REFORM OF THE GERMAN PATENT ACT

In the early morning hours of Friday, June 11th, 2021, the German Parliament has passed certain amendments to the German Patent Act ("PatG"), including an amendment on the rules on injunctive relief in cases of patent infringement. The process to amend the German Patent Act has started several years ago and most observers did not expect it to pass parliament before the Federal Elections in fall. However, immediately prior to the summer recess of parliament (which ends just before the election) the government has pushed numerous laws through parliament in marathon sessions lasting for several days and nights in a row.

SUMMARY

The amendment of Section 139 PatG, which is the statutory law provision which entitles the patent owner to injunctive relief in case of any patent infringement, effectively includes the case law of the Federal Court of Justice into statutory law. In a decision as of 2016 (known under its catchword *Wärmetauscher*) the Federal Court of Justice found that in exceptional cases, in which the enforcement of injunctive relief, considering the principles of good faith, would cause unjustified hardship to the infringer, the claim for injunctive relief may be excluded or limited. The official reasons given for the recent change of the Patent Act expressly refers to this decision and states that this exception shall be included into the statutory law. In the course of the parliamentary process the wording of the amendment of Section 139 PatG was adjusted to reflect the terminology used by the Federal Court of Justice more closely.

Since the exceptions to injunctive relief developed by the Federal Court of Justice in the *Wärmetauscher* decision have never been applied in practice, we expect that the amendment of the Patent Act will not have a substantial impact on the jurisprudence of the German courts. In particular, prominent judges have already explained that the newly introduced exception will not be applicable to SEP cases because the established FRAND-rules already include a proportionality check. In other words: if the enforcement of injunctive relieve does not constitute an abuse of a dominant market position, the new law will not limit the availability of injunctive relief either.

BACKGROUND

Pressure to amend the statutory right to injunctive relief pursuant to Section 139 PatG, which is granted for each and every patent infringement, came primarily from the German automotive industry. Since telecommunications functions have also become standard features of cars, manufacturers and their suppliers have increasingly been exposed to claims asserted by the proprietors of the respective patents. These proprietors are not put off by the market power wielded by automotive corporations. This situation has prompted Germany's major car makers to pressurise the Federal Government in Berlin into watering down the right to injunctive relief.

However, other companies have stepped in to oppose such a move, pointing out that effective enforcement of patents is essential if innovations are to be protected. Research-driven pharmaceutical companies, in particular, but also the Fraunhofer-Gesellschaft have raised some pointed objections to any softening of injunctive relief.

In November 2020, after intensive discussions with industries and judges, the Federal Government submitted a bill that includes an addition to Section 139 (1) PatG. That paragraph is to be supplemented in such a way that the right to injunctive relief is precluded if,

- due to the specific circumstances of the individual case,
- the cease-and-desist order causes disproportionate hardship for the infringer and the third party,
- which is not justified by exclusivity rights.

In its grounds, the bill refers to a Federal Court of Justice judgment of 10 May 2016 that has gained notoriety under

the catchword *Wärmetauscher*. According to that judgment, a selling-off period may have to be granted in exceptional cases, where enforcement of the right to injunctive relief would cause disproportionate hardship. However, the Federal Court of Justice has not reached such conclusion in any case so far, and nor have the courts of instance ruled conclusively as yet on such exceptional cases.

The Bundesrat, Germany's Federal Council, approved the bill provisionally in early 2021, but with the note that the reference to the Federal Court of Justice's *Wärmetauscher* precedent be made clear in the legislative text. As a result, a reference to the principles of good faith has been included in the new provision on injunctive relief.

"Der Anspruch ist ausgeschlossen, soweit die Inanspruchnahme aufgrund der besonderen Umstände des Einzelfalls und der Gebote von Treu und Glauben für den Verletzer oder Dritte zu einer unverhältnismäßigen, durch das Ausschließlichkeitsrecht nicht gerechtfertigten Härte führen würde."

"The claim [to injunctive relief] is excluded to the extent that, under the special circumstances of a singular case and considering the principle of good faith, its enforcement would result in disproportionate hardship on the infringer or third parties beyond what is justified by the exclusionary right."

RELEVANCE IN PRACTICE

One positive aspect for patent proprietors for the time being is that the feared softening or even abolition of the automatic right to injunctive relief is not found in the bill. Rather, the new law confines itself to codifying the case law as applicable since 2016, and, insofar, it does not alter the current legal situation. Initial comments by the judiciary with regard to the bill also suggest that a change in current practice is unlikely.

As far as judicial procedure is concerned, it should first be noted that the infringer bears the burden of proof that an 'exceptional situation' exists, as outlined above. The patent proprietor, who will not usually have any information in that regard, will mostly confine itself to disputing such an assertion, with a plea of ignorance. Doubts about validity, or the fact that the decision relates to difficult factual or legal issues and may therefore be set aside in the next instance, should not qualify as exceptions. This is because the Patent Act already provides a sufficient range of measures for taking into account any doubts about validity, or the correctness of a judgment at first instance.

What may be even more important is that refraining from granting injunctive relief in the case of standard-essential patents, due to exceptional circumstances, is basically not an option. It is up to the SEP user itself to avoid an injunction by conducting itself accordingly, in particular by engaging in constructive licensing negotiations. If it fails to use that opportunity, it cannot claim in its defence that enforcing the injunctive relief will cause inequitable hardship.

According to the current state of debate, even the threat of the infringer becoming insolvent if the injunction is enforced is not sufficient to deny the patent proprietor its injunctive relief. The same also applies to investments in product development, market development or approval that may be frustrated by the injunction – such restrictions are a typical consequence of the right to injunctive relief and for that reason cannot justify any exception.

Exceptions are conceivable if the patent infringement relates to only a small part of a complex, inseparable product, with the consequence that the right to injunctive relief would have impacts extending far beyond the actual monopoly rights and would result in major collateral damage. This addresses precisely those cases from the automotive industry mentioned above, in which there is clear divergence between the (narrow) scope of protection conferred by the patent and the complexity of the final product. Such cases may be rare in practice, however: as already noted, limiting the right to injunctive relief is out of the question for SEPs, and a workaround is conceivable in most non-SEP cases.

COMMENTS AND OUTLOOK

All in all, therefore, there is little likelihood at present that the patent proprietor's right to injunctive relief will be watered down by the new patent law, though infringers will certainly attempt to rely on this exception in the years to come. This has resulted in frustration among those who advocated substantial limitations to the availability of injunctive relief, with one commentator referring to the new law as a "patentDEform" which in his opinion is useless. Germany's leading information & communications technology news wrote "Federal Parliament puts pebbles [using the diminutive of "stones"] in patent trolls' way."

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