

## **Study Guidelines**

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### **2025 – Study Question**

#### **Preliminary Injunctions: Requirements for compensating damage suffered by Defendant**

##### **Introduction**

- 1) Preliminary injunctions (“PI”) are provisional by nature: the continuance of an injunction is conditional on the outcome of the main matter, so that a PI may be ultimately revoked or may lapse due to multiple reasons.
- 2) In disputes involving the infringement of Intellectual Property (“IP”) rights, for instance, if it is later found that no infringement has taken place or the involved IP right is ultimately declared invalid, the defendant may have incurred damage that would not have occurred but for the PI.
- 3) Legislators and courts around the world have adopted widely varying approaches when trying to find a balance between the rights and needs of each of the parties when a preliminary injunction is granted, setting out not only the requirements for the grant of such interim relief, but also providing for the type of liability associated with a revoked or lapsed PI, as well as possible protection and security on behalf of the defendant.
- 4) This Study Question therefore aims at plunging into such debate and establishing harmonized requirements for compensating damage suffered by the defendant in cases where a PI is ultimately revoked or lapses.

##### **Why AIPPI considers this an important area of study**

- 5) Preliminary injunctive relief is often of great importance for the effective protection of IP rights, particularly in cases where an IP right may expire during the years of litigation, under penalty of great or irreparable harm to the IP holder. As a Court of Appeals for a Federal Circuit in the United States of America has once mentioned, the purpose for a PI *“is of particular relevance for patent property, for the patent term continues to run*

*during litigation, and a loss of patent-supported exclusivity during the years of litigation may exhaust not only the life of the patent but also the value of the invention to its creator”<sup>1</sup>*

- 6) However, the harm to a defendant may also be of equal or more importance, depending on the business and size of such company, and may also have repercussions in the market as a whole, as it may disrupt a lawful business, extending an IP right beyond its original scope or making effective an IP rights that could be otherwise invalid.
- 7) Therefore, the balance between the rights and needs of the applicant for the PI and those of the defendant is often quite delicate.
- 8) Also, with an ever-growing number of cross-jurisdiction disputes, the different approaches taken by different courts with regard to the nature and extent of the potential liability of an applicant, and well as the protections afforded to defendants, may significantly impact such balance.
- 9) Therefore, reviewing this subject and whether there might be room for harmonization on these topics will be the main challenge for this Study Question.

### **Relevant treaty provisions**

- 10) The TRIPS Agreement includes a specific section on Provisional Measures (article 50). In addition to setting some standards for the availability of Provisional Measures, including measures *inaudita altera parte*, where appropriate, article 50 sets out some protections for the defendant, as well as a specific provision on the applicant’s liability, as outlined in items 3. and 7.:

3. The judicial authorities shall have the authority (...) to order the applicant **to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.**

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, **the judicial authorities shall have the authority to order**

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<sup>1</sup> Kimberly-Clark Worldwide, Inc. v. First Quality Baby Prods., LLC, 660 F.3d 1293, 1299 (Fed. Cir. 2011) (Newman, J., dissenting) (per curiam), *apud Jarosz, John C. and Contreras, Jorge L. and Vigil, Robert L., Preliminary Injunctive Relief in Patent Cases: Repairing Irreparable Harm (August 31, 2022). University of Utah College of Law Research Paper No. 520, Texas Intellectual Property Law Journal, Vol. 31, 2022, p. 65. Available at SSRN: <https://ssrn.com/abstract=4205317> or <http://dx.doi.org/10.2139/ssrn.4205317>*

**the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.**

### **Scope of this Study Question**

- 11) The objective of this Study Question is to focus on the existence and nature of the plaintiff's liability for compensating damages suffered by a defendant, in case a PI is granted but the claims are ultimately dismissed (liability regime).
- 12) In this regard, this Study Question will address the balancing of the rights of the applicant and the defendant, while investigating the requirements for possible compensation. This may also include the extent and limits of damages and the concept of adequate compensation.
- 13) Furthermore, the Study Question will also review the standards and requirements for a court or other relevant authority to request a bond, a security or undertaking to compensate a defendant, as well as for setting a "sufficient amount".
- 14) This Study Question is limited to civil (private) law issues. Compensation associated with criminal law claims are outside the scope of this Study Question.

