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## German Law on Patent Injunctions: Legal Framework and Recent Developments

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## German Law on Patent Injunctions: Legal Framework and Recent Developments

### Cover Page Footnote

Lord Justice Arnold, Professors Bentley, Chien, Contreras, Dinwoodie, Golden, Husovec, and all participants of the Tilburg University's 2018 Conference on "Mapping Flexibilities for Injunctive Relief in Patent Law"

# GERMAN LAW ON PATENT INJUNCTIONS: LEGAL FRAMEWORK AND RECENT DEVELOPMENTS

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## INTRODUCTION

*For patent litigation, Germany arguably is, together with the United Kingdom, the paramount venue in Europe.<sup>1</sup> Stakeholders, such as patentees, licensees, inhouse and outside counsel, scholars and non-German courts or lawmakers, therefore have a strong interest not only in the established legal framework for patent litigation in Germany, but also in shifts this framework is, of late, undergoing. At the same time, the language barrier complicates insights on these matters, not least for Anglo-American stakeholders, although a slowly increasing part of scholarship, and even of case-law, is available in English. Against this background, the present contribution sets out to explain basic structures and recent developments in German patent injunction law. It covers the main types of and requirements for such injunctions under German law (A.), the injunction's scope as claimed and granted (B.), bifurcation and stays (C.), defenses and limitations (D.), alternatives to injunctive relief (E.), and recent developments (F.), before a conclusion and an outlook (G.) round off the paper.*

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\* Chair for Economic Law, Chairman Center for Intellectual Property and Competition Law (CIPCO), University of Zurich; Fellow Max Planck Institute for Innovation and Competition, Munich. I thank Lord Justice Arnold, Professors Bentley, Chien, Contreras, Dinwoodie, Golden, Husovec, and all participants of the Tilburg University's 2018 Conference on "Mapping Flexibilities for Injunctive Relief in Patent Law" for their valuable input on the matter.

<sup>1</sup> Communication from the Commission to the European Parliament and the Council: Enhancing the patent system in Europe, at 18, COM (2007) 165 final (Apr. 3, 2007); Christoph Ann, Verletzungsgerichtsbarkeit – zentral für jedes Patentsystem und doch häufig unterschätzt, 3/4 GRUR, 205-209 (2009); Mathieu Klos, Unsere Stars für Europa, Deutschlands Patentexperten wählen ihre Favoriten für das europäische Patentgericht, 4 JUVÉ RECHTSMARKT, 72-83 (2010); Thomas Kühnen & Rolf Cleassen, Die Durchsetzung von Patenten in der EU – Standortbestimmung vor Einführung des europäischen Patentgerichts, 6 GRUR, 592-597 (2013).

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## A. PATENT INJUNCTIONS: MAIN TYPES AND REQUIREMENTS

### 1. *Main types*

As a rule of thumb, all acts infringing a patent can trigger injunctive relief under German law. This goes, hence, not only for direct infringements (Sec. 9 German Patent Act – GPA) but also for contributing infringements (Sec. 10 GPA), for acts that enable or promote the infringement, and for uses not falling within the literal scope of a patent claim but captured by the doctrine of equivalents.<sup>2</sup> Requirements for an injunction can, however, slightly vary depending on the type of the infringing act (cf. below).

Besides injunctions granted as part of a final court decision (“final injunctions”), interim relief is available in the form of “preliminary injunctions” (cf. below chapter A.3.). Injunctions can also form part of a court settlement, based either on a court-recorded party agreement (Sec. 794(1) No. 1 Code of Civil Procedure – CCP, Sec. 779 German Civil Code – GCC) or on a court proposal (Sec. 278(6) CCP).

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<sup>2</sup> On the doctrine of equivalents in German patent law, see GORDIAN N. HASSELBLATT, *Münchener Anwalts Handbuch Gewerblicher Rechtsschutz*, §39 ¶ 199 (C.H. Beck 4th ed. 2012); Christian Osterrieth, *Patent Enforcement in Germany*, in PATENT ENFORCEMENT WORLDWIDE: WRITINGS IN HONOUR OF DIETER STAUDER, ¶109 (Oxford: Hart Publishing 2015).

## 2. General requirements

Summarily speaking, the main requirements for an injunction are:

Patent related	<ul style="list-style-type: none"> <li>● Patent/SPC/patent application;</li> <li>● patent term not over, Sec. 16 GPA;</li> <li>● no lapse of the patent, Sec. 20 GPA;</li> <li>● no exhaustion of the patent.</li> </ul>
Procedural	<ul style="list-style-type: none"> <li>● Capacity to sue (patentee; exclusive licensee; security right holder);</li> <li>● capacity to be sued (direct and indirect infringer; contributor; co-liable party);</li> <li>● deficiencies regarding the validity of the patent, leading, however, in principle only to a stay, Sec. 148 GCC;</li> <li>● claims for injunctive relief will be dismissed if the infringing act they address was already the subject of prior infringement proceedings.<sup>3</sup></li> </ul>
Infringing Acts	<ul style="list-style-type: none"> <li>● Use of the patent by the infringer, Sec. 9, 10, 14 GPA;</li> <li>● risk of first-time (Sec. 139(1)(2) GPA) or recurrent (Sec. 139(1)(1) GPA) infringement;<sup>4</sup></li> </ul>

<sup>3</sup> Deutsches Patentgesetz [PatG][German Patent Act] Dec. 16, 1980, BUNDESGESETZBLATT [BGBL] at § 145 (Ger.); *see* Osterrieth, *supra* note 3, at ¶ 28.

<sup>4</sup> Only infringing acts which have actually taken place, or which are likely to happen, can be enjoined, i.e. injunctions are not granted with regard to theoretical settings; on the requirements for a sufficient first-time infringement risk, *see* KLAUS GRABINSKI & CARSTEN ZÜLCH, § 139 *PatG*, in PATENTGESETZ: GEBRAUCHSMUSTERGESETZ, PATENTKOSTENGESETZ ¶¶28-32 (Georg Benkard ed., C.H. Beck 2015); Alfred Keuekenshijver, *Unterlassungsanspruch, Schadenersatz*, in PATENTGESETZ: UNTER BERÜCKSICHTIGUNG DES EUROPÄISCHEN PATENTÜBEREINKOMMENS, DER REGELUNGEN ZUM PATENT MIT EINHEITLICHER WIRKUNG UND DES PATENTZUSAMMENARBEITSVERTRAGS MIT PATENTKOSTENGESETZ, GEBRAUCHSMUSTERGESETZ UND GESETZ ÜBER DEN SCHUTZ DER TOPOGRAPHIEN VON HALBLEITERERZEUGNISSEN, GESETZ ÜBER ARBEITNEHMERERFINDUNGEN UND GESETZ ÜBER INTERNATIONALE PATENTÜBEREINKOMMEN ¶263 (Busse Rudolf & Keuekenshijver eds., 2016) (in particular on negative statements regarding the patent); regarding logistics providers: BGH Sept. 19, 2009, Xa ZR 2/08(MP3 Import); OLG Hamburg Oct. 16, 2008, 5 W 53/08 (iPod II). Injunction claims are too broad and will remain unsuccessful if they exclusively try to capture future infringing acts; Rudolf Kraßer & Christoph Ann, PATENTRECHT: LEHRBUCH ZUM DEUTSCHEN UND EUROPÄISCHEN PATENTRECHT UND GEBRAUCHSMUSTERRECHT [Patent Law, Textbook on German and European Patent Law and Utility Model Law] § 35 ¶88 (C.H. Beck 7th ed. 2016); Grabinski & Zülch, *supra* note 5, at ¶ 32. Furthermore, infringing acts do not justify an injunction if there is no risk of a recurrent infringement. This risk is, however, presumed in the event of an infringement, the presumption is rebuttable but the threshold for a rebuttal is high; *see* Grabinski & Zülch, *supra* note 5, at ¶ 30. One option is a cease-and-desist declaration, secured by a contractual penalty; Kraßer & Ann, *supra* note 5, at §35 ¶ 6 Note further that the risk of a recurrent infringement can be removed by a court decision granting (preliminary) injunctive relief; OLG Karlsruhe Apr. 10, 1991, 6 U 164/90; OLG

	<ul style="list-style-type: none"> <li>● with regard to interim measures, the interests of the patentee and the act of infringement must outweigh the interests of the potential infringer in a balancing of interests.<sup>5</sup></li> </ul>
Justifications	<ul style="list-style-type: none"> <li>● No act of use that is permitted under Sec. 11 GPA (non-commercial, experimental, etc.);</li> <li>● no priority right, Sec. 12 GPA;</li> <li>● no right to continue use of the patent's subject matter after the patent's re-entering into force, Sec. 123(5)-(7) GPA;</li> <li>● no governmental order removing patent protection due to public welfare or security interests, Sec. 13 GPA;</li> <li>● no contractual (Sec. 15(2) GPA) or compulsory (Sec. 24 GPA) license, no (general) declaration of willingness to license (Sec. 23 GPA);</li> <li>● no usurpation of the invention by the patentee vis-à-vis the "infringer", Sec. 8 GPA;</li> <li>● no free state of the art-defence (also called "Formstein"-defence; cf. BGH, 29.04.1986, X ZR 28/85 – Formstein);</li> <li>● no double patenting, Art. II § 8 IPT;</li> <li>● no fraudulent acquisition of the patent (only in exceptional settings).</li> </ul>
Enforceability of the Claim	<ul style="list-style-type: none"> <li>● Claim not time-barred, Sec. 141 GPA, Sec. 194 et seq. GCC;</li> <li>● no forfeiture due to lapse of time, Sec. 242 GCC;</li> <li>● no abuse (in particular of dominance), Sec. 19, 20 GCA/Art. 102 TFEU;</li> <li>● no previous communications or other acts by the patentee that contradict the seeking of an injunction and render it a violation of good faith, Sec. 242 GCC.</li> </ul>

Karlsruhe Feb. 22, 1995, 6 U 250/94; OLG Hamburg June 20, 1984, 3 W 103/84; KG Berlin Aug. 20, 1992, 25 U 2754/92; KG Berlin Oct. 25, 1996, 5 U 4912/96; OLG Hamm Feb. 19, 1991, 4 U 231/90.

<sup>5</sup> Kluas Haft et. al., , Unterlassungsgebote in Fällen der Verletzung von Rechten des Geistigen Eigentums [Cease and desist orders in cases of infringement of intellectual property rights], 11 GRUR INT'L 928 (2011).



### 3. Specific requirements for preliminary injunctions

The injunction stipulated in Sec. 139(1) GPA is a final, as opposed to a preliminary injunction. “Final” is, however, not the same as “infinite” since it is, by definition, not possible to enjoin from the use of a patent beyond the patent’s protection period.<sup>6</sup> The duration of patent protection constitutes, hence, a built-in time limitation for injunctions.

Much more limited in time are the injunctions granted as preliminary injunctive relief under Sec. 935, 940 CCP.<sup>7</sup> This limitation can be caused not only by the fact that the preliminary injunction is replaced by a final decision<sup>8</sup> but also by a time-limited scope of the preliminary injunction itself,<sup>9</sup> or by a legal remedy<sup>10</sup> curtailing the injunction.

For a preliminary injunction, the patentee has to show its evident claim to an injunction and a reason why the injunction ought to be granted as a preliminary relief.<sup>11</sup> To fulfil the first requirement, both patent validity

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6 Grabinski & Zülch, *supra* note 5, at ¶ 34, with reference to BGH Nov. 22, 1957, I ZR 152/56 ; BGH May 20, 2008, X ZR 180/05 .

7 Ulrike Voß, *Vor §§ PatG § 139–PatG § 142b [Verletzungsprozess]*, in BECKOK PATENTRECHT ¶ 276 (Fitzner Uwe, Lutz Raimund & Bodewig Theo eds., C.H. Beck 4th ed. 2019). As to TRIPS- and EU law-background, see Agreement on Trade Related Aspects of Intellectual Property Rights § 50, 41(1), Apr. 15 1994, 1869 U.N.T.S. 99, 33 I.L.M.K. 1197 [hereinafter TRIPS Agreement]; Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights § 9, June 2, 2004; Gesetz zur Verbesserung der Durchsetzung von Rechten des geistigen Eigentums [Law on improving the enforcement of intellectual property rights], July 11, 2008, Bundesgesetzblatt [BTBL I] at 7, 274. The core, general requirements for preliminary relief under Sec. 935, 940 CCP are the existence of a claim (*Verfügungsanspruch*); here mainly: requirements for an injunction, as described in A.2. and of sufficient grounds/urgency for issuing a preliminary decision (*Verfügungsgrund*; here i.a.: occurrence of an infringement alone not sufficient, further aspects necessary that intensify need for immediate relief; OLG Düsseldorf May 18, 2009, 2 U 140/08; much depends on expeditious conduct of patentee, OLG München Mitt.2001, 85, 89 – Wegfall der Dringlichkeit). The patentee does not have to fully prove that these requirements are fulfilled (*Vollbeweis*), it suffices for it to show *prima facie*-evidence, i.e. preponderance of the evidence (*überwiegende Wahrscheinlichkeit*), ZIVILPROZESSORDNUNG [ZPO] [Code of Civil Procedure] as amended Oct. 10, 2013, §§ 920(2), 936, 940. Furthermore, the court has to balance the involved interests (here: of infringer and patentee). For legal remedies against a preliminary injunction, cf. i.a. Zivilprozessordnung [CCP] [Code of Civil Procedure] as amended Oct. 10, 2013, §§ 924, 926, 927. On the—for the patent context quite important—instrument of a “protective brief” submitted by the (alleged) infringer, see Volker Deutsch, *Die Schutzschrift in Theorie und Praxis* [The Protection Script in Theory and Practice], 5 GRUR 327-332 (1990).

