

# Proportionality Defense in Claim for Injunctive Relief

— Interpretation of the Newly Added Third to Fifth Sentences of  
Section 139(1) of the German Patent Act

Wei Lizhou

## I. Introduction: Revision background and text

The latest revision to the German Patent Act (Patentgesetz, PatG) was passed in 2021.<sup>1</sup> The highlight of the revision was to introduce the proportionality defense into Section 139(1) in order to limit the proprietor's right to claim for injunctive relief (Unterlassungsanspruch), which clarified the rules for applying the principle of proportionality to injunctive relief for patent infringement.

As is well-known, reliefs for patent infringement in Germany have always followed the convention that "the injunctive relief applies where infringement occurs" (hereinafter referred to as the automatic injunction), that is to say, the German court will generally<sup>2</sup> grant an injunction (Unterlassungstitel)<sup>3</sup> automatically in response to the patentee's claim for injunctive relief as long as the infringement is established. The injunction not only requires the infringer to refrain from performing the relevant illegal acts in the future, but also requires the infringer to "perform", i.e., to take certain measures, like recalling or stop selling products to ensure that no infringing products will remain on the market.<sup>4</sup> In comparison with the jurisdictions such as the U.S. where the injunctive relief applies conditionally,<sup>5</sup> German is considered as much more favorable to patentees. Hence, in international patent litigation, German courts are often the first choice for patentees and are known as "the paradise of patentees".<sup>6</sup>

As a matter of fact, shortly after the promulgation of the Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (hereinafter referred to as the Enforcement

Directive),<sup>7</sup> voices questioning the conventional automatic injunction have been heard among German scholars.<sup>8</sup> In light of Article 3(2) of the Enforcement Directive, those measures, procedures and remedies of Member States that are necessary to ensure the enforcement of the intellectual property rights shall also be effective, proportionate and dissuasive. Some scholars believe that if the long-standing practice of "granting an injunction whenever infringement occurs" in the German civil law is still adhered to in the intellectual property field, the rights and obligations between the parties will be significantly imbalanced under some circumstances, which is not in line with the requirement for proportionality in the Enforcement Directive.<sup>9</sup>

In judicial practice, the difference between the courts of Germany and some EU member states in handling the injunction issues resulted in completely dissimilar remedies in cases with similar facts. Take the "heart valve prosthesis" case for example. In face of nearly the same facts, the Düsseldorf Court, Germany, directly granted an injunction after determining the defendant's product to be infringing.<sup>10</sup> However, the High Court of England and Wales took into consideration the fact that the infringing product (a heart valve prosthesis implanted through a catheter) involves the public health and interest and the relevant medical institutions need time to train clinicians to use non-infringing substitutional products, deciding to grant a stay and set restrictions on the enforcement of the injunction.<sup>11</sup> The difference in judicial adjudication is contrary to the original intent of EU integration and is the foreshadowing for the revision of the PatG to some extent.

The conventional automatic injunction has the trait of classical industrial thinking, which is typically applicable to the situation where an infringing product only contains one

patent or a limited number of patents. At present, patent lawsuits mostly involve complex products with each usually comprising hundreds or even thousands of patents, a typical example of which is a product in the field of communication. Adhering to the conventional automatic injunction means all the infringing products must be taken off the market as long as one patent is infringed, which does not make sense in some cases. In this regard, the Federal Court of Justice of Germany (Bundesgerichtshof, BGH) clearly indicated in the judgment of the “heat exchanger” case in 2016 that injunctive relief can be limited on a case-by-case analysis, such as by granting a grace period for the enforcement of the injunction.<sup>12</sup>

Although the German academic and judicial circles have been changing their attitudes towards the automatic injunction, relevant amendment had been slow to make it on the legislative agenda. Until recent years, as vehicle-to-everything (V2X) has been increasingly popular, major German automobile manufacturers have gotten entangled in a large number of disputes over infringement of patents related to communication technologies, and their interests have been seriously threatened<sup>13</sup> due to the grant of injunction. Since then they started to face up the defect of the German injunction system and further promoted the law revision directly.<sup>14</sup> Through multi-lateral in-depth consultation and repeated amendments,<sup>15</sup> the legislators finally added the third to fifth sentences to Section 139(1) PatG to incorporate the proportionality defense into the factors to be considered for the claim for injunctive relief. The newly revised Section 139(1) reads as follows (note: the third to fifth sentences are newly added):

