



Regional Court Mannheim

7 O 165/16

Decision of 28 September 2018

[...]

### Facts

The plaintiff (now again) claims injunctive relief, information, rendering account, destruction and recall against the defendant for alleged patent infringement. The action is based on the German part of the European patent EP [...], which concerns tax signaling in a communication system comprising a base station and a terminal equipment.

[...]

The defendant is the German distribution subsidiary of [...] which manufactures and distributes mobile telephones worldwide. The defendant advertises these mobile phone devices in the Federal Republic of Germany, for example, on its German-language Facebook profile. This includes mobile phone devices marketed by the defendant as being compatible with the Long Term Evolution (LTE) standard; such as the [...] and [...] models. The plaintiff considers this to be an infringement of Claim 9 of the patent in suit.

[...]

Since the plaintiff first contacted the defendant on 15 December 2014, the plaintiff has been conducting discussions with the defendant's parent company, [...] (hereinafter referred to as "the defendant's parent company"), about licensing the plaintiff's patent portfolio, which also includes the patent in suit. By letters of 3 August 2015 and 29 February 2016 (Annex HE-A 11 / HE-A 11a), the plaintiff submitted a license offer to the defendant's parent company. The defendant's parent company made a counteroffer on 3 September 2015. On 2 March 2016, a meeting took place between the representatives of the defendant's parent company and the plaintiff to discuss the parties' calculation methods. On 8 April 2016, the defendant's parent company made a further offer (Annex HL (AS) Kart 2). Another meeting took place on 27 May 2016. By letter dated 12 August 2016, the plaintiff rejected the counteroffer of the defendant's parent company dated 8 April 2016 as being



undercharging. On 7 September 2016, the defendant's parent company sent a reply to the plaintiff. On 27 September 2016, the plaintiff brought the present action, seeking information, rendering account and a verification of the liability for damages by the court. At a meeting on 14 December 2016, the defendant's parent company made a further license offer to the plaintiff. By written submission dated 30 January 2017, the plaintiff extended the action to include injunctive relief, destruction and recall for the infringement of the patent in suit. The plaintiff withdrew the requests, announced with the extension of the action, with the replica dated 27 March 2017. By letter dated 21 April 2017, the plaintiff submitted a further license offer to the defendant's parent company. On 16 February 2018, the plaintiff submitted another license offer to the defendant's parent company (Annex QE-A 8). By written submission dated 23 February 2018, this was brought to the attention of the Chamber. After the defendant's parent company had signed a non-disclosure agreement (NDA) as requested by the plaintiff, the plaintiff, by letter dated 11 April 2018, provided the defendant's parent company with license agreements on the [...] patent portfolio concluded with third parties and set a one-week deadline for acceptance of the license offer until 18 April 2018. By letter dated 18 April 2018 (Annex QE-A 12), the defendant's parent company informed the plaintiff, that it was not able to analyze the third party licensing agreements until 18 April 2018, as an external expert had to be called in. The company told, it would contact the plaintiff as soon as the expert's opinion would be available. By letter dated 24 April 2018 (Annex QU-A 13), the plaintiff requested the defendant's parent company to react to the license offer by 7 May 2018. By letter of 2 May 2018 (Annex QU-A 14), the defendant's parent company addressed the plaintiff and stated that it would reply to the plaintiff as soon as the review was completed. By written submission of 15 May 2018, the plaintiff extended the action to include injunctive relief, destruction and recall. The defendant, who had received the extension by e-mail in advance, was served with the extension on 22 May 2018. At the defendant's request for an extension of the deadline until 29 June 2018, the deadline set for replying to the extension of the deadline was extended until 27 June 2018. A counteroffer made by the defendant on 25 June 2018 was rejected by the plaintiff.

The plaintiff claims that it acquired the patent from [...] and that [...] assigned all originated claims to the plaintiff, prior to the transfer of the patent. It claims that the standard-compliant mobile terminal devices make use of the teaching of patent claim 9 literally. Further, the plaintiff does not know when the former patentee first announced the patent to ETSI. Should this actually only have taken place on 25 October 2010, there would be no fraudulent intention. The Plaintiff pleads ignorance that if the ETSI had been aware of the patent application, it – with high presumption – would have included an alternative solution in the standard.



[...]

The defendant submits:

[...]