8 On the specific constellation that, after the granting of a preliminary injunction, an injunction is denied in the final decision, see BGH Apr. 01, 1993, I ZR 70/91.

9 Grabinski & Zülch, *supra* note 5, at ¶¶ 153b, 153h, with case law. One example is preliminary injunctions regarding trade fairs, LG Düsseldorf May 11, 2004, 4a O 195/04.

10 See Zivilprozessordnung [ZPO] [Code of Civil Procedure] as amended Oct. 10, 2013, §§ 927, 929.

11 Haft et al., *supra* note 6, at 927.

and infringement need to be obvious.<sup>12</sup> Unclear validity of the respective patent may prevent the court from issuing a preliminary injunction.<sup>13</sup> As a general rule, courts do not issue a preliminary injunction where they would stay (Sec. 148 CCP) the main proceedings (on stays cf. below chapter C.) because of pending validity proceedings and a high likelihood of invalidation of the patent.<sup>14</sup> The same is usually<sup>15</sup> true where a first instance-ruling has held the patent to be invalid, even though the decision is not yet final.<sup>16</sup> Conversely, a first-instance (although not final) confirmation of validity corroborates that preliminary relief is justified.<sup>17</sup>

The second requirement is fulfilled where preliminary relief appears suitable and necessary to protect the applicant from substantial disadvantages (*Verfügungsgrund* – grounds for preliminary relief).<sup>18</sup> This usually requires that an element of urgency is present and that the interests of the patentee outweigh — in a balancing exercise — the interests of the infringer.<sup>19</sup> All in all, the requirements for a preliminary injunction are rather strict since this relief severely impairs the rights of the alleged infringer.<sup>20</sup> Consequently, preliminary injunctions are a well-established, but – at least traditionally<sup>21</sup> – not a very frequent feature of German patent law.<sup>22</sup>

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12 Voß, *supra* note 8, at ¶ 281; Osterrieth, *supra* note 3, at ¶ 79; see OLG Düsseldorf Apr 29, 2010, I 2 U 126/09. In a way, these requirements, together with the ensuing balancing of interests, soften bifurcation and the infringement-injunction nexus as far as preliminary relief is concerned.

13 Validity concerns are usually considered as removing the grounds/urgency for preliminary relief (*Verfügungsgrund*); OLG Düsseldorf, Apr. 29, 2010, I 2 U 126/09; OLG Karlsruhe, July 8, 2009, 6 U 61/09.

14 OLG Düsseldorf Oct. 21, 1982, 2 U 67/82; OLG Düsseldorf Oct. 05, 1995, 2 U 43/95; OLG Frankfurt Mar. 27, 2003, 6 U 215/02.

15 But not where the decision is evidently flawed, see OLG Düsseldorf May 29, 2008, 2 W 47/07.

16 Grabinski & Zülch, *supra* note 5, at ¶ 153b.

17 OLG Düsseldorf Apr. 29, 2010, I 2 U 126/09.

18 Voß, *supra* note 8, at ¶ 284.

19 *Id.*

20 Osterrieth, *supra* note 3, at ¶ 79.

21 On recent tendencies to grant preliminary injunctions more frequently, see Roland Böhler, *Einstweilige Verfügungen in Patentsachen* [Interim Injunctions in Patent Matters], 11 GRUR, 965 (2011).

22 On numbers, see Andreas von Falck, *Einstweilige Verfügungen in Patent- und Gebrauchsmustersachen*, 10 MITTEILUNGEN DER DEUTSCHER PATENTANWÄLTE 429 (2002). On preliminary injunctions in general, see also Böhler, *supra* note 22, at 965; Tobias Wuttke, *Die aktuelle gerichtliche Praxis der einstweiligen Unterlassungsverfügung in Patentsachen – zurück zu den Anfängen?* [The current judicial practice of interim injunctive relief in patent matters - back to the beginning?], 9 MITTEILUNGEN DER DEUTSCHEN PATENTANWÄLTE 393 (2011). Prominent court decisions have held that it can be difficult to assess the requirements for an injunction in preliminary proceedings and that, therefore, this relief is to be granted with caution, see OLG Karlsruhe Apr. 27, 1988, 6 U 13/88; OLG Karlsruhe July 8, 2009, 6 U 61/09 at ¶ 13; OLG Düsseldorf, May 29, 2008, 2 W 47/07 (especially on the relevance of first instance-decisions on patent validity); OLG Hamburg Sept. 3, 1987, 3 U 83/87; OLG Frankfurt, May 3, 1988, 6 U 207/87.

## B. SCOPE AS CLAIMED AND GRANTED

The usual patent infringement litigation in Germany includes an oral hearing and is decided by a judgment on the merits,<sup>23</sup> including a decision on costs and provisional enforcement.<sup>24</sup> The operative part (*Tenor/Urteilstenor*) of such a judgment is based on the plaintiff's motion, reflects its plea in law,<sup>25</sup> and provides the legal basis for the enforcement of the ruling.<sup>26</sup> An infringement decision must state clearly from which actions a defendant has to refrain.<sup>27</sup> Wording and interpretation of the decision's operative part (*Tenor*) are crucial since they determine the (range of) acts which a defendant is not allowed to repeat/undertake.<sup>28</sup> The operative part must not be so abstract as to cover acts which were not in dispute.<sup>29</sup> By way of interpretation, the scope of an injunction is oftentimes delineated according to the so-called „core theory”: The infringer cannot evade an injunction by making minor changes to the infringing act/product if the core of the (form of the) infringement remains unchanged.<sup>30</sup>

Whether and in which cases the patent claims can be used to identify the infringing acts is a complex and highly debated issue.<sup>31</sup> Although a plaintiff is not procedurally barred from asserting broad claims for patent infringement, even claims as comprehensive as the patent claims themselves,<sup>32</sup> the action will be dismissed unless the plaintiff specifies the infringement,<sup>33</sup> in particular the infringing product etc., in the initial complaint or during<sup>34</sup> the proceedings. While the Court may not award more than the plaintiff has requested (Sec. 308(1) CCP), it is possible to reframe the claim, to grant less than requested, or to base the decision on

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23 On wording regarding claims and subclaims of the infringed patent, *see* Voß, *supra* note 8, at ¶ 198.

24 *Id.* at ¶ 197.

25 *Id.* at ¶ 36.

26 BGH Mar. 30, 2005, X ZR 126/01.

27 Grabinski & Zülch, *supra* note 5, at ¶ 32.

28 Johann Pitz, Patentverletzungsverfahren [Patent Infringement Litigation] ¶ 134 (C.H. Beck.2010).

29 Grabinski & Zülch, *supra* note 5, at ¶ 32.

30 Pitz, *supra* note 29, at ¶ 134.

31 *See* BGH Apr. 29, 1986, X ZR 28/85; BGH, Mar. 30, 2005, X ZR 126/01; OLG München Oct. 6, 1958, 6 W 607/58; Peter Meier-Beck, *Probleme des Sachantrags im Patentverletzungsprozeß*, 3/4 GRUR [GERMAN ASSOCIATION FOR THE PROTECTION OF INTELLECTUAL PROPERTY] 276, 277 (1998); Grabinski & Zülch, *supra* note 5, at ¶ 32.

32 Grabinski & Zülch, *supra* note 5, at ¶ 32.

33 BGH Feb. 23, 1962, I ZR 114/60; BGH, Apr. 29, 1986, X ZR 28/85.

34 BGH Nov. 24., 1999, I ZR 189/97.

different legal grounds than submitted.<sup>35</sup> Inadmissible actions will be thrown out by means of a procedural ruling.<sup>36</sup>

### C. BIFURCATION AND STAYS

In Germany, patent litigation is a civil law dispute subject, in principle, to the same procedural rules as other civil law cases.<sup>37</sup> As a very important exception to this rule, however, German patent litigation is “bifurcated”: Court proceedings are split into validity matters<sup>38</sup> on the one hand and all other patent-related disputes, infringement disputes in particular, on the other hand.<sup>39</sup> As one of the reasons for this approach, the relatively thorough patent granting procedure is perceived to justify a presumption of validity of the patent, permitting the infringement court to grant relief without having itself assessed patent validity. Furthermore, the effectiveness of infringement proceedings would be reduced if the infringement court had to deal with validity matters.<sup>40</sup>

#### 2. *Stay of infringement proceedings pending validity proceedings*

Due to bifurcation, it is possible (and frequent) that injunction proceedings and validity proceedings run in parallel and that the infringement court awards an injunction before the validity court ascertains whether the patent in question is valid or not.<sup>41</sup> A key instrument for avoiding contradictory results in the two prongs of the bifurcated system — grant of injunction on the one, invalidation of the patent on the other hand — is a stay of the infringement proceedings according to Sec. 148 CCP.

Courts may grant a stay at first,<sup>42</sup> or third<sup>43</sup> instance. They have some discretion based on a balancing of the parties’ interests.<sup>44</sup> As a

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35 Voß, *supra* note 8, at ¶ 36.

36 Pitz, *supra* note 29, at ¶ 134.

37 Osterrieth, *supra* note 2, at ¶ 2..

38 The main relevant types of validity proceedings are opposition proceedings (Sec. 59, 81 GPA) or an action for revocation (Sec. 22, 81 GPA). The German Patent Office, the Federal Patent Court, and the Federal Court of Justice have exclusive jurisdiction over validity, infringement courts are bound by their decision. Cf. *id.*; PETER MES, PATENTGESETZ, GEBRAUCHSMUSTERGESETZ § 139 ¶ 353 ( C.H. Beck 3d. ed. 2015).

39 Osterrieth, *supra* note 2, at ¶ 1.

40 On both reasons, *see id.* at ¶ 3.

41 *Id.* at ¶ 4.

42 *Id.* at ¶ 5; Kraßer & Ann, *supra* note 5, § 36 ¶ 71.; On the particularities of a second instance assessment, i.a. on the lower threshold for a stay if the patentee won the first instance, can — as a result — enforce the injunction based on the provisionally enforceable first instance decision, and is, therefore, less severely affected by a stay, cf. OLG Düsseldorf Jun. 20, 2002, 2 U 81/99; OLG Düsseldorf Dec. 21, 2006, 2 U 58/05.

general tendency, German courts use this discretion to take a rather patentee-friendly position, they are restrictive in the grant of stays.<sup>45</sup> According to one of the standard tests, an infringer requesting a stay must show a high likelihood that the patent will be invalidated.<sup>46</sup> A stay is considered appropriate if the patent has already been restricted in opposition (Sec. 21, 59 GPA) or nullity (Sec. 22, 81 et seq. GPA) proceedings at first instance, at least where this restriction has the challenged form of execution no longer covered.<sup>47</sup> Some scholars argue that opposition proceedings suggest a suspension more strongly than actions for revocation since, in opposition proceedings, it is the patentee who bears the burden of proof.<sup>48</sup> Generally speaking, a stay seems more likely where novelty of the infringed patent is questionable,<sup>49</sup> and less likely where opposition/revocation proceedings focus on inventiveness.<sup>50</sup> If one action for revocation has failed but a second action been filed, infringement proceedings will usually not be stayed any more, unless imminent success of the second action for revocation is evident.<sup>51</sup> The suspension shall not be granted if the defendant has initiated the invalidity proceedings with delay (Sec. 296 CCP).<sup>52</sup> Neither the mere possibility of destruction or revocation nor a threat of an action for annulment justify a stay.<sup>53</sup> The same goes for a compulsory license action since such action can legitimate use of the patent for the future only.<sup>54</sup>

As to the standards by which the infringement courts determine the likelihood of patent invalidation, there is no formal taking of evidence but the defendant should not be significantly worse off than if the infringing

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43 BGH Sep. 28, 2011, X ZR 68/10; BGH Apr. 06, 2004, X ZR 272/02 (holding that the interests of the patentee ought to prevail the more clearly the later the infringer has attacked the patent's validity).

44 BGH, Sep. 28, 2011, X ZR 68/10; OLG München, Dec. 29, 2008, 6 W 2387/08.

45 Mes, *supra* note 39, at § 139 ¶ 354.

46 *Id.* at § 139 ¶ 352, 354; Grabinski & Zülch, *supra* note 5, at ¶ 107; Christian Osterrieth, *Patent-Trolls in Europa – braucht das Patentrecht neue Grenzen?*, 6 GRUR 540, 543 (2009). On the lower threshold before appeal courts, *see* BGH Nov. 11, 1986, X ZR 56/85; Grabinski & Zülch, *supra* note 5, at ¶ 107.

47 Grabinski & Zülch, *supra* note 5, at ¶ 107 with reference to OLG Düsseldorf, Feb. 22, 2012, I 2 U 26/05.

48 Mes, *supra* note 39, at § 139 ¶ 359.

49 For instance, because the opposing party raises elements of the state of the art which have not been reviewed in the verification procedure; LG München I Aug. 24, 2007, 21 O 22456/06.

