



Regional Court Düsseldorf

4a O 73/14

Decision of 31 March 2016

[...]

Facts

The plaintiff is bringing an action against the defendant for infringement of the German part of the European patent EP J (patent in suit), seeking injunctive relief, accounting, recall, destruction and a declaration of liability for damages on the merits.

[...]

The invention protected by the patent in suit concerns a technique for encoding a speech signal, in particular an improved pitch search device and an improved pitch search method.

[...]

The plaintiff submits that the objections raised by the defendant and the intervener are unfounded.

The defendant's objection to compulsory licensing is unfounded since the defendant refuses to conclude a FRAND license agreement with the plaintiff. It should be borne in mind that the defendant - undisputedly - also offers attacked embodiments under its own trade mark 'HH'.

The defendant cannot rely on the intervener's plea of compulsory licensing as a manufacturer of attacked embodiments, since that plea is excluded for a variety of reasons. The defendant and the intervener acted in a purely tactical and delaying manner.

The scope of application of Article 102 TFEU is not open because the plaintiff lacks a dominant market position. In the assessment of a dominant market position, the entire EEA must be taken into account. There is no separate market for AMR WB-enabled mobile



phones. The differences in the quality of voice services between narrowband and broadband voice services did not constitute a market barrier but only a quality parameter. Voice quality is given little importance by the end customer. The target groups for AMR-WB cited by the defendant did not create their own market. AMR-WB is not even dominant on an actual non-existent market for HD voice telephony. There are "Voice over IP" broadband codecs such as Silk, CELT or BroadVoice. From the customer's point of view, these alternatives are equivalent to the AMR WB standard and are interchangeable. Nor can the existence of a dominant market position be replaced by a (quasi) contractual FRAND objection based directly on Article 101 TFEU.

Even if a dominant market position of the plaintiff were to be assumed on the basis of the patent, there would be no abuse by the plaintiff.

Prior information (notice of infringement) on the (alleged) patent infringement had not been necessary. The entire industry - including the defendant and the intervener - was aware of the plaintiff's patents and their relevance to the AMR-WB standard. In addition, the filing of an action is to be understood as service of process within the meaning of the ECJ decision of 16 July 2015, so that information prior to the filing of an action was provided by the letter of 31 July 2014 (Annex A-K58). It is not the filing of the application which is important, but the service of the application. Furthermore, the action had been brought before the ECJ decision.

The plaintiff is required to submit a specific FRAND offer only if the defendant, for her part, has expressed her willingness to license. This is not the case here at the moment. In the case of the intervener, prior information would have been pointless anyway, since she required a conviction from the patent as a condition for obtaining a license, as the letter of 09 December 2014 shows (Annex A-K55). Thus, the letter was not a sufficient explanation of the willingness to license in the sense of the ECJ decision, but rather an expression of delay tactics and also belated.

Unfairness of the action for injunctive relief is excluded here, since the defendant and the intervener did not react to the allegation of patent infringement in accordance with accepted practice in good faith and without delay tactics and, in particular, did not express a binding intention to conclude a FRAND license agreement.

The defendant did not declare her willingness to license within a reasonable period of time and instead referred to the manufacturers. Additionally, in discussions on 14 May 2015 in London the defendant had refused a license. The plaintiff denies having waived a license offer from the defendant. She merely pointed out that she would regard the patent



rights as exhausted if the manufacturers of the attacked embodiments were to take a license.

The intervener used a delaying tactic which precludes the assertion of the FRAND objection. The license agreement offers of 23 February 2015 (Annex A-K67) and 2 April 2015 (Annex A-K68) submitted by the intervener, which do not provide for any level of license fees but only contain a third party clause, were insufficient. On the other hand, the intervener's offer submitted on 24 September 2015 (Annex HL(Kart)22a), with a specific license rate, was late.

It was also contrary to FRAND that - undisputed - in all three of the intervener's counter offers referred to above, the license should be limited to Germany. Such a geographical restriction is not customary in the sector. On the contrary, a worldwide license (as offered by the plaintiff) is FRAND, in particular since the portfolio to be licensed is valid in all relevant jurisdictions, worldwide licenses are customary in the industry and the intervener operates worldwide and always concludes worldwide license agreements herself.

Moreover, there is a lack of sufficient security, since the bank guarantee provided by the intervener is not sufficiently high.

The plaintiff submits that she made acceptable, FRAND-compliant license contract offers in the form of her standard license contracts. The license rates correspond to those agreed by Y prior to the transfer of the patent(s) and which the plaintiff also applied in numerous license agreements with mobile telephone manufacturers experienced in licensing matters. The license fees were accordingly accepted on the market (see Annex A-K65). The license fees offered by the plaintiff correspond to those already charged by Y for the licensing of the portfolio comprising the patent in suit. The required license fees are, in comparison with the W-CDMA patent pool FRAND which is administered by CC, too. With this pool, license fees are charged for all mobile phones, even if they do not support HD voice. In addition, only two patent families for the AMR-WB standard, 3 GPP TS 26.190, had been indicated as essential. It is not disputed that the plaintiff offered a license fee of USD 0.26 per device; from the W-CDMA patent pool, Y would receive USD 0.25 per device for each AMR-WB-enabled mobile telephone. In any case, the requested license fee was FRAND because - undisputedly in this respect - it provides for a review by the Regional Court of Mannheim pursuant to Sec. 315 (3) German Civil Code (BGB) (cf. Annex A-K57, No. 4.2 of the contract offer).

There was also no so-called patent ambush. The members of the standardisation organisation set up by ETSI did not assume that codec 3 (which later became the AMR WB



standard) was patent free. No other codec had been selected either. It is not legally possible to attribute C's conduct.

Finally, the legal consequence of a patent ambush would only be an obligation to grant FRAND licenses.

[..]

Grounds

The action is admissible and justified to the extent requested at the hearing on 26 January 2016.

[..]

B.

[..]

IV.

The defendant and the intervener each cannot successfully rely on the objection of compulsory licensing under antitrust law.

1.

It remains to be seen whether the patent in suit conveys a dominant market position and thus, the plaintiff is the norm addressee of Art. 102 TFEU. Even if this is assumed, the plaintiff can assert the asserted claims. In this respect, there is also no need to discuss whether a corresponding obligation to grant licenses on fair, reasonable and non-discriminatory terms (hereinafter referred to as "FRAND terms") could follow from Art. 101 TFEU as an alternative without any need for market dominance, or whether this can already be denied on legal grounds (cf. on this point: Kühnen, Hdb. der Patentverletzung, 8th Ed. 2016, para. E.272 et seq.).

2.

In its decision of 16 July 2015, docket no. C-170/13, in the E Technologies/ZTE case (GRUR 2015, 764, hereinafter referred to briefly as (the) ECJ decision), the ECJ set out requirements as to when the enforcement of the injunctive relief under a standard essential patent (hereinafter also referred to as "SEP") standardized by a standardization organization, the holder of which has undertaken vis-à-vis this organization to grant



FRAND licenses to any third party, does not constitute an abuse of a dominant market position within the meaning of Art. 102 TFEU. The criteria established by the ECJ are applicable to the present case.

Accordingly, the SEP holder must inform the alleged infringer of the patent infringement before asserting his right to injunctive relief (para. 61 ECJ decision). To the extent that the infringer is willing to license, the SEP holder must submit a concrete written offer to license the SEP on fair, reasonable and non-discriminatory terms (para. 63 ECJ decision). The infringer must react to this in good faith and in particular without delaying tactics (para. 65 ECJ decision). If he does not accept the SEP holder's offer, the infringer must make a counter offer within a short period of time which complies with FRAND requirements (para. 66 ECJ decision). If the SEP holder rejects this counter offer, the infringer will have to render account concerning the use of the SEP and provide security for the payment of license fees from that date. This also applies to past uses (para. 67 ECJ decision). The patent user must not be accused because of attacking the SEP's legal status or standard essentiality during the license negotiation or reserving the right to do so later (para. 69 ECJ decision).

These antitrust restrictions apply not only to the injunctive relief but also to the recall claim, since recall actions are also likely to prevent products manufactured by competitors that meet the relevant standard from entering or remaining on the market (para. 73 ECJ decision). The same also applies to the claim of the destruction of patent infringing objects, since its effect on market access to corresponding products is similar to that of an injunctive relief or a recall claim (Chamber, decision of 03 November 2015 - 4a O 144/14 - para. 138 juris; Kühnen, Hdb. der Patentverletzung, 8. Ed. 2016, para. E.284; in the following, the claims to destruction and recall are not always (co-)named, but only the injunctive relief is named).