The plaintiff's patent is not enforceable for antitrust reasons, as its inclusion in the asserted standard TS 136.213 (Annex HE-A 5) was based on a so-called "patent Ambush". The patent applicant X violated her duty of disclosure. She first informed ETSI by declaration of 25 October 2010 (Annex HL (A) 6) that the patent was standard essential. The lack of timely disclosure of the patent to ETSI is no individual case. In each of the proceedings within the currently ongoing complex of disputes between the parties before the Chamber - in addition to this proceeding also proceedings 7 0 19/17, 7 0 20/17 and 7 0 73/17 - it was shown that the respective patents have not been declared in due time. This shows that it was apparently a conscious strategy of the company to disregard Art. 4.1 of the ETSI IPR Policy and only disclose the intellectual property rights when the technologies had already been included in the standards.

The asserted claims to cease and desist patent infringement as well as to recall and destruct the allegedly infringing products, are excluded by the FRAND/anti-trust objection. The plaintiff abuses its dominant market position by enforcing the aforementioned claims against the defendant, who is ready to license and, thus, infringes Art. 102 (1) TFEU and Sec. 18, 19 ARC.

[...]

## Grounds

[...]

### III. Infringement

The attacked mobile phones, complying with the LTE standard, implement the patent's teaching.

[...]



#### IV. Damages and information/rendering account

The acts that have been found to be infringing justify - in accordance with the national provisions (Art. 64 (1), (3), Art. 2 (2) EPC) - the Plaintiff's requests, insofar as they are aimed at providing information/rendering account as well as verifying the obligation to pay damages by court.

1.

As requested, the defendant is obliged to compensate the plaintiff and its predecessor in title for the loss suffered as a result of those acts since the date established, Sec. 139 (2) of the German Patent Act (PatG).

[...]

2.

On the basis of the foregoing, the defendant is obliged to provide the plaintiff with information regarding the alleged infringing acts of use in Germany - because of its independence from a moment of culpability at the earliest from the date of publication of the reference to the grant of the patent - and to render accounts - at the earliest one month after that date - in accordance with sec. 140b (1), (3) PatG and an application of Sec. 242 German Civil Code (BGB) strengthened into customary law (cf. BGH, GRUR 1980, 227, 232 – Monumenta Germaniae Historica; BGHZ 125, 322 [326] = GRUR 1994, 630, 631 f. – Cartier-Armreif).

[...]

3.

The defendant cannot successfully raise an objection of malice against the asserted claims, justifying it with the so-called patent ambush ('Patent Ambush').

[...]

4.

The decision on the granted requests is not subject to any restriction regarding the objection of abuse raised by the defendant under antitrust law.



a)

The enforceability of the claims for information/rendering account as well as damages on the merits remains unaffected by a FRAND declaration of commitment by the SEP holder (cf. Huawei Technologies/ZTE: ECJ, decision of 16 July 2015 - C-170/13, GRUR 2015, 764 para. 72 ff. = ECLI:EU:C:2015:477 as amended by the corrective decision of 15 December 2015, ECLI:EU:C:2015:817; OLG Düsseldorf, decision of 30 March 2017- 1-15 U 66/15, para. 226 -juris).

b)

In the context of determining the obligation to pay damages (on the merits), it may be left undetermined whether in the concrete case constellation the amount of damages is actually limited - in particular for all periods to be considered - to that which results from the application of the damage compensation methodology "license analogy" on the basis of a FRAND license fee (differently: OLG Düsseldorf aac Rn. 236). For the success of the action it is sufficient to determine that, as a result of the patent infringing acts, damage is likely to have arisen at all, without the requirement to determine its magnitude (LG Mannheim, GRUR-RR 2018, 273 para. 72- Funkstation).

c)

In contrast to the decision of the Düsseldorf Higher Regional Court of 30 March 2017 (loc. cit. marginal 243 if.), the Chamber is of the opinion that, in principle, there are no grounds for limiting the content of the information/rendering account tenor either. In this case, it can again be left open whether the infringed party is limited to a FRAND license fee when it comes to damages, i.e. that he cannot liquidate her damage according to the "infringer's profit" method. Even in the case of a limitation of the claim for damages, the injured party in the present constellation can in principle demand the data required within the framework of rendering account (in detail: LG Mannheim, GRUR-RR 2018, 273 para. 76 - Funkstation).

