into consideration previous procedural misconducts by right holders. If the enforcement of the injunction would appear to be unreasonable or grossly disproportionate, in light of all the circumstances of the case, courts would stay the enforcement. A stay could also last for a sufficient period to allow would-be infringers to design-around and find non-infringing ways to exploit their products or services. This approach is an attractive option as it reduces the risks that a potential infringer, under the threat of an injunction, may be inclined to pay for licensing fees which reflect a holdup value.¹⁰¹ To order a stay also avoids the difficulties of evaluating the harm caused by an injunction which may be wrongfully enforced, e.g. because it is found on appeal that the patent was invalid, and/or that there was no infringement and that the right holder knew or should have known, or acted with bad faith.

61. In some instances, in Germany, the UK and most recently in the Netherlands, courts have granted temporary stays on the enforcement of injunctive relief. In the UK, the balance of interests between the parties has been of fundamental importance in the decision to stay.¹⁰² Additionally, the consequences of enforcement on the public interest have also been considered as an element which may tilt the balance in favour of a stay.¹⁰³ Stays have been granted to encourage negotiations between the parties¹⁰⁴ but also to enable potential infringers to make alterations to render products or processes non-infringing, i.e. to invent or design-around.

62. In 2019, the Court of Appeal of the Hague stayed the enforcement of an injunction notably in light of the “significant damage” that such remedy may cause to a defendant. The Court held that the interests of the parties must be considered in the determination of whether an injunction should be stayed. In particular, it must be determined whether the interests of the beneficiary of the injunction outweighs those of the defendant. As part of its reasoning, it considered that the injunction touched upon the core business of the defendant, that there were no non-infringing alternatives available, and that there was a risk that the

¹⁰⁰ Part of the suggestions made in the following paragraphs are issued from the PhD thesis of one of the authors. A. Léonard, *Abuse of rights in European patent law: Reconsidering the principle of the prohibition of abuse of rights as an internal correction mechanism against over-enforcement practices by right holders*, Leuven, May 2019 (manuscript with the author).

¹⁰¹ N. Siebrasse, ‘Holdup, Holdout and Royalty Stacking: A Review of the Literature’ in B. Biddle et al. (eds), *Patent Remedies and Complex Products: Toward a Global Consensus* (CUP 2019) 500-501: “[...] if the cost of designing around the patent is moderate or low, the permanent injunction may be granted with a stay that is long enough to permit the infringing firm to complete the redesign. The option of a stay is attractive because it reduces the risk of holdup in cases where redesign is not too costly, while also minimizing the risk of undercompensation, because even if damages are undercompensatory, the marginal effect of that undercompensation is felt only during the period of the stay”. Such a stay of injunctive relief was also considered a mitigating factor for situation of hold-up in M.A. Lemley and C. Shapiro, ‘Patent Holdup and Royalty Stacking’ (2007) 85 Texas L. Rev. <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=923468##> accessed 27 Jan. 2020.

¹⁰² *Regeneron Pharmaceuticals, Inc. v. Kymab Ltd. & Anor* [2018] EWCA Civ 671.

¹⁰³ *Adaptive Spectrum and Signal Alignment Inc. v. British Telecommunications Plc.* [2014] EWCA Civ 1513, at 6. *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256 (Pat) and [2017] EWHC 755 (Pat).

¹⁰⁴ *Unwired Planet International Ltd. v. Huawei & Samsung* [2017] EWHC 711 (Pat).

defendant would not be able to recover from the damages caused by the injunction if findings of infringement were later overturned on appeal. The lack of redress was particularly worrisome for the court as the injunction had far-reaching consequences in the business of the defendant and compromised its viability on the market. The Court, however, did not explicitly refer to article 3(2) IPRED.¹⁰⁵