The ECJ clearly starts from the assumption of a patent user who is willing to license, who - as soon as he has been informed of the use of the patent in suit - strives for a speedy licensing under FRAND conditions (cf. Kühnen, loc.cit., para. E.300). There is no legitimate interest in the enforcement of the injunctive relief from a SEP against such a patent user. Instead, both parties shall endeavour to conclude a FRAND-compliant license agreement first by negotiation and in particular by offer and counter offer. If this is not the case, because the patent user ultimately refuses to comply with FRAND conditions, applies a delay tactic or does not provide the SEP holder with the necessary protection, the patentee can (re)assert the injunctive relief. In order to avoid delays, the patent user may reserve the right to challenge the standard essence and/or the legal status of the SEP. However, a contract must still be concluded unconditionally.



The requirements apply regardless of who is the SEP holder, i.e. whether the SEP holder is a company operating on the product market itself or a pure patent exploitation company. There is no reason to treat a patent exploitation company per se differently from a competitor company (Higher Regional Court Düsseldorf, decision of 13 January 2016 - I-15 U 65/15 – para. 11 et seq. with further evidence juris). The ECJ decision does not relate to restrictions for certain SEP holders. In principle, each patentee has the same rights and obligations under a patent regardless of his other activities. It is not evident that a differentiation is required here for antitrust reasons.

3.

The defendant's antitrust objection to the plaintiff's action for injunctive relief under compulsory licensing law does not take effect. The plaintiff complied with its antitrust obligations and the defendant failed to do so.

a)

According to the ECJ decision, it is incumbent upon the patentee "prior to the judicial assertion" "to inform the alleged infringer of the patent infringement alleged against him and, in so doing, to designate the SEP in question and indicate the manner in which it is alleged to have been infringed". In this respect, the plaintiff must announce the judicial enforcement of the injunctive relief claim and first hear the patent user (para. 60 ECJ decision). The ECJ thus requires the SEP holder to notify the patent user of an infringement as a precondition for the enforcement of the injunctive relief.

In this respect, the plaintiff has fulfilled its obligations under antitrust law by filing the statement of claim or the defendant cannot rely on a delayed preliminary information (infringement notification).

aa)

The notice of infringement must "inform the alleged infringer of the patent infringement", specifying the SEP in question and how it allegedly has been infringed (para. 61 ECJ decision). Accordingly, at least the indication of the publication number of the patent in suit, the attacked embodiment and the alleged act of use (within the meaning of Sections 9 et seq. German Patent Law (PatG)) to the infringer is required. It remains to be seen whether further information - in particular for the interpretation of the patent claim or the indication of standard source of information or the like for proof of infringement - is required (cf. Kühnen, loc. cit., para. E.291; Regional Court Mannheim, decision of 29 January 2016 - 7 O 66/15 - p. 25 et seq.), they are in any case not harmful.



A sufficient amount of information was contained in the statement of claim, which was served to the defendant and which she also received from the plaintiff by e-mail. This contains all the information that could be required even with a broad interpretation of the substantive requirements for prior information.

bb)

In terms of time, the plaintiff's notice of infringement cannot be objected to here either.

Insofar as the ECJ requests an infringement report "before bringing the action", this is generally to be understood as meaning that the notice of infringement must be filed before lodging the action with the court, but at the latest before payment of the advance on costs (see (1) above). However, in the present individual case, the information contained in the statement of claim (see (2) above) was sufficient.

(1)

The notice of infringement in the plaintiff's letter of 31 July 2014 to the defendant (Annex A-K58) was delayed in itself, as at this time the action had already been lodged and the advance on costs (on 29 July 2014) had already been paid.

In non-transitory cases, information is delayed after lodging the (cease-and-desist) action, but before service of the action, if the advance on costs has already been paid (cf. Kühnen, loc. cit., according to which at least until payment of the advance on costs no "assertion" has yet been made; left open by the Mannheim Regional Court, decision of 27 November 2015 - 2 O 106/14 – para. 207 et seq.). Based on the sense and purpose of the required preliminary information, an "assertion" must be made at the latest before payment of the advance on costs for injunctive relief. The notice of infringement is intended to facilitate the conclusion of a license agreement and the necessary negotiations without the pressure of court proceedings, in which an omission tenor threatens. Such a pressure situation already arises, however, with the lodging of an action for injunctive relief and payment of the advance on costs, since the delivery of the action must be reckoned with from then on – as this is then only a matter of time.

A notice of infringement only after payment of the advance on costs does not appear to be compatible with the concept of the ECJ. If the advance is paid, it is not clear at this stage whether an consensus on a license agreement will be reached. To allow the patentee in such a situation to "get a lawsuit underway" contradicts the idea of contract negotiations at eye level.



Insofar as the plaintiff wishes to equate "service" with "assertion", it is neither already apparent that the ECJ had in mind the differentiation made in German law between lodging the action/pendency and service of the action/sub judice. The phrase "assertion" used by the ECJ cannot be assigned to any of the term pairs. The EuGVVO is also irrelevant; the timeliness of the notice of infringement is rather determined by the possibility of negotiations without pressure of an injunctive relief.

Nor does the "torpedo danger" cited by the plaintiff, i.e. the possibility of a patent infringer to file a negative declaratory action in another EU country, also concerning a domestic patent, lead to any other assessment. The plaintiff can reduce this risk by filing the claim and delaying payment of the requested advance on costs (Kühnen, op.cit., para. E.297). In addition, the danger of torpedoes does not play a role in the ECJ's deliberations.

In so far as the plaintiff refers to parallel proceedings in Munich, she does not state any reasons as to why the court there considered that the action had still to be notified in good time after it had been lodged but before it had been serviced. In this aspect, it is not possible to deal with the argumentation there.

(2)

Although a notice of infringement after payment of the advance on costs is generally delayed, this does not prevent the assertion of the injunctive relief in the present case, as it is a transitional case in which the action was filed prior to the ECJ decision announced on 16 July 2015 and the Opinion of Advocate General FF in this case of 20 November 2014. In this respect, the delayed notice of infringement has no consequences here.

(a)

At the time the action was filed, the decision of the Federal Supreme Court (Federal Supreme Court, GRUR 2009, 694 - Orange Book Standard) did not require the owner of a patent conferring a dominant market position to inform the infringer of the patent infringement and to make a license offer. Rather, it was up to the infringer to make an offer of a license agreement. The patentee abused his right to enforce the injunctive relief under such a patent only if the infringer had made him an unconditional offer to conclude a license agreement to which he was bound and which the patentee could not refuse without infringing the prohibition of discrimination or obstruction. Furthermore, as long as the infringer already uses the subject matter of the patent, he had to comply with those obligations which the license agreement to be concluded links to the use of the licensed subject matter (Federal Supreme Court, GRUR 2009, 694 - Orange Book Standard). The Orange Book standard decision was issued for a patent that was essential for a de facto



standard and for which no FRAND declaration existed. However, these standards have also been applied in the case law of the instance court to standard essential patents in which the standard was agreed between the companies involved within the framework of a standardisation process and the patent holders had given FRAND declaration (cf. Regional Court Düsseldorf, decision of 24 April 2012 - 4b O 274/12 - para. 227 et seq. juris).

The Federal Supreme Court's Orange Book standard case law was not uncontroversial, and the EU Commission in particular made deviating requirements for the holder of an SEP to behave in a manner that was permissible under antitrust law. This divergence ultimately led to the ECJ decision on the referral decision of the Regional Court Düsseldorf (GRUR-RR 2013, 196 - LTE Standard). Nevertheless, it can be stated that at the time of lodging the action the plaintiff did not have to see any compelling reason to inform the defendant of the infringement beforehand.

(b)

The defendant must, however, be agreed with in the approach that the decisions of the ECJ represent the legal situation *ex tunc*, i.e. that the interpretation of the ECJ also applies to the period prior to its decision (ECJ, C-309/85 para. 13 - Barra; ECJ, C-24/86 para. 28 - Blaizot; ECJ, C163/90 para. 30 - Legros). It follows from the decision authority of the ECJ under Art. 267 TFEU that national courts can and must in principle apply a provision of Union law in the interpretation prescribed by the ECJ to legal relationships which arose prior to an interpretation decision of the ECJ (Federal Constitutional Court, order of 10 December 2014 - 2 BvR 1549/07 with further evidence). For reasons of legal certainty and the protection of legitimate expectations, exceptions can be made to this, whereby such a time limit must be included in the decision of the ECJ itself, which decides on the request for interpretation (ECJ C-163/90 para. 30 - Legros). This means that it is up to the ECJ to decide whether the validity of its interpretation of a provision should be restricted in time - contrary to the fundamental *ex-tunc* effect of decisions pursuant to Art 267 TFEU - in exceptional cases, for example on the basis of the principles of legal certainty and the protection of legitimate expectations under Union law (Federal Constitutional Court, decision of 10 December 2014 - 2 BvR 1549/07 – with further evidence). In view of the primacy of application of Union law, national law and case-law cannot establish a trust worthy of protection in its content (ErfK/Wißmann, TFEU, Art. 267 para. 45a)

(c)

The *ex-tunc* effect of the ECJ's interpretation therefore means first of all that the principles established by the European Court of Justice apply to "old cases" (with filing of



an action before the ECJ decision) and the Orange Book case law of the Federal Court of Justice could no longer be applied.