#### V. Currently unfounded further claims

The action is to be dismissed as currently unfounded as far as the plaintiff requests the defendant to cease and desist, recall and remove from the distribution channels as well as to destroy patent-infringing products pursuant to Art. 64 (3) EPC in conjunction with Sec. 139 (1), Sec. 140a (1), (3) PatG. The judicial enforcement is barred by Art. 102 TFEU and Section 19 (1) ARC. Following the ruling of the European Court of Justice in the Huawei v. ZTE decision, the holder of a standard essential patent, standardized by a standardization



organization, who has irrevocably undertaken vis-à-vis that organization to grant a license to any third party on fair, reasonable and non-discriminatory terms (FRAND terms), abuses her dominant position if he brings an action for an injunction or for the recall of the products covered by the patent without complying with the obligations laid down by the European Court of Justice prior to bringing the action (ECJ, 16 July 2015 - C-170/13, GRUR 2015, 764 = ECLI:EU:C:2015:477 as amended by the corrective decision of 15 December 2015, ECLI:EU:2015:817).

1.

The objection of abuse under antitrust law can be brought to the plaintiff.

a)

As the proprietor of the patent, the plaintiff has a dominant position in the market and is, therefore, the norm addressee pursuant to Art. 102 TFEU and Section 19 (1) ARC. The defendant has argued, without contradiction, that there is no demand-side or supply-side substitutability of the LTE technology. The LTE standard cannot be replaced by another standard of an earlier generation as LTE offers much faster data transmission. The defendant has, thus, shown conclusively that the use of the patent in suit constitutes a prerequisite for entering into the market. The patent is essential to the LTE standard. The plaintiff thus enjoys a dominant position in the market.

b)

The original patentee has irrevocably committed herself to ETSI, the standardization organization which developed and issued the LTE standard at issue, to grant a FRAND license in accordance with "Clause 6.1 of the ETSI Policy" (Annex HL (A) 6 p. 12ff.). Clause 6.1 of the ETSI Rules of Procedures provides for this (emphasis added):

[...]

(1)

The provision gives rise to a presumption that the purchaser of the patent is also bound. Since the plaintiff herself assumes that she has to fulfil the FRAND obligations, no further submission by the defendant was required.



(2)

Even if the plaintiff had not assumed a corresponding obligation, the FRAND self-obligation of its legal predecessor gave rise to obligations under antitrust law. The FRAND voluntary commitment is intended to ensure that the patented technology essential for a standard, is accessible to the users of this standard under fair, reasonable and non-discriminatory conditions. In particular, the FRAND commitments may discourage patent holders from complicating the application of a standard by refusing to grant a license or by charging unfair or unreasonable (i.e. excessive) fees after the industry has joined the standard (Communication from the European Commission, Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal cooperation agreements, OJEU C 11, p. 1, 60 para. 287, henceforth: Horizontal Guideline). A restriction of competition by a standardization agreement within the meaning of Art. 101 (1) TFEU or Sec. 1 ARC is, thus, prevented. The standard organization complies with Art. 101 TFEU or Sec. 1 ARC by obtaining FRAND declarations from the patent proprietors and obliging them to also bind undertakings to which the patent proprietors transfer their intellectual property rights (Horizontal Guideline para. 285 and 288). The organization is not obliged to verify compliance with the FRAND commitment (Horizontal Guidelines para. 288). Against this background, the SEP holder's successor abuses her dominant market position if he refuses to fulfil the resulting obligations and duties in full knowledge of her predecessor's FRAND commitment. In this case, the enforcement of the SEP - a blocking patent - leads to a restriction of competition which is not acceptable under the legal system. An abuse within the meaning of Sec. 19 (1) ARC exists in this case, as the SEP holder's actions are no longer interest-oriented in the light of the assessments of antitrust law (cf. Langen/Bunte/Nothdurft, ARC, Ed. 13 Sec. 19 ARC, para. 129). He wants to claim the advantages of standardization without taking into account the fact, that the inclusion of the patented technology in the standard would not have been possible for reasons of antitrust law without the self-obligation of her predecessor.

2.