① Any person who uses a patented invention contrary to Sections 9 to 13 may, in the event of the risk of recurrent infringement, be sued by the infringed party for cessation and desistance. ② This right may also be asserted in the event of the risk of a first-time infringement. ③ The claim is excluded insofar as, 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. ④ In such a case, the infringed party shall be granted appropriate monetary compensation. ⑤ The claim for damages as stipulated in paragraph 2 shall remain unaffected.

This article is going to delve into the newly added third to fifth sentences of Section 139(1) PatG from the perspec-

tive of hermeneutics of law and based on relevant German legislative materials, existing literature and latest research results,<sup>16</sup> in hope of outlining possible changes in German judicial practice after the introduction of the proportionality defense.

## II. Proportionality defense (The third sentence of Section 139(1) PatG)

### 1. Overview

The newly added third sentence of Section 139(1) PatG introduced proportionality into the factors to be considered for a claim for injunctive relief, thereby changing the past legislative pattern that courts always granted injunctions based on judicially determined infringement. Thus, the court may exclude or restrict a claim for injunctive relief, under the special circumstances of an individual case and considering the principle of good faith, insofar as the claim for injunctive relief would result in disproportionate hardship on the infringer or third parties beyond what is justified by the exclusionary right. Regarding the application of the proportionality defense, emphasis shall be placed on the following four points.

First, it is made clear through legislation that the proportionality defense can be raised on the basis of the interests of infringers (a typical example is the complex product mentioned in the “heat exchanger” case), as well as the interests of the third parties (such as the patents’ interest and the public health and interest in the “heart valve prosthesis” case). The two situations will be introduced respectively in the following parts regarding the specific application thereof.

Second, as reiterated in the legislative draft, the proportionality defense is applicable only under exceptional circumstances. In principle, most of the claimants will still obtain the injunction if the courts find patent infringement, which means the first and second sentences of Section 139(1) PatG prevail. Therefore, even after the introduction of the proportionality defense, Germany’s attitude towards the injunction is still different from that of the U.S. as shown in the eBay case, that is, an injunction should not be issued unless certain requirements are met.

Third, jurisprudentially speaking, the introduction of the proportionality defense is a legislative embodiment of the prohibition of excessiveness (Übermaßverbot) under the principle of good faith in Section 242 of the German Civil Code. It shall be noted that the proportionality defense be-

longs to, in nature, right hindrance objection (rechtsverhindernde Einwendung), rather than defense (Einrede).<sup>17</sup> It means that in the process of litigation, even though the party does not raise the proportionality defense, the court shall still *ex officio* examine and make a judgment by taking it into account. Some judges think this will greatly increase their workload, and resist the introduction of the proportionality defense.<sup>18</sup> In contrast, some scholars indicate that such a distinction will not contribute to a great burden on judges because it is stipulated that the proportionality defense is considered only in exceptional individual cases, and it is generally the accused infringer to bear the burden of demonstration and proof (Darlegungs- und Beweislast) for the “exception”. If the party does not argue, the judge will not need to intervene *ex officio*.<sup>19</sup>

Last but not least, the newly added third sentence of Section 139(1) is a general clause, not a specific rule, in its nature. The terms in the third sentence, such as “special circumstances”, “good faith”, “disproportionate” and “hardship ... beyond what is justified”, are undefined legal concepts. Therefore, this rule cannot be applied directly by means of subsumption. Instead, a judge needs to consider relevant factors in a particular case “as a whole” and then decide whether the proportionality defense is established on the basis of “carefully weighing the relevant factors”.<sup>20</sup> From the perspective of methodology, this is more like a dynamic system theory advocated by Wilburg.<sup>21</sup> In this regard, Professor Axel Metzger proposed a “three-step” approach for examining the proportionality defense: the first step is to determine the factors that need to be taken into account, and said factors can be either conducive or unfavorable to the establishment of the defense; the second step is to evaluate the weight of each factor; and the third step is to draw a conclusion after an overall evaluation of all the factors.<sup>22</sup>

