

Injunctions in Patent Cases

*Sir Robin Jacob**

I had the honour and pleasure to speak at Meissner Bolte's Oktoberfest, "Munich IP Days" this year. What follows is the written version of my talk. It partly overlaps with the article by Penny Gilbert, William Hillson: "Exceptions that prove the rule – flexibility of remedies for patent disputes in the UK courts" but provides a different perspective. I hope readers enjoy it.

These are the questions I have been given. After come my answers.

1. Injunctive relief in the UK: is there an automatic injunction?
2. Are preliminary injunctions available?
3. Provided that there is no automatic injunction and provided that the court's decision is made by using equity principles, what are the decisive factors whether injunctive relief is granted?
4. How would you see the *eBay v Merc Exchange* decision from a UK perspective?
5. In what situations is injunctive relief still available?
6. Is there a grace period if the defendant is enjoined?
7. How successful is the FRAND-defence in SEP cases?
8. What can the defeated party do to avoid the enforcement of the first instance decision?
9. What is the impact of the UK case law on injunctive relief on UK Licensing?
10. What is the impact of the UK case law on injunctive relief on UK litigation?
11. What is the impact of the UK case law on injunctive relief on UK R&D?

I speak about the law and practice of the Courts of England and Wales. There are separate Courts in Scotland and Northern Ireland. I do not believe there are significant differences. In Scotland injunctions are called "interdicts", plaintiffs are called "pursuers" and there are many other different words. We are a federal country too!

1. Is there an automatic injunction?

The standard textbook answer is "no". An injunction, like most remedies other than damages, is said to be "a discretionary remedy". It is also called an "equitable remedy." The top line answer is an injunction will be granted to restrain an IP infringement unless there are

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very strongly compelling reasons otherwise – where it would be wholly disproportionate or where there is a very powerful public interest involved.

To understand much of English law – including that of equitable remedies - you have to understand its history – unbroken from mediaeval times – essentially from 1066 when the Normans conquered England but even elements from before – Anglo-Saxon law. A process of development case by case. Particularly important for present purposes is the development of the Court of Chancery. It happened like this in the 12th and 13th centuries. People (rich of course) sometimes felt aggrieved by the results produced by the courts which only applied formal rules. They felt aggrieved. They petitioned the King to do something about it. He started referring these complaints to a great counsellor – the Lord Chancellor who was also known as the Keeper of the King’s Conscience and at that time invariably a cleric. After a time the complaints went direct to the Lord Chancellor who began to take on a judicial role.

Let me give two examples. A great landowner went away to the crusades. In order that his estates could be managed he transferred them into the name of his younger brother on trust that the brother would re-transfer the lands when he returned. Transfer was necessary because, as far as the existing law was concerned only the formal legal owner could deal with the estate. You had to be the owner as far as the courts were concerned. But what if, when the elder brother returned, the younger brother refused to re-transfer? There was nothing the ordinary courts could do. So the elder brother petitioned the King – the fount of justice – to do something. The King delegated the decision to the Lord Chancellor. He heard the matter and issue an order to the younger brother to do what in good conscience he should do. Thus was born the concept of a “trust” – still one of the most flexible and valuable legal tools for dealing with property in today’s modern world.

The other example is remedies. The concept of a court order to make someone do something or refrain from doing something was unknown in the existing courts. But the Lord Chancellor, exercising a court of conscience – of equity – could and did devise such remedies.

A dual system of courts developed. There were the “common law” courts. Actually there were three with somewhat overlapping jurisdictions. They were called Kings Bench, Exchequer and Common Pleas. These administered the formal rules of the law. But

separately there was the Court of the Lord Chancellor – which administered what ought to be done as a matter of conscience – or “equity” as it came to be called. Even today there are relics of this. The High Court has three Divisions. Two of these (the other is Family) are called Queen’s Bench and Chancery – the descendants of the old common law courts and the Chancellor’s Court. The Divisions are essentially administrative only now, allocating cases to judges of the right kind of expertise.