The plaintiff has not complied with her FRAND obligations. In accordance with these, the SEP holder must, before asserting claims for injunctive relief and recall by way of action (ECJ GRUR 2015, 764 para. 61), inform the alleged infringer of the patent infringement and, after the alleged patent infringer has expressed her intention to conclude a license agreement on FRAND terms, submit to her a concrete license agreement offer in writing and on FRAND terms (fair, reasonable, and non-discriminatory) in particular stating the license fee and the method of its calculation (ECJ GRUR 2015, 764 para. 63). If the alleged



infringer does not accept the offer submitted to her, he can only invoke the abusive character of an injunction or recall action if he makes a concrete counter-offer that complies with FRAND conditions in writing within a short time period (ECJ GRUR 2015, 764 para. 66). The latter implies that the alleged infringer must be given the opportunity to respond to the patentee's offer within a reasonable time before bringing the action.

a)

Both parties have fulfilled their obligations at the first stage. By letter of 29 February 2016 (Annex HE-A 11/HE-A ha) addressed to the defendant's parent company, the plaintiff demonstrated by means of a claim chart that the technology patented in the LTE standard makes use of the plaintiff's patent. The fact that the notice was addressed to the parent company of the defendant does not do any harm (see OLG Düsseldorf, GRUR 2017, 1219 - Mobiles Kommunikationssystem; LG Mannheim, GRUR-RR 2018, 273 para. 83 - Funkstation). The defendant's parent company then expressed its fundamental willingness to license by entering into negotiations with the plaintiff. A declaration of willingness can be found, inter alia, in the letter from the parent company dated 7 September 2016 (Annex HL(A) Kart 3).

b)

Thus, at the second stage, the plaintiff was required to submit a FRAND offer and, in particular, to indicate the method of calculating the license fee (ECJ loc. cit. para. 63) in order to enable the defendant to respond to the offer thoroughly and genuinely, in particular without delaying tactics (ECJ loc. cit. para. 65). There is no dispute between the parties that the plaintiff's first offer, dated 3 August 2015, did not meet the FRAND requirements. Even the offer of 29 February 2016 did not meet the FRAND requirements. Clause [...] in the draft agreement does not permit an assessment of the offer as fair and reasonable. According to clause [...], the parties are supposed to agree that it is sufficient for the obligation to pay the full license fee, that only one of the patents in the portfolio is legally valid and used. This inappropriately imposes on the defendant the risk that the patents are legally valid (see LG Mannheim Urt. v. 23.05.2017 – docket number 2 0 98/16, p. 36 - not published). The offer of 21 April 2017 was not submitted in these proceedings. Since the plaintiff describes it as outdated, it cannot be assumed that it complied with the FRAND requirements.



c)

The relevant offer is, therefore, the FRAND offer of 16 February 2018. It does not need to be determined whether this offer, made before the extension of the complaint, satisfied the FRAND requirements. Irrespective of this, the extension of the action constitutes an abuse under Art. 102 TFEU resp. Sec. 19 (1) ARC. The plaintiff has not granted the defendant a reasonable period of time to examine the offer and submit a counter-offer, prior to the extension of the action. The fact that the defendant had not yet reacted at the time of the extension of the action does, therefore, not justify the assumption that the declaration of readiness to license was not meant genuinely and that the defendant or its parent company pursued a delaying tactic (see cited above recital 88).

For the assessment of the reasonability of the deadline the 11 April 2018 must be taken into account. It was only at that time that the plaintiff's offer was complete in accordance with the requirements of the Court of Justice of the European Union. The patentee must indicate the method of calculating the royalty in such a way, that it becomes clear for which reasons he assumes that the FRAND criteria are met (LG Mannheim, decision of 01.07.2016, docket number 7 0 209/15, p. 26; decision of 19.08.2016, docket number 7 0 19/16 p. 21 and decision of 19.08.2016, docket number 7 0 238/15 - not published; decision of 16.12.2016, docket number 7 0 29/16 and 6 U 32/16; GRUR-RR 2018, 273 para. 84 – Funkstation). In this respect, he must, in an appropriate manner, make the amount transparent or plausible to the alleged infringer, e.g. by submitting a standard license program lived in contract practice and accepted by third parties or by using other reference prices, from which the required license fee is derived, such as a pool license fee paid in practice by third parties for a patent pool which also includes patents relevant to the standard in question (LG Mannheim, GRUR-RR 2018, 273 para. 84 - Funkstation). In order to enable the alleged patent infringer to verify that the SEP patent holder fulfils her obligation to equal treatment, it is also necessary, that specific information on the license agreements concluded with third parties is provided (see OLG Düsseldorf, BeckRS 2016, 21067 para. 22; Kühnen, Handbuch der Patentverletzung, ed. 10, Chapter E, para. 311; European Commission, Communication on the EU's handling of standard essential patents, COM (2017) 712 p. 12). The purpose of this information is not only to enable the patent user to assess whether the offer is indeed FRAND. The transparency rather increases the chance that the parties will be able to enter into discussions with each other and discuss constructively the question of the license amount (cf. LG Mannheim, decision of 16.12.2016, docket number 7 0 32/16, p. 36).