## 2. The first aspect of the proportionality defense: consideration from the perspective of the infringer’s interests

The great imbalance of interests between the parties caused by the grant of injunction is one of the reasons for the establishment of the proportionality defense. Generally speaking, the claim for injunctive relief is the due meaning of the exclusivity of the patent right, and the infringer should bear the losses in such as replacing products or suspending production, caused by the injunction, even when the injunction may endanger business survival or employment. None of the losses alone can be the reason for excluding

an injunction. As stated above, under the principle of proportionality, objective factors and some of the subjective factors of both parties in the specific case should be considered comprehensively.<sup>23</sup> Where the loss caused to the infringer by the injunction is obviously disproportionate to the value of the patented technology, the proportionality defense can succeed.

### (1) Factors disadvantageous to the right holders

Where the proportionality defense is raised, the interest of the right holder stays at one end of the scale of interests. The right holder herein refers to not only the patentee, but also an exclusive licensee of the patent.<sup>24</sup> Due to the exclusivity of the patent right, the scale in its initial state will naturally incline to the right holder in determination of an injunction. However, the following factors may be disadvantageous to the right holders when interests are weighed up:

#### (a) The right holder is a non-practicing entity (NPE)

At present, the right holders in patent litigation are increasingly likely to be NPEs. They themselves do not implement patented technologies, but monetize them through licensing or litigation. It is particularly pointed out in the legislative grounds by the Draft Bill of the Federal Government (Gesetzentwurf der Bundesregierung) that for NPEs, their major task is to ensure that they can make profits through licensing or monetize the value of their patents by claiming damages or compensation, rather than gain market advantage based on the exclusivity of their products or technologies.<sup>25</sup> For this reason, whether to obtain injunctive relief seems to be secondary to NPEs. It should be pointed out that in today’s society, NPEs also perform necessary market functions and should not be regarded derogatorily as patent trolls. It is further noted that, it is not that no injunction shall be granted to NPEs, but that compared with other right holders, NPEs are likely to weigh less when the interests are balanced, raising the threshold of obtaining an injunction for them.

#### (b) The right holder did not act in good faith previously

With sufficient evidence of infringement in hand, some right holders choose not to enforce their right until the infringer has made irrevocable investment.<sup>26</sup> Such an act that is in violation of the principle of good faith will render the interests of the right holder weighed less when the proportionality defense is considered, and increase the likelihood of establishing the proportionality defense.

(c) Judges hold a pessimistic attitude towards the validity of the patents in suit

The fact that the accused infringer seriously doubts the validity of the patent in suit cannot be the reason for excluding an injunction. In view of the “dual-track” trait of the German patent system (the court hearing infringement dispute does not examine the patent validity), where the parties diverge greatly on the validity of the patent, the court hearing the infringement may suspend the trial in accordance with Section 148 of the German Code of Civil Procedure. However, if the court expects a negative decision on the validity, this fact can serve as a factor to be considered for the proportionality defense. Where the interests of the parties weigh equally, the court may incline towards the infringer and set restrictions on the injunctive relief.

(2) Factors advantageous to the infringers

Opposite to the interests of the right holders, the interests of the infringers stay at the other end of the scale of the proportionality defense. The following factors are advantageous to the infringers and may increase the likelihood of a successful proportionality defense.

(a) The infringing component constitutes a small but irreplaceable part of a complex product

Infringement by a complex product is the major scenario where the injunction is restricted or excluded on the basis of the interests of the infringer. In the high-tech field, the patent landscape is getting increasingly fragmented. A high-tech product, also known as a complex product, typically like smartphones or intelligent cars, is mostly composed of hundreds or even thousands of components with each possibly containing several patents. If a small component constitutes infringement and cannot be replaced due to technical reasons or official certification, the injunction against the infringing component will inevitably lead to the ban of the entire complex product, and the resulting losses to the infringer will obviously exceed the value of the patent in suit itself.<sup>27</sup> It should be noted that the irreplaceability of the infringing component for the entire product is a key factor to be considered for the proportionality defense. While, whether the infringing component constitutes an essential part (for example, the power unit of an intelligent car) or an auxiliary part (for example, the electrically heated seat) of the whole product is not relevant.<sup>28</sup>

