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From: Wehlau, Andreas [Andreas.wehlau@gleisslutz.com]  
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Follow Up Flag: Follow up  
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Dear Madam/Sir,

While in some Member States the procedural laws provide for a right to submit a anticipatory protective letter to the court in order to protect the respondent from a potential ex parte injunction, most Member States do not offer this option in their laws. At the same time, the Enforcement Directive provides for ex parte injunctions, which is in conflict with the fundamental right of the respondent to be heard in court.

For this reason, we propose that the Enforcement Directive should be supplemented by an Article 9(4) providing that Member States shall introduce a right of a potential respondent to submit a protective letter (Schutzschrift).

Please see below for detailed legal analysis of this idea. A word version of the document with footnotes is attached. We have the intention to publish the text in a legal journal in the course of this year.

We would be glad to provide further input, or to discuss the matter in more detail if required.

Kind regards,

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Ex parte injunctions and the right to be heard –  
The need for Europe-wide recognition of the protective letter (Schutzschrift)

Both the Enforcement Directive and the TRIPS Agreement provide for provisional measures to be issued against infringers of intellectual property rights without need for a prior hearing. While this opportunity is now being taken advantage of in an increasing number of Member States, the practice raises concerns insofar as the infringer's fundamental right to be heard by the court cannot always be adequately safeguarded by a hearing in subsequent proceedings. In Germany, the 'protective letter' (Schutzschrift) – a means of enabling the alleged infringer

to be heard in advance but without jeopardising the purpose of the provisional measures - has achieved recognition. The authors suggest that the protective letter be introduced at EU level in the course of the revision of the Enforcement Directive.

I. Provisional legal protection without the defendant first being heard: purpose and significance

During the last 20 years much effort has been made at both European and international level to strengthen intellectual property rights and, above all, to make it easier to enforce them. At the level of public international law, the Agreement on Trade-related Aspects of Intellectual Property Rights (the TRIPS Agreement) entered into force in 1994. This Agreement, which is binding on all WTO member states, sets out in Article 50 the minimum requirements to which provisional measures for the enforcement of intellectual property rights must conform. In a similar vein, the EC Enforcement Directive stipulates binding requirements for provisional measures at European level (see Article 9). What both provisions have in common is that - in particular in the fight against product piracy - the courts have the authority to order provisional measures (the so-called "ex parte injunction", Article 50(2) TRIPS Agreement, Article 9(4) Enforcement Directive) without the defendant being heard in advance.

It goes without saying that an option of this sort is indispensable in responding effectively to infringements of a criminal nature. For one thing, such infringements typically require immediate legal intervention, and any delay would cause irreparable harm to the right holder. For another, in cases of systematic violation on a criminal scale it can be expected that key evidence would immediately be destroyed were the defendant to be forewarned. Insofar, it is to be welcomed that relief in the form of provisional protective measures with-out need for the defendant to be informed in advance has found international recognition as a principle of rights enforcement.

II. The conflict between effective legal protection and the right to be heard

Having said the above, ex parte injunctions result in the problem that the right of the defendant to be heard by the court is initially disregarded. Consequently, given that this right forms an integral part of the right to a fair trial pursuant to sentence 1 of Article 6(1) European Convention on Human Rights and Article 47 para. 2 Charter of Fundamental Rights of the European Union and that Article 42 TRIPS Agreement likewise postulates the existence of fair and equitable civil judicial procedures for the enforcement of rights, there is a severe curtailment of a fundamental procedural right which also enjoys international recognition.

Ex parte injunctions can thus be seen to occupy the area of conflict between the desire to grant effective legal protection for intellectual property rights and the desire to ensure that elementary principles of procedure are observed in accordance with the rule of law. The relevant provisions of the TRIPS Agreement and the Enforcement Directive each attempt to defuse this situation by way of a series of additional requirements:

? Ex parte provisional measures may not be granted simply as a matter of course, but on specific grounds only. Article 50(2) of the Trips Agreement deals with cases where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed. Article 9(4) of the Enforcement Regulation is also based on irreparable harm being caused to the right holder. As a result, ex parte provisional measures constitute an exception - at least in theory.

? The affected party must be notified of the measures at latest immediately after they are executed (first sentence of Article 50(4) TRIPS Agreement, second sentence of Article 9(4) Enforcement Directive).

? At the request of the defendant, a review is to take place with a view to deciding, within a reasonable period after notification of the measures,

whether the measures are to be modified, revoked or confirmed. This review includes a right to be heard (second sentence of Article 50(4) TRIPs Agreement, third sentence of Article 9(4) Enforcement Directive).

These principles are intended to alleviate the consequences of an ex parte injunction to a certain extent. Nevertheless, they are minimum requirements at most and, taken alone, are often insufficient to satisfy the defendant's legitimate interests.