63. In Germany, the conditions to obtain a stay have been interpreted in a stricter manner than in the UK.¹⁰⁶ In 2016, the German Federal Court of Justice held that two cumulative conditions must be met to stay the enforcement of an injunction. First, a stay would only be granted if the enforcement of the injunction would be disproportional, i.e. if the immediate enforcement would lead to severe consequences for the defendant which go far beyond the intended effects of the injunctive relief and therefore would be unacceptable. Second, the enforcement should be considered non-justifiable and contrary to the principle of good faith (under §242 BGB). The Federal Court came to this conclusion on the basis of §242 BGB read in combination with article 3(2) IPRED and article 30 TRIPs and held that a grace period would be possible even if it is not explicitly envisaged under German patent law. These two conditions may be interpreted less strictly within the context of enforcement of a SEP when patent holders have promised to license their technology under FRAND terms.¹⁰⁷ However, the general interpretation would remain fairly strict.

64. Overall, by relying on two cumulative conditions, and in particular by requesting that the enforcement be contrary to the principle good faith to justify a stay, the German Federal Court of Justice does not leave many possibilities for courts to grant a stay. A subsequent decision from the Dusseldorf Regional Court limited even more this possibility by stating that the interests of third parties or the public should not be considered at all in deciding whether to grant a stay.¹⁰⁸ Moreover, the difference in interpretation that exists between UK (objective proportionality and public interest) and German (absence of good faith) courts, as to the conditions leading to a stay, may be detrimental to a proper enforcement of patents on the European market.¹⁰⁹ Inconsistent applications of the requirements envisaged under article 3(2) IPRED may lead to legal uncertainty for litigants.

65. To order a stay on enforcement may seem particularly intrusive on the exclusive rights of patent holders. However, safeguards may be put in place in order to limit the invasiveness of such tailoring of injunctive relief. First, a stay will necessarily be temporary. The effect of the remedy will be delayed for a limited period, but the remedy as such will still be available to right holders. A temporary stay on enforcement represents a reduction of the exercise of a right to what may be considered appropriate. However, it does not lead to the forfeiture of such right. To condition a stay on the lack of good faith in enforcement, as it is the case in Germany under §242 BGB, might overstate the encroachment of such tailoring in the exclusive prerogatives of right holders. As a second safeguard, courts may ensure that the order to stay is flexible enough to allow them to review the order in light of circumstantial changes. Finally, as a third safeguard,

¹⁰⁵ Gerechtshof Den Haag, 2 Dec. 2019, HA ZA 16-1108. Some procedural issues were also at stake in this case. L. Dijkman, ‘Hague Court of Appeal stays enforcement of patent injunction’ (16 Dec. 2019) <<http://ipkitten.blogspot.com/2019/12/hague-court-of-appeal-stays-enforcement.html>> accessed 28 Jan. 2020.

¹⁰⁶ BGH, 10 May 2016, XZR 114/13. The grace period was, nonetheless, not granted. T. Muller-Stoy, ‘The German Federal Court of Justice on availability of injunctive relief and equivalent patent infringement (BGH, judgement of May 10th 2016 – XZR 114/13)’ (2016) <<https://www.bardhele.com/de/ip-news-wissen/ip-news/news-detail/the-german-federal-court-of-justice-on-availability-of-injunctive-relief-and-equivalent-patent-infri.html>> accessed 6 Aug. 2019.

¹⁰⁷ OLG Karlsruhe 6 U 136/11 (23.01.12) and OLG Karlsruhe 6 U 38/09 (11.05.09).

¹⁰⁸ LG Dusseldorf 4a O 137/15 (09.03.17). The court held that the right to an injunction does not depend on proportionality considerations, rather, such consideration may only play a role in determining whether to grant a compulsory licence under §24 PatG. Further, the court found nothing out of the ordinary in the procedure at hand, or any bad faith on the part of the patentee, which would justify a stay.