50 Mes, *supra* note 39, at § 139 ¶ 355.

51 BGH Jul. 17, 2012, X ZR 77/11.

52 LG München I May 19, 2011, 7 O 8923/10; BGH Sep. 28, 2011, X ZR 68/10; GRABINSKI & ZÜLCH, 2015, ¶ 107.

53 Grabinski & Zülch, *supra* note 5, at ¶ 107.

54 *Id.* at ¶¶ 107, 109.

court also had the jurisdiction to decide on validity, and the courts do engage in a serious examination of the likelihood of success.<sup>55</sup> For instance, if a stay is requested due to a nullity situation based on manifest prior use, the infringer must produce conclusive and detailed evidence of the alleged prior use.<sup>56</sup> Stays may be decided upon without oral hearing, but this is not the rule.<sup>57</sup> The decision on a stay can be appealed (Sec. 252, 567 et seq. CCP) but review is limited.<sup>58</sup>

Especially in recent times, bifurcation has drawn criticism,<sup>59</sup> not least because a considerable patent invalidation rate and substantial time gaps between the decisions in infringement and validity proceedings can harm alleged infringers who are enjoined from using a technology the patent on which is subsequently declared invalid.<sup>60</sup> The need to wait for the decision of the – usually slower – validity court delays the overall resolution of the case<sup>61</sup> and alleged infringers may be forced into settlement by the costs and other disadvantages they would incur during this period.<sup>62</sup> On the other hand, the swifter decision on and termination of an infringement which bifurcation permits does generate effective patent protection and it certainly makes Germany an attractive venue for patentees.<sup>63</sup>

### 3. *Other types of stays and procedural reactions to patent invalidation*

Usually, an injunction issued by a court of first instance is provisionally enforceable on condition that the plaintiff lodges sufficient security. Enforcement of the injunction can, as an exception, be stayed at the request of the defendant<sup>64</sup> where (i) the defendant provides security (Sec. 719, 707 CCP), (ii) an enforcement threatens to inflict serious,

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<sup>55</sup> *Id.*

<sup>56</sup> Critical of the high requirements for suspension and with further references; *see id.* at ¶ 107.

<sup>57</sup> *Id.* at ¶ 108.

<sup>58</sup> OLG Düsseldorf, May 27, 2003, 2 W 11/03 – Vorgreiflichkeit; OLG Düsseldorf, Dec. 08, 1993, 2 W 79/93 – Prüfungskompetenz des Beschwerdegerichts, ¶ 8; OLG München, Dec. 29, 2008, 6 W 2387/08 – Abstrakte Vorgreiflichkeit.

<sup>59</sup> See Peter Meier-Beck, Bifurkation und Trennung, Überlegungen zum Übereinkommen über ein Einheitliches Patentgericht und zur Zukunft des Trennungsprinzips in Deutschland, 10 GRUR 929, 936; Sivaramjani Thambisetty, SMEs and Patent Litigation: Policy-Based Evidence Making?, 32(4) EUR. INTELL. PROP. REV. 143, 144 (2010); Mark A. Lemley, Why Do Juries Decide If Patents Are Valid?, 98 VA. L. REV. 1673, 1732 (2013); see Damages in international arbitration, Practical Law UK Practice Note 0-519-4371 (2019).

<sup>60</sup> *E.g.*, BGH, Jul. 08, 2014, X ZR 61/13.

<sup>61</sup> *Damages in international arbitration*, Practical Law UK Practice Note 0-519-4371 (2019).

<sup>62</sup> Meier-Beck, *supra* note 60, at 932.

<sup>63</sup> *Id.*

<sup>64</sup> For granting of an use-by period according to considerations of proportionality, *see infra* Part D.6.

irreparable damage upon the defendant, and (iii) a balancing of interests shows that the defendant's interests outweigh the plaintiff's interests given the facts of the case, including validity concerns.<sup>65</sup>

Other reasons for delaying or staying injunctions in time are, in particular, so-called "torpedo" actions in other EU Member States under Sec. 27, 30 of the ECJ Regulation,<sup>66</sup> a pending constitutional complaint against a ruling that grants annulment,<sup>67</sup> or a referral for a preliminary ruling to the Court of Justice of the European Union pursuant to Sec. 267 TFEU.<sup>68</sup>

If the patent lapses during the infringement proceedings, but without retroactive effect, the patentee must limit its claims to the period of patent validity and otherwise withdraw them lest its action be dismissed in this respect.<sup>69</sup> If the infringement court issues an injunction and the patent is subsequently invalidated, the infringer may file an "action raising an objection to the claim being enforced" (Sec. 767 CCP) based on the grounds that the patent, the use of which has been enjoined, lacks validity. Furthermore, the infringer may file for an interim order staying enforcement (Sec. 769 CCP).<sup>70</sup> If the infringement decision is final and has already been enforced before the invalidation/lapse of the patent (or in spite of the patent having lapsed during the infringement proceedings),<sup>71</sup> an action for retrial according to Sec. 580 No. 6 CCP (by way of analogy)<sup>72</sup> or claims based on undue enrichment (Sec. 812 et seq. GCC) may be raised. An action for retrial based on a decision (partly) invalidating the patent can, however, only be brought after the invalidating decision has become final.<sup>73</sup>

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65 Haft et al., *supra* note 6.

66 Cf. Osterrieth, *supra* note 3, at ¶ 34; THOMAS KÜHNEN, HANDBUCH DER PATENTVERLETZUNG, § C ¶ 177 (Carl Heymanns Verlag 12 ed. 2017).

67 Cf. LG Düsseldorf Aug. 27, 2004 (suspending on constitutional complaint).

68 Mes, *supra* note 39, at § 139 ¶ 352. This can apply not only where the referral resulted from proceedings concerning the patent whose (alleged) infringement caused the infringement proceedings to-be-stayed, but also where the referral concerns another patent but raises the same issue which is relevant to the infringement proceedings to-be-stayed; BGH Jan. 24, 2012, VIII ZR 236/10.

69 Thomas Kühnen, Das Erlöschen des Patentschutzes während des Verletzungsprozesses, Materiell-rechtliche und verfahrensrechtliche Folgen, 3/4 GRUR 288, 289-93 (2009).

70 Osterrieth, *supra* note 3, ¶ 16.

71 BGH July 7, 2010, Xa ZR 118/09.

72 BGH Apr. 17, 2012, X ZR 55/09; BGH July 29, 2010, Xa ZR 118/09.

73 OLG Düsseldorf Nov. 11, 2010, I-2 U 152/09, <https://openjur.de/u/537812.html>.

## D. DEFENSES AND LIMITATIONS

1. *Considerations of public interest*

## i. Relevance and types of public interest considerations

Sec. 139(1) GPA itself, German patent law's core provision on injunctions, does not leave room for the consideration of public interest beyond what is already embodied in the requirements the provision establishes for the grant of an injunction. Nor does a strong tradition of wide judicial discretion exist,<sup>74</sup> which would enable courts to broadly introduce public interest considerations.

The balancing of interests required for an interim injunction, however, and — in particular — the provisions in Sec. 24(1) No. 2 GPA,<sup>75</sup> Sec. 11 GPA, and Sec. 13(1) GPA are important settings in which public interest considerations can be brought to bear. The general concept of public interest, which is embodied in these provisions, changes over time and cannot be cloaked into a single, general formula.<sup>76</sup> It is a broad and multifaceted concept, encompassing, for instance, technical, economic, socio-political, and medical aspects,<sup>77</sup> which factor into an assessment of whether an injunction would be proportional under the circumstances of the case.<sup>78</sup> To give an idea, aspects hitherto considered relevant were:

- the patent holder did not satisfy or could not satisfy domestic needs;<sup>79</sup>
- improvement of the trade balance;<sup>80</sup> promotion of exports;<sup>81</sup>
- improvement of the currency situation;<sup>82</sup>
- likely insolvency of the licensee and resulting increase in unemployment;<sup>83</sup>

<sup>74</sup> Ansgar Ohly, *Patentrolle* oder: Der patentrechtliche Unterlassungsanspruch unter Verhältnismäßigkeitsvorbehalt? - Aktuelle Entwicklungen im US-Patentrecht und ihre Bedeutung für das deutsche und europäische Patentsystem, GRUR INT'L 787, 795 (2008).

<sup>75</sup> On the compatibility of this provision with TRIPS Agreement, *supra* note 8, at § 30 ; cf. Rüdiger Wilhelmi, *PATG § 24 [Zwangslizenz; Patentrücknahme]*, in BECKOK PATENTRECHT ¶24 (Fitzner Uwe et. al.eds., C.H. Beck 12th ed. 2019).

<sup>76</sup> BGH Dec. 5, 1995, X ZR 26/92.

<sup>77</sup> Rüdiger Rogge & Helga Kober-Dehm, *PATENTGESETZ: GEBRAUCHSMUSTERGESETZ, PATENTKOSTENGESETZ* ¶17 (C.H. Beck, 11th ed. 2015) ; BGH Dec. 5, 1995 X ZR 26/92 ; BGH July 13, 2004, KZR 40/02.

<sup>78</sup> BGH Dec. 5, 1995, X ZR 26/92.

<sup>79</sup> RG May 27, 1918, I. 89/17; RG, Jan. 18, 1936, I 90/35.

<sup>80</sup> RG June 27, 1928, I 271/27.

<sup>81</sup> RG Dec. 21, 1935, I 18/35.

<sup>82</sup> RG Feb. 1, 1938, I 173 174/36.

<sup>83</sup> RG Mar. 11, 1926, I 243 244/25; RG Jan. 24, 1934, I 37/33.



- increase in workplace safety;<sup>84</sup>
- promotion of public health;<sup>85</sup>
- continuous availability of a particular medicinal product,<sup>86</sup> in particular one that has major advantages (therapeutic properties, efficacy, reduced side effects) over similar products;<sup>87</sup>
- the simultaneous pursuit of financial interests does not prevent presence of a public interest and the granting of a compulsory license;<sup>88</sup>
- the mere promotion of competition is not sufficient as a public interest.<sup>89</sup>

## ii. Compulsory licenses on public interest grounds

If the patentee is unwilling to grant a license for reasonable remuneration and if there is a public interest in such a license, a compulsory license shall be granted to the license seeker (Sec. 24(1) No. 2 GPA). The presence of a public interest is determined according to the general criteria mentioned in chapter D.1.i. So far, Sec. 24(1) GPA has gained traction mainly in the pharmaceutical field<sup>90</sup> and recent case-law seems to indicate its relevance is even growing there.<sup>91</sup> An abusive exploitation of the patent by the patentee is not a necessary requirement for the grant of a compulsory license under Sec. 24 GPA.<sup>92</sup> Nor does the license seeker's unsuccessful offer (Sec. 24(1) No. 1 GPA) have to meet the requirements for a compulsory license (defense) under competition law (see chapter D.3.).<sup>93</sup> A compulsory license is not warranted, however, where equivalent ways to satisfy the public interest exist.<sup>94</sup>

The compulsory license is an exception to the rule that the patent holder remains free to decide whether and how to grant licenses ensuring

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84 RG Feb. 11, 1903, I 291/02.

85 RG Aug. 16, 1935, I 44/35.

86 BGH, *supra* note 77; BPatG, June 7, 1991, 3 Li 1/90.

87 Rogge & Kober-Dehm, *supra* note 78, at ¶ 21.

88 *Id.* at ¶ 16.

89 *Id.*

90 See Mes, *supra* note 39, at ¶ 2; BPatG Aug. 31, 2016, 3 LiQ 1/16; BPatG June 7, 1991, 3 Li 1/90 (discussing a compulsory license revoked on the basis of different assessment of facts in BGH Dec. 5, 1995, X ZR 26/92).

91 BPatG Aug. 31, 2016, 3 LiQ 1/16; BGH July 11, 2017, X ZB 2/17; *Wilhelmi*, *supra* note 76, at ¶ 27 with further references.

92 Mes, *supra* note 39, at ¶ 14.

93 BPatG Aug. 31, 2016, 3 LiQ 1/16 (EP).

94 Rogge, *supra* note 78, at ¶ 16.

use of the patented invention for the benefit of the public interest.<sup>95</sup> Hence, the burden of proving its prerequisites lies with the license seeker.<sup>96</sup> If it can show they are fulfilled, there is no judicial discretion, the license seeker has a claim to the compulsory license (Sec. 24 (1), 81 (1), 84 GPA),<sup>97</sup> and the court has to grant it.<sup>98</sup>

The license seeker can enforce its compulsory license claim by way of an action before the Federal Patent Court (Sec. 81 GPA). The Patent Act also allows, in case of urgency, for the grant of a compulsory license as an interim measure (Sec. 84 GPA).<sup>99</sup> The result of the court decision granting a compulsory license is not an outright license contract between the parties but the legalization of the patent use<sup>100</sup> and a statutory, non-exclusive license at the conditions<sup>101</sup> – especially the royalties – determined by the court.<sup>102</sup> At least hitherto – and in contrast to competition law-based compulsory licenses (cf. chapter D.3.) – patent infringers could not use pending proceedings regarding a compulsory license under Sec. 24 GPA as a defense against the patentee's claim for an injunction.<sup>103</sup> A decision — including preliminary rulings — granting a compulsory license can, however, be raised in the infringement proceedings and prevent an injunction.<sup>104</sup> Furthermore, the infringer can try to have the infringement court stay the injunction proceedings with regard to the pending compulsory license proceedings if the compulsory license is requested with retroactive effect and the court sees a sufficient likelihood in regard with the requirements mentioned above that it will be awarded.<sup>105</sup>

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95 If the possible uses are sufficiently researched or evaluated by the patentee himself, if an equivalent medicinal product or therapy is available for treatment, *see, e.g.*, BGH Dec. 5, 1995, X ZR 26/92; *Wilhelmi, supra* note 76, at ¶ 85.

96 *See* BGH Dec. 5, 1995, X ZR 26/92.

97 *Mes, supra* note 39, at ¶¶ 30, 33; *Wilhelmi, supra* note 76, at ¶¶ 5, 48.

98 *Wilhelmi, supra* note 76, at ¶ 25 with reference to RG June 29, 1943, I 79/42.

99 *See Mes, supra* note 39, ¶33; *Wilhelmi, supra* note 76b, ¶77.