(b) The infringer previously acted in good faith

Even though the infringement is established, if the infringer has taken corresponding measures in advance to avoid infringement, which complies with the principle of good faith, said fact shall be taken into account as a favor-

able factor for the infringer when the proportionality defense is raised. For instance, the infringer has conducted a Freedom to Operate (FTO) analysis with diligence prior to the product design and production. Although the FTO analysis may not be perfect due to the complexity of the patents in relevant technical fields, the judges shall consider these details as favorable to the infringer. On the contrary, if the infringer obviously acted in bad faith, for example, if the infringer has known the infringement but refused to modify the product, or if the infringer has explicitly rejected an cease and desist letter or licensing offer from the right holder and continued exploiting the patented technology, the scale of interests should be inclined towards the right holder.<sup>29</sup> Of course, if there exists a clear dispute over infringement or the validity of the patent or the patent royalties asked in the offer of the right holder are excessively high, the infringer's further exploitation of the patented technology should not be determined as out of bad faith.

**3. The second aspect of the proportionality defense: consideration from the perspective of the third party's interests**

The consideration of the interest of a third party is the second basis for supporting the proportionality defense. The interest herein mainly refers to the basic rights of the third party under the protection of the Constitution. The interest of the third party not only refers to the interest of an individual but also the group or public interest in plural sense. The controversy existing in the process of legislation lies in whether the interest of a third party or the public interest shall be incorporated into the scope of proportionality defense. Some opposed that the existing compulsory licensing system pursuant to Section 24 PatG has actually excluded the right holder's claim for injunctive relief for the sake of the public interest. If the interest of the third party was taken into consideration, it would render the compulsory license meaningless.<sup>30</sup> This opinion, however, was not adopted by legislators, and the interest of the third party has been written into the third sentence of Section 139(1) PatG.

As a matter of fact, there are indeed differences between compulsory license and proportionality defense based on the public interest. First, compulsory license requires a petition filed with the German Federal Patent Court in advance, whereas the proportionality defense is completely an ex-post measure. Second, under the compulsory licensing system, it is legal to implement a patent with reasonable royalties paid to the right holder, whereas even

with the proportionality defense, the patent exploitation still constitutes infringement and the user is liable for damages. Last but not least, under the compulsory licensing system the right holder cannot refuse to license its patent or claim injunctive relief, whereas the legal effect of the proportionality defense is not “all-or-nothing”, and the court may also decide to partially restrict the claim for injunctive relief, such as by granting a limited grace period (see below on the introduction to the legal effect for details), in addition to fully excluding it.

It needs to be emphasized that patents have, in nature, the competition - restricting attribute, which may raise the price of relevant products and impair the interests of consumers in the short run. However, this is the consequences resulting from the normal exercise of patent rights and cannot be taken as the ground for excluding or restricting injunctive relief. Judging from the current theories and cases, typical examples in which the injunction would result in disproportionate hardship on the third parties include: ① infringing products relate to public health, the transition from infringing products to non - infringing products takes time, and an immediate injunction will pose a threat to the health of patients; and ② an immediate injunction will undermine the municipal infrastructure such as communication networks. Relevant cases are still expected to be accumulated in judicial practice and supplemented by scholars’ works.

#### 4. Legal effect

As for the legal effect of the proportionality defense, attention shall be paid to the following two aspects. First, the legal effect of the proportionality defense is not about an all-or-nothing situation. In other words, the establishment of the proportionality defense does not mean that injunction is denied permanently or fully, and courts can flexibly decide how to restrict the injunctive relief on a case-by-case basis. Semantically speaking, the German conjunction “soweit”<sup>31</sup> (which means “insofar as”) in the third sentence of Section 139(1) PatG clearly demonstrates the “flexible” legal effect. The Draft Bill of the Federal Government also indicates in the legislative grounds that the claim can be restricted in terms of time (zeitlich) or matter (sachlich), and can be even excluded for a long period or permanently under exceptional circumstances.<sup>32</sup> To be specific, if the immediate enforcement of an injunction will result in disproportionate hardship, a grace period can generally be grant, for instance, a so-called exhaustion period (Aufbrauchfrist) can be set based on the interests of the infringer so as to allow it

to sell off the stocks, or a change-over period (Umstellungsfrist) on the interests of a third party so as to achieve the transition from infringing products to non - infringing products. The complete exclusion of injunctive relief can only become an option in exceptional cases, for example, infringing products cannot be replaced due to technical or legal reasons, or the protection term of the patent in suit is going to expire soon.