However, this principle does not prohibit taking into account the particularities of the individual case when examining it according to the ECJ's scheme. In its decision, the ECJ did not rule on a controversial interpretation of a standard, but introduced an elaborate system of various steps. Ultimately, these steps serve, on the one hand, to create a step-by-step program for the conclusion of a license agreement and, on the other hand, to establish criteria for determining when a SEP holder is prepared to grant FRAND licenses or when a patent user is not willing to license. With this objective in mind, the particularities of the individual case must always be considered, which prohibits a rigid, purely schematic or formalistic application of the law. Thus, it should be possible to dispense with the requirement of an infringement notification established by the ECJ if it is established that the patent user has already acquired the corresponding knowledge by other means. The notice of infringement may therefore be omitted under certain circumstances as a pointless formality, for example if the infringer already possesses the information to be provided (Kühnen, loc. cit., para. E.292). If, however, the patentee is permitted to completely waive the notice of infringement by the patentee in a manner permissible under antitrust law, the enforcement of the injunctive relief claim by the patentee may, in exceptional cases, also be permitted to the patentee in the event of a delayed notice of infringement.

Furthermore, it cannot be inferred from the decision of the European Court of Justice that a notice of infringement made after the lodging of an action leads without further ado to the non-enforceability of the injunctive relief. In particular, the ECJ did not decide whether it was possible to make up for the notice of infringement without first withdrawing the pending infringement action. There is some reason to deny this in the case of new cases - i.e. to permit a cure of the delayed notification of injury only by withdrawal of the action (Kühnen, loc. cit., para. E.296). The decision of the European Court of Justice does not, however, prohibit the possibility of catching up during an ongoing injunctive relief action being considered admissible in individual cases. This is the case here.

It would be incompatible with good faith to require a SEP holder who complies with the Orange Book case law and the other requirements of the ECJ decision to withdraw a pending action, to file a notice of infringement and, if necessary, to resubmit an action, for example if the patent user proves (still) not to be willing to license. Due to the limited term of a patent, this would inappropriately interfere with the rights of the patentee, which are protected by Article 14 of the German Constitution and Article 17 (2) of the EU Charter



of Fundamental Rights. At the very least, a (unlicensed) patent user would be denied according to good faith the right to invoke the delay of the infringement notification and thus force the withdrawal of the action. This applies in particular if, despite the filing of an action, the patent user is not prepared to take a license under FRAND conditions. It can then be assumed that the patent user will be a fortiori not willing to obtain a license after the withdrawal of the action.

In this respect, a notice of infringement can only be admissible through the statement of claim in cases in which the statement of claim was filed before the publication of the ECJ decision and the opinion of the Advocate General and the defendant, in contrast to the plaintiff (SEP owner), does not comply with its antitrust obligations. This is the case here.

(3)

The plaintiff has fulfilled her obligation to provide information. As already explained, the defendant was sufficiently informed about the contents of the patent in suit and the asserted patent infringement by the statement of claim. This information with the complaint was sufficient in terms of time. It is true that the advance on costs for the claim received by the court on 23 July 2014 was already paid on 29 July 2014 and thus before the infringement was reported. But that's not the point. The lodging and service of the action were undisputedly made before the ECJ decision and the related Opinion. It should also be noted that the defendant received the notice of infringement before the service of the statement of claim.

(4)

In this respect, it remains to be seen whether the delay in the notice of infringement is remedied by the fact that the defendant, for its part, did not declare its willingness to license sufficiently quickly (see in this regard Regional Court Mannheim, decision of 27 November 2015 - 2 O 106/15 para. 208 and 215 Juris, according to which a late notice of infringement has no consequences if the alleged infringer does not declare his willingness to license within a reasonable time as a result of this, since the fundamental decision to take a license or not can also be made under the pressure of an action).

d)

The defendant did not declare in due time that she wished to take a FRAND license for the plaintiff's patent.



aa)

If the patent user wishes to invoke the FRAND objection, he must declare his willingness to license in response to the SEP holder's notice of infringement (para. 63 ECJ decision). In terms of content, only the willingness to conclude a FRAND-compliant license agreement must be expressed. Further information or conditions are not required. On the contrary, it can be harmful for the patent user if he imposes conditions with regard to the intended license acceptance if it results from these that the patent user is ultimately not prepared to license under fair, reasonable and non-discriminatory conditions after all (Kühnen, loc. cit., para. E.294; in this sense also Regional Court Mannheim, decision of 27 November 2015 - 2 O 106/14 para. 214 Juris).

The patent user must declare his willingness to license without delay tactics. As mentioned above, the ECJ's decision is based on the model of a patent user who, upon knowledge of the use, endeavours to obtain a license as soon as possible. The SEP holder has a legitimate interest in this, as a delay makes it more difficult for him to obtain injunctive relief within the limited term of the patent, if necessary. Furthermore, the ECJ provides that the patent user may reserve the right to examine the legal status and standard essentiality of the patent (para. 69 ECJ decision), which minimises the risk of a misdecision for the patent user and thus makes a speedy examination appear appropriate (e.g. Regional Court Mannheim, decision of 27 November 2015 - 2 O 106/14 – para. 214 juris). The time appropriate for declaring the willingness to license depends on the circumstances of the individual case, taking into account what information the patent user received from the SEP holder in the context of the infringement notification. A more detailed notice of infringement will shorten the examination period and thus the period for the declaration of willingness to license.

bb)

In contrast, the defendant was late in declaring its willingness to license. By means of the preliminary information in a letter from the plaintiff dated 31 July 2014 she was informed of the suit which was serviced to her on 15 August 2014. Only after a reminder letter from the plaintiff dated 09 December 2014 the defendant replied by letter dated 12 January 2015.

Such a reaction time of over 5 months is clearly too long, even if one takes into account that the defendant is a network operator and must therefore be given a certain amount of time to consult with the manufacturers of the mobile phones attacked. A further indication that the defendant is not cooperating in a speedy FRAND licensing is that in its letter of 12 January 2015 (Annex A-K60) she initially asked for an explanation of the alleged infringement, although it was sufficiently informed by the statement of claim.



cc)

At least the delay that occurred here could no longer be effectively cured by a later declaration of willingness to license. The consequence of the delayed willingness to license is always that a (FRAND) license agreement can only be concluded later or - if a license agreement is not concluded - the plaintiff has to wait longer until he can assert the injunctive relief in court. The delay restricts the enforcement of the time-limited exclusive right of the patent. Furthermore, any necessary security of the defendant (see para. 67 ECJ decision) would be provided later, so that the patentee would have to bear his insolvency risk for a longer time. The defendant thus violates the model of a patent user, who strives for speedy licensing. Despite the late declaration of willingness to license, the patentee remains obliged to license the SEP under FRAND conditions. The late declaration of willingness to license only results in the SEP holder being able to (initially) assert a claim for injunctive relief against the defendant in court without being exposed to an allegation of abuse.

dd)

In this respect, it remains to be seen whether the defendant's letter contains a sufficient declaration of willingness to license at all. This appears doubtful, since the defendant primarily refers to the responsibility of the manufacturers of the attacked embodiments and requests an explanation of the alleged infringement. Furthermore, in the event of a breach, she only offers negotiations for the "settlement of claims" ("settle your claims"), but does not expressly offer a license.

In addition, the defendant cannot invoke the compulsory license objection under antitrust law for further reasons.

e)

The plaintiff made an offer of a license agreement in accordance with FRAND.

aa)

The plaintiff's offer was timely, although it was only made during the current proceedings. Insofar as the defendant argues in her statement of 15 January 2016 that a SEP holder has to make a FRAND license offer before filing an action for injunctive relief, this does not apply in the present case. The obligation to make a FRAND license agreement offer only applies to the SEP holder after a declaration of willingness to license has been made ("after the alleged patent infringer has expressed his intention to conclude a license agreement on FRAND terms", as stated in the operative part of the ECJ decision). If the willingness to



license is declared late - as here - the patent user cannot invoke the fact that the plaintiff's offer of a license was made only after filing an action.

