1 Desirable Effect of Patent Rights in Light of the Diversifying Forms of Exercising Rights (*)

The forms of exercising patent rights have been diversifying in response to the increasing interest in the value of patent rights as property rights. There is also an industrial method in which it is not the monopoly of technology but the use of common technology by many people that promotes the development of the entire industry. Given this situation, skepticism has arisen of the desirable effects of patent rights, in particular, of the exercise of the right to seek an injunction.

Laws, regulations, and court precedents in other countries were studied with regard to the possibility of the right to seek an injunction being denied in consideration of certain circumstances despite infringement of a patent right being found. As a result, in the United States, many judgments have been found to restrict the right to seek an injunction, while there are a small number of such judgments in China. In the United Kingdom, the right can be restricted under the legal system; however, restrictions have been admitted only in special circumstances. In Germany, there is a judgment that held the possibility that the denial of granting a license will constitute an illegal act under specific circumstances; however, there is no judgment that has restricted the right to seek an injunction. For France, South Korea, and Taiwan, no judgment that restricted the right to seek an injunction was found. In this study, an interview survey was conducted on recognition in Japan, and a committee consisting of intellectuals from industrial and academic circles held discussions.

Ⅰ Introduction

Some people assert that the right to seek an injunction should be restricted as needed, depending on the purpose and form in which the right is being exercised and the corporate structure, etc. of the right holder. This restriction would prevent the promotion of innovation from being inhibited amid today's significant changes in the environment surrounding patents, including progress of open innovation, diversification of patentees, and a globalized economy. The following are cited as specific cases where the exercise of the right to seek an injunction should be restricted:

- where the right is exercised by a patent troll;
- where the right is exercised based on a patent that scarcely contributes to the relevant product;
- where the right is exercised in a manner that will cause a holdup in standard technology.

In advancing discussion on the desirable effects of patent rights, as countries could have various and different views, it is necessary, in the current situation in which Japanese companies' activities are globalizing, to hold a comprehensive discussion in light of the diversification of the forms of exercise of rights. This can be accomplished through surveys on the legal systems relating to the effect of patent rights in other countries that are closely related to Japan as well as on the situation of discussions around the world.

Therefore, we conducted a survey on the situation surrounding the exercise of the right to seek an injunction in other countries as well as an interview survey on exercising the rights based on Japanese patents by domestic companies/research institutes and their views on the exercise of rights. The purpose of the surveys is to prepare basic data to be used in considering the desirable effects of patent rights in light of the diversification of the forms of exercise of rights. We also held discussions on the desirable effects at a committee consisting of persons of learning and experience and intellectuals in industrial circles, etc.

examination and user needs while focusing on the quality management method for the trademark examination adopted at overseas intellectual property offices and external evaluation thereof (evaluation of the trademark examination by applicants and representatives). We conducted this study for the purpose of

(*) This is an English translation of the summary of the report published under the Research Study Project on Issues with Industrial Property Rights System FY2010 entrusted by the Japan Patent Office. IIP is entirely responsible for any errors in expression or description of the translation. When any ambiguity is found in the English translation, the original Japanese text shall be prevailing.

providing basic data useful for considering desirable trademark examination from the standpoint of external users and the quality.

Ⅱ Situation Surrounding the Exercise of the Right to Seek an Injunction in Other Countries

We asked law firms, etc. in countries and region subject to the surveys (United States, China, Europe (United Kingdom, Germany, and France), South Korea, and Taiwan) to cooperate in the surveys. In this chapter, based on the survey results, lawyers who are familiar with the legal systems of the relevant countries and region explain the situation surrounding the exercise of the right to seek an injunction in each country and region. This chapter provides explanations about the situation in each country and region with regard to the grounds, legal nature, etc. of the right to seek an injunction, requirements for an injunction being granted, execution of an injunction, the possibility of a demand for injunction being restricted, court precedents, monetary compensation in cases where an injunction is not granted, the relationships between restrictions on the right to seek an injunction and compulsory license, relationships with international conventions (including the TRIPS Agreement), the exercise of patent rights in relation to winning lawsuit ratio/settlement ratio in lawsuits, and the existence of methods of seeking an injunction other than institution of a lawsuit with the court.