The defendant or its parent company, thus, did not have access to the relevant information until the provision of the third-party license agreement on 11 April 2018,



which in turn triggered an obligation to react within a reasonable period of time. Neither the period of one week set by the plaintiff (18 April 2018), the extended period of less than four weeks (7 May 2018), nor the time until the filing of the extension of the action on 15 May 2018, were sufficient to allow the defendant to thoroughly examine whether the offer was compliant with the principle of non-discrimination. The defendant was provided with [...] third party license agreements, which he had to examine to determine, whether the terms deviated from the terms offered to her and, whether there was an factual reason for doing so. In particular, it was necessary to compare the respective licensed patents, which, in regard to [...] patent families, requires a considerable period of time (cf. Annex QE-A 8 Schedule A). After the analysis, internal group coordination and the involvement of key decision-makers in the decision-making process were required. From an objective point of view, the period of 22 work days was far from sufficient. Further waiting was also reasonable for the plaintiff. As the history of the negotiations shows, the plaintiff herself took some time to submit the offer of 16 February 2018. Her last offer was dated 21 April 2017 and the license agreements with third parties were concluded on [...] respectively on [...]. The authors of the offer of 16 February 2018 also apparently assumed that the review of the contract would take some time. Schedule B states: 'Tables in this Schedule B are conditional upon execution of the Agreement as of June 30, 2018' (The tables in Annex B are subject to signature until 30 June 2018).

d)

The period available to the Defendant or its parent company until the conclusion of the oral hearing on 13 July 2018 would have, in principle, been sufficient to enable the Defendant to thoroughly examine the offer. However, this does not alter the abusive nature of the extension of the action.

The decisive time for the assessment of the legal dispute is the end of the last oral hearing (cf. sec. 296a German Code of Civil Procedure (ZPO); BeckOK, ZPO/Bacher, ZPO sec. 296a para. 1). However, it must be borne in mind that the program of conduct established by the European Court of Justice must be executed before the action is brought as it is intended to prevent the alleged infringer from agreeing to unfavorable licensing conditions under the pressure of an impending conviction (so-called patent hold-up; cf. Opinion of Advocate General Wathelet, 29.11.2014, C 170/13 para. 102; European Commission, Communication on the EU's Dealing with Essential Standard Patents, COM (2017) 712 p. 12). This pressure is particularly high if the action for injunctive relief, destruction and recall has already been brought. This applies in particular if - as here - there are approximately eight weeks between the extension of the action (15 May 2018) and the oral hearing (13 July 2018). A pressureless negotiation situation is not guaranteed if the parties



have to adhere to deadlines set by the courts. Even a moderation by the infringement court cannot ensure a pressure-free negotiation situation (other opinion: Kühnen, Handbuch der Patentverletzung, ed. 10, chapter E para. 361). The best position to reach an agreement are genuine negotiations between the parties on what fair licensing conditions and fee rates are (European Commission loc cit. p. 7). It may well be that the court can guide the parties to expeditious conduct by means of judicial notices and by means of written submission deadlines. However, it is precisely this process or pressure situation from which the alleged infringer is to be protected. If the SEP holder brings an action without first fulfilling the obligations arising from the FRAND declaration, the action remains abusive if and as long as the SEP holder does not endeavor to avoid a pressureless negotiation situation. The procedural law offers such a negotiation situation in the context of the possibility to suspend the legal dispute for the purpose of settlement negotiations pursuant to sec. 251 ZPO. The plaintiff, who was aware of the Chamber's considerations in this direction (see submission of 06.07.2018, p. 7), would have been obliged to request the suspension of the proceedings in order to return to a pressureless negotiation situation (see LG Mannheim, GRUR-RR 2018, 273 para. 87 - Funkstation). She didn't comply with that. In the, court permitted additional pleading of 24 August 2018 (5 November 2018), the plaintiff suggested that proceedings should be stayed only in the event that the offer of 27 July 2018 introduced by that pleading could not be taken into account.

[...]

Kather Augenstein Rechtsanwälte

Bahnstraße 16

40212 Düsseldorf

P: +49 211 5135360

E-Mail: [augenstein@katheraugenstein.com](mailto:augenstein@katheraugenstein.com) / [info@katheraugenstein.com](mailto:info@katheraugenstein.com)