Second, the proportionality defense can only be used to defend against the injunction, but does not constitute a restriction to nor an exception of a patent right, which means the exploitation of the patent within the grace period still constitutes infringement. Although the right holder cannot claim injunctive relief, it can claim substitutional compensation for the continuous exploitation of the patent instead (the fourth sentence of Section 139(1) PatG). In order to be in line with the rules for the proportionality defense, the legislators added Section 142(7) to the provisions on criminal protection in the PatG in a bid to render those who continue exploiting patents within a grace period immune from criminal liability.

### III. Claim for compensation (The fourth and fifth sentences of Section 139(1) PatG)

The establishment of the proportionality defense means that the infringer (within a certain period of time) can continue exploiting the patent, and therefore a claim for compensation (Ausgleichsanspruch) is specifically set in law to provide monetary compensation for restricting the proprietor’s right to injunctive relief. In the light of the fourth sentence of Section 139(1) PatG, where the proportionality defense is established, the infringer is entitled to reasonable monetary compensation from the infringer. Generally speaking, the amount of reasonable compensation should be at least equal to the fictional royalties, and the time period for calculating the damages should be equal to that for which the injunction is excluded or restricted.

The claim for compensation is significantly different from the claim for damages in nature. Fault is not the requisite for the claim for compensation, as it is directed to the infringer’s continuous exploitation of the patent after the issuance of judgment; whereas the claim for damages is based on the element of fault, since it deals with infringement that

has occurred. It is out of question that the right holder is entitled to claim compensation against the infringer due to the latter's continuous use of the patent after the judgment. What needs to be noted is that the continuous use is still illegal in nature, so the right holder may still claim damages from the infringer later due to the continuous use of the patent during that period of time. In other words, the compensation does not prevent the right holder from asserting a separate claim for damages later. This is the meaning of the fifth sentence of Section 139(1) PatG, i.e., the claim for compensation by the right holder does not obstruct the claim for damages. However, it should be noted that the amount of damages in German laws shall be calculated according to the "principle of full compensation", and thus the received compensation shall be regarded as gain and deducted from the damages. If the amount of damages exceeds the previously paid compensation, the infringer is only required to pay the difference therebetween. However, if the compensation exceeds the damages, the right holder does not need to return the excess.

## IV. Related issues

### 1. Anti-monopoly defense in the context of standard-essential patents (SEPs)

In German laws, the anti-monopoly defense in the context of SEPs shall be distinguished from the proportionality defense. It is known that in order to solve the contradiction between patent exclusivity and standard accessibility, the European Court of Justice provided, in *Huawei v. ZTE*, a test for whether the proprietor of an SEP could obtain injunctive relief from the negotiation process aspect. If the SEP holder did not satisfy the corresponding requirements during the licensing negotiations, such as failing to inform the user before bringing a lawsuit to a court, or failing to provide a specific, written and FRAND-compliant offer to the user who is willing to negotiate about the license, the SEP user may then raise an anti-monopoly defense against the proprietor's claim for an injunction.<sup>33</sup> This test is also applied by German courts in SEP-related cases.<sup>34</sup> Since both the proportionality defense and the anti-monopoly defense are against the patentee's claim for injunctive relief and are similar in terms of legal nature, it is necessary to clarify their relationship.