100 BGH, July 11, 1995, X ZR 99/92.

101 *See Mes, supra* note 39, at ¶ 35; *Wilhelmi, supra* note 76, at ¶ 52 (discussing typical contents of a compulsory license and that *inter alia*, the license can be limited in scope and subject to case-specific obligations on the licensee).

102 *Mes, supra* note 39, at ¶¶ 33, 43.

103 *Pitz, supra* note 29, at ¶ 198.

104 *Cf. Rogge, supra* note 78, at ¶ 36; *Wilhelmi, supra* note 76, at ¶ 85.

105 *Michael Nieder, Zwangslizenzklage – Neues Verteidigungsmittel im Patentverletzungsprozess?*, 9/10 MITTEILUNGEN DER DEUTSCHEN PATENTANWÄLTE 400, 401 (2001); *Pitz, supra* note 29, at ¶ 139.

### iii. Expropriation orders on public interest grounds

Another key provision on public interest considerations is Sec. 13(1) GPA which states, in pertinent part:

“(1) The patent shall have no effect in a case where the Federal Government orders that the invention is to be used in the interest of public welfare. Further, it shall not extend to a use of the invention which is ordered in the interest of the security of the Federal Republic of Germany by the competent highest federal authority or by a subordinate authority acting on its instructions. [. . .]

(3) In the cases referred to in subsection (1), the proprietor of the patent shall be entitled to equitable remuneration from the Federal Republic of Germany.”

As to its legal nature, Sec. 13 GPA is — today mainly<sup>106</sup> — considered not as a compulsory license provision but as a provision permitting an expropriation of the patentee in the sense of Sec. 14(3) GC, in exchange for an equitable remuneration. The expropriation order does, however, not invalidate the patent altogether, it is —and must strictly be<sup>107</sup> — limited to the timespan and forms of use necessary to achieve the public interest goals.<sup>108</sup> Sec. 13 GPA is considered to be coherent with Sec. 31 TRIPS.<sup>109</sup> Its practical relevance is quite low<sup>110</sup> and the most interesting aspects regarding Sec. 13 GPA do (today) probably relate not so much to how the provision plays out in practice but to what it tells about the interplay between patents, general notions of property (protection), and public interest, in particular from a constitutional and economic viewpoint.

As to some details of the provision, “public welfare” (Sec. 13(1)(1) GPA) is interpreted in a narrower sense than “public interest” in Sec. 24 GPA, addressing natural disasters, epidemics, attacks using biological weapons, and suchlike gruesome events.<sup>111</sup> “Interest[s] of the security” (Sec. 13(1)(2) GPA) mainly addresses police or military concerns, as well as the protection of the population during catastrophic events.<sup>112</sup> The

<sup>106</sup> RG Sept. 28, 1921, I 46/21; German Patent Act, *supra* note 4, at § 14(2) (reflecting the public good-limitations to property following).

<sup>107</sup> Uwe Scharen, *PATG § 13 [BESCHRÄNKUNG DER WIRKUNG FÜR ÖFFENTLICHE WOHLFAHRT UND STAATSSICHERHEIT]*, in *PATENTGESETZ: GEBRAUCHSMUSTERGESETZ* ¶ 8 (Benkard Georg ed., 11th ed. 2015).

<sup>108</sup> BGH Feb. 21, 1989, X ZR 53/87.

<sup>109</sup> Scharen, *supra* note 108, at ¶ 2.

<sup>110</sup> OLG Frankfurt PMZ 1949, 330.

<sup>111</sup> Christofer Lenz & Kieser Timo, *Schutz vor Milizbrandangriffen durch Angriffe auf den Patschschutz?*, 6 NJW 401 (2002). For a pre-WWII case-law example, *cf.* RG Mar.03, 1928, I 242/27, RGZ 120, 267 (protection of miners).

<sup>112</sup> Scharen, *supra* note 108, at ¶ 6.

expropriating “order” must be cloaked in the form of an administrative act specifying the (extent of the) public use to be made of the invention.<sup>113</sup> Importantly, an order under Sec. 13 GPA shall only be issued if use of the patented invention cannot be ensured by other means, such as a (compulsory) license or less extensive administrative orders.<sup>114</sup> An expropriation decision under Sec. 13 GPA can be appealed (Art. 19(4)(1) FL; Sec. 78(1) No. 1, Sec. 68(1) No. 1 Code of Administrative Court Procedure in case of a Government/highest federal authority decision; Sec. 40, 42, 68(1)(1), (2), Sec. 70 Code of Administrative Court Procedure in case of a decision by a subordinate authority).

## 2. *Compulsory license according to Sec. 24(2) GPA*

Sec. 24(2) GPA provides for the grant of a compulsory license in dependent patent scenarios. Instead of a specific public interest, the provision requires that the dependent patent embodies an important technical progress of considerable economic potential compared with the invention underlying the earlier patent.<sup>115</sup> In addition, the conditions of Sec. 24 (1) No. 1 GPA must be fulfilled (except public interest), viz. the license seeker must have made unsuccessful efforts within a reasonable period of time to obtain the consent of the patentee to use the protected invention on reasonable commercial terms (cf. chapter D.1.ii.). By way of compensation for the grant of a compulsory license, the owner of the earlier patent may request a counter-license from the license seeker on reasonable terms (Sec. 24 (2)).

Based on Art. 5 A of the Paris Union Convention for the Protection of Industrial Property and Sec. 31 TRIPs almost all European countries have incorporated legal standards which provide for the right to a compulsory license.<sup>116</sup>

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<sup>113</sup> *Id.* at ¶ 3.

<sup>114</sup> *Id.* at ¶ 4; Alfred Keuekenshijver, §13 (*Staatliche Benutzungsanordnung*), in Patentgesetz: unter Berücksichtigung des Europäischen Patentübereinkommens, der Regelungen zum Patent mit einheitlicher Wirkung und des Patentszusammenarbeitsvertrags mit Patentkostengesetz, Gebrauchsmustergesetz und Gesetz über den Schutz der Topographien von Halbleitererzeugnissen, Gesetz über Arbeitnehmererfindungen und Gesetz über internationale Patentübereinkommen ¶ 8 (Busse et al. eds., 9th ed. Walter de Gruyter GmbH 2016).

<sup>115</sup> Mes, *supra* note 39, at ¶ 20; Wilhelmi, *supra* note 76, at §24 ¶ 37.

<sup>116</sup> Johann Pitz, *Compulsory Licensing in the “Public Interest”*, 3 ACTA SCI. MED. SCI. 77, 78 (2019).

### 3. Competition law

It is, meanwhile, a well-established principle in German and EU law that competition law rules can impact patent law, especially by limiting the claims and exclusivity rights of patent holders.<sup>117</sup> This paper can focus only on a particularly conspicuous vein of this impact, namely on the competition law-based duty of a market dominant patent holder to grant, under certain conditions, a compulsory license to its patents, especially if these patents qualify as essential to an ICT standard. The paper must, thus, omit other interesting facets, such as limitations to patent injunctions stemming from unfair competition rules.

#### i. The initial German cases: Standard-Spundfass and Orange Book

The concept that a SEP holder can abuse its dominant market position (if present) and violate Sec. 19, 20 German Competition Act — GCA/Art. 102 TFEU by refusing to grant a license at FRAND conditions<sup>118</sup> is both recent and already widely accepted in Germany. The German Federal Court of Justice has acknowledged this concept in its *Standard-Spundfass*<sup>119</sup> and *Orange Book*<sup>120</sup> decisions, holding that the implementer may, in such cases, be entitled to a competition law-based compulsory license and that this entitlement can serve as a defense<sup>121</sup> against the claim for injunctive relief (*kartellrechtlicher Zwangslizenzeinwand*).

However, the threshold for a competition law-based compulsory license (defense) set in *Orange Book* and subsequent decisions by lower

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<sup>117</sup> See BGH May 6, 2009, KZR 39-06; Case C-170/13, Huawei Tech. v. ZTE Corp., 2015 EUR-Lex, 62013CJ0170; Case C-238/87, AB Volvo v. Erik Veng 1988, <http://curia.europa.eu/juris/liste.jsf?language=en&num=C-238/87>; Unwired Int'l v. Huawei Tech. [2017] EWHC 711 (Pat) (Eng.); Commission Decision, AT.39939, 2014 O.J. (C 350) 8; ANDREAS HEINEMANN, IMMATERIALGÜTERSCHUTZ IN DER WETTBEWERBSORDNUNG, EINE GRUNDLAGENORIENTIERTE UNTERSUCHUNG ZUM KARTELLRECHT DES GEISTIGEN EIGENTUMS 178 et seq., 321 et seq. (Mohr Siebeck 1st ed. 2002); Marias Pregartbauer, *Der Anspruch auf Unterlassung aus standardessentiellen Patenten im Telekommunikationssektor*, 2 (2017), [https://www.researchgate.net/publication/321347891\\_Der\\_Anspruch\\_auf\\_Unterlassung\\_aus\\_standardessentiellen\\_Patenten\\_im\\_Telekommunikationssektor](https://www.researchgate.net/publication/321347891_Der_Anspruch_auf_Unterlassung_aus_standardessentiellen_Patenten_im_Telekommunikationssektor).

<sup>118</sup> On the interplay between competition law, patent law, and standard-setting in general, as well as on the fact that SEP ownership does not automatically result in dominance, cf. Christian Dobler & Sattler Sven, *Das Spannungsfeld von Wettbewerb, geistigem Eigentum und Standardisierung— Problemaufriss, Konfliktfelder und Lösungsansätze*, in KARTELLRECHT IN THEORIE UND PRAXIS, FESTSCHRIFT FÜR CORNELIUS CANENBLEY ZUM 143 et seq. (C.H. Beck 1 ed. 2012).

<sup>119</sup> BGH July 13, 2004, KZR 40/02.

<sup>120</sup> BGH May 6, 2009, KZR 39-06.

<sup>121</sup> In order to justify that the compulsory license can serve as a defense, the Court relies on the argument that conduct prohibited under antitrust law must not be backed by the grant of injunctive relief; BGH May 6, 2009, KZR 39-06.

courts was quite a high one:<sup>122</sup> According to the case-law, the patentee acts abusively only if, first, the license seeker has made an unconditional offer to conclude a license agreement which the patentee cannot refuse without violating competition law by committing a discriminatory or exclusionary abuse.<sup>123</sup> Second, if the seeking company is already using the patent, it must comply with its obligations under the offered license prior to the acceptance of the offer by the patent holder.<sup>124</sup> This means, in particular, that it must already pay the offered royalties, albeit in escrow.<sup>125</sup> If the license seeker considers the license fees requested by the patent holder to be excessive or if the patent holder refuses to quantify royalties, the license seeker can base the offer for a license agreement on license fees to be determined by the patent holder at its reasonable discretion.<sup>126</sup>

The Federal Supreme Court's *Orange Book* decision has provoked much criticism.<sup>127</sup> The main group of detractors argues, essentially, that the approach is too harsh on the technology user – thereby violating the principle of effectiveness regarding the application of Art. 102 TFEU.<sup>128</sup> They justify their refusal by stating that it can be very difficult to determine and submit appropriate license conditions,<sup>129</sup> that *Orange Book* envisages not even an evidence check of whether deposited royalties are appropriate,<sup>130</sup> that the technology user is not entitled to a grace period for assessing whether a continuing infringement is actually taking place,<sup>131</sup> and that a duty of the user to define license conditions does not square well

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<sup>122</sup> See also Peter Picht, *Strategisches Verhalten bei der Nutzung von Patenten in Standardisierungsverfahren aus der Sicht des europäischen Kartellrechts* 392 et seq. (Springer-Verlag Berlin Heidelberg, 1st ed. 2014).

<sup>123</sup> BGH May 6, 2009, KZR 39-06.

<sup>124</sup> *Id.* at ¶ 29.

<sup>125</sup> *Id.*

<sup>126</sup> *Id.* at ¶ 39.

<sup>127</sup> For an overview, see Picht, *supra* note 123, at 39 et seq.

<sup>128</sup> Phillip Maume & Caluda Tapia, *Der Zwangslizenzinwand ein Jahr nach Orange Book Standard – mehr Fragen als Antworten*, 11 GRUR INT'L 923, 95, 925 (2010); Andreas Heinemann, *BGH Missbräuchliche Sit bei Verweigerung eines Lizenzvertrags – Orange-Book-Standard*, 8 LMK 286659 (2009); G.K. De Bronett, *Gemeinschaftsrechtliche Anmerkungen zum 'Orange-Book-Standard'-Urteil des BGH*, 9 WuW 899 (2009).

<sup>129</sup> Hanns Ullrich, *Patents and Standards – A Comment on the German Federal Supreme Court Decision Orange Book Standard*, 3 ICC 377, 343 et seq., 347 et seq. (2010); see also Michael Fröhlich, *Standards und Patente – Die ETSI IPR Policy*, 3 GRUR 205, 213 (2008); PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD, 177, 189 (Prinz zu Waldeck und Pyrmont, W. et al., eds., Springer-Verlag 2009); Hanns Ullrich, *Patente und technische Normen: Konflikt und Komplementarität in patent- und wettbewerbsrechtlicher Sicht*, EUROPÄISCHE PERSPEKTIVEN DES GEISTIGEN EINGENTUMS 14, 50 et seq. (Mohr Sieck 2010).

<sup>130</sup> Maume & Tapia, *supra* note 129, at 925.