### **Previous work of AIPPI**

- 15) In the past, AIPPI studied, in some opportunities, issues relating to Preliminary Injunctions.
- 16) Resolution Q134B (Vienna, 1997), relating to the Enforcement of intellectual property rights - Procedure and sanctions, outlined that "*monetary damages very seldom provide full compensation for the loss of exclusivity of intellectual property rights caused by infringement, the possibility of a preliminary injunction is of great importance for the protection of such rights*". This Resolution also stated that "*a preliminary injunction is of great importance for the protection of such rights.*"
- 17) Resolution Q134B also defined the concept of a PI as "*a provisional measure restraining future preliminary injunction is understood to be a provisional measure restraining future conduct alleged to be infringement*".
- 18) This resolution was also concerned with the fact that a PI "*should not lead to abuse*". On that occasion, AIPPI resolved that "*such injunctions should only be enforceable if there is reasonable certainty (such as by posting a bond) that the plaintiff will and can pay all*

*damages suffered by the defendant by such enforcement in case in proceedings on merit it is established that such injunction should not have been granted”.*

- 19) At the time, the Working Committee also proposed additional issues to be studied in the future by AIPPI, in particular the following:
1. (...) Which safeguards are necessary to prevent abuse of such provisional measures?
  6. i) What compensation should be awarded to a defendant who has been wrongly submitted to provisional measures?
- 20) 15 years later, AIPPI once again looked into the issue of “Injunctions in cases of infringement of IPRs”, in Resolution Q219 (Hyderabad, 2011). This Resolution detailed the criteria to be considered for granting a PI. It also resolved that *“The courts should be empowered to impose, as a condition of granting a preliminary injunction, that the claimant provide a bond, security or undertaking to compensate a defendant who has suffered loss by a grant of preliminary injunction which is not upheld on the merits”.*
- 21) Finally, in 2024, AIPPI reviewed the issue of “Unjustified allegations of infringement of Intellectual Property (“IP”) rights, in Resolution Q292 (Hangzhou, 2024). This resolution referred to infringement allegations that exceed the boundaries for the legitimate exercise of an IP holder’s right, including the consequences of making such unjustified allegations.
- 22) According to such resolution, the mere dismissal of an IP infringement claim does not “in itself conclusively warrant a finding that said allegation was unjustified”. However, when an allegation of infringement of IP rights has been determined to be unjustified, remedies should be available against the party asserting such allegation, including, for instance, fines, punitive damages, publication of the judgement or correction, and/or reimbursement of court and legal costs.

## **Discussion**

- 23) As mentioned, national and regional laws, as well as caselaw, adopt different approaches when dealing with the balance between the rights and needs for applicants and defendants in connection with preliminary injunctions.
- 24) Such differences may be particularly important when regulating the potential compensation of defendants based on the revocation or lapsing of a PI, including different approaches as to the nature of such liability, its extent and the need for imposing a bond of security.

- 25) In Europe, the Directive on the enforcement of intellectual property rights (2004/48/EC) (the “Enforcement Directive”) stipulates, in article 9 (7) that “*where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by those measures*”.
- 26) Interpreting such provision, the CJEU ruled in ***Bayer Pharma vs. Gedeon Richter*** (case C-688/17), that while the concept of “appropriate compensation” must be uniform, courts are not obliged to automatically order the applicant to provide compensation, if national legislation permits the court to take due account of all the objective circumstances of the case.
- 27) On the other hand, in *Mylan v Gilead* (case C-473/22), the CJEU clarified its earlier ruling in *Bayer v. Gedeon*, deciding that member countries are entitled to provide for certain types of strict liability regimes in their national laws, confirming that this position is consistent with the Enforcement Directive.
- 28) With regard to the UPC, article 62(5) c/w art. 60(9) UPCA, R. 213(2) Rules of Procedure (“RoP”) establish that the Court may order the applicant, at the defendant's request, to provide the defendant with appropriate compensation for any damage suffered as a result of those measures. The use of “may” suggests that the Court has discretion as to whether to make such an order.
- 29) Also, according to Rule 211, RoP, of the UPC, “*the Court may order the applicant to provide adequate security for appropriate compensation for any injury likely to be caused to the defendant which the applicant may be liable to bear in the event that the Court revokes the order for provisional measures.*” The Court shall do so where interim measures are ordered without the defendant having been heard unless there are special circumstances not to do so.” Therefore, while the general provision also appears to be discretionary, it appears to be mandatory for cases where interim measures are ordered without the defendant having been heard, unless there are special circumstances not to do so.
- 30) In the USA, Federal Rule of Civil Procedures 65 (c), provides that a “court may issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained.”
- 31) Furthermore, in 2019, the Supreme People’s Court of China issued a Judicial Interpretation on Preliminary Injunctions, namely, the “Provisions of The Supreme People’s Court on Several Issues Concerning the Application of Laws in Adjudication of Action Preservation Cases Involving IP Disputes”.