This applies at least in transitional cases, such as the present one, even if the infringement notice and the action coincide, thus the patent user had no possibility of declaring his willingness to license after the infringement notice had been filed but before the action was brought. In this situation, the defendant would have been able to declare her willingness to license in good time, but this did not happen until after five months. The fact that this declaration was made here under the pressure of legal action (and would also have been made if it had been made in good time) must be accepted, at least in transitional cases, as a result. It is true that the ECJ provides in principle that the SEP holder's notice of infringement, the declaration of willingness to license and the FRAND offer must be submitted prior to bringing an action. In this (transitional) constellation, however, the notice of infringement was still acceptable after payment of the advance on costs (see above). It is also acceptable here - also due to the transitional case - that the defendant's decision on her license will be made during the current proceedings. According to the concept of the ECJ, the fact that the negotiations should not take place during injunction proceedings serves to ensure that the patent user does not accept exploitative license conditions due to the pressure of the injunction action. However, this danger does not exist directly, at least not when it comes to the pure question of whether a license is granted (as is also the case with the Mannheim Regional Court, decision of 27 November 2015 - 2 O 106/14 – para. 208 Juris). A patent user does not yet enter into abusive contractual terms by simply declaring that he wishes to take a license on FRAND terms. An impermissible pressure in terms of time (in the sense of increased pressure to make a quick decision) does not arise due to the ongoing legal proceedings. The patent user is in any case obliged to declare his or her willingness to license without delay.

bb)

The content of the SEP holder's offer should be fair, reasonable and non-discriminatory (i.e. FRAND) (para. 63 ECJ decision). There is no abuse of the dominant market position if the patentee offers contractual terms which would also have come about without his dominant market position. Comparable license agreements are thus a significant indication of the appropriateness of the license terms offered, unless it can be established that they were concluded only under the pressure of a cease-and-desist claim. The more concluded license agreements with similar license conditions the SEP holder can produce, the stronger the presumption that the required license fees are FRAND (Kühnen, loc. cit., para. E.340). Then again, a patent user can only demand license fees that deviate from this if he can show objective reasons for the unequal treatment.



The same applies to the scope of the license: If the patentee has already granted licenses to the offered SEP or to the SEP portfolio offered for comparable products, it appears that this combination of property rights is in line with the interests of the user and is therefore acceptable to the patent user (Kühnen, loc. cit., para. E.328). In the question of whether a portfolio license - possibly worldwide - meets FRAND requirements, the customary practice in the industry is particularly relevant. If, in the relevant market, group and worldwide license agreements are usually concluded for entire portfolios of property rights, a corresponding contractual offer does not violate FRAND, unless the circumstances of the individual case make a deviation appear necessary, e.g. if a patentee is only active on a geographical market.

If this is not the case, the patentee has a legitimate interest in regulating all acts of use of a group of companies by means of a license agreement instead of having to take legal action from individual property rights or in individual countries in order to conclude a license agreement in this regard as well. In addition, the SEP holder would incur higher costs if he were forced to out-license its entire portfolio under different license agreements (for a plurality of patents and a plurality of countries). Furthermore, monitoring compliance with contracts and prosecuting infringements is often more difficult for a number of contracts. Finally, from the point of view of non-discrimination, it seems questionable to require an offer for an individual license before enforcing the injunctive relief if the patentee has otherwise only concluded portfolio license agreements with other licensees.

The fundamental FRAND admissibility of worldwide portfolio licenses must be separated from the question of the property rights contained in the offered portfolio, i.e. in particular whether all patents offered for licensing in a portfolio are actually standard essential (cf. Kühnen, loc.cit., para. E.330 et seq.). However, this is not the case here. The defendant and the intervener have not sufficiently explained and it is also not otherwise apparent that the plaintiff here inadmissibly bundles standard essential and (unused) non-standard essential patents in a portfolio policy and thus tries to enforce the licensing of patents which are not actually required by means of the assertion of standard essential patents.

cc)

The plaintiff's offer complies with FRAND requirements in terms of content.

(1)

The plaintiff's offer corresponds to an established licensing practice. The plaintiff offers the defendant and the intervener one license each on its entire AMR WB patent portfolio,



which provides for a per-unit license fee of USD 0.26 per mobile phone that implements the AMR WB standard and is manufactured or distributed in a country where a licensed patent is in force.

(a)

The plaintiff's license offers (also to the intervener) are, according to the plaintiff's unchallenged submission, based on standard license fee rates (Annex A-K62) of the plaintiff and its parent company which are available on the internet, with the license rates actually offered being slightly lower than the standard rates indicated. The latter, in turn, were based on license rates charged by Y in out-licensing the portfolio with the patent before it was transferred to the plaintiff (see Annex A-K63 for the license fees charged by Y).

The plaintiff has submitted an anonymised list of licensees (Annex A-K65) and has offered to submit the complete anonymised license agreements upon judicial reference. The list contains a total of 12 licensees, which is a comparatively high number and triggers a correspondingly strong indication of the appropriateness of the license terms. Six of the licensees are software providers, service providers and/or hardware manufacturers. According to the table, they are all to pay the standard license fees according to the plaintiff's table (Annex A-K62). These license agreements have a comparatively lower indicative effect, as it is unclear whether license fees were (also) paid for mobile phones.

The remaining six licensees are mobile phone manufacturers who pay between USD 0.20 and USD 0.40 per unit (produced mobile phone), partly in the form of a one-off payment, partly as current license fees. The companies B, I, G, D, C and E are undisputedly among the licensees of the plaintiff's patent. GG also held a license via the SIPRO pool. It does not stand in the way of this that BB (O) is now proceeding against GG on the basis of the parallel protection rights to the local plaintiff's patents, as the defendant states in the unabated statement of 4 February 2016. From this it cannot be concluded that a license did not exist in the past; rather, it seems plausible that an earlier license agreement - for example due to expiration or termination - has meanwhile been terminated.

(b)

In so far as the defendant and the intervener argue that the license agreements arose only under pressure from a cease-and-desist claim, that does not affect the outcome here.

In principle, however, the objection is admissible that a license agreement submitted as evidence of a licensing practice is not meaningful, since it in turn is only the result of an



abuse under antitrust law. Accordingly, in the case of license agreements concluded during (injunctive) legal proceedings, a certain scepticism is appropriate as to whether they actually represent the result of free license negotiations and thus serve as a model. Then again, not every license fee concluded in a contract under the threat of an injunction is necessarily abusively excessive. On the one hand, the assertion of injunctive relief may have been permissible. As the ECJ decision confirms, under certain circumstances the assertion of a cease and desist claim from a SEP is unobjectionable under antitrust law. On the other hand, cases are conceivable in which the SEP holder has exerted inadmissible pressure on the subsequent licensee through an injunction action, but the license fee agreed upon as a result is nevertheless not abusively excessive.

An excessive license fee in the license agreements mentioned cannot be justified solely by the fact that some of these license agreements were concluded shortly after the granting decision in the parallel proceedings before the Regional Court of Mannheim, where there was a pressure situation due to the omission operative part. In addition to the pressure situation, the reason for concluding the contract at this point in time may also be that a court decision has now been issued on the infringement and legal validity of the respective patent. In its letter of 9 December 2014, the intervener itself linked its willingness to negotiate in particular to such a judicial finding. Such conduct does not appear unlikely with regard to the license agreements relied on by the plaintiff. Rather, it is to be assumed that the conclusion of the contract was (co-)influenced to a certain extent by the judicial assessment of the infringement and the legal status.

Thus an abusively excessive license fee in the listed license agreements cannot be determined here without further information. On the contrary, the fact that the licensees are large companies that have sufficient financial means to defend themselves against antitrust claims speaks against influencing the license rates submitted in a manner contrary to antitrust law. It is also fundamentally questionable to what extent the threat of an injunction can (inadmissibly) influence license agreement negotiations, since inappropriate claims contrary to antitrust law could and can be countered by the Orange Book decision of the Federal Court of Justice, the Motorola decision of the EU Commission and now the ECJ decision in the E Technologies/ZTE case. Based on the above-mentioned decisions, it is clear to a patent user that he is not defenceless against a cease-and-desist action that is inadmissible under antitrust law, but can at best be forced to license under FRAND conditions.

Despite the pressure of the proceedings, the defendant did not allow itself to be persuaded to take a license either here (the intervener despite the additional pressure of the Mannheim decisions). It is not clear why this would not have been possible for the other



companies that ultimately took licenses as well. In this case, however, the agreed license fees cannot be denied as having an indicative effect. This is certainly the case where - as here - not only a single, different company, but even a significant number of other, large market participants have taken a license representing a large part of the mobile equipment market.

Consequently, it cannot be concluded that the license agreements concluded cannot be used to justify the FRAND conformity of the license agreement offered here. Moreover, the defendant and the intervener do not specifically state what license rates would have resulted from free license negotiations and to what extent the license conditions concluded by the plaintiff with other undertakings and offered to them deviate from those.