<sup>131</sup> Cf. *id.* at 924 et seq. (arguing for a grace period of three months, especially in case of technology standards creating a risk of multiple patent infringement).

with the general competition law rules on refusal to supply.<sup>132</sup> Others criticize, on the contrary, that the *Orange Book* approach erodes patent protection and neglects the legal nature of patents as exclusive property rights.<sup>133</sup> Reflecting the main critique, the EU Commission and the CJEU chose – as the next part of this paper will show – an approach that is considerably more implementer-friendly. However, this has not necessarily rendered the *Orange Book* mechanism irrelevant.<sup>134</sup> Instead, the CJEU may have left room for the “*Orange Book*-test” where the facts differ from those of the *Huawei/ZTE* case, in particular because the standard at issue is not a so-called “*de jure*-standard”, established by a standard-setting organization (SSO), but a “*de facto*-standard”, established by a market participant via the market success of its standard-based products.<sup>135</sup> At least German scholars are still debating whether the *Orange Book*-test should (continue to) apply in these *de facto*-scenarios or whether it is wiser to switch to the *Huawei/ZTE*-test in *de facto*-cases, too.<sup>136</sup>

#### ii. The Commission’s Samsung and Motorola cases

While the EU Commission’s *Rambus* case dealt with the slightly different issue of a so-called “patent ambush”,<sup>137</sup> the Commission took an early look at the competition law-based compulsory license (defense) in its *Samsung* and *Motorola* investigations.<sup>138</sup>

In December 2012, the Commission expressed competition concerns about Samsung’s enforcement of its SEPs and in April 2013 the Commission issued a further Statement of Objections against Motorola.<sup>139</sup> In both Statements of Objection, the Commission expressed the view that an enforcement of injunctive relief claims based on SEPs may,

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<sup>132</sup> Ullrich, *supra* note 130, at 343 et seq.; Pregartbauer, *supra* note 118, at 90 et seq.

<sup>133</sup> Daniel Hötte, BGH: Zulässigkeit des kartellrechtlichen Zwangslizenzinwands – Orange-Book-Standard, 10 MMR 686, 690 (2009).

<sup>134</sup> See Picht, *supra* note 123, at 423, 554 et seq.; Pregartbauer, *supra* note 118, at 89 et seq.

<sup>135</sup> Cf. *supra* Section D.1. for a discussion on the Orange Book-test as part of the proportionality test.

<sup>136</sup> In favor of Orange Book: Christoph Palzer, *Patentrechtsdurchsetzung als Machtmissbrauch – der Zwangslizenzinwand aus unionsrechtlicher Sicht*, 18 EUZW 702, 706 (2015); in favor of the application of an (albeit adapted) *Huawei/ZTE*-test Peter Picht, *The ECJ Rules on Standard-Essential Patents: Thoughts and Issues Post-Huawei*, 37 EUR. COMPETITION L. REV. 365, 371 (2016).

<sup>137</sup> Commission Decision, C-COMP/38.636, 2014 O.J. (C 344) 6; Picht, *supra* note 123, *passim*.

<sup>138</sup> Commission Decision, AT.39985, 2014 O.J. (C 344) 6; Commission Decision, AT.39939, O.J. (C 350) 8.

<sup>139</sup> Cf. Tilman Müller & Henke Volkmar, *Patentdurchsetzung als Kartellrechtsverstoß. Die Entscheidungen der EU-Kommission in Sachen Samsung und Motorola*, 7 GRUR INT’L 662, 662 (2014).

exceptionally, constitute an abuse of a dominant position if the patentee has agreed, in a “FRAND declaration”, to license these patents on terms that are “fair, reasonable and non-discriminatory” and if the opponent has expressed its willingness to take such a license on FRAND terms.<sup>140</sup> In the Samsung decision, the Commission applied these criteria and accepted a commitment by Samsung not to enforce the respective SEPs for smartphones and tablets in Europe, provided that the implementer agrees to take out a FRAND license, the terms of which are to be determined by court (or arbitration) if necessary.<sup>141</sup> Under this concept, patent infringers can escape an injunction by declaring a rather unspecific willingness to license and by agreeing to accept, after a certain negotiation period, the binding determination of license terms by a court (or arbitral tribunal).<sup>142</sup> In addition, the implementer remains free to challenge validity or infringement of the respective patents.<sup>143</sup>

The test for determining whether an implementer qualifies as a “willing” licensee was at the heart not only of the Commission’s Samsung and Motorola investigations but also of a referral<sup>144</sup> to the CJEU made by the Düsseldorf Regional Court. Perceiving – and rightly so – a divergence between the patentee-friendly approach in *Orange Book* and the rather implementer-friendly position of the EU Commission, the Düsseldorf Court triggered, in its search for clarification, a seminal decision on the interaction between patent and competition law.

### iii. The CJEU’s commandments: Huawei v. ZTE

Answering to the questions from Düsseldorf, the CJEU held, in its decision *Huawei v. ZTE*,<sup>145</sup> that “the Court must strike a balance between maintaining free competition — in respect of which primary law and, in particular, Article 102 TFEU prohibit abuses of a dominant position — and the requirement to safeguard [a] proprietor’s intellectual-property rights and its right to effective judicial protection, guaranteed by Article 17(2) and Article 47 of the Charter, respectively.”<sup>146</sup> However, it is “settled case-

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<sup>140</sup> Commission Decision, AT.39985, O.J. (C 344) 6; Commission Decision, AT.39939, O.J. (C 350) 8.

<sup>141</sup> European Commission, Press Release IP/14/490, Antitrust: Commission Accepts Legally Binding Commitments by Samsung Electronics on Standard Essential Patent Injunctions (Apr. 29, 2014).

<sup>142</sup> Müller & Henke, *supra* note 140, at 663..

<sup>143</sup> *Id.*

<sup>144</sup> LG Düsseldorf Mar. 21, 2013, 4b O 104/12.

<sup>145</sup> Case C-170/13, Huawei Tech. v. ZTE Corp., 2015 EUR-Lex, 62013CJ0170.

<sup>146</sup> *Id.* at ¶ 42.



law that the exercise of an exclusive right linked to an intellectual-property right by the proprietor may, in exceptional circumstances, involve abusive conduct for the purposes of Article 102 TFEU”.<sup>147</sup> Since the enforcement of an injunctive relief against standard essential patents “prevent[s] products manufactured by competitors from appearing or remaining on the market” and “having regard to the fact that an undertaking to grant licences on FRAND terms creates legitimate expectations on the part of third parties that the proprietor of the SEP will in fact grant licences on such terms, a refusal by the proprietor of the SEP to grant a licence on those terms may, in principle, constitute an abuse within the meaning of Article 102 TFEU.”<sup>148</sup> However, a “fair balance between the interests concerned” must be ensured.<sup>149</sup> In order for the action for injunctive relief not to be regarded as abusive in this context, the patentee must comply with certain conditions:<sup>150</sup> Before bringing an action, the patentee must indicate the patent infringement, the patent concerned and how the patent is alleged to have been infringed. If the alleged infringer has expressed its intention to conclude a license agreement on FRAND terms, the patentee is required to submit to the infringing but license-willing company a concrete written license offer and, in particular, indicate the license fee and how it was calculated. The alleged patent infringer must react to the offer in accordance with commercial practices in the field and in good faith. If it does not accept the offer, it must make a concrete counter-offer at FRAND conditions within a short period of time. From the time at which this counter-offer is rejected by the patent holder, the license seeker already using the patent must provide adequate security, e.g. by providing a bank guarantee or by depositing the required amounts. It must be possible to present an exact account of the past acts of use. If the patent infringer’s conduct does not meet these requirements or if it practices delaying tactics, the allegation of abuse against the patent holder does not apply.

With its *Huawei v. ZTE* decision, the CJEU has established a test that is somewhat closer to the Commission’s position in the *Samsung* and *Motorola* cases than to *Orange Book*.<sup>151</sup> However, the test is particular in that it requires both the patentee and the implementer to follow a step-by-

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147 *Id.* at ¶ 47.

148 *Id.* at ¶ 52 et seq.

149 *Id.* at ¶ 55.

150 Cf. Andreas Heinemann, *Standardessenzielle Patente in Normenorganisationen. Kartellrechtliche Vorgaben für die Einlösung von Lizenzierungsversprechen*, 9 GRUR 855, 859 (2015) (containing a detailed analysis).

151 *Id.* at 858.

step pattern of negotiations leading up — hopefully — to the consensual establishment of a FRAND license. In essence, it is the patentee's violation of its conduct requirements under this pattern that entitles the implementer to the compulsory license-defense.<sup>152</sup>

In the wake of *Huawei/ZTE*, EU Member State courts, in particular those in Germany and the UK, are now in the process of detailing and carrying on the CJEU's approach.<sup>153</sup> While it is clear from this caselaw, as well as from a plethora of publications on the topic<sup>154</sup> that German and EU competition law<sup>155</sup> grant a competition law-based compulsory license defense, the details regarding this defense and, hence, the availability of SEP-based injunctions in case the defense fails, are by no means completely settled. It is not possible for this contribution to present all the

<sup>152</sup> Case C-170/13, *Huawei Tech. v. ZTE Corp.*, 2015 EUR-Lex, 62013CJ0170.

<sup>153</sup> This section is based on Peter Picht, *The Future of FRAND Injunctions*, GRUR (forthcoming 2019). For an analysis of recent case-law, see Peter Picht, *Unwired Planet v. Huawei: A Seminal SEP/FRAND Decision from the UK*, GRUR INT'L 569, 579 (2017); Peter Picht, *'FRAND wars 2.0' – Rechtsprechung im Anschluss an die Huawei/ZTE-Entscheidung des EuGH*, 68 WUV 234 (2018); Peter Picht, *Neues SEP/FRAND-Recht vom englischen Court of Appeal: Unwired Planet ./ HuaweI und Conversant ./ Huawei & ZTE*, 4 MITTEILUNGEN DER DEUTSCHEN PATENTANWÄLTE 146, 150 (2019).

<sup>154</sup> As a selection of FRAND/SEP publications from Germany, see Antje Baumann, *Einschaltung von Schiedsgerichten zur Bestimmung der FRAND-Konditionen*, 2 GRUR 145 (2018); Constantin Kurtz & Wolfgang Straub, *Die Bestimmung des FRAND-Lizenzsatzes für SEP*, 2 GRUR 136 (2018); Peter Picht, *Standardsetzung und Patentmissbrauch – Schlagkraft und Entwicklungsbedarf des europäischen Kartellrechts*, 1 GRUR INT'L 1 (2014); Picht, *supra* note 137; Picht (2017), *supra* note 154; Picht (2018), *supra* note 154; Ronny Hauck, *Schutz von Unternehmensgeheimnissen bei der Bestimmung FRAND-konformer Lizenzbedingungen*, 5 GRUR-PRAX 118 (2017); Ronny Hauck & Dietrich Kamlah, *Was ist 'FRAND'? Inhaltliche Fragen zu kartellrechtlichen Zwangslizenzen nach Huawei/ZTE*, 5 GRUR INT'L 420 (2016); Thomas Kühnen, *Der kartellrechtliche Zwangslizenzeinwand und seine Berücksichtigung im Patentverletzungsprozess*, ERHARD KELLER, FESTSCHRIFT FÜR WINFRIED TILMAN ZUM 65. GEBURTSTAG, 513 *et seq.* (Carl Heymann 1st ed. 2003); Phillip Eckel, *Anspruch auf Lizenz einräumung aus FRAND-Erklärungen bei standardessentiellen Patenten – Teil 1*, 8 NZKART 408 (2017); Phillip Eckel, *Anspruch auf Lizenz einräumung aus FRAND-Erklärungen bei standardessentiellen Patenten – Teil 2*, 9 NZKart 469 (2017); Christian Kau, *Umsetzung der FRAND-Entscheidung des EuGH in der deutschen Instanzrechtsprechung*, 3 GRUR-PRAX 65 (2017); Jonas Block, *Achtzehn Monate nach EuGH 'Huawei/ZTE': Die Rechtsprechung der deutschen Instanzgerichte*, 2 GRUR 121 (2017); Stephan Altmeyer & Christopher Weber, *Rückzahlung von Lizenzgebühren bei rückwirkender Vernichtung eines SEP?*, 12 GRUR 1182 (2017); Markus Lubitz, *Zwangslizenzierung bei standardessenziellen Patenten (SEP) im Lichte von Sisvel/Haier*, 12 NZKART 618 (2017); Reto M. Hilty & Peter R. Slowinski, *Standardessentielle Patente – Perspektiven außerhalb des Kartellrechts*, 9 GRUR INT'L 781 (2015); Theo Bodewig, *Einige Überlegungen zur Erschöpfung bei Zwangslizenzen an standardessentiellen Patenten*, 15 GRUR INT'L 626 (2015); Heinemann, *supra* note 151; Torsten Körber, *Missbräuchliche Patentunterlassungsklagen vor dem Aus?*, 6 NZKART 239 (2013); Torsten Körber, *Kartellrechtlicher Zwangslizenzeinwand und standardessentielle Patente*, 13 NZKART 87 (2013); Palzer, *supra* note 137; Clemens-August Heusch, *Missbrauch marktbeherrschender Stellungen (Art. AEUV Artikel 102 AEUV) durch Patentinhaber 'Orange-Book-Standard' und was die Instanzgerichte daraus gemacht haben*, 8 GRUR 745 (2014).

<sup>155</sup> German courts and agencies have to apply EU competition law alongside with German competition law on the abuse of dominance; RAINER BECHTHOLD & WOLFGANG BOSCH, GESETZ GEGEN WETTBEWERBSBESCHRÄNKUNGEN, KOMMENTAR, § 19 ¶ 99 (C.H.Beck 2018). An assessment of German law in this regard can, therefore, not leave EU competition law aside.

injunction-related SEP/FRAND case-law but section D.3. will highlight at least a selection of interesting topics.