The Court of Chancery invented a host of remedies – the injunction, discovery of documents, an account of profits made by wrongdoing, later a declaration as to a legal position and so on. Even in recent times courts have used the principles of equity to devise new remedies – the *Norwich Pharmacal* Order (innocent third party who has got mixed up in some way with an infringement must supply the name of an infringer), the Anton Pillar order (order to allow a search for infringing documents and articles), the *Mareva* order (freezing a bank account of a likely villain), and the *Bankers Trust* Order (order to a Bank to disclose details of an account which probably contained the plaintiff’s money) were all devised in the 1970s. A good recent invention to deal with patentees who successively apply for divisionals is the *Arrow* declaration – that what plaintiff does cannot be validly patented.

I applied the principles of equity a few years back to do something new in an *Apple v Samsung* fight. Apple sued Samsung on a registered design for a tablet (the design was not that of the iPad). It made a lot of publicity clearly designed to deter people from buying the Samsung tablet. We (and the Judge below) held there was no infringement. We granted an order requiring Apple to publicise on its website the fact that it had lost. The EU Enforcement Directive says that a publicity order can be made ordering a losing defendant to publicise the fact that he was an infringer but has nothing the other way round. We thought equity could step in to provide a remedy of the same sort where the plaintiff had himself given publicity to the fact that he was suing.

As far as injunctions are concerned, the general rule is of course that if a wrong is threatened the court will grant an order to restrain the defendant from doing it again. But it is not automatic. A famous case is *Miller v Jackson* 1976 about cricket. Some houses were built near a cricket ground and the ball sometimes went into the garden of the plaintiff who had bought one of the houses. An almost poetic opening to his judgment was by Lord Denning in the Court of Appeal:

In summertime village cricket is the delight of everyone. Nearly every village has its own cricket field where the young men play and the old men watch. In the village of Lintz in County Durham they have their own ground, where they have played these last 70 years. They tend it well. The wicket area is well rolled and mown. The outfield is kept short. It has a good club house for the players and seats for the onlookers. The village team play there on Saturdays and Sundays. They belong to a league, competing with the neighbouring villages. On other evenings after work they practise while the light lasts. Yet now after these 70 years a judge of the High Court has ordered that they must not play there any more. He has issued an injunction to stop them. He has done it at the instance of a newcomer who is no lover of cricket. This newcomer has built, or has had built for him, a house on the edge of the cricket ground which four years ago was a field where cattle grazed. The animals did not mind the cricket. But now this adjoining field has been turned into a housing estate. The newcomer bought one of the houses on the edge of the cricket ground. No doubt the open space was a selling point. Now he complains that when a batsman hits a six the ball has been known to land in his garden or on or near his house. His wife has got so upset about it that they always go out at week-ends. They do not go into the garden when cricket is being played. They say that this is intolerable. So they asked the judge to stop the cricket being played. And the judge, much against his will, has felt that he must order the cricket to be stopped: with the consequence, I suppose, that the Lintz Cricket Club will disappear. The cricket ground will be turned to some other use. I expect for more houses or a factory. The young men will turn to other things instead of cricket. The whole village will be much the poorer. And all this because of a newcomer who has just bought a house there next to the cricket ground.

The Court refused an injunction in its discretion – the defendants were ordered to pay £400 for past and future damages but no more.

So there is no absolute rule saying an injunction must be granted when an IP right is infringed. On the other hand it has to be something pretty extreme for an injunction to be withheld – the best formulation is that an injunction would be wholly disproportionate. The sort of thing one has in mind is a life-saving medicine where the patentee cannot supply the drug. Or take the case a few years back when a patentee claimed that all Euro banknotes infringed his patent on a security system. Suppose the patent had been held valid and infringed after all appeals were exhausted. Would any court in Europe actually grant an injunction? I think not.