(c)

In addition, according to the plaintiff's submission, at least for B in the USA, there was no threat from the outset of an injunction title because of the eBay case law, but only claims for damages. A lawsuit in Germany was also not pending. The intervener countered this only by arguing that proceedings in the USA, even without a threatened injunction, entail a considerable risk. However, the risk of claims for damages (possibly high in the USA) must be accepted under antitrust law (see para. 72 - 76 ECJ decision) and ultimately does not call into question the appropriateness of the license agreement with B.

(d)

However, in so far as the plaintiff submits that there was no threat of injunctive relief in the case of license agreements concluded by Y, this is not sufficiently concrete. There is no indication as to which or how many license agreements this statement should apply to.

(e)

The defendant's objection that the license fees demanded were far above the license rates customary in the industry cannot be accepted. The defendant's reference to allegedly excessive license fees is too general. The defendant does not state which license rates are customary in the industry. It should be noted that not every deviation from the customary practice in the industry indicates an abuse. When comparing the license fees, the technology to be licensed must always be taken into account. Against that background, the defendant and the intervener have not put forward sufficient facts which would allow



the expert evidence offered to be gathered for the fact that 'the amount of USD 0,26 per mobile telephone requested by the plaintiff cannot be regarded as 'FRAND''.

(2)

The patent in suit and other property rights included in the plaintiff's portfolio were part of a W-CDMA patent pool managed by CC (hereinafter referred to as the SIPRO pool (license)). The comparison with the SIPRO pool does not argue against the fact that the plaintiff demands unreasonably high license fees.

(a)

The comparison with a pool license can be used as an indication of FRAND compliance, but its validity is limited. Licensing through a larger pool of multiple companies' property rights will regularly pay lower license fees per patent than licensing the portfolio of only one company and a lower total number of property rights. An additional property right in a pool license does not lead to a proportional increase in the license fees, but rather to a significant degeneration of the license fees in the case of patents additionally included in the pool. Therefore, it is not a compelling indication of the inadequacy of the license fees required if lower license fees are paid for the same patent in a larger license pool than in a license pool with a lower total number of property rights.

(b)

The intervener has submitted that the SIPRO pool currently contains 361 patent families which have been declared essential to the AMR-WB standard. This would result in an amount of USD 0.0054 per patent (based on the maximum required license rate of USD 2.00 per device), which would be significantly lower than the amount claimed by the plaintiff (in particular, the license fee now demanded per patent would be 18 times higher). In this respect, the intervener assumes the maximum standard license rates to be USD 0.60 overall (= USD 0.10 per patent); however, it is undisputed that the plaintiff's actual offer is USD 0.26 overall, which is a smaller increase compared with the intervener's calculation.

The plaintiff, in contrast, has unopposedly argued that only two other patent families from this pool, which are not included in the current portfolio offer, have been classified as essential for the AMR-WB standard. The license fees for the SIPRO pool were also incurred for all mobile phones, irrespective of any actual implementation of the AMR WB standard. Ultimately, Y received USD 0.25 for each AMR-WB-enabled mobile phone in 2013. The defendant and the intervener did not argue sufficiently against this.



The fact that Y received USD 0.25 via the SIPRO pool for the licensing of the plaintiff's patent and the other license patents speaks clearly for the appropriateness of the USD 0.26 now required. However, it should be noted that the SIPRO pool license fee, calculated per standard-compliant mobile phone, decreases with the increasing dissemination of the AMR WB standard. With today's distribution, the SIPRO pool will therefore pay a license fee for the property rights offered which is below the value of USD 0.25 for 2013. Then again, market conditions in the past may also have been a reason why a lower license fee was initially required in order to promote the dissemination of the standard.

Overall, the comparison with the SIPRO pool cannot support an inappropriateness of the license fee claimed by the plaintiff. On the contrary, this pool license is more likely to be an indication of appropriateness.

(c)

In its offers to the defendant and the intervener, the plaintiff always offers a globally valid portfolio policy. There are no objections to this.

The defendant and the intervener raise no objections to the bundling of the AMR-WB standard relevant patents in a portfolio policy; rather, the counter offers submitted by the intervener also include the plaintiff's entire German portfolio.

However, the intervener's objections to a worldwide license are unfounded. As noted above, it may in principle be permissible to offer a worldwide license. According to the Chamber's experience, worldwide license agreements are generally concluded in the mobile communications industry, each of which comprises an entire group and an entire portfolio of property rights. This is confirmed by the plaintiff's submission that 53 out of 55 license agreements in the electronics and mobile communications sectors, according to press releases, apply worldwide.

The same can also be said for the specific patent in suit, since the remaining license agreements concluded by the plaintiff concerning the patent in suit and its portfolio also apply worldwide.

It is not apparent that the intervener is faced with particular features which make it necessary to depart from that established practice. On the contrary, the intervener is indisputably active worldwide and concludes at least regularly worldwide license agreements. For example, the intervener has concluded license agreements with five of the plaintiff's sister companies, each of which applies worldwide. This is confirmed by the press releases regarding the intervener submitted by the plaintiff in Annex A-K66, which



also state, or at least allow for the conclusion, that the license agreements are valid worldwide. The intervener has not put forward sufficient evidence to the contrary. On the contrary, in its letter of 09 December 2014 to the plaintiff (Annex A-K55) she asked for negotiations on "the patents in suit and/or the BB patent portfolio as a whole".

Furthermore, the plaintiff has argued that she holds parallel protection rights in all major jurisdictions, as shown by "Appendix B" to Annex A-K57. The intervener did not argue against this sufficiently. This also makes a worldwide license appear FRAND-compliant. According to the plaintiff's offer, the license fees would be payable only for mobile telephones manufactured or distributed in a country in which a patent from the licensed portfolio is in force. To that extent, no license fees will be charged without consideration, which the intervener and the defendants have not claimed so far.

In so far as the intervener points out that the parallel property rights in the portfolio offered by the plaintiff do not belong to the plaintiff, that does not apply. The plaintiff offers group license agreements whereas the property rights belong to companies associated with her. Such group license agreements are customary in the industry and therefore FRAND. Although the plaintiff can only enforce the patent in suit in the present proceedings, it may in principle also demand the licensing of the foreign property rights from her portfolio. The ECJ wants to achieve by its guidelines that SEP holders and patent users conclude a license agreement like in free negotiations, since such an agreement is regularly FRAND. This would be contradicted if the SEP holder were ultimately forced to offer a license agreement for only one country, contrary to the above-mentioned industry practice of globally valid licenses. Also, the intervener does not rely on factual grounds, but only on civil procedural grounds, in support of a license limited to Germany. However, the effect of the plaintiff's patent only in Germany must be separated from the appropriateness of a worldwide license.

dd)

According to the ECJ decision, the plaintiff must also indicate the method of calculation of the license fees claimed by him in FRAND offer.

(1)

First of all, this includes information which makes it possible to determine the license fee to be paid - for example, a (unit) license rate and the determination for which product in which situation (manufacture/marketing) it is to be paid.



It is disputed whether further information must be provided (implicitly denying, Regional Court Mannheim, decision of 27 November 2015 - 2 O 106/14 – para. 225). This additional information could in particular explain why the license offer meets FRAND conditions, which can also be done by a separate document provided at the same time (Kühnen, loc. cit., para. E.288).

Even if further information is requested from the patentee, the Chamber is of the opinion that the information requirements must not be too strict. The SEP holder does not have to provide a mathematical derivation of the license fees he demands, in particular as there is usually no single license fee that is FRAND alone, but a range of license fees will be fair, reasonable and non-discriminatory. Moreover, it is not apparent to the Chamber that such derivations are customary in "free license negotiations", which are the guiding principle of the ECJ. Accordingly, even in the case of a stricter interpretation of "method of calculation", it must be sufficient for the SEP holder to state the essential considerations from which the FRAND conformity of the required license fee results.

(2)

Accordingly, the plaintiff has provided sufficient information. She has referred to standard license rates and their market acceptance. As seen, it can be concluded from this that the offered conditions are FRAND. In the course of the proceedings, she also presented her comments on the SIPRO pool license, which enables the required license fees to be classified further. The fact that in some cases this only took place during the trial seems harmless, at least here, in view of the course of the negotiations and the, at best hesitantly declared, willingness to license.

f)

Contrary to her obligations (para. 66 ECJ decision), the defendant did not respond to the plaintiff's FRAND-compliant offer within a short period of time with a concrete counter offer, which was also FRAND-compliant.

aa)

If a patent user does not accept an (FRAND-compliant) offer from the plaintiff, he must make a FRAND counter offer within a short period of time. If the patent user fails to make a complete counter offer, the injunctive relief claim arising from the patent in suit can be enforced against him. In order to be able to invoke the FRAND objection, the patent user must be willing to license and participate in a speedy licensing process.