- 32) According to such document, a Court has the authority to require a bond or security “*in an amount equivalent to the loss which may be incurred by the respondent as a result of enforcement of the injunction, including reasonable loss of sales proceeds and custody expenses of the products involving in stopping the infringement*”.
- 33) Indeed, in case a PI is issued in error, the applicant should compensate defendant's losses caused by such PI. In this regard, the Court established the strict liability for such cases. Furthermore, this document provides that there is no possibility of lifting injunctions based on offering counter-guarantees, unless it has been consented by the applicant.
- 34) In Brazil, article 209 of IP Law provides for a court's authority to impose a bond or security in case of PIs, even though it is under the court's discretion to do so, depending on the circumstances. Also, in a patent-related matter, the Superior Court of Justice ruled that Brazilian law provides for strict liability in case of revoked preliminary injunctions. Also, the applicant may be liable for a full compensation to defendant, including any damages to their reputation, as long as proven (RESP 1.780.410).
- 35) Accordingly, this Study Question will seek to consolidate AIPPI's position relating to the liability of an applicant for a PI for the defendant's damages, in case such a PI is lifted or reversed, as well as the nature of such liability and its possible limits. It will also be important to review the standards and requirements for compensating damage suffered by the defendant and related matters, as well as the need and standards for setting a bond or other guarantees in order to obtain a PI.

***You are invited to submit a Report addressing the questions below. Please refer to the 'Protocol for the preparation of Reports'. An online form will be provided for the submission of the final report.***

## Questions

### I) Current law and practice

*Please answer all questions in Part I on the basis of your Group's current law.*

#### a. Existence of Liability

1. Does your law or case law establish that the applicant of a PI will be held liable for the defendant's damages in case the PI is lifted or reversed? Please comment.

(a) YES

(b) NO

COMMENT BOX:

2. If YES, does your law or case law provide that the defendant needs to request the court or relevant authority to decide on the liability of the applicant (that is, a court will not automatically issue such a finding upon revocation of the PI)?

COMMENT BOX:

3. Does your law provide for any particular time or moment as to when the defendant is allowed to request compensation?

(a) YES, as soon as the PI is lifted or revoked;

(b) YES, only after a final judgment is delivered;

(c) NO, at any time.

(d) Other. Please comment.

COMMENT BOX:

4. Does your law or case law provide applicants with an exemption or safe harbour from any liability based on the fact that it holds a valid IP right and is reasonably exercising such lawful right?

(a) YES

(b) NO

COMMENT BOX:

5. Are there any differences in assessing the applicant's liability if the dismissal is based on a finding of invalidity or of non-infringement? Please comment.

(a) YES

(b) NO

COMMENT BOX:

**b. Nature of Liability and limits thereof:**

6. According to your law or case law, what is the nature of the applicant's liability if the PI is lifted, and the applicant's claims are ultimately dismissed?

COMMENT BOX:

7. Does your law or case law provide that a court or relevant authority should also take into account the conducts of the defendant (e.g. if the defendant enabled the injury to occur or failed to take reasonable measures to avoid or mitigate the injury and thereby contributed to its occurrence)? Please comment.

(a) YES

(b) NO

COMMENT BOX:

8. Does your law or case law stipulate that the causal link between the damages being claimed, and the issuance of the PI should be assessed?

(a) YES

(b) NO

COMMENT BOX:

9. Does your law or case law establish any limits to the damages to be compensated?

COMMENT BOX:

10. Are there any other factors, circumstances or defences the court or relevant authority will take into account when establishing liability and the amount of damages?

COMMENT BOX:



11. Are there any special circumstances in particular cases, such as SEP/FRAND litigation or pharma/biotech disputes? Please comment.

- (a) YES
- (b) NO

COMMENT BOX:

**c. Possible Bonds and Guarantees for securing a PI:**

12. Does your law or case law establish any specific standards or requirements for a court relevant authority to request a bond, a security or undertaking to compensate a defendant? Please comment.

- (a) YES
- (b) NO

COMMENT BOX:

13. According to your law or case law, is the setting of a bond mandatory or discretionary? Please comment.

- (a) YES
- (b) NO

COMMENT BOX:

14. Does it matter whether a PI is granted in an *ex parte* or an *inter partes* proceeding? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

15. Does your law or case law provide for any specific standards for the amount of the bond to be determined, or otherwise establish a pre-set amount? Please comment.

- (a) YES
- (b) NO

COMMENT BOX



16. Does your law or case law also assess and balance the degree of harm to a defendant in case a PI is granted?

- (a) YES
- (b) NO

COMMENT BOX

17. Does your law or case law allow courts to accept a “counter-guarantee” from the defendant to suspend a PI? If so, in which circumstances? Does it depend on the consent of the applicant? Are there any differences in special cases, such as in SEP/FRAND litigation or pharma/biotech disputes?