But it has to be extreme – or very inappropriate. I refused an injunction once in an IP case – a claim of copyright infringement, *Banks v CBS* in 1996. A record was released by a group. One musician was not given credit and was not given any royalties. Thirteen years later he sued. He could only have damages for the last 6 years because of the statute of damages. The record was no longer popular but had some small sales. An injunction would mean his co-authors would lose small royalties – I decided he should just have money. More recently Arnold J (I think) limited (by consent in the end) an injunction in a patent case so that the defendant could sell for existing patients who had prescribed that medicine and the evidence was that a change would be harmful.

Another important part of English law is the concept of “contempt of court”. If a party who knows of the terms of the order breaks an injunction granted against him, or assists someone to break an injunction he is guilty of contempt of court and subject potentially to imprisonment (or in the case of a company of the company being seized), fines and payment of full legal costs. The important thing, and different from German law, is that injunction takes effect as soon as the judge makes the order – actually even before it is written down. Provided the injunction is clear and any party has notice of its terms it is contempt of court by that party to break the injunction or assist another party to do so. The plaintiff does not have to do anything to activate the injunction – as I understand is the position in Germany. Of course we do serve written copies of the order but that is not essential in cases of emergency.

This is true of all kinds of injunction – and affects tactics in patent cases. Here is an example. In *Merck Sharp & Dohme v Ono* 2015 the patent was for a major medicine – the first anti-cancer immunotherapy drug. BMS had taken an exclusive licence from the patentee – a Japanese research institute called ONO and launched the first immunotherapy drug. Merck came up with another immunotherapy drug. It applied to revoke the Ono patent. ONO and BMS counterclaimed for infringement. But they did not ask for an immediate injunction – it asked for “liberty to apply for an injunction”. The Judge upheld the patent – there was no grant of an injunction, but the parties were now able to negotiate a world-wide settlement on the basis that the patent was valid and infringed. Incidentally, the inventor, Tasuku Honjo, was awarded the Nobel Prize for medicine in 2018 – the judge would have looked particularly silly if he had held the patent obvious!

2. Are preliminary injunctions available?

Yes. There are two kinds – the immediate injunction short term injunction granted as matter of emergency and the injunction until judgment in the full trial on the merits. The short-term injunction can be granted without notice - *ex parte* is the technical term– to the defendant, but there has to be a good reason why no notice was given – the judge will refuse it otherwise. If granted, it lasts only a few days until the defendant can be served and heard. *Ex parte* injunctions in patent cases are rare. Likely damage must be substantial and the threat immediate, (e.g. a generic drug company imports a large quantity of an allegedly infringing product – the patentee will need to stop distribution before it is too late to do so).

There is a basic requirement for a preliminary injunction. The plaintiff must give a “cross-undertaking in damages.” He undertakes to the court that if, after the full trial, he loses, he will compensate the defendant in damage. The effect of an undertaking to the court is that, if broken, it is punishable as a contempt of court. Normally, when asking for a preliminary injunction, the plaintiff must demonstrate that he will be able to pay on the cross-undertaking if necessary. If there is remotely any doubt about that ability the plaintiff will be required to give a bank guarantee. There may be a problem if the patent has no money and cannot raise any – these are rare in IP cases and there are methods of trying to deal with the position. The aim is to try to achieve a solution which is least likely to produce an injustice.

Third parties who might be significantly affected by an interim injunction are entitled to apply to the court for a cross-undertaking in their favour – for instance the National Health Service will be affected by an injunction on a medicine because it will have to pay more.

The basic rules for grant of an interim injunction are somewhat flexible. An important consideration is whether damages would be an adequate remedy. An NPE will almost surely be refused a preliminary injunction because all it is after is money. The merits, i.e. likelihood of the plaintiff winning are not decisive – in my opinion they should weigh more. Of course in many patent cases it is not easy to form a strong view on whether the patent is valid and infringed – especially in high tech cases where the court needs to get a good understanding for the technology even to form a view on infringement and even more, validity. But in simple cases you can form a view as to who is likely to win. Probably judges do that in most IP cases in reality.