¹⁰⁹ For example, in a parallel infringement suit in UK and Germany, the UK court granted a stay pending appeal in order for clinicians to use another device than the patented (and infringed) device. The court considered that, in light of the public interest, it was proportionate to stay the enforcement and to allow for such tailoring. A contrario, in Germany, the court granted an injunction without a stay pending appeal. LG Dusseldorf 4a O 137/15 (09.03.17).

the order to stay may be accompanied by the provision of guarantees. For example, potential infringers who benefit from a stay may offer undertakings to compensate the right holder in case of undue prolongation.¹¹⁰

(b) Denial of injunctive relief

66. A second and more invasive sanction of abuse which may be reflected on injunctive relief is the possibility for courts to deny such remedy. The refusal to grant a measure when a right is exercised abusively constitute a traditional sanction of abuse. Therefore, to deny injunctive relief may be considered an appropriate remedy to findings of abuse in the framework of patent litigation.

67. Article 11 of the Enforcement Directive stipulates that: “where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement []”. Textually, article 11 only requires that Member States provide for the availability of injunctions but does not stipulate that national courts should grant an injunction for all cases of infringement.¹¹¹

68. Additionally, this provision must also be read in combination with recitals 17 and 24 as well as article 3 of the directive. Recital 17 provides that “the measures, procedures and remedies provided for in this Directive should be determined in each case in such a manner as to take due account of the specific characteristics of that case, including the specific features of each intellectual property right and, where appropriate, the intentional or unintentional character of the infringement”. While recital 24 stipulates that prohibitory measures, as well as corrective measures, shall be appropriate and justified by the circumstances of the case.¹¹²

69. To deny injunctive relief is therefore not excluded by the text of the Enforcement Directive. An abusive exercise of the right to obtain such relief should be sufficient to justify the denial of such remedy. In theory, this is recognised by all civil law countries. However, as identified in the case law analysis, the interpretation given to the principle of abuse is generally limited to consideration of bad faith or intention to harm (i.e. the subjective criterion). Consideration of proportionality and the right-function criterion are less often recognised as useful tools by national courts.

70. With regards to proportionality, it is generally argued that German courts neither benefit from discretionary powers nor engage in a proportionality test or a balancing exercise before granting permanent injunctions.¹¹³ The interpretation of two fundamental provisions in German law seems to lead to this conclusion. First, the lack of court discretion with regard the right to injunctive relief is justified on the basis that patent rights are property rights and are therefore protected under article 14 of the ‘Grundgesetz’¹¹⁴. To deny injunctive relief to successful right holders seems to interfere too greatly with a regime of protection under this provision. Second, §139(1) PatG¹¹⁵ stipulates that an aggrieved party may sue a potential infringer for cessation and desistance. This provision, which is the legal basis for injunctive

¹¹⁰ The latter two safeguards have been evoked in the UK in *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc.* [2018] EWHC 1256 (Pat) and [2017] EWHC 755 (Pat).

¹¹¹ A. von Mühlendahl, ‘Enforcement of Intellectual Property Rights – Is Injunctive Relief Mandatory?’ (2007) 38 IIC 377.

¹¹² For an analysis of article 11 see also M. Marfé et al., ‘The power of national courts and the Unified Patent Court to grant injunctions: a comparative study’ (2015) 10(3) JIPLP 180.

¹¹³ Rademacher, n. 76, 334. Scharen, n. 76.

¹¹⁴ P. Hess, T. Muller-Stoy and M. Wintermeier, ‘Are Patents merely “Paper Tigers”?’ (2016) <http://www.bardehle.com/fileadmin/Papiertiger/Papiertiger_en.pdf> accessed 27 Jan. 2020.

¹¹⁵ §139(1) PatG: (1) Any person who uses a patented invention contrary to sections 9 to 13 may, in the event of the risk of recurrent infringement, be sued by the aggrieved party for cessation and desistance. This right may also be asserted in the event of the risk of a first-time infringement <http://www.gesetze-im-internet.de/englisch_patg/englisch_patg.html#p0755> accessed 7 Aug. 2019.

relief, is generally interpreted as leaving little to no room for discretion to judges¹¹⁶. Overall, with the exception of defences based on competition law, German courts have been “largely deaf to arguments based on abuse of rights”¹¹⁷ to deny injunctive relief.

