

Working Guidelines

by Thierry CALAME, Reporter General
Nicola DAGG and Sarah MATHESON, Deputy Reporters General
John OSHA, Kazuhiko YOSHIDA and Sara ULFSDOTTER
Assistants to the Reporter General

Q219

The availability of injunctions in cases of infringement of IPRs

Introduction

- 1) The power of a Court to grant an injunction which prohibits an infringer from committing further infringing acts is fundamental to the protection of IPRs as exclusive rights. Due to the nature of IPRs, injunctions have always been the primary remedy for infringement. Other remedies, such as damages for loss or an account of profits, serve the secondary or ancillary purpose of appropriately compensating an IPR holder for infringement.
- 2) The availability of injunctions to act as a deterrent to infringement of IPRs or to prevent further infringement is critical to the effective operation of IP systems. As such it is desirable that there be a level of consistency in the approach to injunctions at an international level.
- 3) The 2006 decision of the US Supreme Court in *eBay v Merc-Exchange* demonstrated that, at least with regard to permanent injunctions, there is no general rule in the United States that an injunction will be granted as a matter of course once findings of both validity and infringement have been made. Whether an injunction is granted following a finding of infringement of an IPR is within the discretion of the Court irrespective of any finding of infringement. This is the case in many common law jurisdictions. The concurring opinions noted, however, that historically, injunctions are often granted, particularly for patentees who are in the business of making and selling their inventions, as opposed to those entities who are primarily interested in licensing their inventions. But, even for these latter entities, an injunction was not foreclosed as a possibility.
- 4) *eBay v Merc-Exchange* set out a four-factor test, pursuant to which a permanent injunction will be granted where the IPR holder shows that:
 - it has suffered an irreparable injury;
 - remedies available at law (such as awards of monetary damages) are inadequate to compensate for that injury;

considering the balance of hardships between the IPR holder and the infringer, a remedy in equity is warranted; and

the public interest would not be disserved by a permanent injunction.

- 5) The purpose of this question is to examine the conditions upon which both permanent and provisional injunctions are available to protect IPRs. The groups are asked to focus, in particular, upon describing any circumstances in which a permanent injunction either must be granted, or will not be available, following a finding of infringement.
- 6) While injunctions may in certain circumstances be granted *ex parte*, the principles applicable to the grant of an injunction *ex parte* may be quite specific to the nature of the relief sought, and distinct at least in some respects to the principles applicable to the granting of injunctions more generally. The granting of *ex parte* injunctions is beyond the scope of this question. This question is concerned only with injunctions sought in *inter partes* proceedings. The topic of *ex parte* injunctions may be a topic of future study.
- 7) This question aims to study injunctions in relation to patents, trade marks, copyright and designs. Given the recent analysis of the protection of trade secrets in Q215 (see further below), they are excluded from the IPRs to be considered within the scope of this question. Trade names and domain names are equally excluded from the scope of this question.
- 8) In many jurisdictions, the possibility exists for a statutory basis for permitting use of an IPR that would otherwise constitute infringement, for example, compulsory licences. Consideration of statutory or common law alternatives to the grant of an injunction (other than monetary relief) is also beyond the scope of this question.

Previous work by AIPPI

- 9) AIPPI has not previously studied, as a dedicated question, the specific circumstances in which an injunction is or should be available for infringement of an IPR. However, injunctions as a remedy for infringement have been considered in the context of a number of broader questions studied by AIPPI as set out below.
- 10) **Q215 – Protection of Trade Secrets through IPR and Unfair Competition Law:** This question considered how trade secrets may be protected through the use of IPRs and unfair competition law. Injunctive relief was one of the remedies considered; with a particular focus on preliminary or temporary injunctions and injunctions granted after a violation by a third party has caused a trade secret to become public. It was resolved that every country should provide for injunctive relief for the threatened or actual violation of trade secrets. It was further resolved that preliminary injunctions should be available *ex parte* to protect confidential information as well as to preserve evidence in relation to threatened or actual violation of trade secrets.
- 11) **Q214 – Protection against the dilution of a trademark:** This question was concerned with the options available to a trademark owner, whose mark has been used in a way that results in dilution, including a consideration of whether injunctive relief is available. It was

resolved that remedies including, but not limited to, injunctions should be available in actions against dilution of a mark.

