Cutting Back Patent Over-Enforcement
How to Address Abusive Practices Within the EU Enforcement Framework

by Alain Strowel and Amandine Léonard*

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.

A. 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).

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

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objectives of substantive IP laws. 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 for IP right holders. However, the pursuit of such a high level of protection may lead to an imbalanced system of litigation and could generate new opportunities for over-enforcement practices. Several commentators in Europe have highlighted these risks of (overly) strong IP enforcement tools, especially in the patent litigation field."

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 objectives. The rise of 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 debate. Such 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 debate. Such entities do not necessarily bring many cases to the courts to limit or sanction these practices. The rise of 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 debate. Such entities do not necessarily bring many cases to the courts.

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. 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, under particular circumstances such as the presence of complex products, PAEs, 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 enforcement 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 practices discussed can be (and to some extent have been) adopted by all sorts of patent holders (PAEs or other patentees). They are by no mean exhaustive.

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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), Chartes des droits fondamentaux de l’Union européenne. Commentaire article par article (2nd ed. Larcier, 2019) 429.


phenomenon is not limited to the US and these actors are also present on the European scene. These 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.
However, we focus on PAEs as these right holders have been considered more prone to adopt over-enforcement strategies. The case of PAEs therefore represents a critical case of abuse that could be tested vis-à-vis other types of patent holders. 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.

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

I. Origin and justification of the Directive

The initiative of the Commission to table in 2003 a proposal on measures and procedures to ensure the enforcement of IP rights' 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. 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 counterfeiting. 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”.

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 users 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 Regulation, whose aim was to facilitate enforcement strategies. The case of PAEs therefore have been considered more prone to adopt over-counterfeiting. 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 users 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 Regulation, whose aim was to facilitate 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”.


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.”


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).

border measures against those goods. 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.

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 initiative. The need for a quick harmonization of enforcement measures 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 problems. 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 infringing goods from the channels of commerce (the draft Directive even referred to the possibility to close down an infringer’s business on a provisional or permanent basis). These measures are essential in the case of pirated and counterfeited goods, but they might be implemented in a disproportionate manner in other infringement contexts, for instance in patent cases between bona fide businesses or in parallel trade cases involving authentic, but infringing goods.

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

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).


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.

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.
to prove that the defendant copied the protected work (or that s/he had access to the work, as a presumption for copying), while proof of copying is not required for patent infringement.

Thus a creator that independently develops a work that is substantially similar to a previous work will not infringe the copyright on the previous work, while an inventor who independently comes with the same technical solution as the one covered by a patent can be prohibited to use and market his/her solution. For this reason, the open source software community is critical of patenting software (as two independent developers might inadvertently come with the same technical solution). Bona fide businesses can be enjoined to stop selling their goods or offering their services (and subject to additional corrective measures) although they never had any knowledge that their business would encroach on some existing patent.

In the end, the Enforcement Directive is “torn between the desire to harmonize remedies and the need to combat piracy”\(^22\). 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

10 In 2016, the European Commission conducted an evaluation of the Enforcement Directive.\(^21\) Respondents to the public consultation\(^22\) pointed at several stumbling blocks to an optimal enforcement system. Notably, 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 relating 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 and proportionality envisaged in article 3 IPRED.

11 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)’\(^23\) 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.

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 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.

10 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.


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.\textsuperscript{25}

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 EU enforcement framework under IPRED. 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 environment**

13 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 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\textsuperscript{26} have increased alongside the level of globalisation in the production lines, the increased outsourcing and the longer supply chains.

14 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.\textsuperscript{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).\textsuperscript{28}

Between 2014 and 2016, the rate of growth of patent applications for technologies related to the fourth industrial revolution was of 54 %.\textsuperscript{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.\textsuperscript{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.\textsuperscript{31}

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A third important factor likely to affect the strategies of the PAEs in the future is the not yet into force UPC system. 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.

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

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

The topic of PAEs in Europe has seen an increased interest by the European Commission as well as academics. 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 possibility to rely on the discretion of the courts and on a general principle of proportionality is said to limit the credibility of the threats of PAEs in preliminary procedures. 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.