71. It is argued here that, in light of the changes in litigation behaviour and the room for over-enforcement practices left to patent holders, the practice of national courts in Europe to grant injunctive relief on a quasi-automatic basis should be reconsidered. A distinction should be made between the right to obtain a remedy and the said remedy itself. An injunction does not necessarily have to follow the right to obtain a remedy, or the right to exclude as such¹¹⁸. By adopting this distinction between a right and a remedy, even if German courts put a strong emphasis on the fact that patent rights are protected under article 14 of the ‘*Grundgesetz*’, this should not necessarily lead to the conclusion that an injunction should be granted as a remedy to the breach of the right to exclude. As for §139(1) PatG, if this provision provides for a right to claim an injunction, it does not necessarily guarantee that the claimant will obtain this particular relief.

72. In January of this year, the German Ministry of Justice published a draft amendment to the German Patent Act¹¹⁹ providing some guidance on the role of proportionality vis-à-vis injunctive relief. Under the current draft, §139(1) PatG should be interpreted as meaning that: “The claim [to injunctive relief] is precluded to the extent that its *enforcement would be disproportionate because* it would, due to special circumstances, *taking into account* the patent holder's interests against the infringer and the *good-faith* principle, *constitute a hardship not justified* by the exclusionary right” (Emphasis added).¹²⁰ This clarification of the text may be welcome but, as illustrated in the cases studied in this paper, it does nothing more than what is currently the practice of courts. Moreover, as previously mentioned, the reference to the principle of good faith which includes subjective considerations limits the possibilities to engage in an objective proportionality test. If the two conditions evoked in the amendment (i.e. the balancing exercise between different interests and the principle of good faith) are cumulative, we believe that the latter principle will heavily limit the scope of application of the principle of proportionality. We also observe that the Enforcement Directive does not refer to good faith or subjective considerations under article 3(2). Overall, we question whether the amendment truly represents a step towards more consideration of proportionality under German patent law.

73. To conclude on this point, the application of the principle of abuse through article 3(2) of the Enforcement Directive may provide courts with some leeway to determine whether they should grant or deny injunctive relief. First, if it can be demonstrated that a right holder engaged in litigation with bad faith or aims at enforcing an injunction with a clear intention to harm, such injunction should be denied. This is

¹¹⁶ For a review of the constitutionality of §139 PatG and a plea for an amendment of this provision, see H-J. Papier, ‘Verfassungsrechtliche Anforderungen an den Patentschutz’ (2016) 8(4) Zeitschrift fuer Geistiges Eigentum 431.

¹¹⁷ C. Heath and T.F. Cotter, ‘Comparative Overview and the TRIPS Enforcement Provisions’ in C. Heath (ed), *Patent Enforcement Worldwide: Writings in Honour of Dieter Stauder* (Oxford Bloomsbury Collection 2015) 5, footnote 9. C. Osterrieth, ‘Patent Enforcement in Germany’ in C. Heath (ed), *Patent Enforcement Worldwide: Writings in Honour of Dieter Stauder* (Oxford Bloomsbury Collection 2015) 132. Arguably, one potential safeguard against abusive (in the sense of overly broad) injunctive relief remains how German courts pay particular attention to the tailoring of the scope of injunctions. The scope of injunctions is considered more defined and more precise than those granted in the other jurisdictions studied here. Claimants must provide many details in order not to obtain a too broad injunction, and courts draft such relief in precise terms rather than broad orders not to infringe. Nevertheless, the value of the threat of an injunction is exponentially higher than in jurisdictions which leave more room for discretionary powers.

¹¹⁸ Seuba, n. 3, 17. R. Castro Bernieri, *Ex-Post Liability Rules in Modern Patent Law* (EDLE, Intersentia 2012) 21.

¹¹⁹ Federal Ministry of Justice and Consumer Protection, ‘Entwurf eines Zweites Gesetz zur Vereinfachung und Modernisierung des Patentrechts’ (14 Jan. 2020) <https://www.bmjjv.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG_2.html;jsessionid=21C79BAAFF298F1C27DCC248EAE70DD4.1_cid334?nn=6712350> accessed 28 Jan. 2020.