#### 4. *General abuse of rights doctrine, Sec. 242 GCC*

In general German civil law, the abuse of a right is usually interpreted as one form of violating the duty to “perform according to the requirements of good faith, taking customary practice into consideration” (Sec. 242 GCC).<sup>156</sup> Courts have considered the exercise of patent rights to constitute such an abuse in a number of settings, including the enforcement of claims based on a patent which had been acquired by way of misrepresentations to the patent office;<sup>157</sup> contradictory positions the patentee defends in the infringement proceedings and in the validity proceedings respectively;<sup>158</sup> or the forfeiture of rights due to lapse of time.<sup>159</sup> On the relevance of Sec. 242 GCC in the context of recent discussions about injunction law reform, cf. below section F.

#### 5. *Personal characteristics of the patentee or infringer*

In some cases, injunctions are not successful because of who claims the injunction or against whom the injunction is claimed. Potential restrictions on injunctions requested by “patent trolls” are the most prominent topic at present, but there exist some other constellations as well.

##### i. Infringers

One may say that indirect/contributory infringers and co-liable persons (*Störer*) cannot be targeted as long as the specific requirements for an injunction against them are not met. Natural or legal persons can lack the capacity to be sued—although being somehow linked to the actual infringer—if this link is considered too tenuous. Examples are other groups in the holding to which the infringing company belongs<sup>160</sup> or — in a sense — civil servants who have committed an infringement for which, however,

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<sup>156</sup> Holger Sutschet, *BGB § 242 Leistung nach Treu und Glauben*, BECKOK BGB, ¶ 47 et seq. (Georg Bamberger et al. eds., C.H. Beck 2019).

<sup>157</sup> RG, Mar. 25, 1933, I 226/32, RGZ 140; Josef Kohler, *LEHRBUCH DES PATENTRECHTS*, 162 (Bensheimer 1888 – double check date?). This position has been criticized in the academic literature, cf. e.g. Rainer Schulte, *PATENTGESETZ MIT EUROPÄISCHEM PATENTÜBEREINKOMMEN: KOMMENTAR*, § 9 ¶ 79 (Carl Heymanns Verlag 10 ed. 2017); Mes, *supra* note 39, at § 9 ¶ 79.

<sup>158</sup> BGH June 5, 1997, X ZR 73/95.

<sup>159</sup> BGH Dec. 19, 2000, X ZR 150/98.

<sup>160</sup> OLG Düsseldorf Feb. 16, 2006, I-2 U 32/04; Carmen Buxbaum, *Konzernhaftung bei Patentverletzung durch die Tochtergesellschaft*, 3-4 GRUR 240-245 (2009).

the state is held liable (*Amtshaftung* – public liability).<sup>161</sup> The situation is similar for those protected by a license contract (Sec. 15(2) GPA), (the right to) a compulsory license (Sec. 24 GPA), or some other legal position as a result of which they are not considered to have committed an infringement. To the extent the economic effects of an injunction on the defendant are considered in gauging the proportionality of the injunction, characteristics such as the SME status of the defendant can become relevant. We will say more on this aspect in section D.6. below.

## ii. Plaintiffs

On the side of the plaintiff/patent owner, the treatment of so-called “non-producing entities” (NPEs)<sup>162</sup> is paramount. It follows from the almost “automatic nexus” between infringement and injunction (on limitations cf. section D.7.) in German statutory patent law, as well as from a relatively patentee-friendly tradition in German case-law,<sup>163</sup> that — so far — courts do not systematically deny injunctive relief to a certain type of plaintiffs.<sup>164</sup> Some decisions have been restrictive in granting injunctions to NPEs in the context of temporary relief<sup>165</sup> or the provisional enforcement of first-instance decisions.<sup>166</sup> However, with regard to NPEs enforcing patents in the particularly sensitive field of ICT-SEPs, the Düsseldorf Higher Regional Court has underlined, in a high-profile FRAND case, that they should not *a priori* be treated differently from other patentees.<sup>167</sup>

In a more recent decision,<sup>168</sup> though, the same court has established some boundaries regarding the enforcement of SEPs acquired by an NPE from the original patent holder. It is of vital importance, in such cases, whether a FRAND declaration made by the previous patent owner obliges the acquirer to offer licenses on FRAND conditions to standard-implementers as well, or whether the acquirer remains free to seek an injunction even though an implementer proves willing to take such a license. Sometimes, an acquiring NPE will have made its own FRAND declaration, for instance because the relevant standard was set only after

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161 BGH, Sept. 21, 1978, X ZR 56/77, ¶ 24.

162 There is no obligation to use a patent in German patent law; Pitz *supra* note 29, § 139 ¶ 75.

163 Jorge L. Contreras & Peter Georg Picht, *Patent Assertion Entities and Legal Exceptionalism in Europe and the United States, A Comparative View*, MAX PLANCK INSTITUTE FOR INNOVATION & COMPETITION, Research Paper No. 17-11, 6 (2017).

164 Cf. Osterrieth, *supra* note 47, at 542.

165 LG Düsseldorf, July 8, 1999, 4 O 187/99.

166 OLG Karlsruhe, May 11, 2009, 6 U 38/09.

167 OLG Düsseldorf Jan. 13, 2016, I-15 U 66/15.

168 OLG Düsseldorf Mar. 22, 2019, 4b O 49/14.

the patent acquisition or because the acquirer contractually undertook to do so, but there is no guarantee and implementers may, hence, have to seek refuge from an injunction in the previous patentee's FRAND declaration. Coming to their rescue, the Düsseldorf Court held that the acquirer of a SEP is directly and indispensably bound to the FRAND declaration of its predecessor, even absent an express or implied declaration to this effect.<sup>169</sup> In the Court's view, the FRAND licensing commitment has the effect that the patentee no longer holds an exclusivity right which would allow to permit or prohibit use of the patent at its holder's discretion. Instead, as a result of the FRAND declaration, the rights from the patent are now limited by the obligation to allow access on FRAND terms. Very importantly, the Court seems – the language of the decision is somewhat ambiguous regarding the doctrinal level but it may draw on a similar proposal in the literature<sup>170</sup> – to derive this limitation not from a contractual promise, the lack of which could remove the limitation, but from a modification of the patent *in rem* due to a waiver contained in the patentee's FRAND declaration. Hence, the owner can transfer its patent only together with the FRAND “encumbrance” and the presence or absence of an additional FRAND declaration by the acquirer has no impact on the FRAND licensing obligation. Nor can, according to this Düsseldorf decision,<sup>171</sup> the acquirer usually claim an injunction if an implementer refuses to license the SEP on terms incompatible with those offered by the previous patentee. This is because the Court finds, based i.a. on Sec. 15(3) GPA,<sup>172</sup> that the previous FRAND commitment binds the acquirer not only in a general way, but also regarding the licensing practice of the previous patent holder. Existing license agreements, in particular, do not end or alter in their terms and conditions only because of the transfer. As another – and, for once, patentee-friendly – implication of these findings, the Düsseldorf Court perceives no competition law violation where the contractual arrangements between patent seller and buyer do not explicitly oblige the buyer to make or honor a FRAND commitment since the FRAND obligation travels with the patent anyway.<sup>173</sup> In consequence, an implementer, especially one who is not willing to take a FRAND license, cannot raise the absence of such a

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169 See *id.* at ¶ 203 et seq.

170 See Ullrich, *Patente und technische Normen*, *supra* note 130, at 14, 90 et seq.

171 See OLG Düsseldorf 22.03.2019, 4b O 49/14.

172 German Patent Act, *supra* note 4, Sec. 15(3) (A transfer of rights or the grant of a license shall not affect licenses previously granted to third parties).

173 OLG Düsseldorf Mar. 22, 2019, 4b O 49/14.

contractual obligation as a competition law-defense against the acquirer's injunction claim.

### 6. *Proportionality*

German courts do take proportionality aspects in consideration where they have room for exercising judicial discretion, such as in the granting of interim injunctions or in the decision on provisional enforceability of injunctions.<sup>174</sup> However, in German patent law, the claim to an injunction is not subject to a general proportionality requirement or a balancing of the parties' interests.<sup>175</sup> While proportionality is explicitly mentioned in Sec. 140a GPA (claim for destruction of products) and Sec. 140b GPA (claim for information), Sec. 139 GPA, as the core provision on injunctions, does not explicitly establish a proportionality threshold.<sup>176</sup> Nor is there anything like a broadly available, US-style "eBay" balancing test.<sup>177</sup> Apart from the settings just mentioned, German courts tend – or at least traditionally tended – to create an almost automatic link between the establishment of a patent infringement and the granting of an injunction.<sup>178</sup> Many scholars agree that there is no such thing as a general, effective proportionality threshold in German patent injunction law.<sup>179</sup> This has, as said, made the jurisdiction a venue rather attractive to patentees. Recent developments may, however, increase the relevance of proportionality notions, as we will discuss in chapter F. below.

### 7. *Further limitations*

There are a few other limitations to injunction claims: First, according to Sec. 712(1) CCP, a patent infringer can, in his capacity as debtor of the claim to an injunction, file a petition for protection "insofar as the enforcement would entail a disadvantage for the debtor that it is impossible to compensate or remedy [...] The court is to allow him, upon a corresponding petition being filed, to avert enforcement by providing security or by lodgment, without taking account of any security that the

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174 Haft, et al., *supra* note 6, at 928; Pitz, *supra* note 29, at § 139 ¶ 76.

175 Tobias J. Hessel & Maximilian Schnellhorn, *Die Rückabwicklung des vorläufig vollstreckten Unterlassungstitels im Patentrecht*, 7 GRUR 672 (2017); Haft, et al., *supra* note 6, at 928.

176 Osterrieth, *supra* note 47, at 543; cf. Pitz, *supra* note 117, at ¶ 74.

177 Contreras & Picht, *supra* note 164, at 4.

178 Christian Osterrieth, *Technischer Fortschritt – eine Herausforderung für das Patentrecht? Zum Gebot der Verhältnismäßigkeit beim patentrechtlichen Unterlassungsanspruch*, GRUR 985, 987 (2018).

179 Hessel & Schnellhorn, *supra* note 176, at 672; Christian Osterrieth, *Patentrecht*, ¶ 119 (C.H. Beck 2015).

creditor may have provided”. Sec. 712(2) CCP states that “the petition filed by the debtor shall not be complied with if an overriding interest of the creditor contravenes this”. In practice, hurdles for success of such a petition are quite high in the patent injunction field.<sup>180</sup>

Second, the infringer can raise a complaint based on a violation of his right to be heard (*Anhörungsrüge*, Sec. 321a CCP, Sec. 103(1) FL). If successful, the complaint results in a continuation of the (infringement) proceedings and the infringer can request that the enforcement of the injunction be stayed (Sec. 707 CCP).

Third, failure to send a warning/cease and desist letter prior to filing for an injunction will, in principle, not limit the patentee’s right to an injunction. The main legal consequence (strategic disadvantages aside) of not sending such warning/cease and desist letter can be that the patentee has to bear the litigation costs if the infringer acknowledges the infringement (Sec. 93 CCP).<sup>181</sup>

Fourth, enforcement of an injunction under Sec. 890 CCP can become problematic if the infringer subsequently modifies the contested embodiment (*angegriffene Ausführungsform*) against which the injunction has been issued.<sup>182</sup>

Fifth, general patent protection requirements obviously have an impact on patent injunctions as well. Examples are acts of use permitted under Sec. 11 GPA,<sup>183</sup> priority rights (Sec. 12 GPA), lapse (Sec. 20 GPA) or exhaustion of the patent, usurpation of the invention by the patentee vis-à-vis the “infringer”, (Sec. 8 GPA), or the free state of the art-defense.<sup>184</sup> At least some German scholars contend that an injunction, being a future-oriented remedy, is not admissible where the patent is about to expire.<sup>185</sup>

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180 Osterrieth, *supra* note 47, at 543 (referencing BGH, June 20, 2000, X ZR 88/00); OLG Düsseldorf Nov. 16, 1978, 2 U 15/78.

181 Osterrieth, *supra* note 47, at ¶ 1060. On the reduced (e.g.: oral warning sufficient) requirements for a sufficient warning before the filing for a preliminary injunction, *cf.* LG München I June 9, 2011, 7 O 2403/11; LG München I Nov. 10, 2010, 21 O 7656/10; OLG Düsseldorf Jan. 12, 2004.

182 OLG Frankfurt Apr. 14, 1978, 6 W 12/78; OLG Karlsruhe Nov. 30, 1983, 6 W 88/83; OLG Düsseldorf June 10, 2010, 2 U 17/09; LG Düsseldorf July 22, 2005, 4b O 327/04; BGH Nov. 8, 2007, I ZR 172/05; BGH Feb. 23, 1973, I ZR 117/71.

183 German Patent Act, *supra* note 4, at Sec. 11 (permitting, in principle acts privately done, acts for experimental purposes, the extemporaneous preparation for individual cases, the use on board vessels and the use in the construction or the operation of aircraft or land vehicles of another State party to the Paris Convention for the Protection of Industrial Property, and finally the acts specified in Article 27 of the Convention on International Civil Aviation of 7 December 1944).

184 The so-called “Formstein”-defence; *cf.* BGH Apr. 29, 1986, X ZR 28/85.

185 Kraßer & Ann, *supra* note 5, at § 35 ¶ 12.

Last but not least, use-by periods, permitting an infringer to sell or use infringing products within a certain time period after the injunction has been granted, were arguably always possible under German patent law, but the option remained a theoretical one as courts were utterly reluctant to concede such deferrals.<sup>186</sup> However, use-by periods may become somewhat more frequent due to a recent decision of the German Federal Supreme Court (cf. section F below).