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

18 We studied a sample of decisions (102 in total)\(^{39}\) from jurisdictions of selected European Member States (i.e. Belgium, France, Germany, the Netherlands, and the UK) which involved at least one litigant qualified as an NPE and/or a PAE in literature\(^{40}\). 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.

19 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) 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.

20 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”\(^{41}\). Patent litigation data only provides partial information on PAEs activities, i.e. the visible part of their activities.\(^{42}\) 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 litigation\(^{43}\) (thereby engaging in “nuisance value settlements”\(^{44}\)) the information relative to these settlements could not be found during the search

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\(^{39}\) Most cases come from the Darts-IP database, others have been provided by IP2Innovate. 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.


\(^{42}\) Gabison, (n 31) 288. Lemley et al., (n 41).


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 endeavour. 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.

II. Competition law and unfair competition

21 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.

22 First and foremost, courts heavily rely on the rules of competition law to limit some over-enforcement practices by right holders. 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 of Justice of the European Union (CJEU) in Huawei v. ZTE (C-170/13) offered the most elaborate set of guiding principles to courts.

23 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 amounting to an abuse of dominant position and engaged in litigation, or to request specific measures, Defendants in infringement have argued that to proceed with broad assertions of claims. Additionally, the law of unfair competition or specific provisions under UK patent law 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.

III. Procedural rules

25 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. 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.

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45 Gabison, (n 31) 94.
47 Case C-170/13, Huawei Technologies Co. Ltd. v. ZTE Corp. and ZTE Deutschland GmbH. ECLI:EU:C:2015:477.
48 In France: TGI Paris (3° ch. 2° scl.) 17 Avril 2015, RG 14/14124.
49 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).
For example, French courts have held that, where an NPE/PAE had not registered a transfer of rights before asserting its patents, such assenter lacked proper standing to sue.  

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 a preliminary injunction. In one German case, the Dusseldorf Regional Court also considered that the right holder had been “hesitant and negligent” in bringing his action before denying the grant of a preliminary injunction. German courts have nonetheless 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.

IV. Proportionality, unreasonableness, abuse and bad faith

1. Measures other than permanent injunctions

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. 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. In Germany and, to a lesser extent, in the Netherlands, 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.

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.


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.

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

OLG Berlin 5 U 149/14 (20.02.15). OLG Dusseldorf 1-2 U 23/17 (18.07.17). In the first instance mentioned here, the OLG Berlin observed that: “The [] behaviour outlined by the claimant may be perfectly understandable from an economic point of view, but at the same time also testifies to an objectively missing special interest in wanting to pursue claims for injunctive relief, especially in an urgent procedure” (at 13). In this instance, the court noted that the plaintiff let the defendant engage in sales for more than 1 year after a public fair and on the whole territory of the German market. The plaintiff “closed its eyes” for a remarkably long time while systematically locating and suing other infringers.


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.
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.\(^5\)

2. Permanent injunctions

Over all, 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 injunction\(^6\). 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.

A contrario, in Germany, courts have been clear that the principle of proportionality does not affect the grant of permanent injunctions. Findings of validity and infringement are the only required conditions. Moreover, due to the system of bifurcation\(^7\), 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.\(^8\) To discuss the issue of the so-called “injunction-gap”\(^6\) 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 injunctive relief) against alleged infringers which may drive to settlements and withdrawals of validity challenges, leaving disputed patents unreviewed.\(^4\)

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.\(^3\) They also have been more reluctant


\(^{61}\) 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.

\(^{62}\) 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.


\(^{64}\) 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.

\(^{65}\) 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
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.

If these elements have been considered to fall within the scope of a test of proportionality, the application of such test was so strict that, in fine, it provided almost no room for manoeuvre (see infra, at D.II.4 a) 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.

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

Despite the fact that courts were “hesitant to draw patent law or competition law consequences based


67 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 may 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).


solely on the fact that a party is a PAE™, they did provide some responses to over-enforcement practices 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.

33 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 under point D 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 injunctions (see infra, D.II.4.


Abuse of rights and proportionality with regard to injunctive relief). In some decisions UK courts have supported that article 3 of the Enforcement Directive should be more relied upon in order to infuse flexibility in injunctive relief. This has generally been refused by German courts. The disparities in interpreting this article 3 and in applying its principles are particularly harmful and should therefore be reduced. 