Different from the proportionality defense, the anti-monopoly defense concerning SEPs limits the claim for injunc-

tive relief from outside of the patent law, and is based on provision on the prohibition of abuse of dominant position in the anti-monopoly law. It should be noted that the anti-monopoly defense takes precedence over the proportionality defense. First, it is because the anti-monopoly defense is based on the EU law which takes priority over the domestic laws of each member state in application. Second, the two defense types are slightly different in terms of legal effect, the establishment of the anti-monopoly defense will completely exclude the patentee's claim for injunctive relief and the infringer does not need to pay any compensation under such circumstances. Thus, the anti-monopoly defense should be applied preferentially as it is more beneficial to users in comparison with the proportionality defense.

On the other hand, the proportionality defense serves as a safety net for the protection of the interests of the SEP implementers. In other words, if the anti-monopoly defense as established in *Huawei v. ZTE* is not applicable in some SEP-related cases, the court may confer protection on the interests of the SEP implementers by invoking the principle of proportionality. For example, although the anti-monopoly defense is not applicable to patent ambush,<sup>35</sup> it is still possible to raise the proportionality defense because, during the formulation of standards, the patentee violates the obligation of disclosure and the principle of good faith. Another example is that after patent assignment, where the current patentee, who does not make a FRAND license declaration, knows that the former patentee has once made such a declaration, even though the anti-monopoly defense does not stand, the proportionality defense is still applicable based on the fact that the current patentee violates the principle of good faith.

### 2. The proportionality defense in the chain of infringement

Similar to the China's Patent Law, the PatG stipulates that infringing acts include the manufacturing, offering for sale, selling or using a patented product for industrial or commercial purposes, as well as the importing or possessing such a product for the purposes referred to. In this sense, participants in any part of an industrial chain may become potential infringers. On the other hand, the proportionality defense can only exempt the accused infringers in a specific lawsuit from an injunction, and does not involve other parties in the chain of infringement. According to this logic, even though an accused infringer (e.g., the manufacturer of the heart valve prosthesis) has successfully invoked

the proportionality defense, the right holder can still claim the injunctive relief against the upstream clients (the supplier of an infringing component) and downstream clients (the seller of the whole product or the hospital using the product for business purposes), which will actually produce an effect equivalent to that of an injunction imposed on the accused infringer. Therefore, in the context of the chain of infringement, it is necessary to appropriately expand the scope of application of the proportionality defense so as to avoid rendering the proportionality defense system in vain.

In the process of law revision, some opined that the exhaustion doctrine should be applied *mutatis mutandis* on this issue, and the third sentence of Section 100 of the Act on Copyright and Related Rights of German should be applied by analogy to expand the legal effect of the proportionality defense. To be specific, the potential infringer downstream of the industrial chain can automatically be exempt from the patentee's claim for an injunction based on the proportionality defense granted to the upstream accused infringer. However, this opinion was not adopted by the legislators in consideration that the proportionality defense merely involves reliefs for infringement, rather than the legitimacy of the acts.

From the perspective of law hermeneutics, the revised provisions do not indiscriminately expand the applicable scope of the proportionality defense to third parties on the chain of infringement. Thus, the proportionality defense raised by various potential infringers shall be judged on a case-by-case basis. Generally speaking, where the public interest is involved, the facts on which the proportionality defense is established for one infringer can ensure the defenses of the related upstream and downstream operators on the chain of infringement. For instance, where the health right of patients is involved, a certain change-over period should be set for substituting infringing medical drugs or devices, during which all the participants on the chain of infringement can continue exploiting relevant patents. In comparison, the situation involving the interests of the infringer is more complicated and needs to be considered on a case-by-case basis. Take the complex product such as a smartphone for example, if the court has excluded the injunctive relief against the manufacturer of the complete mobile phones due to disproportionality and allowed the mobile phones in stock to be sold within a certain period of time, the court shall also grant the proportionality defense raised by other downstream sellers from the perspective of "pro-

tection of the interests of third parties"; otherwise, it would be meaningless to grant an "exhaustion period" to the manufacturer of the entire mobile phones. However, the proportionality defense raised by the upstream suppliers for continuing supplying the infringing components to the manufacturer of the complete phones should be denied, because expanded production is not in line with the original intention of the court to grant the complete product manufacturer the "exhaustion period".