#### E. ALTERNATIVES TO INJUNCTIVE RELIEFS

The injunction is a core remedy in case of patent infringement, but it is by no means the only one. The patentee can combine its injunction claim with other civil and criminal patent infringement claims.<sup>187</sup> These include, in case of intent or negligence, claims for compensation according to Sec. 139(2) GPA. Additionally, patentees may — subject to a proportionality test (Sec. 140a(4) GPA) — request reparative measures in the form of claims for destruction (Sec. 140a(1), (2)GPA), “for recall of the products which are the subject-matter of the patent[,] or for definitive removal of the products from the channels of commerce” (Sec. 140a(3) GPA).<sup>188</sup> In specific constellations, these reparative measures may be granted although the patentee is not entitled to an injunction. In particular, the German Federal Court of Justice has held that a destruction of infringing products can be requested even after expiration of the infringed patent.<sup>189</sup> Furthermore, a patentee can – if the respective requirements are fulfilled – claim the provision of information (Sec. 140b GPA), the “production of a document or inspection of an item which lies in [the infringer’s] control or of a process which is the subject-matter of the patent” (Sec. 140c(1) GPA), the production of or access to bank, financial or commercial documents (Sec. 140d(1) GPA), as well as the publication of a judgment in its favor (Sec. 140e GPA). In addition to the GPA claims, the patentee may have claims under general civil law, including termination of infringement and removal of its consequences, Sec. 823(1), 1004 GCC; unjust enrichment, Sec. 812 et seq. GCC; and/or accounting, Sec. 242, 677, 681, 666 GCC (by way of analogy). Such GCC claims are declared applicable by Sec. 141a GPA. Last but not least, an infringement can

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<sup>186</sup> Grabinski & Zülch, *supra* note 5, at ¶ 136.

<sup>187</sup> Kraßer & Ann, *supra* note 5, at § 33 ¶ 25; Grabinski & Zülch, *supra* note 5, ¶ 27; Franz Hofmann, *Unterlassungsanspruch und Verhältnismäßigkeit – Beseitigung, Löschung und Rückruf*, 18 NJW 1290, 1291 (2018).

<sup>188</sup> Osterrieth, *supra* note 3, at ¶ 26.

<sup>189</sup> BGH Feb. 21, 1989, X ZR 53/87; Kühnen, *supra* note 67, at ¶ 1405 et seq.



trigger criminal and customs sanctions according to Sec. 142 GPA and Sec. 142a GPA. These additional claims are distinct from and parallel to the injunction, i.e. they are not merely a facet and consequence of the claim for an injunction and the patentee can pursue them independently. This overall infringement claim structure is widely perceived as complying with Sec. 27 et seq. TRIPS.<sup>190</sup> For a long time, it had been firmly established in German case-law that other infringement remedies do not constitute an alternative to injunctions in the sense that courts would award them in lieu of injunctive relief. Instead, injunctions were, and largely still are, regarded as an almost indispensable consequence of patent infringement.<sup>191</sup> Of late, however, a discourse has evolved on whether German injunction rules ought to be more flexible, including the award of other remedies in lieu of an injunction. We will now turn to this discussion in chapter F.1. of this contribution.

## F. RECENT DEVELOPMENTS

The final part of this contribution highlights a few topics which indicate that German patent injunction (case-)law is on the move. Not being able to cover all interesting facets of this shift,<sup>192</sup> it focusses on the potential establishment of a general proportionality threshold and on injunctions in German SEP/FRAND cases.

### 1. *A general proportionality threshold in German patent injunction law?*

#### i. Applicability and effects of a proportionality threshold

Of late, German patent law is experiencing a more intensive discussion about whether the traditional “automatic link” between infringement and injunction should be made more flexible by attaching greater importance to considerations of proportionality.

Those who are in favor of such a shift argue that, as products grow more complex and their production more collaborative, producers run a

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<sup>190</sup> Joseph Straus, *Bedeutung des TRIPS für das Patentrecht*, 3 GRUR INT'L. 179, 179 et seq. (1996); Thomas Dreier, *TRIPS und die Durchsetzung von Rechten des geistigen Eigentums*, 3 GRUR INT'L. 205, 216 et seq. (1996).

<sup>191</sup> Osterrieth, *supra* note 179, at 987.

<sup>192</sup> For example, we do not address recent research on the application of competition law to abusive filings and blocking patents, *see* Andreas Heinemann, *Abusive filing of IP rights*, RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY AND THE LIFE SCIENCES, 468-481 (Duncan Matthews & Herbert Zech eds., Edward Elgar Publishing, Cheltenham 2017); Ohly, *supra* note 75, at 787-798; or on so-called “predatory innovation” in general, *see* Thibault Schrepel, *Predatory Innovation: The Definite Need for Legal Recognition*, 21 SMU Sci. & Tech. L. Rev. 19 (2017).

greater risk of inadvertently infringing patents on parts of their products, especially if they have not manufactured these parts themselves but bought them from a supplier.<sup>193</sup> An inflexible injunction rule necessitates the infringer's immediate cessation of production and distribution, produces conversion costs (where conversion is at all possible), and creates a high likelihood for fierce litigation, thereby generating economic inefficiencies.<sup>194</sup> Courts have, hitherto, focused too much on whether an individual feature of a product infringes a single patent and too little on the overall product and the accompanying circumstances of the case.<sup>195</sup> Owners of patents on parts of complex products can leverage their ability to block the production and distribution of the entire product, resulting in an overcompensation that is not justified by the patent system's fundamental goal to appropriately reward and thereby incentivize innovation.<sup>196</sup> Injunctions in favor of NPEs can create the specific problem of a no-win-situation because no further use of the patent occurs while the NPE earns no returns.<sup>197</sup>

Regarding the legal basis for a more prominent proportionality lever, these authors point to the fact that proportionality is a fundamental legal principle in German law, based ultimately in the German constitution (Art. 19(4), 14(1)(2) FL, cf. also Sec. 242 GCC), and which is to be applied to all fields of the law.<sup>198</sup> Furthermore, Art. 3(2) of the Enforcement Directive states that remedies for IP infringement shall be "effective, proportionate and dissuasive", thereby explicitly introducing a proportionality requirement which must – in principle and subject to the Member States' leeway in implementing EU Directives – be complied with by German patent law.<sup>199</sup> In several communications, the EU Commission has stressed the importance of proportionality as one element in the Enforcement Directive's triad of effectiveness, proportionality and dissuasiveness.<sup>200</sup> While some contend that this legal context permits

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193 Cf. Osterrieth, *supra* note 179, at 985 et seq.; Ohly, *supra* note 75, at 791.

194 Ohly, *supra* note 75, at 795 et seq.; Osterrieth, *supra* note 179, at 986 (pointing in particular to the complex, connected products which are brought about by the digital transformation); Marcus Sonnenberg, DIE EINSCHRÄNKBARKEIT DES PATENTRECHTLICHEN UNTERLASSUNGSANSPRUCHS IM EINZELFALL, 17 (Springer Gabler, 2014).

195 Osterrieth, *supra* note 179, at 987, (referencing BGH May 10, 2016, X ZR 114/13).

196 Osterrieth, *supra* note 179, at 987.

197 Osterrieth, *supra* note 47, at 542.

198 Pitz, *supra* note 177, at 78; *see also* Osterrieth, *supra* note 180, at ¶ 984.

199 *See* Pitz, *supra* note 29, at § 139 ¶ 78 (pointing out the potential need for Germany to revamp its patent law in order to comply with Sec. 3(2) Enforcement Directive).

200 Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, COM 708 (2017); Communication from the

reading a proportionality requirement into Sec. 139(1) GPA, others perceive such an operation to be incompatible with the wording of the provision and prefer the application of Sec. 242 GCC.<sup>201</sup> For use-by periods at least, the German Federal Court of Justice seems equally to prefer an application of Sec. 242 GCC.<sup>202</sup>

Assuming the introduction of a broader proportionality test, what would the consequences be if an (unfettered) injunction appeared disproportionate under the circumstances of the case? Among the suggestions are the grant of adjustment periods permitting a redesign of the infringing product<sup>203</sup> or of use-by periods<sup>204</sup> enabling the infringer to sell off its stock of infringing goods. Use-by periods are, in principle, already recognized by German courts as an attenuating measure if the immediate enforcement of an injunction would constitute a disproportionate hardship on the infringer.<sup>205</sup> In practice, though, courts are reticent to grant such periods. In the high-profile “air scarf” case, for instance, the Federal Court of Justice prohibited the delivery of cars without granting a use-by period, even though only one technical detail of a built-in heating device was considered a patent infringement.<sup>206</sup>

Some proposals go even farther, arguing – in appropriate cases – for the replacement of injunctions by monetary compensation as a more flexible and oftentimes sufficient remedy.<sup>207</sup> Besides comparative references to judicial discretion in Anglo-American tort law,<sup>208</sup> Art. 12 Enforcement Directive serves as their main dogmatic fundament, since the provision states that “Member States may provide that, in appropriate cases and at the request of the person liable to be subject to the measures provided for in this section, the competent judicial authorities may order

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Commission to the European Parliament and the Council: Setting out the EU approach to Standard Essential Patents, COM 712 (2017).

201 Alexander Reetz et al., Die Befugnisse der nationalen Gerichte unter dem EPÜ und des Einheitlichen Patentgerichts (EPG) nach Art. INTVEPGUE Artikel 63 (1) EPGÜ zum Erlass von Unterlassungsverfügungen – eine rechtsvergleichende Untersuchung, 3 GRUR INT’L 210, 211 et seq. (2015).

202 BGH May 10, 2016, X ZR 114/13 (referencing BGH 11.3.1982, I ZR 58/80).

203 Ohly, *supra* note 75, at 797; Osterrieth, *supra* note 179, at 986.

204 Cf. Osterrieth, *supra* note 179, at 988.

205 Voß, *supra* note 8, at ¶ 198(a) (referencing: BGH May 10, 2016, X ZR 114/13 –; LG Düsseldorf Mar. 9, 2017, 4a O 137/15).

206 BGH May 10, 2016, X ZR 114/13.

207 Ohly, *supra* note 75, at 796; Osterrieth, *supra* note 179, at 994 et seq.; Pitz, *supra* note 29, ¶ 76; Grabinski & Zülch, *supra* note 5, at ¶ 153(a). As to the calculation of damages replacing injunction, see Ohly, *supra* note 75, at 797 (favoring the general rules on calculating damages for patent infringement).

208 Ohly, *supra* note 75, at 789.

pecuniary compensation to be paid to the injured party instead of applying the measures provided for in this section if that person acted unintentionally and without negligence, if execution of the measures in question would cause him/her disproportionate harm and if pecuniary compensation to the injured party appears reasonably satisfactory". Some case-law dealing with preliminary injunctions or the provisional enforcement of first instance decisions contains language which may be taken to support greater flexibility in choosing between damages and injunctions as well. The Düsseldorf Regional Court, for instance, held that damages were more appropriate than a preliminary injunction in a case in which the patentee exploited its patent only by licensing, licensing negotiations had already been conducted between the parties, and some doubts existed regarding patent validity.<sup>209</sup> As another example, the Karlsruhe Higher Regional Court took into account the specific, monetary compensation-oriented interests of a suing NPE when exercising its discretion regarding the provisional enforcement of a first instance decision.<sup>210</sup>

In spite of growing support for a more important role of proportionality levers in German patent injunction law, the approach is far from being unanimously consented. Large-scale case-law that would limit injunctions by way of a proportionality lever is, as yet, missing. Critical scholars point to the expropriatory tendency of a broad proportionality requirement and the loss in effective infringement deterrence it brings about.<sup>211</sup> They also underline that the German lawmaker has, so far, chosen not to translate Art. 3(2) and Art. 12 Enforcement Directive into explicit German provisions on limiting injunctions.<sup>212</sup>

## ii. Criteria

When softening injunctions, very much depends, of course, on the criteria which trigger such modifications. As to use-by periods, the Federal Court of Justice's "air scarf" decision has held that they can be considered, if the infringer would otherwise suffer disproportionate disadvantages and

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<sup>209</sup> LG Düsseldorf July 8, 1999, 4 O 187/99.

<sup>210</sup> OLG Karlsruhe May 11, 2009, 6 U 38/09; OLG Karlsruhe Mar. 23, 2011, 6 U 66/09.

<sup>211</sup> This position is particularly strong in general literature on limiting injunctions, *see* REINHARD INGERL & CHRISTIAN ROHNKE, MARKENGESETZ: KOMMENTAR, §§ 14-19 ¶¶ 186, 192 (C.H. Beck 3d ed. 2010); Fritz Baur & Rolf Stümer, SACHENRECHT, § 12 ¶ 21 (C.H. Beck 17 ed. 1999); Name Gursky, Title, *in* STAUDINGER BGB, § 1004 ¶ 156 (2006); Name Schiemann, Title, *in* STAUDINGER BGB, § 251 ¶ 31 (2005). (These last two cites are very unclear and are not referenced below, it seems that it's referring a section of the book but doesn't list the title)

<sup>212</sup> Reetz et al., *supra* note 202, at 211 and its footnotes with further references.

the temporary continuation of the infringement would not result in unreasonable impairments for the injured party.<sup>213</sup> As to damages in lieu of injunctions, Art. 12 Enforcement Directive considers – as cited above – the lack of intent and negligence, disproportionate harm that an injunction would inflict upon the infringer, as well as whether pecuniary compensation would be “reasonably satisfactory”. Recital (25) Enforcement Directive introduces additional considerations, stating that injunctions should not be replaced by pecuniary compensation “where the commercial use of counterfeit goods or the supply of services would constitute an infringement of law other than intellectual property law or would be likely to harm consumers”. Building on this statutory and case-law, scholars are discussing a set of criteria for a case-sensitive balancing exercise, which can be summarized as follows:<sup>214</sup>

- technical/innovative and economic significance of the patent;
- strength of the patent, i.e. its likelihood to survive a challenge;
- the possibility and consequences (delay, costs, etc.) of simply giving up, working around or substituting the protected technology (in particular for damages in lieu of injunction);
- the nature and extent of the infringement as embodied by the infringing product, in particular whether the infringing product is mainly implementing the patented invention or whether the patent is covering only one feature of a complex product;
- whether the patentee is practicing or merely (as an NPE) licensing the patent;
- the nature and extent of the infringer’s fault, depending i.a. on whether a great density of pertinent IP rights complicated the identification of potentially infringed patents;
- the availability of an adequate license;
- unusually adverse economic consequences of the injunction, for instance threat of insolvency of the infringer;
- public or third-party interests do, in principle, not matter;

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213 BGH May 10, 2016, X ZR 114/13 (referencing BGH Mar. 11, 1982, I ZR 58/80).

