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Discretion in Post-Trial Injunctive Relief before the UPC?

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Judicial Discretion in post trial injunctive relief

- Introduction
- The scenario
- To injunct or not?
 - Range of increasingly controversial factual backgrounds
 - Group discussions
 - Chatham House Rules health warning

Introduction: the issues

- Is an injunction post UPC trial an absolute right?
- UPCA: Article 63
 - *“Where a decision is taken finding an infringement of a patent, the Court may grant an injunction against the infringer aimed at prohibiting the continuation of the infringement”*
- Does ‘may’ imply discretion? If so, in what circumstances will discretion be applied in favour of unsuccessful defendant?
 - Remaining life of patent?
 - Effects for general public? Economic? Health?
 - Nature of patentee?
 - Commitments to license?

Introduction: the issues (2)

- Is partial relief on a geographical basis possible?
- Does it matter whether patent is UP or EP?
 - UPCA: Article 38
 - “*Decisions of the Court shall cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect*”
- How best to gauge likely answers? Ask some judges...

The Scenario (1)

- The challenge – think of a scenario that covers pharma-type issues re the public good, also issues about nature of patentee, also issues of licensing commitments (quasi-FRAND)
- The technology: Gamma Ray Spectrometers (GRS) for diagnosing musculo-skeletal complaints
- The problem solved:
 - GRS emit highly dangerous radiation beyond the inspection / treatment region
 - Existing installations require bulky lead / concrete shielding
 - Existing machines are therefore expensive to install, and require remote operation which is potentially intimidating for patient and inconvenient for operator

The Scenario (2)

- The patentee, Healthcare Products Inc, has invented a new shielding material – much lighter and more effective than traditional shielding methods
- The Patents:
 - UP'123
 - Enhanced shielding technology which enables lower cost and even portable scanners to be used while still protecting operator
 - Expires **March '18**
 - UP'456
 - 'Leaky' shaped filters allows higher doses to diagnostic region of patient
 - Enables further conditions to be diagnosed not possible with prior art technology
 - Expires **2024**

The Scenario (3)

- Patentee, HPI, makes four products:
 - According to UP '123
 - Static GRS (lower cost than prior art installation)
 - Portable GRS (enables easier operation)
 - According to UP '456
 - Portable GRS to receive shaped 'leaky' filters (with filters, enables new diagnoses)
 - The shaped leaky filters themselves (v.expensive)

Discussion 1: To injunct or not...(1)

- The defendant, Rival Healthcare Products Inc (RHPI), also makes same four products and undercuts HPI by 50%
- HPI has won at trial, with both patents valid and infringed.
- UP'123 infringed by products 1 & 2
- UP'456 infringed by products 3 & 4
- RHPI argues that it should not be injuncted because:
 - Even if it pays reasonably royalty rate damages, HPI's prices are such that each of the health systems across the UPC will have to pay significantly more for the four products:
 1. 5M€
 2. 50M€
 3. 100M€
 4. 500M€



Discussion 1: To injunct or not...(2)

- What injunction if any should the Court impose?
- Some states more affected by financial consequences than others – differential remedy across UPC territory?
- Exhaustion issues?
 - UPCA: Art: 29
 - *“The rights conferred by a European patent shall not extend to acts concerning a product covered by that patent after that product has been placed on the market in the European Union by, or with the consent of, the patent proprietor unless there are legitimate grounds for the patent proprietor to oppose further commercialisation of the product”*
- Different if an EP?
 - UPCA: Art.34
 - *“Decisions of the Court shall cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect”*



Discussion 1: the judges' views (1)

- Range of views, although general consensus on fundamentals...
- 'May' does imply Court has discretion and decision would be a balancing of factors exercise
- Enforcement Directive relevant – relief should be proportionate
- There is a public interest in additional burden on public health systems, and the greater the burden the greater the need to question (products 1-4)...but
 - No express evidence that health systems wouldn't be able to afford
 - It is in nature of patent system to make products more expensive
 - Some groups thoughts could never base refusal to injunct on financial factors unless patentee abusing a dominant position ([*IMS Health*]-style compulsory licensing?)
 - The short life left in the '123 patent was a helpful factor for the defendant
- Some groups thought that would to go beyond mere balancing of factors and would need to show injunction was 'grossly disproportionate' in the circumstances

Discussion 1: the judges' views (2)

- Differential geographic relief:
 - UP relief is unitary
 - EP relief could be differentiated (and exhaustion wouldn't be a bar)...
 - ...but in these circumstances, no groups would have refused to injunct even where some states more financially affected than others
 - **Conclusion: all groups would injunct all products**

Discussion 2: Public health

- RHPI has improved manufacturing technique for the ultra-expensive leaky filters
- Only the RHPI product can cost-effectively be used to diagnose certain forms of juvenile arthritis in time to treat before chronic damage
- Evidence: 10 teenagers per million population per year will suffer permanent health impairment if injunction is imposed
- Is an injunction in respect of this particular RHPI product appropriate?
- Genetic disposition not geographically even across UPC states – some regions, including southern Germany – particularly affected.
- Is a partial injunction remedy across some member states only appropriate?

Discussion 2: the judges' views

- More diversity of views
- Public health a significant factor in the balancing exercise
- Some felt 10 / million was over a threshold, some not
- Debate as to whether it was UP Court's job to effectively grant compulsory licence OR to stay relief pending applications to national courts for local compulsory licences
- If former, how was UPC to set rates for licence? Did it have authority? Economic expertise?
- Anecdotally seemed considerable disparity in what national courts require in compulsory licensing regimes (e.g. UK – relevant whether D has own patent)
- Practicality of requiring multiple local applications?
- Some groups still saw this as financial issue; patentee had product that worked, it was just too expensive
- **Conclusion: Some groups still injunct, some prepared to consider compulsory licensing, or at least stay pending national compulsory licence applications**

Discussion 3: Non-Practising Entities

- As discussion 1, but assume the patentee is a university which has licensed HPI non-exclusively (but only HPI) – it uses the licence income to fund research and scholarships for students from deprived backgrounds.
- Does this affect the Court's discretion to impose injunction?
- What if patentee was not a philanthropic university but two hi-net worth individuals who are purely involved to make a commercial profit?

Discussion 3: the judges' view

- General consensus that nature of patentee wasn't likely to be a significant factor in Court's analysis

Discussion 4: Undertaking to license

- As discussion 1, but assume that the inventions underlying the patents were reached by HPI as part of a pan-European collaborative study
- Under the terms of the study HPI has agreed to grant licences on reasonable and non-discriminatory terms to any third party who requests a licence in advance of practising the inventions
- Is an injunction still appropriate?

Discussion 4: the judges' view

- FRAND analogy discussed; general consensus actual FRAND situation would be different and availability of injunction accepted as conditional
- More widely, also generally accepted that patentee having made available non-exclusive licences could be a relevant factor in the analysis
- **Conclusion: overall sentiment, unlikely to lead to no injunction in itself but a factor for the defendant in the proportionality analysis**

Thank you

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