In the end, even though there are multiple infringers on one chain of infringement raising the proportionality defense, the right holder cannot claim reasonable compensation from each of these infringers according to the fourth sentence of Section 139(1) PatG. Similar to the calculation of damages on the chain of infringement, the patentee can only obtain one compensation for the restriction on the claim for injunctive relief from one of the infringers and shall not make repeated claims to the multiple infringers.

## V. Conclusion

The introduction of the proportionality defense enables the German patent law to completely abandon the conventional practice of the automatic injunction, which complies with the international trend of flexibilizing injunctive relief from the perspective of comparative law. With reference to such materials as legislative reasons, academic papers and seminar records, this article attempts to preliminarily and hermeneutically interpret the newly-added third to fifth sentences of Section 139(1) PatG, in the hope of drawing attention to future development of the proportionality defense in German's judicial practice and making theoretical preparations for the improvement of relevant systems in China. ■

The author: Assistant professor at Law School of Zhejiang University

<sup>1</sup> The German Federal Parliament passed the Second Act to Simplify and Modernise Patent Law (BGBl. 2021 I 3490) on 11 June 2021. Some of the amendments to the patent law came into effect on 18 August 2021 and the rest part came into effect on 1 May 2022. The amendments mainly include: ① the addition of the disproportionate defense against the claim for injunctive relief to the third sentence of Section 139(1) PatG, ② the coordination between patent infringement and invalidity proceedings, ③ the protection of trade secrets in patent-related litigation, etc. In addition, some minor amendments were made to

the Patent Act, Utility Model Act and Trademark Act.

Liu Chang (2021). First major revision of industrial property law in the era of industry 4.0 — Comments on the Second Act to Simplify and Modernise Patent Law. *Electronics Intellectual Property*, 10.

Shan Xiaoguang and Li Wenhong (2021). Review of new trends of the revision of the German Patent Act in the digital era. *Intellectual Property*, 6.

<sup>2</sup> Before the revision, a rare exception to the conventional “practice of automatic injunction” is the anti-monopoly defense in the context of SEPs.

Wei Lizhou (2015). Regulation of injunctive relief in the context of SEPs under the anti-monopoly law—From orange book standard to *Huawei v. ZTE*. *Global Law Review*, 6.

<sup>3</sup> The injunction herein refers to a permanent injunction, rather than a preliminary injunction (Einstweilige Verfügung in German law). The grant of a permanent injunction is a substantive result of the claim for injunctive relief. For simplicity, the injunction and the claim for injunctive relief in this article are sometimes used in the same sense.

<sup>4</sup> Ann PatR, § 35. Ansprüche wegen Patent- oder Gebrauchsmusterverletzung Rn. 11, beck-online.

<sup>5</sup> *eBay Inc. v. Mercexchange, L.L.C.*, 547 U.S. 388 (2006).

<sup>6</sup> You Bin. Successful counterattack by the automobile industry: Revision of the German Patent Act increases the difficulty in obtaining injunctions on the part of patentees. Retrieved from [iprdaily.cn](http://iprdaily.cn).

<sup>7</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, [2004] OJ L 195/16 (Enforcement Directive).

<sup>8</sup> Ansgar Ohly, “Patenttrolle” oder: Der patentrechtliche Unterlassungsanspruch unter Verhältnismäßigkeitsvorbehalt? GRUR Int 2008, 787.

<sup>9</sup> Ansgar Ohly, Three Principles of European IP Enforcement Law: Effectiveness, Proportionality, Dissuasiveness, in: Technology and Competition – Contributions in Honour of Hanns Ullrich, pp. 257-274, Josef Drexl, ed., Larcier, 2009. Available at SSRN: <http://ssrn.com/abstract=1523277>.

<sup>10</sup> LG Düsseldorf, Urt. v. 9.3.2017 – 4 a O 137/15, GRUR-RS 2017, 104657 Rn. 127 ff. – Herzklappen.

<sup>11</sup> *EWHC Edwards Lifesciences LLC v. Boston Scientific Scimed Inc & Ors* [2018] EWHC 1256 (Pat).