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. 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. 

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. In light of the criticisms made by companies active in 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.

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.

D. 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

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 an “instrument allowing judges to find a remedy for an imbalanced situation and a tool for recovery of distorted exercises of a right”73. Multiple criteria are relied upon by national judges in order to determine whether the exercise of a right of the right holder, or objective, i.e. they refer to the particular circumstances of a case without

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71 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”.


73 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).
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 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 interests) and that the exercise of rights contradicts the purpose or function for which they have been granted.

38 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)\textsuperscript{74}. 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 faith\textsuperscript{75}. 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\textsuperscript{76}.

2. The functions and sanctions of the principle of abuse

39 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. 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.

40 The sanction or correction stemming from findings of abuse is not the forfeiture of the right which has been abused. Rather, it is 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 damages\textsuperscript{77} if a particular prejudice has to be repaired.

II. Abuse of rights, proportionality and the Enforcement Directive

1. Abuse of rights in the Enforcement Directive

41 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”\textsuperscript{78}. It is, therefore, not necessary to have an explicit provision which would state that the abusive exercise of a right is prohibited.

42 Nevertheless, in the context of IP enforcement, it should be noted that a specific anti-abuse provision is included in the Enforcement Directive.\textsuperscript{79}Article 3(2)

\textsuperscript{74} §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 \hyperlink{https://www.gesetze-im-internete.de/englisch_bgb/englisch_bgb.html#p0731}{https://www.gesetze-im-internet.de/englisch_bgb/englisch_bgb.html#p0731} accessed 6 Aug. 2019.


\textsuperscript{76} Ranieri,( n 75).


\textsuperscript{79} A. Metzger, ‘Abuse of Law in EU private law: A (re-) construction from fragments’ in R. De La Feria and S.
provides 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). This paragraph is generally applicable to all remedies and procedures in European IP law. 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 IP rights and the interests of third parties is not wrongfully tilted in favour of one or the other.

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 dissuasiveness 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


2. Proportionality principle in the Enforcement Directive

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. This approach directly comes from the interpretation to be given to article 3(2) IPRED. Much ink has been spilled on the role that such principle could play in balancing different fundamental rights. For example in balancing, on the one hand,

80 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.


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. 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 relief.

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 function 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 competing fundamental right. Additionally, the proportionality principle could play a more prominent role at the remedial level. In the case law of the CJEU regarding the enforcement of copyright the focus has already been on the role of proportionality for the grant of an injunction against intermediaries. The proportionality principle could infuse more flexibility in the determination of the remedies for patent infringement. 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

In light of the previous observations, it appears that the theory of abuse of rights has 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.

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.

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 may 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.

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 for granting those rights and remedies. 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

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87 Husovec, (n 84) 251; Strowel, (n. 2).


90 Eg in the UK in HTC Corporation v. Nokia Corporation [2013] EWHC 3778 (Pat) at 26-27.

91 Metzger, (n 79) 251.
conformity with the Enforcement Directive (i.e. an enforcement purpose). 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

In the past few years, the CJEU, as well as some national courts, have tailored new solutions in terms of injunctive relief. 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.

a) Temporary stay

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. A stay could 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. 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.

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. 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. Stays have been granted to encourage negotiations between the parties but also to enable potential infringers to make alterations to render products or processes non-infringing, i.e. to invent or design-around.

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 defendant would not be able to recover from the damages caused by the injunction if findings

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 reassessment 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.


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).


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.99

55 In Germany, the conditions to obtain a stay have been interpreted in a stricter manner than in the UK.100 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.101 However, the general interpretation would remain fairly strict.

56 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.102 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.103 Inconsistent applications of the requirements envisaged under article 3(2) IPRED may lead to legal uncertainty for litigants.

57 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. 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, 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.104

b) Denial of injunctive relief

58 A second and more invasive sanction of abuse is the possibility for courts to deny injunctive relief. 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.

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.

103 For example, in a parallel infringement suit in UK and Germany, the UK court granted a stay pending appeal in order for clinicians to be retrained 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).

104 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).
59 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 [1].” 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.105

60 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.106

61 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.

