



Limitations of Injunctive Relief in Germany

Johann Pitz*

Vossius & Partner, Munich, Germany

***Corresponding Author:** Johann Pitz, Vossius & Partner, Munich, Germany.

Received: October 24, 2019; **Published:** October 29, 2019

DOI: 10.31080/ASMS.2019.03.0454

The injunction to cease and desist in case of patent infringement is a strong weapon and still the core of patent rights in Germany.

Prerequisite for injunctive relief is either a “danger of first infringement” or a “danger of repeated” infringement in cases where at least one single act of patent infringement has been committed.

Unlike in the United States (see 35 U.S.C. 283 – ebay/. merc-exchange) there are in Germany no further equity reservations for the injunctions to cease and desist in ordinary infringement proceedings (§§ 9, 139 (1) PatG). As a consequence, there is principally no balance of hardship and automatic grant of permanent injunctions in case of patent infringement regardless of fault.

In view of upcoming new technologies with complex products covered by hundreds of patents, connected technologies covered by standard essential patents (SEPs) and last not least in view of increasing appearance of non-practicing entities (NPEs) and patents trolls the call for equity reservations in Germany came up in order to avoid “unfair” injunctions. Especially automotive industry refers to the fact that complex products and production processes might be blocked by patents which only cover one single part of the product and/or process.

In view of this a patent law reform was initiated and a proposal for amendment of the German Patent Act (GPA) is announced by the German Ministry of Justice. It is favoured primarily by some groups of industry to implement explicit proportionality requirements for cease and desist claims in Germany in order to allow balance of interest as a general rule in case of permanent injunctions.

Legal practitioners are reluctant to amend the law in order to uphold the principle of automatic injunctions and refer to existing legal limitations and defences to moderate or even avoid negative effects.

The following article will give an overview on existing legal limitations of injunctive relief and possibilities to avoid “unfair” injunctions.

Validity limitations

It is clear that injunctions to cease and desist cannot be granted prior to grant and after expiration of patents. It is, however, to note that under the German dual system the alleged infringer cannot challenge validity within the infringement proceedings. It is necessary to start revocation action either before the Patent Offices or the Federal Patent Court and request for a stay of infringement proceedings until a decision is made on validity of the patent. According to general court practice in Germany stay of infringement proceedings is only granted in cases of high likelihood of revocation. In by far the majority of cases the request for a stay of infringement proceedings is dismissed with the consequence that injunctions in first instance infringement proceedings are granted during pending revocation proceedings. It is detrimental that there is a quite long time gap between the 1st instance decision in infringement proceedings resulting in a preliminary enforceable injunction and the decision in parallel pending nullity proceedings resulting in revocation of the patent. Whereas the average duration of infringement proceedings is approximately one year the duration of nullity proceedings is in the range of 25 months. As a consequence we have a so called “injunction gap” of more than one year. Insofar injunctions are granted on “invalid” patents in cases where patents

are finally revoked long after grant of injunctions in infringement proceedings.

A more generous suspension practice could be helpful. It was suggested to stay infringement already in case of reasonable doubts of validity rather than high likelihood of revocation. The respective decision lies in the discretion of instance courts according to § 148 ZPO. The decision on a stay is, however, governed by the chances of success in infringement proceedings. Further circumstances, like the role of patent holder as NPE or complexity of the attacked product are not relevant.

From this backdrop validity challenges during litigation proceedings are often not suitable to avoid “unfair” injunctions.

Limitations based on FRAND defence

Under specific circumstances grant of injunctions based on standard essential patents (SEPs) is limited in case of a successful FRAND defence.

Such SEPs are patents which cover standardized technology which has necessarily to be used by products which have to comply with the standard. Following the guidelines defined by the CJEU (CJEU C-170/13-Huawei Technologies v. ZTE) the SEP holder is obliged to offer a license under fair, reasonable and non-discriminatory terms before he may successfully claim for an injunction.

Even if the FRAND defence is an established strategy against injunctions based on SEPs it has to be noted that there is diverging case law in Europe.

In this context reference can be made to the European Patent battle between Philips and ASUS where Philips, as holder of a patent essential for the UMTS standard, has filed infringement actions against ASUS before courts in the Hague, London and Mannheim and requested for an injunction to cease and desist. ASUS raised the FRAND defence in order to avoid an injunction. Whereas the Dutch court rejected ASUS FRAND defence because of prolonged negotiations and ruled in favor of Philips, like the court in UK, the Mannheim court decided in favor of ASUS and argued that Philips did not sufficiently disclose existing contracts.

From this backdrop it has to be realized that injunctions based on SEPs are granted even if the FRAND defence was applied. In order to establish more legal certainty it might be helpful to come

to a more uniform and harmonized case law guided by European principles in this field. So far the FRAND defence is anyway only available for SEPs and not for patents in other fields.

Limitation of injunctions based on public interests

Under specific circumstances an injunction can be avoided by way of a compulsory license defence. There is, however no compulsory license counterclaim in infringement proceedings. The applicant has to request the grant of a compulsory license before the Federal Patent Court and may request for a stay of infringement proceedings. In view of the fact that a compulsory license might be granted by way of a preliminary injunction which could be effective on a very short notice, the compulsory license defence can be an effective means to limit injunctions in cases where the necessary public interest is given.

In its judgment dated August 31, 2016 (GRUR 2017, 373-Isentress), the FPC granted a compulsory license for a medical use of the patent protected active ingredient Raltegravir, which is offered and distributed as antiviral agent for the treatment of aids. The patent holder filed an infringement complaint and asserted claims for injunctive relief against the alleged infringer. The latter filed a request with the FPC to grant a compulsory license by way of a preliminary injunction. The FPC affirmed allowability of the request and acknowledged the necessary public interest in the grant of a compulsory license. The decision was confirmed by the FCJ in its judgment of July 11, 2017 (GRUR 2017, 1017).

