

15 January 2020

Commissioner for Internal Market

Thierry BRETON

European Commission

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By email: [cab-breton-contact@ec.europa.eu](mailto:cab-breton-contact@ec.europa.eu)

CC:

Ursula von der Leyen, President of the European Commission

Margrethe Vestager, Executive Vice-President for a Europe fit for the Digital Age

**INDUSTRY CALLS ON NEW COMMISSION TO ISSUE GUIDELINES TO SUPPORT  
HOMOGENOUS AND EFFECTIVE APPLICATION OF PROPORTIONALITY IN PATENT  
ENFORCEMENT**

Dear Commissioner Breton,

We, the undersigned representatives of 35 companies and four industry associations representing over 150 companies from various sectors, write to congratulate you on your appointment as the EU Commissioner for Internal Market. You arrive at a moment when global competition in information and communications technologies (ICT) is on the cusp of great change, and Europe's competitiveness depends on its ability to harness the full scale and capability of its internal market.

In the mission letter of the new Commission President Ursula von der Leyen, we note that one of your key responsibilities includes putting in place the right framework to allow Europe to make the most of the digital transition. As part of that mission, we also note that you will *"take a close look at [EU's] intellectual property regime to ensure that it is coherent, is fit for the digital age and supports our competitiveness."*

An important prerequisite for Europe to be able to compete globally in the next frontier of technologies, such as blockchain and artificial intelligence, is an effective and balanced patent legal system that is adapted to the digital age and enables innovators to scale up and bring new products to market rapidly, that warrants high-quality patents, and that fosters an environment which allows the same level of trust in the patent system and the enforcement of patents throughout Europe.

Unfortunately, the experience of our companies is that Europe's patent system presently lacks this necessary balance and as a result, investment in innovation is undermined. This negatively impacts citizens as well as Europe's innovators.

Many of the tools to address the imbalances in Europe's patent system have been agreed to at the EU level but have not been appropriately applied by the Member States. This is particularly the case for the proportionality requirement, which is set out in Article 3 (2) of the Directive on the Enforcement of Intellectual Property Rights (IPRED)<sup>1</sup>.

In the digital age, products are increasingly complex, often covered by thousands of patents, which make them constantly subject to patent disputes. Because the practice of many European courts is to issue automatic injunctions upon a finding of infringement, without considering a remedy that could be more proportionate, an unintentional infringement of just one patent among many others can result in a popular product being removed from the market.

Automatic injunctions make Europe more and more attractive to Patent Assertion Entities (PAEs), also known as "patent trolls". As the litigation environment has become less hospitable to PAEs in the United States, we have witnessed their rise in Europe<sup>[1]</sup>.

These entities buy up patents only to assert them against innovative companies, including SMEs, and extract high settlement fees, not based on the value of the underlying invention, but rather based on the damage that would result from the removal of the entire product from the market.

The ICT-industry, central to growth and innovation across many industries, is particularly targeted by PAEs. These entities do not make, sell or invent anything – they simply exploit patents they have purchased. The EU needs to ensure the measures it has in place are effectively implemented to stop PAEs from exploiting the imbalances in Europe's patent system – such as the granting of automatic injunctions – so that Europe can compete globally in the fields of new technologies.

We hope that under your direction the European Commission will take concrete steps to bring greater balance to Europe's patent legal system to support our region's digital growth ambitions and secure our competitiveness in critical technology sectors. In particular, in line with the commitment from the IP Package of November 2017<sup>2</sup>, we call

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<sup>1</sup> Injunctions remain a necessary tool for IP judges, and in many cases, are appropriate upon a finding of infringement, especially in those products where the value is driven by one or a few essential components. But the law and its application must be flexible enough to recognize those cases in which an award of damages in lieu of an injunction will better serve the patent system's goals. The decision of whether to award damages rather than an injunction should involve balancing the patent holder's rights against the harm to consumers caused by removing the product from the market, the value of the invention relative to the product, the impact on health and safety, and whether monetary damages would provide a more proportional remedy.

<sup>2</sup> The Commission undertook to "work with Member States' national experts and judges on further, more targeted guidelines, to give more detailed and practical guidance on specific IPRED issues, based on best practices experience" with a view to improving the system of judicial

on the Commission to work with Member States, judges and stakeholders to publish targeted guidelines to support the homogenous and effective application of proportionality in patent enforcement.

Guidelines published by the Commission would support the homogenous and effective application of equity and proportionality in patent enforcement. Effective guidelines would contain a list of factors that courts should consider in deciding whether to issue a permanent injunction or grant an alternative remedy and guidance on how those factors might apply in different scenarios. Such factors should include:

- Whether the patent owner relies on the patent to protect a market position or distinguish its products in the marketplace, or whether the patent owner's primary business goal is to receive monetary compensation for licensing to others use of the patent;
- Whether an injunction creates leverage for the patent owner disproportionate to the value of the patented technology, such as when the infringement concerns a minor feature of a complex product<sup>3</sup>;
- The impact of the injunction on the defendant compared to the benefit to the patent owner;
- The impact of the injunction on the public and third parties<sup>4,5,6</sup>.

Guidelines supporting consideration of these factors would promote consistency among EU Member States and balance in the patent system to avoid disproportionate outcomes and abusive litigation practices<sup>7</sup>.

We stand ready to work with you and your team on specific solutions to prevent PAEs from further exploiting the legal system to the detriment of Europe's digital economy.

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enforcement in the EU – Commission Communication, A balanced IP enforcement system responding to today's societal challenges, COM(2017) 707 of 29 November 2017, p. 7.

<sup>3</sup> The Commission has acknowledged that this factor would weigh against the granting of an injunction on a patent that has been declared essential to the practice of a standardized technology. See Commission Communication, Setting out the EU approach to Standard Essential Patents, COM(2017) 712 final, p. 10: "The Commission feels that considerations need to be given to the relative relevance of the disputed technology for the application in question and the potential spill-over effects of an injunction on third parties". The Commission should make clear that the same concern applies to the analysis of proportionality of injunctions involving any patent.

<sup>4</sup> Ibidem.

<sup>5</sup> See Recital 24 of the Directive 2004/48/EC: "These corrective measures should take account of the interests of third parties including, in particular, consumers and private parties acting in good faith".

<sup>6</sup> See Article 13(1)(f) and (g) of the Directive 2016/943.

<sup>7</sup> COM(2017) 707 final, p. 4 (acknowledging differences in the way certain IPRED provisions including injunctions are implemented in practice while also recognising the importance of avoiding disproportionate outcomes and abusive litigation).

### **List of signatories**

1. ACT | The App Association
2. adidas AG
3. ADLON Intelligent Solutions GmbH
4. Airties Wireless Networks
5. Amadeus
6. Andaman7
7. Apple Inc.
8. Bayerische Motoren Werke AG
9. Bury
10. Computer & Communications Industry Association
11. Creo Group Kft
12. Dell
13. DENSO Corporation
14. Deutsche Telekom AG
15. Fair Standards Alliance
16. HP Inc.
17. Infineon Technologies AG
18. Intel
19. IP2Innovate
20. Landis+Gyr AG
21. Microsoft
22. Multispectral Ltd.
23. Nordic Semiconductor ASA
24. Nous
25. Proximus
26. Sagemcom Broadband
27. Samsung Electronics Co., Ltd
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29. SAP
30. Sierra Wireless
31. SolidQ
32. Synesthesia
33. TechSigno S.r.l.
34. Telit Communications SpA
35. T-Mobile International Austria
36. u-blox AG
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