3. Provided that there is no automatic injunction and provided that the court's decision is made by using equity principles, what are the decisive factors whether injunctive relief is granted?

As I have said the basic proposition is that if the defendant threatens a wrong, he should be enjoined. Only where the injunction would be wholly disproportionate, or the public interest is very strong will it be refused. It is not a question of decisive factors for the grant of an injunction, it is whether there are sufficiently powerful factors for its refusal.

4. How would you see the *eBay v Merc Exchange* decision from a UK perspective?

Irrelevant and wrong! eBay is about the grant of a final injunction after a trial on the merits. It has made it much more difficult for plaintiffs to get an injunction in the US. The test of damages being an adequate remedy is liberally – over liberally to my mind - applied. Of course with US damages being so disproportionately high this may not matter as much as it would in Europe. And all the more so since wilful infringement carries with it triple damages. So even if an injunction is not awarded, if the defendant does it again he will very probably have to pay triple damages for each of his infringements after it has been held valid and infringed.

I think eBay is a terrible decision. The onus is all the wrong way round. It is part of a wider somewhat ant-patent picture from the US Supreme Court. In the 1990s and 2000s patent litigation went mad – with the resulting troll litigation. It was due to a combination of factors:

Jury trial,

Jury assessing damages and doing it at the same time as validity and infringement,

Wholly disproportionate discovery (both written and oral),

Lack of a loser pays fees rule save in exceptional circumstances and

Conditional fees with the lawyers taking a big share (often 40%) of the damages.

Moreover these things all feed on each other. For instance, the reason the Americans try liability and damages together is because they need to use the same jury. But that doubles legal costs – discovery and experts for damages are quite different from discovery and experts for liability. And of course a jury will add to the damages if they think that the lawyers will take 40% of what they think the plaintiff should get.

The Supreme Court's reaction has been not to tackle the causes of the problems but to undermine patents themselves. *eBay* is one of the cases which does that. Others are *Therasense*, *Myriad* and whole mad nonsense about an invention being too abstract. They do not see that you cannot patent something abstract – you can only patent things and processes. As the crowd at a football match sings at a bad referee “You don't know what you are doing.” Injunctions simply cannot operate on something which is truly abstract.

5. In what situations is injunctive relief still available?

From what I have said in virtually all. As far as I know no court has ever actually refused a final injunction in patent case. And the only IP case I know of where an injunction was refused outright is my little copyright case.

6. Is there a grace period if the defendant is enjoined?

This is possible. The defendant must ask for a “stay of the injunction” (the English law technical term) and justify it. The court will be more likely to grant it where third parties are affected e.g. where third parties have placed orders on the defendant – in some cases the injunction is limited so as allow the orders to be fulfilled but no more. If that happens it would almost certainly be on condition that the defendant secures damages in some way – a bank guarantee or “payment into court” is the sort of thing. [Payment into court is a payment into the court's account to secure damages or costs or other things]. It can be done by payment into a joint account of the parties' lawyers on the basis that there will not be payment out save where agreed by all or by order of the court.

7. How successful is the FRAND-defence in SEP cases?

Anyone who is not engaging in hold-out (i.e. failing to negotiate or obviously “messing around”) has a FRAND defence.