In the context of the counter offer, the patent user may reserve the right to review the standard essence and the legal status of the SEP (para. 69 ECJ decision). However, this does not mean that the conclusion of the contract itself may be delayed until the standard essentiality and legal status (e.g. by a court) have been clarified. Rather, an unconditional conclusion of the contract is required, whereby the SEP holder may not reject or terminate the contract if, for example, the patent user/licensee sues for a declaration of non-infringement or files a nullity action. Despite such a procedure, the patent user is obliged to pay the license fee. The patent user is also not entitled to claim restitution reservations, as such are not common in license agreements (Kühnen, loc. cit., para. E.299).

bb)

The defendant violated her antitrust obligations under the ECJ decision. It is undisputed that she did neither submit a concrete counter offer. Nor did the defendant sufficiently argue that the plaintiff had waived such a counter offer. In so far as she claims that the plaintiff has expressed such a renunciation through her conduct, she has not sufficiently substantiated that fact. The statement that the patent rights would be considered exhausted if the manufacturers were licensed, so that the defendant's license would ultimately no longer be required, cannot be seen as a waiver of a counter offer. Against the background of the legal consequences of a waiver, it can be assumed that such a waiver would have been expressly declared and that the other party (in this case the defendant) has this, for its own security, confirmed in writing. Furthermore, it is not clear why the plaintiff should waive a counter offer from the defendant and give away part of her rights respectively possibilities of assertion. Economic reasons for such a waiver are not discernible. This is particularly true as the defendant also sells mobile phones under her own name and acts as a manufacturer.

cc)

Since there is no FRAND-compliant counter offer from the defendant, it is not necessary to decide whether the antitrust compulsory license objection can be successfully raised if the plaintiff has made an FRAND-compliant offer to license the SEP in question. If this is the case, it could be argued that there is no longer room for abuse of a dominant market position and that the SEP holder is already fulfilling her antitrust obligations by offering FRAND-compliant licensing. According to paragraph 54 of the ECJ decision, "under Art. 102 TFEU, the patentee is only obliged to grant a license under FRAND conditions". It is therefore questionable whether there is an obligation to negotiate within a range of possible FRAND license conditions with the patent user. Then again, in the operative part of the decision and para. 65, the ECJ apparently assumes the possibility of a counter offer



after the SEP holder has initially made an (FRAND) offer (Kühnen, loc. cit., para. E.304). Ultimately, however, this question can remain open here, as already mentioned.

dd)

Since the plaintiff has made an offer in accordance with FRAND, the problem associated with the question above can also remain open as to whether (and if so how) a defendant must react to an offer by the SEP holder for which it cannot be positively determined that it complies with FRAND requirements (for a reaction obligation only in the case of an offer in accordance with FRAND: Higher Regional Court Düsseldorf, decision of 13 January 2016 - I-15 U 65/15 – para. 23 Juris; Kühnen, loc.cit, para. E.298 and E.304; different opinion Regional Court Mannheim, decision of 27 November 2015 - 2 O 106/14 – para. 221 et seq. juris (formally complete offer of SEP holder is sufficient); Regional Court Mannheim, decision of 29 January 2016 - 7 O 66/15 - p. 27 (SEP offer may not manifestly violate FRAND only in summary review); also for a summary review only: Müller/Henke, Mitt. 2016, 62, 65).

g)

In addition to the counter offer of the patent user, the ECJ also requires that the user "provides adequate security from the time his counter offer is rejected" and submits a statement of at least "the number of past acts of use in relation to the SEP" (para. 67 ECJ decision; for the precise requirements in this respect, see below in the discussion of the intervener's security).

The defendant has not made a counter offer which the plaintiff could have rejected. The fact that the defendant did not submit a statement of account and provided security underlines that she cannot invoke the objection of compulsory licensing under antitrust law.

4.

The intervener's objection to compulsory licensing under antitrust law does not take effect. In any event, an objection by the intervener under antitrust law to a license would have no effect on the embodiments attacked and marketed by the defendant under its trade mark 'HH'.

a)

In principle, a successfully raised antitrust license objection by the intervener for the attacked embodiments owned by her could prevent the enforcement of the injunction



title. If the plaintiff does not fulfil its antitrust obligations towards the intervener as producer and supplier of a part of the attacked embodiments with regard to the patent in suit, these embodiments cannot be attacked with a claim for injunctive relief (same result: Regional Court Mannheim, decision of 27 November 2015 - 2 O 106/14 - para. 210 et seq, according to which the intervener's objection must also be examined; Higher Regional Court Karlsruhe, GRUR-RR 2015, 326, 329 [18] - FRAND objection raised by the trader when the manufacturer is prepared to grant a license - Mobiltelefone).

The protection against an injunctive relief on the basis of a successfully raised antitrust compulsory license objection is generally maintained at downstream distribution stages as long as the respective supplier/manufacturer can continue to invoke the compulsory license objection. The SEP holder would behave in an abusive manner if, despite the supplier's successfully raised compulsory license objection, he asserted a claim for injunctive relief with regard to forms of execution originating from this supplier. This would enable him to circumvent its antitrust obligations and ultimately give him the possibility of severely hindering the supplier's market access (cf. Kühnen, loc. cit., para. E.247 for patents without FRAND declaration).

The sale of the patent-compliant embodiment forms continues to be unjustified even if the supplier can invoke the compulsory license objection. In this respect, unlike in the case of licensing, no exhaustion can occur in the embodiment forms put on the market by the supplier, since these embodiment forms are not put on the market with the consent of the patentee. However, the supplier is protected against claims by the SEP holder for injunctive relief, destruction and recall due to the compulsory license objection. It would not be compatible with the antitrust objective of free competition if a supplier could successfully invoke the compulsory license objection, but is nevertheless de facto prevented from distributing the patent-compliant products, since potential customers must fear that the SEP owner will be sued for an injunction. It is obvious that a network operator, for example, will refrain from purchasing products from a supplier that it may not be able to continue to sell because he has to fear an injunction by the SEP holder. In order for the antitrust compulsory license objection to be effective, subsequent distribution stages must also be able to rely on the objection of the producer or upstream supplier.

b)

The requirements of the European Court of Justice apply only indirectly with regard to a supplier of attacked embodiment forms who has not been sued.



aa)

The antitrust restrictions with regard to a SEP apply to all market participants, so that every interested party has a right to a FRAND license. When examining whether a third party (supplier/manufacturer), that is not sued, can invoke the antitrust compulsory license objection, the conditions laid down by the ECJ for the enforcement of the injunctive relief cannot, however, be applied directly to every market participant. According to the ECJ decision, these requirements for the SEP holder only apply to the specific patent user against whom an injunction is to be sought (whereby a group-wide perspective may be appropriate, cf. Chamber, decision of 03 November 2015 - 4a O 144/14 – para. 143 juris). These duties to act do not apply directly to third parties not affiliated with the group who may also use the SEP but are not sued, in particular with regard to infringement notifications prior to judicial assertion.

This also applies where the third party - as in the present case the intervener - is a supplier of the attacked embodiments in question. The supplier is at least indirectly affected by a cease-and-desist action, since the sued patent user may no longer demand the attacked embodiments from the supplier or may make recourse claims. Nevertheless, an injunctive relief is only effective between the parties to the infringement litigation. Since there is no room for a conviction to omit concerning the supplier, the relevant antitrust requirements do not apply directly to the supplier.

bb)

Of course, this does not mean that the requirements of the European Court of Justice cannot be taken into account. However, for practical reasons alone, the patentee does not have to notify the suppliers of any infringement (in this sense also the Mannheim Regional Court, decision of 27 November 2015 - 2 O 106/14 – para. 211 Juris). However, if a third party / supplier indicates to the patentee that he wishes to take a license from the SEP, the patentee must make him a FRAND license agreement offer without delay. This marks the beginning of the procedure envisaged by the ECJ, whereby there are various special features and deviations in comparison to the relationship between SEP holder and sued patent user.

c)

At least in the present case an injury report is not (any longer) necessary. This would be a pointless formality, since the intervener was undisputedly informed in August 2014 that the action had been brought. No information was required from the plaintiff herself. To the extent that the intervener, in support of her argument to the contrary, refers to para.