- 12) **Q204/Q204P – Liability for contributory infringement of IPRs/ Liability for: contributory infringement of IPRs – certain aspects of patent infringement:** These questions considered liability for contributory infringement of IPRs (Q204) and patents in particular (Q204P). It was resolved that injunctive relief should, in principle, be available against contributory infringement to the same extent that it is against direct infringement.
- 13) **Q134 – Enforcement of intellectual property rights – TRIPS:** This question considered a number of issues relating to the enforcement of IPRs including issues relating to compensation. It was resolved that when a defendant has been wrongly submitted to provisional measures, such as an interlocutory injunction, he or she should be entitled to full compensation for the damage suffered as a result of the provisional measures.
- 14) **Q86 – Measures against counterfeiting of branded goods:** This question considered measures to deal with the manufacture, importation and distribution of counterfeit versions of goods protected by trade marks. The resolution recommended that internal legislation ensure the improvement of procedures for provisional or final injunctions in cases of counterfeiting.
- 15) **Q80 – Trademarks and consumer protection:** This question considered the interaction between trade mark law and the interests of consumers and mentioned in the resolutions that injunctive relief is useful in protecting the interests of competitor companies and the public from the misleading use of a trade mark.

Discussion

- 16) As noted above, this question seeks to study the two general classes of injunctions, being permanent and provisional injunctions.

Provisional or preliminary injunctions

- 17) Provisional, preliminary, interlocutory or interim injunctions (as they are variously known) are temporary injunctions granted prior to the trial stage of infringement proceedings. The purpose of a provisional injunction is to protect an IPR owner against injury which would occur if the infringement continued until the resolution of the proceedings and for which the owner could not be adequately compensated by damages. As such an injunction is granted before any positive finding of infringement has been made, stringent requirements for grant are often imposed by Courts. It is generally required that a serious question or *prima facie* case of infringement be established.
- 18) If that is established, it must also be shown that the injury likely to be suffered if the injunction is not granted would be greater than the injury the alleged infringer would suffer if the injunction is granted. This is referred to in some jurisdictions as the 'balance of convenience' test. Whether the injury likely to be suffered by either party could adequately be compensated by damages is a key consideration. A court will generally

also consider issues of delay, relevant public interest, availability of the patented product in the domestic market or potentially affected rights of third parties.

- 19) The grant of a provisional injunction may be subject to an undertaking as to damages by the applicant for the injunction, whereby the applicant undertakes to provide compensation for any injury caused by the injunction in circumstances where the action for infringement is not successful. In some jurisdictions, such compensation may be limited to injury caused to the alleged infringer. In others, compensation may be payable under such undertaking to any person affected by the grant of the injunction, whether a party to the proceeding or not.
- 20) A provisional injunction will continue to have effect until the underlying infringement proceeding is resolved unless an application to discharge the injunction before trial is brought on that basis that it should not have been granted at all, or that circumstances now exist that render the continuation of the injunction inappropriate.

Permanent or final injunctions

- 21) Permanent or final injunctions are granted as a remedy against an infringement which has been proven at trial. Such an injunction will be granted to prevent ongoing or future infringement of the IPR in question. The scope of permanent injunctions, including to whom they apply and what acts they prevent, is discussed below.

Particular types of IPRs

- 22) This question also aims to explore whether a court's willingness to grant an injunction is dependent at all on the IPR in question.
- 23) For example, in the area of pharmaceutical patents, the incentive for investing in excess of one billion dollars and ten or more years of research and development to obtain a publicly beneficial drug depends on the ability of the patent holder to market and sell the drug exclusively for a limited period of time. In such situation, the ability to obtain an injunction preventing sales of a generic product made and sold by a party who has not had to expend any of these resources (and thus has little overhead costs), is essential to the business model of the industry. On the other hand, there are significant public policy issues, especially in the context of temporary injunctions, relating to the availability and accessibility of significantly inexpensive generic drug products, as well claims by generics that the patents in question are 'weak'. It may be argued that there is greater public interest in injunctions only being imposed where monetary damages are genuinely insufficient to compensate the patent holder for infringement so as to ensure the public availability and accessibility of products with significant health benefits, though it is believed that such a position ignores the reality of the incentives provided by exclusive sales of the patented drug for a limited period

Particular IPR holders

- 24) As noted in *eBay v Merc-Exchange*, concern may arise in relation to the availability of injunctions in infringement cases brought by non-producing patent holders, that is, those who use patents not as a basis for producing and selling goods, but for the primary

purpose of obtaining licensing fees. Such IPR holders may once have been referred to as 'patent trolls' but are more properly characterised today as 'non-practising entities' (**NPEs**).