The decision give reason to expect that compulsory license defences may become more relevant in the future. It remains, however, doubtful whether the compulsory license is the appropriate instrument to harmonize interests of patent proprietors in the field of new technologies and economic interests of users. Already in its decision of 1995 (BGH GRUR 1996,190-Polyferon) the Federal Supreme Court pointed out, that an “abusive exploitation” of the patent is no reason to grant a compulsory license. It is also to note that public and third party interests are not taken into account ex officio by the court but have to be claimed by the alleged infringer.

Enforcement limitations

As a general principle it is foreseen in § 712 ZPO to avoid the enforcement of a 1st instance decision in cases of irreparable harm. According to general court practice such enforcement protection requires almost the existential destruction of a company as a result

of patent enforcement. These requirements are hardly fulfilled in practice.

Another option to limit the preliminary enforcement of 1st instance injunctions is based on the amount of security which has to be provided (§ 709 ZPO) for preliminary enforcement. As a principle the enforcement of 1st instance judgments requires the deposition of a security which primarily depends on the value in dispute of the matter. The court has a certain discretion to fix a high security (see LG München, judgment of December 12, 2018 – Qualcomm v. Apple, where the court fixed a security for preliminary enforcement in the amount of 668,4 million EUR).

Another possibility to suspend the execution injunctions is foreseen in cases of appeal against 1st instance judgments (§§ 719 (1), 707 ZPO). In such cases the courts have to balance patent holders interest to enforce the 1st instance judgment with the consequences which arise on the defendant's side. In its decision of May 11, 2009 (GRUR – RR 2010, 120 - UMTS Standard) the Higher Regional Court Karlsruhe suspended the execution of an injunction taking into account the role of the plaintiff as a non-practicing entity without own market position. In this case the patent covered the UMTS standard applied in the field of mobile phones. The plaintiff had no market position on the mobile phone market and was finally seeking for high license fees. The defendant was using the standard in its mobile phones. In the 1st instance decision an injunction by way of a preliminary enforceable first instance judgement was granted. The defendant appealed and successfully requested to stop the preliminary enforcement.

Limitations of enforcement seem to be a promising way to avoid at least preliminary enforcement of injunctions under specific circumstances. In its discretionary evaluations the court may also take into account far reaching economic consequences, of injunctions based on patents covering minor parts of complex products in the field of telecommunication or automotive.

Grace periods to prevent disproportionate patent injunctions

The grant of grace periods allow the alleged infringer to use the patent protected product for a certain period of time after grant of an injunction and give time to work around the patent and replace the product. Whereas grace periods are common in the field of unfair competition and trademark law they are applied so far quite rare in field of patents. There are no legal provisions foreseen in

the German Patent law which explicitly govern the grant of grace periods and there is only one decision of the Federal Supreme Court in which the issue was addressed in a case, where one feature (here Heat Exchanger) of a complex product (here a car) was infringed. In the so called Heat Exchanger decision (FSC judgement of May 10, 2016) the patent in suit protects a system for heating the air streaming around neck and shoulders of a person in a convertible car. The patent proprietor brought an action for infringement of its patent claiming an injunction to cease and desist. The defendant requested the action to be dismissed because of non-infringement and as an auxiliary request to grant a grace period in order to delay the effect of an injunction. Even if the requested grace period was not granted in this decision because the infringed feature was not essential to the function of the complex product, the Federal Supreme Court provided some guidelines which have to be respected in future instance decisions (such as District Court Düsseldorf GRUR-RS 2017, 106557 -Heart Valves).

Accordingly grace periods can only be granted upon request under strict conditions. Neither the normal economic harm caused by the enforcement of an injunction nor the public interest justifies the grant of such a grace period. Irrelevant is also, whether the patent holder is using the patent protected technology. Only economic consequences of an immediate enforcement of the injunction on the infringer that go beyond his normal harm allow to limit the effects of the patent by granting a grace period.

From these guidelines it has to be concluded, that the mere fact that the patent only covers a minor single feature of a complex product which might be covered by hundreds of patents, like a car, is not sufficient to grant a grace period. The same is true in cases where patents are enforced by non-practicing entities or patent trolls. It remains open, how the courts will define the requirements of extraordinary harm. Future practice will show.

Conclusion

In view of the above it turns out that the existing legal limitations for injunctive relief are available in specific situations under strict requirements and therefore leave only limited room to avoid "unfair" injunctions. This is, however, in line with the requirement of an efficient patent system with fast and enforceable patent rights. In contrast to the situation in the US system with high damages but equitable injunctions in case of patent infringement we

realize in Germany a balanced system of a strong injunction claim accompanied by fairly reasonable damages. The implementation of an obligatory proportionality test as a requirement for the grant of injunctions may therefore weaken the reliability of patent rights and delay infringement proceedings. This is the more true, as disputed facts may have to be proven in time consuming evidence proceedings which would delay decisions in proceedings.

As a compromise the simplification for enforcement limitations with the possibility to take third party interest into account and the implementation of legal guidelines for grace periods and FRAND defence might be adequate.

Finally it would be necessary to speed up nullity proceedings in order to get early and reliable intermediate notices of the Federal Patent Court regarding validity and earlier decisions on validity. Last not least a good quality of granted patents would be helpful.

Volume 3 Issue 11 November 2019

© All rights are reserved by Johann Pitz.