214 Cf. BGH May 10, 2016, X ZR 114/13; OLG Karlsruhe May 11, 2009, 6 U 38/09; OLG Karlsruhe Mar. 23, 2011, 6 U 66/09; LG Düsseldorf July 08, 1999, 4 O 187/99; LG Düsseldorf Mar. 9, 2017, 4a O 137/15; Ohly, *supra* note 75, at 797; Voß, *supra* note 8, at ¶ 198(a); Pitz, *supra* note 29, ¶¶ 76, 79; Grabinski & Zülch, *supra* note 5, at ¶ 153(a); Osterrieth, *supra* note 179, at 988, 991 et seq.; Henrik Holzapfel, *Zum einstweiligen Rechtsschutz im Wettbewerbs- und Patentrecht*, 4 GRUR 287, 292 (2003).

- there seems to be broad consensus that a presumption weighs in favor of an unrestricted injunction and that the burden of proof lies with the infringer.<sup>215</sup>

## 2. *Injunctions in German SEP/FRAND cases*<sup>216</sup>

### i. German case-law post-Huawei

Under German law, just as under the law of other EU Member States,<sup>217</sup> the grant of an injunction in SEP/FRAND cases depends not only on the rules particular to this set of cases (e.g. competition law rules as shaped by the *Huawei v. ZTE* decision) but also on whether the general requirements for injunctive relief are fulfilled, such as infringement of the patent and patent ownership of the claimant (cf. above chapter A.2.). As a result, the granting of injunctions in FRAND cases depends on two layers of requirements, first the general injunction requirements and, second, the parties' compliance with the content and conduct component of the FRAND concept. Regarding the second layer of requirements, the *Huawei v. ZTE*-framework arguably orders, in principle, that parties carry out the steps of their staged negotiation before they go to court. This could expose the patentee to a permanent loss of its injunction claim, or the implementer to a final injunction, if the court found shortcomings in the respective party's pre-litigation conduct. However, German courts attempt to soften things by way of two procedural mechanisms, namely the possibility to catch-up on pre-litigation obligations and the rejection of injunction claims as currently unfounded.

The Düsseldorf Courts, for instance, held that parties can make up for a failure to offer FRAND licenses in due time by submitting such offers during trial, as long as the general procedural rules on delayed submissions permit and the parties have sufficient time before conclusion of the oral hearing to carry out the Huawei/ZTE steps.<sup>218</sup> Catching-up is, thus, a fact-sensitive approach. Importantly, where the patentee *has*, but the implementer has *not*, complied with its Huawei/ZTE conduct obligations in due course, it is not abusive for the patentee to bring injunction litigation, even though the implementer may be able to catch up during trial.<sup>219</sup>

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215 Ohly, *supra* note 75, at 797; Osterrieth, *supra* note 179, at 991.

216 Picht, *supra* note 154.

217 For a UK example, cf. *Unwired Int'l v. Huawei Tech.* [2017] EWHC 711 (Pat) (Eng.).

218 LG Düsseldorf Mar. 31, 2016, 4a O 73/14; LG Düsseldorf July 13, 2017, 4a O 16/16.

219 LG Düsseldorf Mar. 31, 2016, 4a O 73/14.

If the patentee is in default regarding its *Huawei v. ZTE*-obligations and does not manage to catch up during litigation, German courts have rejected the claim for an injunction as currently – as opposed to: permanently – unfounded,<sup>220</sup> comparing it to the claim for a payment which is not due yet.<sup>221</sup> This enables the patentee to subsequently fulfill its obligations out-of-court and re-commence litigation afterwards.<sup>222</sup>

Although not concerning the injunction claim itself but one instrument for enforcing that claim, it is interesting to notice that the Düsseldorf Regional Court has considered it an abuse of dominance for a SEP holder to apply for customs enforcement regarding products infringing the SEP where the implementer/infringer is, without reasonable doubt, entitled to a FRAND license-defense.<sup>223</sup>

#### ii. The impact of the general patent law-discourse on more flexible injunctions

This contribution has already addressed the discourse on increased flexibility for injunctions in general patent law (cf. above F.1.). To address the question whether this discourse may instruct the handling of FRAND injunctions as well, the following section discusses the relevance of criteria developed with regard to use-by periods in general patent law for the SEP/FRAND context.

- To begin with procedural matters, since the FRAND requirement layer tends to raise the bar for getting an injunction, the infringer's burden of proof and the assumption in favor of unrestricted injunctions should apply here *a fortiori*.
- How the other criteria play out is not self-evident. As to the strength and significance of the infringed patent, relevance of a SEP is hard to deny since it must have been held valid, standard-essential and infringed before the question of a use-by period even arises. Certainly, some SEPs are more innovative than others. On the other hand, the joint decision to integrate the protected technology into the standard is an acknowledgement of its relevance by stakeholder experts. Follow-on development efforts by the

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220 OLG Düsseldorf Mar. 30, 2017, I-15 U 66/15; OLG Düsseldorf June 29, 2017, I-15 U 41/17 (holding that the urgency necessary for a preliminary injunction will generally be missing if the injunction claim in the main proceedings is currently unfounded); LG Düsseldorf July 13, 2017, 4a O 16/16.

221 OLG Düsseldorf Mar. 30, 2017, I-15 U 66/15.

222 LG Düsseldorf July 13, 2017, 4a O 16/16.

223 LG Düsseldorf Nov. 9, 2017, 14d O 13/17.

implementer will not usually be very relevant to the facts that the SEP works in the context of the standard and performs, together with the other patents, the functions the standard was developed for because it is the very point of standard-setting that implementers can resort to a workable, interoperable set of technologies performing said functions. However, follow-on innovation that is based on the standard but does not directly impact it can matter depending on its extent. More importantly, giving much weight to SEP quality considerations risks to burden litigation with yet another difficult task. Even thorough top-down royalty calculation exercises so far have resorted to patent counting instead of quality determination,<sup>224</sup> and this shows how hard quality-based approaches are in this field. In sum, patent relevance should probably, in most circumstances, not point towards the grant of use-by periods.

- As to the nature, in particular the complexity, of the infringing product, one can argue that the implementation of the standard adds, as such, a certain degree of complexity to each standard-based product. However, standard-based products can still be of vastly differing levels of complexity.<sup>225</sup> This necessitates a case-by-case assessment of this aspect. The overall number of patents relating to the product can be quite high as at least the technologies integrated into prominent mobile communication standards are subject to intense patenting activity.<sup>226</sup> At the same time, it seems easier to respect or license a cluster of patents if and because their potential relevance follows from a database of declared SEPs than to respect the same number of patents if they are not pre-declared in such a way. If the infringed patent forms part of a set of publicly declared SEPs, the fact that this set is large should be of a more limited weight than regarding patents not so declared.
- As to the business model of the patentee, the fact that the SEP/FRAND system is all about licensing patents reduces the weight of the practicing/non-practicing patentee criterion. At the same time, where the SEP owner practices its patent, material harm inflicted upon this business activity by the infringer's ongoing

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224 Cf. *TCL Comm'n Tech. Holdings, Ltd v. Telefonaktiebolaget LM Ericsson*, No.CV 15-2370 JVS (DFMx), 2017 WL 6611635, at \*15 (C.D. Cal Dec. 21, 2017).

225 For instance, a relatively simple chipset and (in the future) a 5G-enabled drone could both be considered standard-implementing products.

226 *Case C-170/13, Huawei Tech. v. ZTE Corp.*, 2015 EUR-Lex, 62013CJ0170.



distribution during a use-by period cuts against the grant of such a period.

- The assessment of the level of fault displayed by the implementer is partly linked to the conduct requirements established in the CJEU's Huawei/ZTE decision. Given that German patent law is quite strict on the required level of care, an infringing implementer will not usually be able to claim continued unawareness of the patent if the patent is registered in a SEP database and the patentee has, as required by Huawei/ZTE, given notice of the specific infringement.<sup>227</sup> Not accepting the patentee's license offer right away but submitting – as envisaged by the Huawei/ZTE decision<sup>228</sup> – a counter-offer should not normally increase the implementer's fault, at least if the implementer can be, in good faith, of the opinion that the counter-offer is FRAND. The opposite is true, however, where the court has found that the implementer engaged in delaying tactics.
- As to the economic consequences of an injunction, a balancing of economic hardship could be done by comparing the adverse monetary effects for the infringer with the hypothetical FRAND royalties the patentee could have collected.<sup>229</sup> The economic consequences of being enjoined from using a standard-essential patent will often be severe, if and because the implementer must stop using the standard altogether. According to market reports, though, work-arounds appear sometimes possible without losing at least factual compatibility with the standard.

Overall, these reflections show that further research and discussion is warranted to build a coherent framework for general patent constellations and SEP/FRAND situations. However, legal coherence is not the same as homogeneity of rules and not the same as one size fits all. One aspect that fundamentally distinguishes FRAND from other constellations is the availability of a license legalizing use of the patent for the future. There may be exceptional circumstances in which a smooth conclusion of the license agreement appears so doubtful and the license's FRANDliness so questionable as to hamper this resort. For the bulk of SEP/FRAND cases, though, the likelihood of a use-by period may prove lower than in cases outside this context.

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<sup>227</sup> Case C-170/13, Huawei Tech. v. ZTE Corp., 2015 EUR-Lex, 62013CJ0170.

<sup>228</sup> *Id.* at ¶ 66.

<sup>229</sup> This parallels the approach in general patent law, *see* Ohly, *supra* note 75, at 8 et seq.

## G. CONCLUSION AND OUTLOOK

German patent injunction law is complex but also highly operational. Stakeholders should keep a watch on whether recent dynamics from within the system promise to change the established equilibrium for the better or whether they need to be adjusted. Change may, however, come from the EU level as well: At present, the European Unitary Patent System (UPS)<sup>230</sup> is still *in limbo*, with a pending decision of the German Constitutional Court and Brexit being the main roadblocks.<sup>231</sup> Nonetheless, it seems more likely than not that it will, eventually, see the light of day. Unitary European Patents will then also be protected from infringement by an injunction claim according to Art. 63 UPCA. However, the UPS injunction has a built-in discretionary element as Art. 63(1) UPC states that courts “may grant an injunction” in the event of infringement. The Uniform Patent Courts are competent to decide on injunctions relating to Uniform Patents, although the UPS provisions do not spell this out very clearly.<sup>232</sup> It remains to be seen how the judges of these courts will shape, against the background of the various legal traditions they come from, the UPS injunction rules. Depending also on the opt-in/opt-out-strategy chosen by patent holders,<sup>233</sup> Member State law injunctions are likely to remain important for quite some time to come. Nonetheless, if and when the UPS enters into force, it will impact the German rules which formed the subject of this contribution and it will turn a page in the story of European patent law as a whole.

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230 The system rests on UPC and the UPCA.

231 Cf. Alan Johnson, *The Unified Patent Court: all dressed up but no place to go?*, KLUWER PATENT BLOG (January 18, 2019), <http://patentblog.kluweriplaw.com/2019/01/18/the-unified-patent-court-all-dressed-up-but-no-place-to-go/>.

232 Cf. Benjamin Schröder, *Einheitspatentgericht – Überlegungen zum Forum-Shopping im Rahmen der alternativen Zuständigkeit nach Art. INTVEPGUE Artikel 83 Abs. INTVEPGUE Artikel 83 Absatz 1 EPGÜ, 12 GRUR INT'L 1102, 1104(2013)* (viewing Art. 32(1)(a) UPCA).

233 Opt-in according to Art. 3(1), 18(6), 9(1)g UPC, Art 83(4) UPCA, opt-out according to Art. 83(3) UPCA; see also Volkmar Henke, *Vorbemerkung B: Überblick über das Einheitliche Europäische Patentsystem: Einheitspatent und Einheitliches Patentgericht*, in *EUROPÄISCHES PATENTÜBEREINKOMMEN* ¶ 129 et seq. (C.H. Beck 3d. ed. 2015); Michael Nieder, *Strategische Überlegungen zum Einheitsregistereintrag und zum Opt-out in der EPGÜ-Übergangsphase*, 8 GRUR 728 (2015); Michalski Hüttermann, *Einheitspatent und Einheitliches Patentgericht, Opt-out*, Michalski Hüttermann Patentanwälte, <https://www.mhpatent.net/de/einheitspatent-und-einheitliches-patentgericht/opt-out/>; Opt-out, UNIFIED PATENT COURT, <https://www.unified-patent-court.org/faq/opt-out>.