- 25) It has been argued an injunction should not be available in actions brought by NPEs, on the basis that some NPEs do not contribute to society by producing goods for public use. This is believed to undermine the general purpose of the patent system, which is to incentivise the progress of science and contribute to the stock of public knowledge by the grant of temporary monopolies over inventions.
- 26) On the other side of the argument, a plaintiff's willingness to license its patents and a lack of commercial activity in practicing the patents should not alone dictate denial of an injunction against infringement. Many productive research bodies such as universities and independent inventors who cannot afford to commercialise inventions rely upon licensing of their patents.
- 27) Due to the nature of the rights involved, issues associated with NPEs primarily arise in relation to patents. However, similar concerns may arise in relation to companies who acquire the copyright to a variety of works without creating, or commercially exploiting, any original works themselves (for example, companies who acquire the copyright to a large volume of songs before pursuing infringement actions against other authors).

Discretion

- 28) The grant of an injunction will almost invariably follow a finding of infringement as a matter of course in some jurisdictions. For example, in Switzerland the grant of an injunction is a mandatory statute in case of infringement of IPRs. In Sweden, although the grant of an injunction is not a mandatory statute, case law dictates that an injunction will generally follow a finding of infringement where requested by the IPR holder, other than in exceptional circumstances.
- 29) In some common law countries, the grant of injunction is discretionary and does not follow a finding of infringement as of right. Whether a permanent injunction is granted following a finding of infringement of an IPR will be determined in accordance with considerations such as reflected in the four-factor test applied in *eBay v Merc-Exchange* as set out above. This may not be necessarily applicable in other common law countries.
- 30) Even in jurisdictions where the availability of an injunction is exercised on a discretionary basis, the discretion is not absolute. The circumstances in which an injunction will be granted are generally dictated by established criteria or tests. Traditionally, permanent injunctions have almost invariably followed a finding of infringement, subject to considerations of public interest, such as national security, breach of law and public safety. Decisions such as *eBay v Merc-Exchange*, where such considerations may be said to be absent, challenge that general expectation.

Scope of injunctions

- 31) The scope of an injunction which a court may be prepared to grant in response to infringement of an IPR may vary between jurisdictions. Two key dichotomies of scope exist:
- whether an injunction prevents future acts of infringement only by named parties in the proceedings or by potential infringers more generally; and
 - whether an injunction is granted against the specific infringing acts the subject of the proceeding or against acts of infringement generally.
- 32) In most jurisdictions, a Court only has power to grant an injunction against a named party to the proceeding. As such, the protection against infringement offered by an injunction does not extend to infringement by any third party who is not a named party in the proceeding, including parties related to named parties. In jurisdictions where this is the case, all parties against whom injunctive relief is sought by the IPR holder, including series of related companies, must be joined to the proceeding. This may complicate or extend proceedings. Conversely, where Courts have the jurisdiction to grant an injunction applying to non-parties, this may lead to a situation where a party the subject of an injunction has not been given the opportunity to raise a potentially valid defence during the infringement proceedings.
- 33) How broadly injunctions are formulated also varies between jurisdictions. There are two general types of formulations which may be used, those which prevent infringement of the relevant IPR generally and those which prevent only the specific infringing acts which have been the subject of the proceedings. While a formulation which prevents infringement generally may seem a desirable outcome for an IPR holder in that it provides broad ongoing protection, such an injunction may prove difficult to enforce as to determine whether the injunction has later been breached by an act which was not the subject of the initial proceeding. This may lead to further infringement proceedings.
- 34) Injunctions are formulated differently across jurisdictions. For example, an injunction against infringement of a patent in the United Kingdom is generally granted in the terms 'that the Defendant be restrained from infringing Patent No.[]'. However, in many other jurisdictions, an injunction against infringement of an IPR will generally only be granted only in terms of the specific acts complained of and proved as infringement. In some jurisdictions the formulation may take an intermediate position, prohibiting infringement generally, but with specific reference to certain acts of infringement. For example, in the Netherlands, an injunction was ordered in the following terms in the 2002 Senseo case, 'enjoins defendant from being involved in any way in the indirect infringement of [patent number], especially by offering or delivering the aforementioned [product]'.

Trends?

- 35) The United States International Trade Commission (*ITC*), a quasi-judicial federal agency, has jurisdiction to investigate imports which may infringe IPRs under Section 337 of the

Tariff Act of 1930 which relates to unfair practices in import trade. Patent and trade mark infringement are the most common IPR claims asserted in an ITC investigation, although an investigation may relate to infringement of other IPRs including copyright, designs and trade secrets. The primary remedy available in relation to an IPR is an exclusion order that directs Customs to stop infringing imports from entering the United States. Two types of exclusion orders are available – general exclusion orders which direct the exclusion of all infringing articles regardless of the identity of the importer, and limited exclusion orders which order exclusion of infringing articles imported by a respondent to the investigation. The ITC may also issue cease and desist orders against named importers and other persons engaged in 'unfair acts'. Temporary exclusion orders or cease and desist orders are also available in exceptional circumstances. Monetary damages are not available.

