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Fining Abroad is Fine – CJEU Approves Enforcement in another EU State of a Disciplinary Court Fine Due to Violation of an Injunction

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When a party successfully asserted a claim for injunctive relief at court on the grounds of IP-right infringement, but the foreign defendant has no assets in Germany, the problem arises as to how the compliance with such an enforceable injunction can be guaranteed. According to German law, upon violation of an enforceable injunction the successful plaintiff can request the court to fix a penalty (disciplinary fine) against the defendant.

So far, however, it has been deemed to be impossible to enforce German court decisions on disciplinary fines in other EU Member States since such decisions have a punitive character and were, therefore, thought not to represent civil or commercial matters within the terms of Regulation (EC) No. 44/2001 relating to the court jurisdiction and the acknowledgment and enforcement of decisions in civil and commercial matters. Plaintiffs were therefore left with the unsatisfactory alternative to enforce the German injunction before a court in the country of domicile of the defendant, which takes more time and effort since the court does not know the matter.

The Court of Justice of the European Union – deviating from the opinion of the Advocate General – recognized this problem and decided with judgment of 18 October 2011, case C-406/09, that a German decision on disciplinary fines (Sec. 890 German Code of Civil Procedure – CCP) which serves to enforce a provisional injunction (ex parte) on the grounds of patent infringement is a civil and commercial matter within the terms of Article 1 of the Regulation No. 44/2001.

The line of arguments of the Court of Justice of the European Union can also be applied to coercive means decisions (Sec. 888 CCP) for enforcing non-substitutable acts such as rendering information (on distribution channels, quantities of produced and delivered goods etc.) since the latter have a far less punitive character than the above court penalties. As a result, pursuant to the CJEU decision, German court penalty and coercive means decisions are as a rule enforceable in all other EU Member States. This should analogously apply to all similar national decisions of other EU Member States that serve the purpose of enforcing an injunction or an order of a non-substitutable act, such as rendering information.

The starting point of the CJEU judgment were provisional injunction proceedings on the grounds of patent infringement before the Regional Court Duesseldorf in 2005. The defendant did not lodge an objection against the provisional injunction issued ex parte after receipt of the decision. Nonetheless, the Dutch defendant continued the patent infringement and did not provide

information either. Therefore, the plaintiff obtained a disciplinary fines decision [in view of the continuation of infringing acts] and a coercive fines decision [enforcement of claim for information] at the Regional Court Dusseldorf in 2006. These two decisions and the related decisions on costs were supposed to be enforced in the Netherlands. For this purpose, the plaintiff invoked the responsible Dutch court at the beginning of 2007 with the request to declare these decisions of the Regional Court Dusseldorf be enforceable in the Netherlands. The court granted the request of the plaintiff. The defendant lodged an appeal against this decision with the Hoge Raad der Nederlanden [Supreme Court of the Netherlands] (Article 43 Regulation No. 44/2001). The advocate general of the Hoge Raad suggested in his opinion in 2009 that the CJEU should be invoked before issuance of a decision. The Hoge Raad referred the following questions to the ECJ for a preliminary ruling:

1. Is the phrase “civil and commercial matters” in Article 1 of the Regulation No. 44/2001 to be interpreted in such a way that this regulation applies also to the recognition and enforcement of an order for payment of a fine pursuant to Section 890 German Code of Civil Procedure?
2. Is Article 14 of Directive 2004/48 to be interpreted as applying also to enforcement proceedings relating to
 - a) an order made in another Member State concerning an infringement of intellectual property rights,
 - b) an order made in another Member State imposing a penalty or fine for breach of an injunction against infringement of intellectual property rights,
 - c) costs determination orders made in another Member State on the basis of the orders referred to at (a) and (b) above?

In his opinion of 05 April 2011, the advocate general Mengozzi stated that disciplinary fines decisions are not civil or commercial matters within the terms of Article 1 of the Regulation (EC) No. 44/2001 owing to their punitive character, and must therefore not be acknowledged.

In its judgment of 18 October 2011 at Recital 41, the CJEU did not agree with this opinion and determined the character of the disciplinary fine decision only according to the basic proceedings, i.e. a patent infringement dispute. It focuses on the nature of the subjective right, the infringement of which resulted in the order of enforcement. In the present case, it was the right of the plaintiff to exclusively exploit the invention protected by its patent. This right falls clearly under the civil and commercial matters within the terms of Article 1 of the Regulation (EC) 44/2001.

Thus, it is now established that German disciplinary fines decisions (Sec. 890 CCP) can be acknowledged and enforced in all EU Member States. Since German coercive means decisions (Sec. 888 CCP) are primarily supposed to encourage the debtor to carry out non-substitutable acts such as rendering information and have a far less sanctioning and punitive character, these should now also be enforceable in other EU Member States.

The decision of the CJEU is not limited to German execution measures, but certainly applies to all similar national instruments for enforcing injunctions and judgments ordering non-substitutable acts.

With this groundbreaking decision of the CJEU, the parties entitled to injunctive relief are

provided with the opportunity to obtain not only an enforceable injunction, but if the injunction is violated, they can also ask the original court to impose disciplinary fines on the defendant in a simple, fast and cost-efficient manner and then enforce these fines in other EU member states, as a rule at the domicile of the defendant.

The same applies with regard to the enforcement in particular of claims for information which are enforced by a coercive fine. Also in this regard it is now possible to obtain a coercive means decision e.g. in Germany at the original court in a simple, fast and cost-efficient manner and enforce this in other EU Member States.

With this decision of the ECJ within the field of IP protection, the position of the proprietors of IP rights is significantly strengthened. This does not only apply in the field of IP protection, but also in general to all claims for injunctive relief in civil law, in particular in the area of unfair competition law.

Holger Folz

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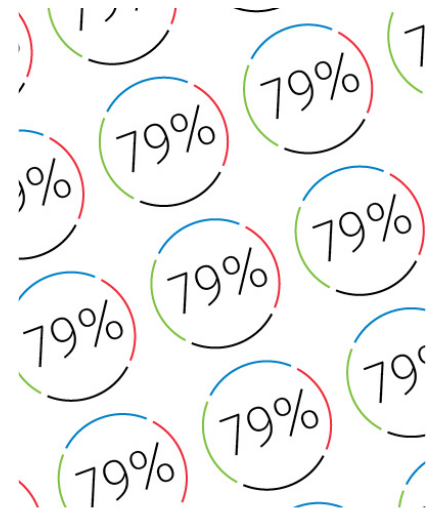
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