

To THE GERMAN MINISTRY OF JUSTICE

Request for Comments on the Bill to Reform the German Patent Act, published on 14 January, 2020

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Association Submitting: Japan Business Machine and Information System Industries Association (JBMIA)

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DESCRIPTION OF JBMIA

Japan Business Machine and Information System Industries Association (JBMIA) is the industry organization which aims to contribute the development of the Japanese economy and the improvement of the office environment through the comprehensive development of the Japanese business machine and information system industries and rationalization thereof.

<http://www.jbmia.or.jp/english/index.php>

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SUMMARY OF SUBMITTED COMMENTS

The discussion draft of a bill to reform the German Patent Act is trying to resolve existing or potential issues in the German patent litigation system, and we welcome such attempts by the German Ministry of Justice and appreciate this opportunity for us to make our comments thereon. JBMIA, an industry organization which aims to contribute the development of the economy and the improvement of the office environment through the comprehensive development of the business machine and information system industries and rationalization thereof, hereby would like to make comments on the draft bill.

COMMENTS ON THE PROPOSED AMENDMENT TO SECTIONS 82 AND 83

We think it is a problem in the German patent litigation system that (i) nullity proceedings, whose average period of pendency is approximately 24 months, take much longer time in comparison to infringement proceedings, and thus (ii) regional courts handling infringement proceedings have to render decisions without an opportunity to review federal patent court's opinion with respect to validity/invalidity of patents-in-suit.

In order to resolve such problem, we agree to the proposed reform because it contribute to expediting of nullity proceedings and lead to the regional courts' appropriate decisions by referencing the federal patent court's preliminary opinion as to validity/invalidity of the patents-in-suit. While the federal patent court's preliminary opinion is non-binding, it is expected that the regional court will refer to the opinion and may at their discretion stay the infringement proceedings or injunction pending the outcome of the nullity proceedings. In the case there is a likelihood of invalidity of the patents-in-suit according to the federal patent court's opinion, we also expect that the regional courts will stay the order to submit account information relating to accused products, which order is usually included in infringement judgment and can be immediately enforced.

COMMENTS ON THE PROPOSED AMENDMENT TO SECTION 139

It is also another problem in the German patent litigation system that injunctive relief is automatically granted upon finding infringement as a result of infringement proceedings before the regional courts. However, we believe that there would exist certain occasions

where injunctive relief is not appropriate and justified even if the patents-in-suit is found to be infringed. Therefore, we agree to amend the current Section 139 by adding the sentence “The right to injunctive relief shall be excluded if its enforcement is disproportionate because, due to special circumstances, taking into account the interests of the patentee vis-à-vis the infringer and the requirements of good faith, it constitutes a hardship not justified by the exclusive right.”

With respect to the specific exemplary elements which might be considered when applying the proposed exception, we would like to make comments, as follows:

1. Interest of the patentee in the injunction, Economic effects of the injunction and Third party interests

We recognize these elements are conceptually similar to four factor test raised by the U.S. Supreme Court in the eBay v. MercExchange case. We agree to and welcome introducing these concepts for consideration in deciding whether to grant injunction.

In the U.S., it is very difficult for patent assertion entities to obtain injunctive relief because of the eBay four factor test. Patent assertion entities do not have actual businesses and products, and are primarily aiming to obtain monetary revenue by enforcing patents against operating companies. We believe such patent assertion entities’ activities do not serve industrial development and thus should be restricted. By taking into account interest of the patentee in the injunction, economic effects of the injunction and third party interests, we think the threat of injunction by patent assertion entities could be significantly reduced, and on the other hand, traditional and legitimate patent enforcement by operating companies will be maintained when, for example, defendant’s continued infringement activities would cause substantial harm to patentee’s existing businesses or products.

Therefore, in the case either one of these three elements are met, we believe that the injunctive relief should not be granted.

2. Complex products

We disagree to the proposal that the courts take into account the complex products element. Supposing that injunction will not be granted in the case a patent-in-suit covers only the subordinate parts in the entire accused product, depending on the way of transactions or situation in the market, especially where such subordinate parts at issue

are not independently sold in Germany, a patentee cannot have an injunctive relief in Germany at all. In such situation, effectiveness of German patent right would be significantly reduced.

We do not recognize any other countries which already adopted such concepts for consideration in deciding injunction.

In the case of suggested examples, i.e., the infringed patent is a subordinate, non-functional essential element of a component (e.g. a special equipment feature for a vehicle seat) for a complex overall product (e.g. a vehicle), injunction can be refrained just by considering the elements of "Interest of the patentee in the injunction" or "Economic effects of the injunction", not by this "Complex products" element.

3. Subjective elements

We also disagree to the proposal that the courts take into account the subjective elements of the parties.

First, patent infringement is basically an absolute liability without requiring subjective conditions of the parties and it is not appropriate if a patentee cannot have injunctive relief by virtue of defendant's subjective status.

Further, it would be relatively easy for defendants to build a situation that he/she made possible and reasonable precautions to avoid an infringement, e.g., by obtaining non-infringement or invalidity opinion by attorneys even if they are based on meritless arguments. It would be also inappropriate if injunctive relief cannot be obtained by reason of such subjective elements which can be artificially established.

In the U.S., such subjective elements are considered in deciding enhanced damages because of willful infringement, however, we do not recognize any country where the subjective elements are considered in deciding whether to grant injunctive relief.

It is also inappropriate to refrain from granting injunction even if the defendant made sufficient efforts to obtain license. In the case of patents covering core-technologies for patentee, the patentee cannot and will not grant license for such patents even if license is vigorously requested by the defendants, and injunctive relief is mandate regardless of defendant's such efforts.

Even in the case where a patentee waited enforcing patents until later stage, injunction should be basically granted unless seeking injunctive relief in such situation is deemed as abuse of patents (in the U.S., laches defense is not available anymore). If, however, granting injunction leads to huge damage on defendants, injunction can be refrained by considering Economic effects of the injunction above, but not by this subjective elements.

COMMENTS ON THE PROPOSED AMENDMENT TO SECTION 145

We agree to apply the German Trade Secret Protection Law to patent infringement proceedings so that trade secret disclosed in patent infringement proceedings can be protected. In addition, especially in the case plaintiff and defendant are in a competitive relationship in the same business area, a party may feel strong resistance to disclose specifically sensitive or highly confidential information to the opposite party in the course of litigation. Supposing such possibility, we propose to introduce “Attorneys’ Eyes Only” procedure as in the U.S. litigations so that such sensitive or highly confidential information can be disclosed only to outside counsels or experts and disclosure to the other party should be strictly prohibited when a court determine appropriate upon party’s motion.