1 United States

The US patent law stipulates that the basics of relief (legal relief) in a patent infringement lawsuit shall be damages and that the court shall not be granted discretion (Section 284).

On the contrary, for injunction, the US patent law includes a discretionary provision to the effect that an injunction is an equitable relief, and the judge may grant an injunction at his/her discretion (Section 283).

Until the eBay Supreme Court decision was rendered, the CAFC had granted injunctions to patentees who have won a patent infringement lawsuit in almost all cases. However, even before the eBay decision, there were court precedents in which the court did not grant an injunction for such a case.

The eBay decision indicates four elements that should be taken into consideration in deciding whether to grant an injunction, but does not indicate cases in which an injunction should not be granted. Almost all subsequent cases in which the district court did not grant an injunction in its judgment fall under cases (1) where the patentee only grants licenses for the patent and does not work the patent, (2) where the patent constitutes a small part of the relevant product or system, (3) where the patent is a special patent that is different in nature from conventional patents, like business model patents, or (4) where the patent is vague in terms of the scope of right or there is a doubt about the validity of the patent.

Out of 166 judgments rendered after the eBay decision but before the end of January 2011 with regard to injunction, an injunction was granted in 125 judgments (accounting for 75%) while it was not granted in 41 judgments (accounting for 25%). However, it is impossible to specify the influence of the eBay decision as the number of relevant cases is still small.

As a method of seeking an injunction other than the institution of a lawsuit with the court, it is possible to seek an injunction through the ITC proceedings. The CAFC decision in 2010 indicates that requirements for injunction at the ITC differ from those at the district court and that it is not necessary to take into consideration four elements under equity law that have been adopted since the eBay decision.

2 China

Where a patent infringement is found, a demand for injunction is also accepted in principle in China under related law in the same manner as in other countries. A demand for injunction is restricted only in extremely exceptional cases, for example, cases where a demand for injunction falls under the abuse of right under the Civil Law and cases where a compulsory license is granted under the Patent Law.

Despite this legal principle, a demand for injunction could be restricted due to various factors in China. The largest ground for such restrictions is the fact that the “Outline of the National Intellectual Property Strategy,” issued in 2008 as a national basic comprehensive strategy for intellectual property, particularly specifies “preventing abuses of IPRs” as one of the strategic focuses, and provides, in (14), as follows: “Formulate relevant laws and regulations to reasonably define the scope of intellectual

property. Prevent abuses of intellectual property. Maintain fair market competition. Safeguard the public lawful rights and interests."

Following said provisions, central and local governments provide for restrictions on the right to seek an injunction based on an intellectual property right in various forms.

In this manner, although there are national policies and legal provisions that can serve as the basis for restrictions on the right to seek an injunction based on a patent right, there have been few cases in which the patentee faced restrictions on the exercise of the right to seek an injunction. However, there is a good likelihood of a future increase in cases in which the right to seek an injunction is restricted in relation to adverse interests, such as public interests and the development of the entire society and economy or science and technology.

3 United Kingdom

In the United Kingdom, injunction is an equitable relief, and an injunction is granted at the court's discretion at all times. However, as infringement of a patent right means infringement of the right to exclusively work the invention, an injunction against infringement is ordinarily legitimate and is deemed to be an appropriate relief. The fact that an injunction goes against public interests and the fact that an injunction against the defendant's acts is significantly imbalanced are cited as major defenses that can be made by the defendant in order to get away from the injunction even where an infringement has been proven. However, both of these defenses are hardly accepted. In particular, there is no recent court precedent in which the court accepted such a defense, except for cases under particularly limited circumstances.

4 Germany

Section 139(1) of the German Patent Act provides that any person may file a demand for an injunction at any time in principle where there is an illegal infringement or danger of repetition, or a danger of first perpetration. There is no restriction set on the right to seek an injunction or the exercise thereof. The right to seek an injunction is restricted under the Patent Act only where the Federal Government of Germany has ordered that the invention is to be used in the interest of public welfare (Section 13 of the German Patent Act) or where the Federal Patent Court has granted a compulsory license to a specific person (Section 24 of the German Patent Act). The right to seek an injunction could be restricted where the abuse of a market-dominant position (relationships with compulsory licenses under competition law), a FRAND declaration, abuse of rights, or general provisions of the Civil Code is applicable.