The decision on whether to grant an ex parte injunction is a matter for the court's discretion. Ultimately, however, the criteria by which the court must make its decision, namely irreparable harm and the danger of destruction of evidence, must be considered on the basis of facts which are uncertain. As a consequence, there is significant room for error. In many cases even the immediate subsequent notification of the affected party and the opportunity for the decision to be reviewed are inadequate to satisfy the interests of the defendant since, despite these counterbalancing elements, it remains the case that the provisional measures are in force for a certain period of time. This fact alone can result in extensive harm – for example where the injunction delays the launch of a new product. While these disadvantages can be offset to a certain extent by granting a right to damages in case the provisional measures later turn out to be unfounded, the defendant is exposed to at least a residual liquidity risk, i.e. a risk that the right holder will not be in a position to compensate him in full for the harm caused.

Despite the compensatory arrangements therefore, a temporary injunction issued against a defendant without him first being heard is a serious burden. Sufficient account would only be taken of the defendant's interests were he able to avert the injunction entirely, or were he entitled to be heard in advance, for example in oral proceedings. However, this is inconceivable without causing delay and certainly not without forewarning the defendant.

### III. The protective letter (Schutzschrift)

The protective letter has been developed in Germany as a way around the dilemma described above. Such letters presently enjoy general recognition at least in the areas of competition and intellectual property law. A protective letter is a pre-emptive reply to an anticipated application for provisional measures and can be lodged with the court by a party which expects – for example, due to a warning letter – that a temporary injunction may be applied for and granted against it without it first being heard. If an application for provisional measures is then actually received by the court, the protective letter will be consulted and taken into consideration. By this method, therefore, the party lodging the letter can create its own opportunity to be heard. The party can use the letter to set out the facts from its own perspective and, in particular if it has concerns that the applicant may distort or truncate the description of events, to make any necessary changes and additions. The concerned party can also attempt to thwart the application for an injunction from a legal perspective. The primary function of a protective letter is to prevent an injunction being issued at all. Its secondary function is to convince the court that an oral hearing is required as a minimum.

It is generally and correctly assumed that a court may not ignore a protective letter submitted to it, but that its decision must take account of the letter's contents. This is justified by the right to be heard itself since, as already set out, a temporary suspension of the right to be heard can only be justified on the basis that it is not possible to delay matters in order to hear the defendant, even at very short notice, or that the purpose of the injunction requires that it be sprung on the defendant. However, where a protective letter is already available at the time the application is considered, there are no grounds for not granting the defendant at least a limited right to a hearing by acknowledging and having regard for the content of the letter. This neither frustrates any possible element of surprise nor causes a delay in proceedings. Conversely, limitations on the right to be heard may only go so far as is absolutely necessary to safeguard the right to effective legal protection.

Of course, the protective letter only offers a limited right to be heard since – as a pre-emptive measure – it must be produced before the defendant knows the

details of the proceedings in question. The defendant can therefore often only comment generally or "just in case" and cannot tailor his reply to the specific pleadings made by the right holder. Nonetheless, the ability to lodge a protective letter is a significant improvement on a situation in which there is no prior hearing whatsoever. The opportunity to lodge a protective letter and to have the court take it into account is therefore a further, important means by which to offset the disadvantages associated with ex parte injunctions, regardless of how necessary these may be.

#### IV. Origins and development of the protective letter (Schutzschrift)

##### 1. Origins and development in Germany

In Germany, the protective letter has its origins in the area of competition law. As early as 1932 Koppers mentioned in a contribution to the legal literature the (then still controversial) practice of lodging a "submission" with the competent regional court where a party had been threatened with an application for a writ of attachment or a temporary injunction. The term 'protective letter' first appeared in a judgment of the Hanseatic Higher Regional Court in 1965. Although the Hamburg District Court was then receiving a mere 20 to 40 protective letters per annum, the significance of the protective letter continued to grow in subsequent years. In the mid-1970s the number of letters exceeded 100 for the first time, and by the end of the 1980s the number was just short of 1,000 per annum. Today the larger district courts receive approximately 2,000 per annum, and more than 20,000 protective letters are received in total by the German civil courts each year.

##### 2. Development in other countries

Although the protective letter has its origins and enjoys by far its greatest practical importance in Germany, the idea has also been taken up in other countries and – in rudimentary form at least – has achieved a certain practical significance there too.

? Switzerland: In the ten years prior to 2011, the protective letter gradually established itself as an unwritten element of Swiss procedural law. However, it did not prove possible to harmonise the courts' treatment of protective letters and some courts were still refusing to accept them. There was even a practice by which protective letters were accepted but then immediately served on the other party. Relief now exists in the form of a statutory provision which sets out the key features of the protective letter. This provision (Article 270 of the Swiss Code of Civil Procedure) entered into force on January 1, 2011 as part of a comprehensive reform of the law of procedure.