55 / 61 of the ECJ decision, this does not take effect. On the one hand, the ECJ does not require "personal" fulfilment of the antitrust obligations at the aforementioned points; on the other hand, the ECJ only deals with the relationship between the patentee and the patent user to be sued. However, the intervener is not sued herself.

d)

Ultimately, it remains to be seen whether the intervener has effectively declared her willingness to license. In any event, her objection under antitrust law to compulsory licensing fails because she did not make a sufficient counter offer to the plaintiff's FRAND-compliant offer. In addition, it should be noted that the letter of 9 December 2014 (Annex A-K55) does not constitute an effective declaration of willingness to license, since the intervener merely announced in it that she intended to conclude a FRAND license agreement following a judicial finding of infringement. This is not sufficient as it contains conditions.

e)

The plaintiff made an offer to the intervener to license the patent in accordance with FRAND. The license conditions provided here are FRAND. In support of her claims, the plaintiff first refers to the discussion of the defendant's FRAND objection.

aa)

By letter dated 12 January 2015, the plaintiff sent a draft contract to the intervener in the run-up to a meeting on 23 January 2015. On 26 January 2015, on the basis of that discussion, the plaintiff sent a slightly modified draft to the intervener. The license offered was the subject of negotiations between the plaintiff and the intervener on 23 January 2015 and 9 February 2015, in which the plaintiff explained the contractual offer.

bb)

The plaintiff submitted a further contractual offer (Annex A-K57) to the intervener on 25 March 2015. The plaintiff has argued, unopposed, that the one-off payment contained in the draft agreement of 25 March 2015 is based on a request by the intervener and is based on the expected sales figures and the standard license fee rates. The intervener does not put forward any argument against that.



(1)

That offer provides for a license fee fixed by the plaintiff, with the option that the amount of that license fee may be reviewed by the Regional Court Mannheim on request of the intervener (cf. Article 4.1/4.2 of the draft contract) in accordance with Section 315 (3) German Civil Code (BGB).

In addition to the considerations from which the FRAND conformity of the plaintiff's offer to the defendant results (see above), the possibility of a judicial review of the fixed license fees leads to the fact that it is an offer with which the plaintiff sufficiently fulfils its antitrust obligations in this case. The possibility of a review is capable of preventing abusive license fees and, from the point of view of the Chamber, represents a fundamentally noteworthy way of submitting an offer in accordance with FRAND, provided that the fixing of the license fees already takes place with the submission of the offer. The ECJ requires "a concrete written license offer under FRAND conditions", whereby "in particular the license fee and the manner in which it is calculated" must be indicated (para. 63 ECJ decision). Such an offer does not exist if it only provides that the SEP holder can determine the license fee in accordance with FRAND. If, however, a concrete offer has been made in accordance with these specifications, since the license fee has already been fixed, the provision of a judicial review of the license amount is not harmful.

(2)

Such an offer has the advantage for the patentee that he is very likely to make an offer in accordance with FRAND and thus fulfils his antitrust obligations. If the patent user does not fulfil his obligations under the ECJ decision regarding such an offer, the SEP holder may bring an injunction and be reasonably certain that his action will not be dismissed by the court on the ground that he did not submit a FRAND offer. The infringement proceedings are thus relieved of the burden of determining in detail which license fee is FRAND, which makes it possible to quickly enforce the injunctive relief against an unlicensed patent user (Müller/Henke, Mitt. 2016, 62, 65; see also Regional Court Mannheim, decision of 29 January 2016 - 7 O 66/15 – p. 23). The Federal Supreme Court also regarded in its Orange-Book-Standard decision Sec. 315 BGB as a possibility to relieve the patent infringement process of the difficult determination of the license amount appropriate under antitrust law (Federal Supreme Court, GRUR 2009, 694, 697 para. 39 - Orange Book standard).

In its decision of 16 July 2015, the ECJ addresses the possibility of having the license conditions determined by a third party "if no agreement on the details of the FRAND



conditions was reached after the counter offer of the alleged infringer" (para. 68 ECJ decision). Thus, according to the ECJ concept, it must be even more permissible for the SEP holder's offer to include the possibility of having the required license fees verified by an independent third party.

(3)

Otherwise, the possibility of a judicial review of the fixed license fees offers the patent user an advantageous protection against abusively excessive claims of the SEP holder. If such a review possibility is foreseen, a license agreement offer may be abusive only in exceptional cases, namely when the fixed fees are manifestly excessive.

If the plaintiff imposes unreasonably excessive license fees, the intervener may appeal to the courts. If the fixed fees are not FRAND, the performance provision shall be provisionally effective and binding for the plaintiff until otherwise determined by a court, but not binding for the patent user (Würdinger in MüKo BGB, 7th edition 2016, Sec. 315 para. 44; Palandt/Grüneberg, 74th edition 2015, Sec. 315 para. 16). An offer of a license agreement which provides for a review pursuant to Section 315 (3) BGB gives the intervener, on the one hand, the protection against the plaintiff's patent claims associated with the licensing and, on the other hand, the additional possibility of challenging the amount of the license fees in court and ultimately reclaiming excessive license fees pursuant to Sec. 812 (1) s. 1 BGB (see Palandt/Grüneberg, 74. Aufl. 2015, Sec. 315 para. 16). The fact that there is a risk of insolvency is not sufficient to call into question the fact that the possibility of reviewing the outcome is advantageous for the intervener. Ultimately, granting the possibility of judicial review prevents the patent user from having to pay excessive license fees.

(4)

If the intervener takes the view that Sec. 315 (3) BGB does not correspond to FRAND, since the plaintiff is thus in a position to fix maximum license conditions, that cannot in any event be accepted in the present case. At least in the event of a dispute, there is no uncertainty as to the amount at which the SEP holder will fix license fees, as the plaintiff has at the same time made the necessary determination with the offer as the contract offer in Sec. 4.1 provides for a specifically quantified one-time payment as a license fee. In any case, the offer does not have to be accepted before a determination has been made, since in this respect there is no "concrete offer" within the meaning of the ECJ.

An excessive fixing cannot be established in this respect; on the contrary, the fixed license fees on the basis of which the one-off payment offered was calculated correspond to FRAND criteria (see above).



f)

Irrespective of the question whether there is still room for a counter offer in the case of a FRAND-compliant license agreement offer by the patentee - as here the plaintiff - the intervener cannot in any event successfully invoke the objection of compulsory licensing under antitrust law because she has not complied with her obligations under the ECJ decision.

aa)

The intervener's proposals of 23 February 2015 (Annex A-K67) and 02 April 2015 (Annex A-K68) are insufficient in content. In this respect, it remains to be seen whether these were submitted in time.

(1)

On the one hand, these counter offers did not provide for a specific license rate, so that the license fee is ultimately neither determined nor determinable from the contract offer. However, the ECJ requires the patent user to submit a "concrete counter offer" (para. 66 ECJ decision), which implies a license fee defined in the contract or at least determined in due time and excludes proposals where the license fee is to be determined only by a third party. Such a contract embodiment puts the SEP holder at a disadvantage, which is why he is not obliged by antitrust law to accept such an offer: If the SEP holder accepts the offer containing a third party determination clause, he cannot enforce his injunctive relief until a provision has been made. In the case of a third party provision, the patent user may be able to prolong the procedure.

The possibility of third party determination mentioned by the ECJ, in contrast, only exists after rejection of the counter offer (which forces the patent user to provide security, para. 67 ECJ decision) and in agreement between the parties (para. 68 ECJ decision). The third party provision cannot therefore be brought forward in the counter offer. The possibility discussed above of granting a judicial review of the offer in accordance with Sec. 315 (3) BGB also does not allow the conclusion that a third party provision in the counter offer is admissible. In the case of Sec. 315 BGB, the license fee is determined by one of the parties and not by a third party. In addition, the determination must already have been made in order to be able to present a concrete FRAND offer, as the ECJ demands.

(2)

As stated during the discussion of the plaintiff's offer, a worldwide portfolio license agreement, as requested by the plaintiff, is FRAND. In contrast, the intervener's offers of



license agreements are limited to Germany. At least against the background of the offer (which in this respect may indicate the scope of the licensing) and the licensing practice of both the plaintiff and the intervener, the plaintiff does not have to accept such a territorial limitation. It seems abusive if the intervener wishes to conclude a license agreement only for Germany - which would enable her to terminate the proceedings here – while in other countries, including those of the EPC, where other national parts of the patent in suit are in force, it continues the unauthorised use of the action patent.

bb)

On 24 September 2015 (Annex HL(Kart)22a), the intervener submitted a further counter offer which only covers the property rights in force in Germany and which, in an alternative, provides for a specific license fee of USD 0.033 per device (for all six patents), so that, in contrast to the previous offers, a "concrete" counter offer within the meaning of para. 66 of the ECJ decision is available (this was not the case in March 2014, when the intervener proposed such a license fee but did not specifically offer it). However, this counter offer is not FRAND.

(1)

The offer of 24 September 2015 is already delayed. In order to be able to invoke the objection under antitrust law, the patent user must make the counter offer "within a short period" (para. 66 ECJ decision) after rejection of the plaintiff's offer. This is clearly not the case here, in particular since the offer was submitted only after the oral hearing in the Mannheim parallel proceedings. Due to the course of the contract negotiations, in which various offers have already been submitted by both parties, a offer at this stage appears to be an expression of delaying tactics.