¹²⁰ FOSS Patents (Blog) ‘Proportionality clause in draft German patent reform bill falls short of not only *eBay v. MercExchange* but also the EU’s definition’ (17 Jan. 2020) <<http://www.fosspatents.com/2020/01/proportionality-clause-in-draft-german.html>> accessed 28 Jan. 2020.

currently what is understood in most jurisdictions where it is accepted that the prohibition of abuse of rights may limit the opportunities of patent holders.

74. Next to these instances, and in light of the criterion of proportionality, general consideration of reasonableness and proportionality should also be considered in order to prevent the risk of abuse. Considerations of proportionality could lead to the denial of injunctive relief if, e.g. the defendant has developed the infringing technology independently or whether it has copied it, but also whether the infringer engaged in literal infringement or infringement by equivalent or if the infringement is due to negligence or intentional actions.¹²¹ All these elements mainly focus on the behaviour of the alleged infringer. Under an analysis of abuse, considerations of proportionality may also reflect on the behaviour of right holders. For example, instances in which right holders exercise their rights with no legitimate or reasonable interest, or when confronted with different ways of exercising their rights in an equally beneficial manner, choose the most disadvantageous option for a third party or the one that disregards the general interest, may lead to findings of an abuse. This approach may be useful vis-à-vis right holders who are equally interested in obtaining an injunction or on-going royalties. Moreover, the proportionality criterion allows courts to consider whether to grant an injunction would be appropriate in case of e.g. complex product where the patent which has been infringed represent one of many patents relevant for a final product.

75. Finally, the right-function criterion of abuse may also present some advantages for courts. For example, if a right holder relies on the threat of injunction to, *in fine*, obtain a licensing agreement because it does not practice the invention on any market (a common features of many PAEs), it could be argued that the grant of the injunction would be contrary to the purpose of the right to claim an injunction as a remedy, *i.e.* to oppose future acts of exploitation of the invention or, in other words, to prohibit the continuation of an infringement¹²². If the aim of the right holder is to obtain royalties, and therefore to *in fine* authorise, against compensation, another party to exploit an invention on the market, to claim an injunction would be not only disproportionate but also contrary to the purpose of the right to claim the measure in the first place. This would be particularly useful in instances involving PAEs. The right-function criterion may also allow courts to consider whether the public and/or consumers would be better served with an injunction. After all, one of the functions of patent law is also to serve the interests of the public at large.

76. To deny injunctive relief on this ground would also be supported by the fact that, when measures requested do not present any socially useful characteristics (considerations which would be left to the appreciation of courts in light of all the circumstances of a case¹²³) they could be refused on the basis of the prohibition of abuse. Guidance on the social usefulness of an injunction may be found, e.g. in the general objectives of article 7 of the TRIPs Agreement, *i.e.* the promotion of technological innovation, the transfer and dissemination of technology, the mutual advantage of producers and users, social and economic welfare, and the balance of rights and obligations. The right-function category could be assessed in light of, not only, the rationale for enforcement measures (*i.e.* the purpose of the injunction to put an end to situation of an illegal exploitation by a third party), but also in light of the rationale for substantive patent rights (e.g. under an interpretation of article 7 TRIPs).

¹²¹ Ohly n. 91, 264.

¹²² See e.g.: recital 24 of the Enforcement Directive which provides that: “depending on the particular case, and if justified by the circumstances, the measures, procedures and remedies to be provided for should include prohibitory measures aimed at preventing further infringements of intellectual property rights”.

¹²³ In the case law of the CJEU, the Court has already referred to the social functions of IPRs, in particular in terms of the promotion of creativity or investment. See Husovec, n. 92, 242 and the referred case law. C. Geiger, ‘The Social Function of Intellectual Property Rights, or How Ethics Can Influence the Shape and Use of IP Law’ in G. Dinwoodie (ed), *Methods and Perspectives in Intellectual Property Law* (Edward Elgar 2013).