We, subject to a pending appeal to the Supreme Court, do not approach FRAND questions the same way as you do in Germany. We start with contract law not competition law. The essence is this:

1. The FRAND commitment is given by the patentee to the standard setting organisation.

2. The commitment is contractual. The SSO agrees to include the patented technology as part of the standard or at least may do so. In return the patentee promises to grant licences on FRAND terms.
3. The governing law of the contract is that set out in the SSO's rules. In the case of ETSI it is French law. In the case of some other standards it is often US law or the law of a particular US State.
4. Some have questioned whether the FRAND commitment is too vague to form the basis of a valid contract. That has to be answered by the law of the SSO. Thus far, save for one US decision in the ITC court, it has been held to be sufficiently precise – rather like a contract to buy something at a reasonable price. Courts can decide that sort of thing even if there is a range of possible answers.
5. Crucially, many contract laws – and especially French law, allows a third party, C, to enforce a contract made between A and B by which a benefit is conferred on C. Such a right is sometime called a *jus tertii*. I understand that German contract law does not have such a *jus tertii*. But the FRAND commitment is not governed by German law. So unless there is some rule of German law which says it will not enforce a contract governed by French law (and I doubt it does) that should not matter.
6. Applying that to the ETSI commitment and applying French law, a third party which needs a licence under a FRAND committed patent is entitled to enforce the patentee's commitment to ETSI to grant him a licence on FRAND terms.
7. If the patentee has made a FRAND offer he has complied with his commitment. If the defendant does not accept that offer he will be enjoined. And if the plaintiff has not made a FRAND offer he will be in breach of contract and so not entitled to enforce his patent.
8. In practice parties will often be in dispute as to whether the patentee's offer is FRAND. The courts can determine that. Or if the parties agree (and many do) it can go to arbitration.
9. There is unlikely to be an injunction if a bona fide dispute about a FRAND rate is being resolved one way or the other. If the defendant is financially insecure the court will probably order that he pays an estimated FRAND rate into court or secures the royalties in some other way.

The beauty of this solution is that it does not involve competition law at all. You do not have to ask whether the FRAND-committed patent confers a dominant position (many FRAND committed patents are not that important). You do not give the patentee a remedy in damages but no injunction which is what has been suggested is the result of competition law. Under the contract solution the patentee loses altogether if he does not make a FRAND offer.

8. What can the defeated party do to avoid the enforcement of the first instance decision?

The default position after a patentee wins an infringement action (which will involve a decision on validity if the defendant challenges that) is that an injunction with immediate effect is granted. Remember injunctions do not have to be actuated – they take force immediately unless stayed by the court.

If the defendant wishes to appeal he must get the permission of the Judge or, if he/she refuses permission, of a Judge of the Court of Appeal. Permission is only granted if the appeal has a real prospect of success.

Because the default is an injunction, if the defendant wants a stay of the injunction, he must ask for it. Whether he will get it and on what terms (e.g. paying a royalty, keeping accounts and other things) depends on all the circumstances. The court aims to balance the injustice to the plaintiff if a stay is granted and the appeal fails with the injustice to the defendant if he wins in the court of appeal. The considerations are rather similar to those for an interim injunction.

9. What is the impact of the UK case law on injunctive relief on UK Licensing?

People know that save in exceptional circumstances (see above) an injunction will awarded if a patent is found valid and infringed. That is a fundamental assumption in UK patent licencing.

10. What is the impact of the UK case law on injunctive relief on UK litigation?

I am not sure this question adds anything. People come to the UK (English) courts for injunctions to restrain infringement. Sometimes they come for more – to establish a position from a well-respected court for the rest of the world. A recent example *was Ono and Bristol-*

Myers Squibb v Merck which I have already mentioned. After Ono/BMS won the case a world-wide licence to Merck was agreed. The UK decision played a predominant part in the negotiations. My last case as a barrister was much the same – the elucidation of the Hepatitis C virus and the first blood testing kits which eliminated Hepatitis C from blood donations. After the UK decision (including an appeal) the parties settled.

11. What is the impact of the UK case law on injunctive relief on UK R&D?

I do not think this can really be answered. R&D of any significance is aimed at the world. It is the possibility of injunctions for valid patents which encourages R&D. Of course, if a market is particularly big that matters. That is why *eBay* is such a bad decision not only for the US but for the world.