62 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.107 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’. To deny injunctive relief to successful right holders seems to interfere too greatly with a regime of protection under this provision. Second, §139(1) PatG108 stipulates that an aggrieved party may sue a potential infringer for cessation and desistance. This provision, which is the legal basis for injunctive relief, is generally interpreted as leaving little to no room for discretion to judges.109 Overall, with the exception of defences based on competition law, German courts have been “largely deaf to arguments based on abuse of rights”110 to deny injunctive relief.

63 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 such.111 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

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107 Rademacher, (n. 70) 334; Scharen, (n 70).


109 §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.

110 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.


an injunction, it does not necessarily guarantee that the claimant will obtain this particular relief.

64 In January of this year, 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 injunction 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).

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 refers 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.

65 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 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.

66 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. 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.

67 Finally, the right-function criterion of abuse – which invites to a teleological interpretation, a common approach in law – may also present some advantages for courts. For example, if a right holder relies on the threat of injunction to, in fine, negotiate a license and royalties 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 and the continuation of an infringement. 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 to serve the interests of the public at large.


115 Ohly (n 83) 264.

116 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”.

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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 case\textsuperscript{117}) they could be refused on the basis of the prohibition of abuse. Guidance on the social usefulness of an injunction may be found 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 the patent rights themselves (e.g. under an interpretation of article 7 TRIPs).

\textbf{c) Forward-looking damages in lieu of injunctive relief}

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.\textsuperscript{116} 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.\textsuperscript{119} 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.

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.\textsuperscript{120}

Some commentators have criticised the potential cumulativeness 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 cumulativeness 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 disproportionate\textsuperscript{112}. A relaxation in the interpretation of article 12 IPRED also seems 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.\textsuperscript{112} Other commentators, nonetheless, seem to favour the cumulativeness of the conditions. They argue that article 12 provides for a helpful multifactor test\textsuperscript{121}, 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”\textsuperscript{124}.

Very few European Member States have implemented article 12 of the Directive in their national patent laws.\textsuperscript{120} In Belgium, Neefs (2006) nonetheless

\footnotesize{\textsuperscript{117} 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. 84, 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).

\textsuperscript{116} Heath and Cotter, (n 111) 5.


\textsuperscript{121} Ohly, (n 83); European Observatory on Counterfeiting and Piracy, (n 90) 4.

\textsuperscript{122} Commission, (n 24) 113.

\textsuperscript{123} Blok, (n 120) 56.

\textsuperscript{124} Ibid, 59.

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 injunctions] require the judge to automatically grant the measures” 126. Some commentators in France share a similar position. 127 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” 128. In the UK, the discretionary powers of courts are considered sufficient to ensure compliance with article 12. 129 Finally, article 12 has been implemented in the German Copyright Act, but not in the ’Patentgesetz’, and takes a cumulative approach to the provision.

Assuming that courts in Europe recognise that to grant forward-looking damages represent a viable alternative to injunctive relief in case of abuse, a fundamental issue remains. The scenario under which national courts may grant such remedy in lieu of injunctive relief presents similarities with situations in which courts or governmental authorities may order compulsory licences. 130 However, the relationship between the (presumably)

discretionary powers of courts to grant forward-looking damages in lieu of an injunction, and their legislatively constrained competences to grant compulsory licences, is, at best, ambiguous.

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 a correction mechanism limiting the exercise of rights by their holders. Under this approach, the grant of forward-looking damages 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” 131. 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.

E. Conclusions

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. 132 Concerning the enforcement of IP rights, and patent rights in particular, the same distinction has also been observed by some commentators. In patent litigation, the right to obtain a remedy in case of infringement should be distinguished from the right to obtain an injunction as a remedy. 133 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.


128 Blok, (n 120) 58.

129 Marfé, (n 106) We refer here to Section 50 of the Senior Courts Act 1981 and the case law of the courts applying the conditions developed in Shelly 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.

130 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.

131 Blok, (n 120).


133 Seuba, (n 3).
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.

Even if Member States have not explicitly implemented article 3(2) IPRED in their national laws, 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 interpretation of the text. 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 principle, 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 counterfeits. 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 defendants and continue to support the principles of effectiveness and dissuasiveness which are of great importance to the system of adjudication of IPRs.

136 Cummings, Freudenthal and Janal, (n 134) 49.
137 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.
138 Seuba, n. 3, 104.