(c) Forward looking damages in lieu of injunctive relief

77. It is clear that without the possibility to obtain an injunction, the exclusive right to exclude as well as the property interests of rights holders might be severely diminished.¹²⁴ Therefore, even if the grant of injunctive relief may, under certain circumstances, be reconsidered in light of the abusive practices of right holders, it remains that infringing acts cannot live on with impunity.¹²⁵ In this sub-section, we explore the possibility for national courts to substitute injunctive relief with the grant of forward-looking damages as a sanction of abuse.

78. Under the regime envisaged by the European Directive, i.e. article 12, pecuniary compensation in lieu of injunctive relief relies on three conditions. First, the claimant (i.e. the infringer) has to show that the acts of infringement have been committed unintentionally and without negligence. Second, it has to convince the competent judicial authority that the execution of the injunction would cause disproportionate harm. Finally, it has to be clear that pecuniary compensation is satisfactory for the patent holder. It is unclear whether these conditions are cumulative or alternative.¹²⁶

79. Some commentators have criticised the potential cumulateness of these conditions as being too restrictive of the discretionary powers of courts. According to Ohly (2009), the (too) narrow wording of article 12 and the cumulateness of the three conditions for substituting injunctive relief with compensatory damages does not prevent the application of article 3 of the Enforcement Directive. Therefore, even outside the scope of article 12 IPRED, national courts should be able to grant damages in lieu of injunctive relief if the grant of injunctive relief appears to be disproportionate¹²⁷. A relaxation in the interpretation of article 12 IPRED also seem to be favoured in the Support Study for the evaluation of the Enforcement Directive of 2017. For example, the authors of the study evoked the possibility of refusing to grant an injunction in the particular case of complex products and the replacement of such remedy by monetary compensation. Overall, a too strict application of article 12 was perceived as running counter the proportionality requirements of article 3 IPRED.¹²⁸ Other commentators, nonetheless, seem to favour the cumulateness of the conditions. They argue that article 12 provides for a helpful multifactor test¹²⁹, and that the cumulative approach should be preferred because “preventing others from using one’s intellectual property [i.e. through the grant of injunctive relief] constitutes ‘the very subject matter’ of exclusive rights”¹³⁰.

80. Very few European Member States have implemented article 12 of the Directive in their national patent laws.¹³¹ In Belgium, Neefs (2006) nonetheless observes that the “transposition would have been entirely superfluous, [since] none of the provisions mentioned in 1.6. and 1.7. [i.e. corrective measures and

¹²⁴ Heath and Cotter, n. 117, 5.

¹²⁵ A. Jones & R. Nazzini, ‘The Effect of Competition Law on Patent Remedies’ in B. Biddle et al. (eds), *Patent Remedies and Complex Products: Toward a Global Consensus* (CUP 2019) 16.

¹²⁶ P. Blok, ‘A harmonized approach to prohibitory injunctions: reconsidering Article 12 of the Enforcement Directive’ (2016) 11(1) *JIPLP* 56, 59.

¹²⁷ Ohly, n. 91. European Observatory on Counterfeiting and Piracy, n. 90, 4.

¹²⁸ Commission, n. 24, 113.

¹²⁹ Blok, n. 126, 56.

¹³⁰ *Ibid.*, 59.

¹³¹ T.F. Cotter, *Comparative Patent Remedies* (OUP 2013) 245. Commission Staff Working Document, ‘Analysis of the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights in the Member States Accompanying document to the Report from the Commission to the Council, the European Parliament and the European Social Committee on the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights’ COM(2010) 779 final, SEC/2010/1589 final.

injunctions] require the judge to automatically grant the measures”¹³². Some commentators in France share a similar position.¹³³ In the Netherlands, it was decided not to implement this provision since an “obligation to pay damages for unintentional and non-negligent infringement [i.e. the first condition of article 12] would contravene the basic civil law principle that a person is liable for damages only if he has acted intentionally or negligently”¹³⁴. In the UK, the discretionary powers of courts are considered sufficient to ensure compliance with article 12.¹³⁵ Finally, article 12 has been implemented in the German Copyright Act, but not in the ‘*Patentgesetz*’, and takes a cumulative approach to the provision.