The European Court of Justice and the Federal Court of Justice of Germany determined, in some judgments, that where a patentee is a company that occupies a market-dominant position, the patentee's refusal to grant a license constitutes an illegal act that can lead to an abuse of the market-dominant position under specific circumstances. There have been disputes, among scholars and in lower court precedents in Germany, about whether an alleged infringer can assert the right to request licensing as a defense in an infringement lawsuit when requirements for a compulsory license under competition law are satisfied. In the Orange-Book-Standard decision, the Federal Court of Justice held that where the patentee is abusing his/her market-dominant position, the alleged infringer may assert the right to request licensing as a defense. However, the Federal Court of Justice also held that the patentee's act is deemed to be abusive and illegal only in the following case: Only where the alleged infringer has made a proposal to conclude an unconditioned license agreement of which content does not allow the patentee to refuse the conclusion and which will bind the alleged infringer him/herself, the patentee's refusal to conclude the license agreement falls under a violation of the provision prohibiting discriminative or anticompetitive acts, and the defendant has already worked the invention subject to the patent right and complies with the obligation that the defendant comes to bear in return for the license during the period of working if the license agreement is concluded.

In addition to this, the right to seek an injunction could be restricted based on the prohibition of abuse of rights in general or the principle of equilibrium under the Civil Code. However, there has been no such court precedent so far. On the other hand, there are lower court precedents, etc. holding that a right holder who neither produces nor distributes patented products themselves can enjoy an injunctive relief in principle.

5 France

In France, the right to seek an injunction

against a patent infringement is the legitimate right of patentees that is granted for the purpose of restoring the monopoly of an invention by a patent where an infringement has been found. As long as an objective element, the infringement of a patent right, has been established, the court has an obligation to order an injunction, and the judge must accept a demand for injunction unless a compulsory license has been granted and the injunction contravenes the compulsory license. In this regard, the right to seek an injunction differs from the right to claim compensation for damages for which good faith is taken into consideration where the infringer is an indirect infringer.

As the right to seek an injunction originates in the protection of intellectual property rights, an injunction may be demanded only within the framework of patent infringement lawsuits at the court of law. There are two types of injunctions: those based on a lawsuit on the merits and provisional injunctions made as a tentative measure.

6 South Korea

The right to seek an injunction against an infringement prescribed in the Patent Act is one of the most effective means by which a patentee or an exclusive licensee can eliminate those who infringe his/her own right.

Patentees and exclusive licensees can exercise the right to seek an injunction. For monopolistic non-exclusive licensees, many people think that such licensees can exercise the right; however, the court takes a stance of denying that view.

For execution of a final and binding judgment accepting a demand for injunction against an infringement, the indirect compulsory method prescribed in the Civil Execution Act is mainly utilized in practice.

There is also a controversy on the necessity of reasonably restricting the exercise of the right to seek an injunction against an infringement. Many people take the stance that the court must order an injunction against an infringement if the demandant proves the fact of the infringement; and no case has been confirmed in which the court did not order an injunction against the infringement where the fact of the infringement of the patent right has been proven. However, in relation to the exercise of a trademark right, there is a case in which the court dismissed a demand for injunction based on a trademark right for the reason of abuse of rights. In addition to this, there are views that the consideration under equity law indicated in the e-Bay decision in the United States must be reflected in law and that the theory of prohibition of abuse of rights must be applied.

As for means of injunction against an infringement other than that under the Patent Act, it is possible to suspend infringement against intellectual property right through the Korea Trade Commission based on the Act on Unfair Trade Practice Investigation and Relief on Industrial Damages. It can be said that right holders need to consider relief procedure through the Trade Commission because injunction against an infringement by the Trade Commission can be proceeded with more promptly than demand for injunction against an infringement through civil lawsuit.