<sup>12</sup> BGHGRUR 2016, 1031Rn. 40 ff – Wärmetauscher. In this case, the BGH did not grant a grace period for injunctive relief because the allegedly infringing part in this case is a replaceable seat heating component in convertibles, and the injunction on said infringing part will not necessarily have the complete cars out of market.

<sup>13</sup> For instance, in lawsuits with Sharp and Nokia, Daimler faced an injunction threat which may render products worthy of tens of billions of euros banned, and had been forced to reach a settlement in the end.

<sup>14</sup> Retrieved from [https://www.bundestag.de/resource/blob/823678/7729ef96835943b4323db11a0f5b2618/stellungnahme-scheel\\_vda-data.pdf](https://www.bundestag.de/resource/blob/823678/7729ef96835943b4323db11a0f5b2618/stellungnahme-scheel_vda-data.pdf).

<sup>15</sup> Retrieved from [https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG\\_2.html](https://www.bmj.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG_2.html).

<sup>16</sup> Retrieved from <https://www.ciplitec.de/veranstaltung/der-patentrechtliche-unterlassungsanspruch-nach-dem-2-patmog/>.

<sup>17</sup> An example of defense (Einrede) is Section 275(2) of the German Civil Code. In light of this Section, the obligor may refuse performance to the extent that performance requires expense which is grossly disproportionate to the interest in performance of the obligee. The obligor himself decides whether to claim “disproportionality”. If he waives the right to raise defense, the court shall not investigate such an issue.

<sup>18</sup> The speech of Judge Andreas Voß at the CIPLITEC symposium.

<sup>19</sup> Ohly & Stierle, Unverhältnismäßigkeit, Injunction Gap und Geheimnisschutz im Prozess – Das Zweite Patentrechtsmodernisierungsgesetz im Überblick, GRUR 2021, 1229 (1231f).

<sup>20</sup> Begr. RegE BT-Drs. 19/25821, 53.

<sup>21</sup> Ohly & Stierle, GRUR 2021, 1229 (1232).

<sup>22</sup> The speech of Professor Axel Metzger at the CIPLITEC symposium.

<sup>23</sup> Begr. RegE BT-Drs. 19/25821, 54.

<sup>24</sup> Exclusive license in German law refers to both exclusive license and sole license in the sense of Chinese law.

<sup>25</sup> See supra note 20.

<sup>26</sup> See supra note 23.

<sup>27</sup> *Ibid.*

<sup>28</sup> Martin Stierle, Der quasi - automatische Unterlassungsanspruch im deutschen Patentrecht - Ein Beitrag im Lichte der Reformdiskussion des §139 I PatG, GRUR 2019, 873 (877). In this regard, the BGH held a different opinion in the heat exchanger case. See BGH GRUR 2016, 1031 Rn. 40 ff – Wärmetauscher.

<sup>29</sup> Kühnen, Handbuch der Patentverletzung, 13. Aufl. 2021, Rn. D 536 ff.

<sup>30</sup> GRUR - Stellungnahme RefE GRUR 2020, 1278 (1280 f.); Busche, FS Meier-Beck GRUR 2021, 157 (160 f.); McGuire GRUR 2021, 775 (781 ff.).

<sup>31</sup> It should be noted that the German conjunction “soweit” (insofar as), instead of “wenn” (if), is used between the legal requirement and legal effect in the third sentence of Section 139(1) PatG. However, said conjunction is translated as “if” in many Chinese literature, which will mislead people into thinking that the proportionality defense surely leads to the legal effect of completely excluding the claim for injunctive relief.

<sup>32</sup> Begr. RegE BT-Drs. 19/25821, 55.

<sup>33</sup> Wei Lizhou (2015). Regulation of injunctive relief in the context of SEPs under the anti-monopoly law—From orange book standard to *Huawei v. ZTE*. *Global Law Review*, 6.

<sup>34</sup> BGH GRUR 2020, 961 - FRAND-Einwand m. Anm. Picht; GRUR 2021, 585 - FRAND-Einwand II.

<sup>35</sup> Patent ambush occurs when the patentee does not disclose his patent, patent application or right to apply for a patent to a standard-setting organization during the forming of a standard, but sues the standard implementer for infringement and demands royalties after the incorporation of its patented technology into the standard.