81. Assuming that courts in Europe recognise that to grant on-going royalties represent a viable alternative to injunctive relief in case of abuse, a fundamental issue remains. The scenario under which national courts may grant on-going royalties in lieu of injunctive relief presents similarities with situations in which courts or governmental authorities may order compulsory licences.¹³⁶ However, the relationship between the (presumably) discretionary powers of courts to grant on-going royalties in lieu of an injunction, and their legislatively constrained competences to grant compulsory licences, is, at best, ambiguous.

82. In order to overcome this apparent obstacle, we suggest to more fully embrace the fact that the principle of the prohibition of abuse of rights represents an internal correction mechanism limiting the exercise of rights by their holders. As previously mentioned, an abuse is a crossing of internal limits revealing that despite adherence to formal and external limits by a right holder, the exercise of a right may be considered reprehensible.¹³⁷ Under this approach, the grant of on-going royalties would represent the remedy considered adequate by judges to correct the distorted exercise of the right to claim injunctive relief and not a compulsory license impose to right holders. To some extent, this approach would also be in line with the intentions of the European legislator at the time of the elaboration of article 12 IPRED. Blok (2016) observed that, at the time of the draft directive, the Commission made clear that the monetary compensation in lieu of injunctive relief was meant to protect the interests of defendants, i.e. as a “safeguard against unfair litigation”¹³⁸. Since the application of the prohibition of abuse of rights, in the context of patent enforcement, may serve to reduce the negative effects of unfair litigation practices, we believe that its application could lead to the grant of forward looking damages in lieu of injunctive relief.

D. Conclusions

83. The general power of courts to tailor and adapt the conditions of a final remedy creates a distinction between the right to “a” remedy and “the” remedy itself.¹³⁹ Concerning the enforcement of IP rights, and patent rights in particular, the same distinction has also been observed by some commentators. In patent

¹³² K. Neefs, ‘Transposing the Enforcement Directive: *Quid novi sub sole* for copyright in Belgium?’ (2007) <<https://www.droit-technologie.org/wp-content/uploads/2016/11/annexes/actuality/1048-1.pdf>> accessed 7 Aug. 2019.

¹³³ Le Stanc, n. 43. A. Pezard, ‘Pouvoir d’injonction et interdiction “Patent troll”’, Présentation at ASPI (11 Déc. 2013) <<https://www.aspi-asso.fr/attachment/467436/>> accessed 7 Aug. 2019.

¹³⁴ Blok, n. 126, 58.

¹³⁵ Marfé, n. 112. We refer here to Section 50 of the Senior Courts Act 1981 and the case law of the courts applying the conditions developed in *Shelfer v. City of London Electric Lighting Co* (No.1) [1895] 1 Ch. 287. In particular the UK Supreme Court decision in *Coventry and Others v. Lawrence and Another* [2014] UKSC 13 (2014) 2 WLR 433.

¹³⁶ C. McManis and J. Contreras, ‘Compulsory licensing of intellectual property: A viable policy lever for promoting access to critical technologies?’ in G. Ghidini, R. Peritz and M. Ricolfi (eds), *TRIPS and Developing Countries – Towards a New World Order* (Edward Elgar Publishing 2014) 110.

¹³⁷ Stijns, n. 81. Palombella, n. 81. D. Triantafyllou, ‘L’interdiction des abus de droit en tant que principe général du droit communautaire’ (2002) 38(5-6) Cah. dr. eur. 611.

¹³⁸ Blok, n. 126.