? The Netherlands: The protective letter has enjoyed an element of recognition in the Netherlands for a number of years. At least some of the Dutch courts allow protective letters to be lodged and take their content into account. Although there has been some discussion in the Netherlands about abolishing the protective letter due to the problem (also familiar in Germany) that several of the competent courts have been inundated with them (plus extensive appendices), the decision taken after having weighed the opposing considerations was to continue to accept them.

? Belgium: whilst the legal basis for the recognition of protective letters was in place in Belgium by the end of 2007, little use was made of this opportunity during its first year: In total, the commercial courts received a mere five protective letters, but in each case without later proceedings in which the letter might have shown its relevance.

Even though many countries in Europe have so far paid no attention to the instrument of the protective letter, the above examples demonstrate that the protective letter is no longer a mere German peculiarity. Instead, where there is a risk of a temporary injunction being issued without a prior oral hearing, the need for an opportunity to submit a pre-emptive statement of defence has demonstrated itself in a number of other countries.

#### V. Proposal for recognition of the protective letter at European level

1. Protective letter is necessary under the rule of law

As set out above, the protective letter is a practical and legitimate correlative of the ex parte temporary injunction. Since both the Enforcement Directive and the TRIPs Agreement make it mandatory to provide for the latter, it would be desirable for the protective letter to enjoy general recognition too, at least at European level. whilst provisional measures to improve the enforcement of intellectual property rights are to be supported on grounds of legal policy, it must be not forgotten that the availability of these effective and powerful means of enforcement at times involves inevitable and substantial inroads into the rights of the defendant. The natural response to this under the rule of law should be for mechanisms to be installed to ensure that encroachments of this kind are kept to the absolute minimum necessary. The protective letter offers precisely such a mechanism, and its recognition should therefore be promoted in all countries in which ex parte injunctions are available for the benefit of holders of intellectual property rights. This recognition should at least extend to all Member States of the European Union given that Article 9(4) of the Enforcement Directive compels Member States to provide for provisional measures with-out the defendant being heard. On this basis, it would seem sensible for the protective letter to be harmonised at European level.

Such a move also seems necessary on grounds of content: The argument can be made that the case law of the European Court of Justice – which holds that ex parte injunctions are unable to be recognised and executed pursuant to Article 33 ff. Brussels I as they do not qualify as a “judgment” under Art. 32 Brussels I – has limited the availability of the provisional measures provided for in Article 9(4) Enforcement Directive. Since, at least where there is cross-border content, this case law works to undermine ex parte injunctions, one could argue that the importance of such injunctions is limited in practice and, accordingly, so is the disadvantage to the defendant. This said, however, it is questionable for how long the case law of the European Court of Justice will continue to hold in light of the fact that Article 9(4) of the Enforcement Directive expressly provides for the ex parte injunction as an European legal norm. It is conceivable that the Court’s case law will change within the foreseeable future and with it the element of restraint deriving from the Court. Further, it must be remembered that Article 9(4) of the Enforcement Directive not only applies where there is cross-border content, but also where the facts of the matter are purely domestic in character. In this case, the limiting effect of the case law of the European Court of Justice does not apply. Instead there is an immediate asymmetry between the rights of enforcement and those of defence.

2. Formulation of a provision at EU level

In order to counter the above developments it seems appropriate for the protective letter to receive uniform recognition at European level through a harmonisation of laws. A directive would be particularly suited to this task by making it possible to guarantee that the protective letter is recognised Europe-wide as a counterbalance to the ex parte injunction, but at the same time leaving the individual Member States the necessary leeway to integrate the protective letter into their – in some cases, mightily different – codes of procedure. The Enforcement Directive has already smoothed a regulatory way ahead for this inasmuch as it would be possible to simply extend its existing provisions: Given the closely related fact basis for the protective letter and the ex parte injunction, a further sub-clause could simply be added to Article 9(4) of the Enforcement Directive to deal with the following aspects:

? A party with reason to assume that provisional measures will be issued against it without a prior hearing shall have the right to lodge with the competent court a protective letter setting out its views on the subject matter of the expected injunction.

? If an application for provisional measures is then actually made, the court shall take the existing protective letter into account in its decision-making. For this purpose, courts shall keep protective letters for a period of at least six months.

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? A protective letter may only be revealed to a party other than the one lodging it if such other party has actually applied for provisional measures.

? The courts shall make the necessary arrangements to store any protective letters and, as the case may be, to allocate them to incoming applications for provisional measures.

Even just these few short provisions would help ensure that the sharp sword of effective rights enforcement is tempered by a mechanism which ensures that suitable attention is given to established basic procedural rights.

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