- (a) YES, generally
- (b) YES, but only in special circumstances
- (c) NO

COMMENT BOX:

## **II) Policy considerations and proposals for improvements of your Group's current law**

18. Could your Group's current law or practice relating to the requirements for compensating damage suffered by the defendant and related topics be improved? If yes, please explain.

- (a) YES
- (b) NO

COMMENT BOX:

19. Could any of the following aspects of your Group's current law relating to the requirements for compensating damage suffered by the defendant be improved? Please explain:

- (a) The existence or not of liability;
- (b) The nature of such liability and limits thereof;
- (c) The possibility of determining bonds and guarantees for securing a PI, and/or counter-bonds;

COMMENT BOX:

20. According to the opinion of your Group, what is the policy rationale for compensating damages suffered by the defendant in case of a PI?

COMMENT BOX:

21. Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

COMMENT BOX:

### **III) Proposals for harmonisation**

22. Do you believe that there should be harmonisation in relation to the requirements for compensating damage suffered by Defendant and related issues, as well as in connection with the setting of bonds or guarantees?

- (a) YES
- (b) NO

COMMENT BOX:

If YES, please respond to the following questions without regard to your Group's current law or practice.

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

23. Should the applicant of a PI be held liable for defendant's damages in case a PI is lifted or reversed? Please comment

- (a) YES
- (b) NO

COMMENT BOX:

24. Should a defendant need to request the court or relevant authority to decide on the liability of the applicant (that is, a court will not automatically issue such a finding upon revocation of the PI)? Please comment.

- (a) YES
- (b) NO

COMMENT BOX:

25. Should there be any particular time or moment for the defendant to request compensation?

- (e) YES, as soon as the PI is lifted or revoked;
- (f) YES, only after a final judgment is delivered;
- (g) NO, at any time.
- (h) Other. Please comment.

COMMENT BOX:

26. Should an applicant benefit from an exemption or safe harbour from any liability based on the fact that it holds a valid IP right and is reasonably exercising such lawful right? Please comment.

- (a) YES
- (b) NO

COMMENT BOX:

27. Should there be any differences in assessing the applicant's liability if the dismissal of the PI is based on a finding of invalidity or of non-infringement? Please comment.

- (a) YES
- (b) NO

COMMENT BOX:

**a. Nature of Liability and limits thereof:**

28. Which should be the nature of the applicant's liability if the PI is lifted, and/or the applicant's claims are ultimately dismissed?

- (a) Strict liability (that is, the applicant is liable for damages irrespective of proof of negligence, recklessness or intent to harm).
- (b) Liability will depend on proof of negligence, recklessness or intent to harm.
- (c) Liability will depend on proof of intent to harm or recklessness only.
- (d) Liability will depend on proof of intent to harm only.
- (e) Other (Please comment).

COMMENT BOX

29. Should a court or relevant authority take into account the conducts of the defendant (e.g. if the defendant enabled the injury to occur or failed to take reasonable measures to avoid or mitigate the injury and thereby contributed to its occurrence) or any other particular factors? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

30. Should the causal link between the damages being claimed, and the issuance of the PI be assessed? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

31. Should there be any limits to the damages to be compensated?

- (a) YES
- (b) NO

32. If YES, please indicate the ones that apply:

- (a) Damages should be limited to the actual losses of the defendant or lost profit;
- (b) Damages should be limited to by the amount of guarantee or security provided by the applicant;
- (c) Damages should also include legal costs incurred during litigation.
- (d) Other. Please Comment

33. Should there be any other factors, circumstances or defences the court or relevant authority should take into account when establishing liability and the amount of damages? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

34. Should there be any special circumstances in particular cases, such as SEP/FRAND litigation or pharmaceutical/biotech disputes? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

**b. Possible Bonds and Guarantees for securing a PI:**

35. Should there be any specific standards or requirements for a court or relevant authority to request a bond, a security or undertaking to compensate a defendant? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

36. In your group's opinion, the setting of a bond should be:

- (a) Mandatory;
- (b) Discretionary;
- (c) Other. Please comment

37. Should it matter whether a PI is granted in an *ex parte* or an *inter partes* proceeding? Please comment.



- (a) YES
- (b) NO

COMMENT BOX

38. Should there be any specific standards for the amount of the bond to be determined, or otherwise should a pre-set amount be established? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

39. Should courts be allowed to accept a “counter-guarantee” from the defendant to suspend a PI? In which circumstances? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

40. Should it depend on the consent of the applicant? Please comment.

- (a) YES
- (b) NO

COMMENT BOX

41. Please comment on any additional issues concerning any aspect that you consider relevant to this Study Question.

42. Please indicate which industry sector views provided by in-house counsels are included in your Group’s answers to Part III.