7 Taiwan

Patent right (the term “patent” in Chinese includes patent of invention, utility model, and design) is recognized as an intangible property right or quasi-real right. Where a patent has been or is likely to be infringed, it is possible to demand elimination or prevention of the infringement owing to the nature of these rights as “exclusive rights.” If a right holder files a demand for an injunction against an infringement for elimination of the infringement and as soon as the court finds that the defendant’s act constitutes an infringement of the patent right, the court will order the defendant to prohibit acts such as the manufacturing, selling, and use of products infringing the right, irrespective of whether subjective requirements, such as the infringer’s intention or negligence, are satisfied.

On the other hand, when a patent right has been infringed, it takes considerable time before a judgment becomes final and binding even if a right holder files a lawsuit and wins the lawsuit. Therefore, it is possible to realize the right to seek an injunction even before a judgment becomes final and binding, through application for provisional disposition (provisional disposition setting a provisional position). Such cases are numerous. However, the Intellectual Property Court takes a stricter attitude with regard to the requirements for provisional disposition that sets provisional state, on the basis of the characteristics of intellectual property cases. According to statistical data, the ratio of cases where a provisional disposition that sets a provisional position is permitted is not high.

Ⅲ Situation and Views at Domestic Companies/Research Institutes

For the purpose of collecting information about the exercise of rights based on Japanese patents and the views of the exercise of rights, we conducted an interview survey targeting 25 large companies, mainly those in the manufacturing industry, two SMEs/venture companies, and three universities/research institutes.

We conducted the interview survey from such perspectives as the policy for the exercise of rights, use of the right to seek an injunction in licensing negotiations and lawsuits, the situation of sending and receipt of warning letters, views of whether the right to seek an injunction should be restricted, influence on corporate activities to be caused by the imposition of restrictions on the right to seek an injunction, whether the patent right that serves as a basis for the exercise of rights functions effectively, and whether response differs depending on the subject of the exercise of rights.

Ⅳ Each Committee Member's View of Exercise of Rights

As views of the exercise of rights are affected by the situation of the industry, this chapter describes views of the exercise of rights of mainly committee members who are intellectuals in industrial circles.

This chapter includes consideration by committee member Yoichi Okumura, titled "Actual Conditions and View of Exercise of Rights Based on Patent Rights in the Pharmaceutical Industry," considerations by committee member Masaaki Takao, titled "View of One Electronics Manufacturer," considerations by committee member Koichi Tamura, titled "Actual Conditions and View of Exercise of Rights in the Japanese Automobile Industry," considerations by committee member Yuji Toda, titled "In the Case of the Electric Industry," considerations by committee member Hiroshi Miyauchi, titled "Actual Conditions and View of Exercise of Rights in the Industry," considerations by committee member Hidehiko Yashima, titled "Perspective of One Chemical Company," and considerations by committee member Toshiaki Eto, titled "Propriety of Restrictions on Right to Seek an Injunction Seen from the Current Situation of Japan."

Ⅴ Conclusion

In this study, we conducted surveys on problems with the exercise of rights based on patent rights from a broader perspective and in light of future international negotiations, based on the situation where patent rights are not sufficiently protected in Asian countries and regions.

The results of the surveys on the exercise of rights in other countries and the matters pointed out by committee members at workshops revealed that there were concerns about the protection of patent rights in China. We thus consider it necessary to conduct surveys on the protection of patent rights in Asian countries, including China, as one of the future tasks concerning the protection of patent rights.

Incidentally, according to the results of the interview survey in Japan and the matters pointed out by committee members, although some industries in Japan have expressed opinions about patent trolls, there has been no significant change in the situation. There are also opinions that point out the importance of the significance of the right to seek an injunction based on a patent right, in particular, the importance of protection of patent rights in Asian countries. Therefore, it cannot be said that there is the necessity of restricting the right to seek an injunction in Japan at present, and it is necessary to ensure consistency with the policy of Japan, which asserts the protection of patent rights in Asian countries and regions, through international negotiations. It is thus hard to find the necessity of taking measures concerning the right to seek an injunction within Japan.

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