¹³⁹ S. Evans, ‘Defending Discretionary Remedialism’ (2001) 23 Sydney L. Rev. 463, 474.

litigation, the right to obtain a remedy in case of infringement should be distinguished from the right to obtain *an injunction* as a remedy.¹⁴⁰ The consequences of the enforcement of an injunction such as the disproportionate harm that it may cause for the debtor of the order, the impact that such enforcement may have on the public and consumers, the advantages the grant of an injunction may create for right holders, as well as the objectives pursued by right holders to obtain such remedy, should drive national courts in Europe to reconsider their practice of granting injunctive relief on a quasi-automatic basis.

84. All these elements could be considered in the application of the principle of the prohibition of abuse of rights which relies on the overarching proportionality principle. Such principles would provide national courts in Europe with a tool to respond to over-enforcement concerns and which would be capable of reflecting the changes witnessed in recent years in patent litigation. To reconsider the exercise of patent prerogatives at different stages of the litigation process in light of the prohibition of abuse and the proportionality requirement under article 3(2) IPRED is particularly important as it may drive deterrence, i.e. in over-enforcement practices, but also set incentives, i.e. in adopting a non-abusive and non-disproportionate conduct in litigation. Before entering in a legal dispute, or even before sending a notice of infringement, right holders, including PAEs, will have to ponder the risk of being sanctioned for abusive behaviour or disproportionate claim. Such deliberation will not be prohibitive for right holders acting along the lines of reasonableness. On the contrary, those who deliberately engage in reprehensible behaviour or push the exercise of their rights to their limits will arguably have to adapt such exercise. A change to the incentive framework for requesting injunctions in patent litigation will not only reduce the number of unjustified court proceedings – something that could be assessed –, it will as well change the pre-trial practices and reduce the aggressive behaviour of many patent-holding entities towards legitimate businesses – something that goes largely unnoticed. An adjusted framework for enforcing patents will remove many unreported threats that small and large European companies are commonly facing.

85. Even if Member States have not explicitly implemented article 3(2) IPRED in their national laws¹⁴¹, their judicial authorities are under a duty to interpret national laws consistently with the Enforcement Directive. National courts must give full effect to the Directive and must ensure that its objectives are achieved by implementing a teleological interpretation¹⁴² of the text.¹⁴³ Among these objectives, the principles of effectiveness, dissuasiveness and proportionality are of paramount importance. The approach proposed in this paper is not only in line with the text and spirit of the Enforcement Directive (in particular with regard to article 3, and recitals 17, 22, 24, 25) but also with the TRIPs Agreement (in particular vis-à-vis article 8(2) and article 41(1)). To rely more systematically on the principle of abuse, as well as on the proportionality principle¹⁴⁴, represents one way of interpreting the Directive with more cautiousness. This would help in mitigating the risks related to over-enforcement practices and in aligning the patent litigation practices with the justification of the Directive, i. e. fighting piracy and counterfeit. When patent litigation and the strong enforcement tools provided by the Directive are used in other contexts, there is a pressing need to refer to the general principles (as provided for in article 3(2) IPRED) for adjusting the remedies. The conditions required for a successful claim under this approach do not swing the pendulum too far in favour of alleged infringers. Checks and balances are in place to constrain overzealous claims of abuse by

¹⁴⁰ Seuba, n. 3.

¹⁴¹ G. Cummings, M. Freudenthal and R. Janal, *Enforcement of Intellectual Property Rights in Dutch, English and German Civil Courts* (Kluwer Law International 2008) 130.

¹⁴² D. Stauder, 'Developing a Uniform Application of European patent Law' in D. van Engelen (ed), *On the Brink of European Patent Law* (Eleven International Publishing 2011) 116.

¹⁴³ Cummings, Freudenthal and Janal, n. 141, 49.

¹⁴⁴ To some extent, this was already envisaged in the initial draft of the Enforcement Directive. At the time, it was advanced that the proportionality principle would function as a flexible mechanism allowing to take the seriousness of an infringement into account. Kur, n. 14, 823.

defendants and continue to support the principles of effectiveness and dissuasiveness which are of great importance to the system of adjudication of IPRs¹⁴⁵.

¹⁴⁵ Seuba, n. 3, 104.