(2)

In addition, this counter offer is not FRAND in terms of content either, as it is limited to the territory of Germany, as are the offers dated 23 February 2015 and 2 April 2015. As stated above, such a territorial restriction is not permitted here.

In addition, the offered license rate of USD 0.033 per device appears to be too low. The intervener justifies that license rate with a comparison with the SIPRO pool, for which she calculates a license fee of USD 0.0055 per patent family, which for six patents results in the license rate offered of USD 0.033 (see the explanations in Annex HL(Kart)22). As shown above, the license rate in the SIPRO pool cannot be transferred to the portfolio at issue. Rather, an increase compared to the SIPRO pool seems appropriate. In addition, a license



limited to Germany would - in contrast to the worldwide SIPRO pool license - force the plaintiff to conclude further license agreements, which would entail additional costs. Regarding a license limited to Germany, from the outset, higher license rates will meet FRAND specifications. Finally, the license fee of USD 0.033 per device on which the counter offer of 24 September 2015 (Annex HL(Kart)22a) is based is clearly below the plaintiff's standard license fee rates accepted on the market. In this respect, the acceptance of the offer would not be non-discrimintory.

g)

Furthermore, the intervener cannot rely on the objection of compulsory licensing under antitrust law, since it has not sufficiently complied with her obligations under para. 67 of the ECJ decision in regard of settlement of accounts and provision of security.

aa)

In addition to the obligation to make a counter offer in accordance with FRAND, the ECJ decision (para. 67) states that "from the time when his counter offer is rejected, the patent user must provide adequate security in accordance with accepted business practice in the relevant field, e.g. by providing a bank guarantee or by depositing the necessary amounts". The calculation of this security shall include, inter alia, the number of past acts of use in relation to the SEP for which the alleged infringer must be able to provide a statement of account."

The obligation to provide security and settle accounts for (past) acts of use must therefore take place in accordance with the ECJ's requirements from the time of the rejection of the counter offer. A relevant delay in accounting and the provision of security therefore stands in the way of the assertion of the antitrust compulsory license objection. Without security, the patentee is exposed to the risk of insolvency of the patent user, who makes use of the protected teaching without justification. The timing of the settlement and the provision of security was accordingly clearly specified by the ECJ. This fits into the concept of the ECJ, in which the patent user endeavours or must strive for rapid licensing. Accordingly, in its decision of 16 July 2015 the ECJ also expressly demands that the infringer "does not pursue delay tactics" when responding to the patentee's offer and that a counter offer be made "within a short period" (para. 65/66 ECJ decision). It is the responsibility of the patent user to prepare the billing and the security deposit when preparing his counter offer. This does not constitute an unreasonable demand on the alleged patent infringer, as the counter offer must always be expected to be rejected. In addition, a settlement must also be made if the counter offer is accepted by the patentee.



The fact that further counter offers are made does not release the alleged infringer from the obligation to settle and provide security to the patentee from the time of the rejection of the first counter offer, too.

It is true that the alleged infringer is in general free to modify his counter offer after its rejection by the patentee in order to reach an agreement. However, the obligation to provide security and settlement of the accounts already exists if the first counter offer was rejected. Otherwise, the patent user could delay the fulfilment of his obligations more and more by constantly making new offers. However, this would be contrary to the model of the patent user who is willing to license and on which the ECJ bases its decision (Chamber, decision of 03 November 2015 - 4a O 144/14 – para. 156 juris).

bb)

The intervener's first two counter offers, see Annexes A-K67 and A-K68, provided for the possibility of requesting a security to be lodged with an arbitration board or an English court which would decide on the amount of the license fee. This is not a sufficient guarantee, as the time is in the future and also depends on the discretion of the arbitration board or the court. Moreover, this does not correspond to "the business practices recognised in the sector concerned" (para. 67 ECJ decision).

cc)

On 03 September 2015, the intervener submitted a payment guarantee from a bank, which was amended on 10 November 2015 (Annexes HL(Kart)24 / 24a). This is delayed, as it was only made significantly after the second counter offer, and is also insufficient in terms of content.

(1)

The plaintiff rejected the intervener's counter offers of 23 February 2015 and 02 April 2015. The intervener was aware, at the latest when the ECJ decision was delivered, that it had to provide security in order to be able to raise the compulsory license objection (which was also the case according to the earlier Orange Book case law).

The resulting delay of several months regarding the provision of the security must no longer be regarded as 'from that moment', at least in the present individual case. The ECJ has not provided for a remedy with the consequence that the intervener can invoke the compulsory license objection again. Although the SEP holder remains under an ongoing obligation to license the SEP on FRAND terms, he may nevertheless enforce the injunctive relief until the FRAND license agreement has been concluded.



(2)

In addition, the level of the payment guarantee is insufficiently low. The fact that only mobile telephones sold in Germany are used to calculate the security deposit already speaks against this. Although this corresponds to the intervener's counter offer, it is nevertheless not FRAND here, since the plaintiff is entitled to demand a worldwide license.

5.

In the present case, it is not contrary to antitrust law that the plaintiff - as in the Mannheim parallel proceedings - is suing a network operator as buyer and reseller of the mobile telephones attacked, although it may ultimately seek to conclude license agreements with the manufacturers of the attacked embodiment.

A patentee is always able to choose the distribution level at which he enforces his property right (Federal Supreme Court, GRUR 2009, 856, 862 [61] - Tripp- Trapp-Stuhl; Higher Regional Court Karlsruhe, GRUR-RR 2015, 326, 329 [18] - FRAND objection of the dealer when the manufacturer is willing to license - Mobiltelefone). This is because both, the manufacturers and the network operators, as sellers of the challenged embodiments to the end customers, carry out actions which are reserved to the patentee under Sec. 9 et seq. PatG. The right of the patentee to decide for himself which infringer to take action against is in principle not restricted by antitrust law in a SEP (something else may apply in the case of selective enforcement, cf. Kühnen, loc. cit., para. E.219).

The Chamber does not disregard the fact that the action against the network operators puts the manufacturers, as their suppliers, under pressure to conclude license agreements with the plaintiff in order not to jeopardise customer relations with the network operators. The latter are used as levers to a certain extent, which strengthens the possibility of restricting competition through the market power given by the SEP (cf. Higher Regional Court Karlsruhe, GRUR-RR 2015, 326, 329 [18] - FRAND objection of the dealer when the manufacturer is willing to license - Mobiltelefone). However, this is largely compensated for by the fact that the plaintiff is also obliged to behave in accordance with antitrust law vis-à-vis the manufacturers and that they are therefore also entitled to a FRAND license for the plaintiff's patent. If the SEP holder nevertheless refuses to license, the manufacturer is entitled to a compulsory license objection under antitrust law with protective effect also for the subsequent distribution stages (e.g. network operators, intermediaries, end customers, etc.), as explained in more detail above.



In this regard, there is a balance: the plaintiff can choose against whom she asserts her patent claims; the defendant and the intervener can decide at which distribution stage they take a license or raise the antitrust compulsory license objection.

Moreover, the action against the defendant was not objectionable under antitrust law for the simple reason that the defendant distributes attacked embodiments under her own trade mark HH and that she acts in the same way as a manufacturer in this respect.

6.

The FRAND objection does not apply on the basis of a plaintiff's discriminatory licensing practice, as well. The same conditions apply to the question of whether discriminatory licensing practice exists within the framework of the examination of an independent abuse of discrimination as apply to the examination of non-discriminatory licensing within the framework of exploitative abuse (Kühnen, loc. cit. para. E.281). The defendant bears the burden of presentation and proof for a discriminatory licensing practice of the plaintiff. She has not sufficiently shown that the plaintiff's licensing practice discriminates against the defendant and/or her intervener in relation to other companies. The SIPRO pool, which contains the patents, comprises a large number of other property rights and is not administered by the plaintiff, so that no discriminatory licensing practice can be established here. It is also not apparent that the plaintiff has any decisive influence on that pool.

7.

Suspension of the proceedings under Article 16 (1) s. 3 of Regulation (EC) No 1/2003 is not necessary since it is not clear whether and, if so, which decision the Commission intends to take.

A referral to the ECJ is not required either, since most of the questions have been clarified by the decision E Technologies/ZTE ("the ECJ decision") and the questions still open are ultimately not relevant to the decision.

[..]



KATHER · AUGENSTEIN
RECHTSANWÄLTE

Kather Augenstein Rechtsanwälte

Bahnstraße 16

40212 Düsseldorf

P: +49 211 5135360

E-Mail: augenstein@katheraugenstein.com / info@katheraugenstein.com