36) The popularity of asserting claims in the ITC rather than bringing infringement proceedings in the District Court has increased amongst IPR holders following the decision in *e-Bay v Merc-Exchange* as the ITC will grant exclusion orders as a matter of course following a finding of infringement, rather than applying a discretionary test. It is important to note that the ITC only has jurisdiction in relation to infringing goods which are imported into the United States and as such is not a suitable forum for infringement disputes relating to goods produced, or acts done, within the United States.

37) While issues relating to border control and IPR infringement are beyond the scope of the question, the groups are asked to comment on any judicial trends or matters in practice that may follow from any tendency to treat the 'grant of an injunction', particularly a final injunction, as discretionary.

Questions

I. Analysis of current law and case law

The Groups are invited to answer the following questions under their national laws:

Availability:

Are injunctions for infringement of an IPR available on a provisional/preliminary basis?

Are injunctions for infringement of an IPR available on a permanent basis?

Criteria:

3. If yes to question 1, what are the criteria for the grant of an injunction on a provisional/preliminary basis?
4. If yes to question 2, what are the criteria for the grant of an injunction on a permanent basis?

5. If not addressed in answering questions 3 and 4, does the criteria for the grant of an injunction differ depending on whether the injunction sought is on a provisional/preliminary or permanent basis? If so, how?
6. Are the criteria for the grant of an injunction equally applicable to infringement of all IPRs?
7. If no to 6, are there any specific criteria or considerations for the grant of an injunctions for particular IPRs? If so, what criteria apply and to which IPRs?
8. Are there any specific criteria or considerations for particular subject matter, for example, pharmaceutical patents? If so, what criteria or considerations apply to what subject matter?
9. Are there any specific considerations relevant to particular IP holders, for example, NPEs? If so, what considerations are relevant and to what IPR holders?

Discretion:

10. Is there any element of judicial discretion in relation to the grant of an injunction for infringement of IPRs? If so, how does the discretion apply?
11. Are there any circumstances in which a court must grant an injunction for infringement of an IPR? If so, in what circumstances?
12. Are there any circumstances where infringement of an IPR is proved and no permanent injunction is available? If so, in what circumstances?

Scope:

13. Is an injunction granted only against named parties to the infringement proceeding, or is an injunction available more broadly against potential infringers such as customers or manufacturers who are not parties to the proceeding?
14. Is there a specific form of words used by your courts to describe the scope of the grant of an injunction? If so, what is the 'formula'?
15. Is the grant of an injunction referable to the item(s) alleged to infringe the relevant IPR, or may the grant of an injunction be broader in scope? If it may be broader, what is the permissible scope of the injunction?

Judicial trends and practice:

16. Is there any discernible trend in your country as to the willingness or otherwise of courts to grant or refuse injunctions for particular IPRs or in relation to particular subject matter?
17. What, if any, has been the impact of the *eBay v Merc-Exchange* decision or any tendency of the courts in your jurisdiction to treat final injunctions as discretionary? Please explain whether the *eBay v Merc-Exchange* decision has been relied on or cited by your courts, and in what circumstances. Alternatively, or in addition, has there been any legal commentary on any potential implications of the *eBay v Merc-Exchange* decision in your jurisdiction?

II. Proposals for harmonisation

The Groups are invited to put forward proposals for the adoption of harmonised rules in relation to injunctions for infringement of IPRs. More specifically, the Groups are invited to answer the following questions:

Availability of provisional/preliminary injunctions:

18. Should there be a test or criteria for the grant of a provisional/preliminary injunction for the infringement of an IPR? If yes, what should that test or those criteria be?
19. If no, what principles should be considered in determining whether to grant an provisional/preliminary injunction?

Availability of permanent injunctions:

20. Should there be a test for the grant of a permanent injunction for the infringement of an IPR? If yes, what should that test be?
21. If no, what principles should be considered in determining whether to grant a permanent injunction?

Discretion:

22. In what circumstances, if any, should the grant of an injunction automatically follow a finding of infringement of an IPR?
23. In what circumstances, if any, should the grant of an injunction be denied notwithstanding a finding of infringement of an IPR?

Differences between IPRs:

24. Should the above test/principles apply equally to all IPRs?
25. If no, what should any differences be and why?

Scope:

26. Should an injunction be granted only against named parties to infringement proceeding, or should an injunction be available more broadly against potential infringers such as customers or manufacturers who are not parties to the proceeding?
27. What is the appropriate scope of an injunction prohibiting an infringer from committing further infringing acts? For example, should the injunction relate simply to the IP the subject of the allegation of infringement, or should the injunction be broader in scope? If broader, what is the permissible or desirable scope?