



Regional Court Mannheim

7 O 18/17

Decision of 2 March 2018

[...]

Facts

The plaintiff claims injunctive relief, recall/removal from the distribution channels, destruction as well as information/rendering account against the defendant for alleged patent infringement and seeks a declaration of the defendant's liability for damages.

[...]

Grounds

[...]

IV. Currently unfounded further claims

The action is to be dismissed as currently unfounded, insofar as the plaintiff requests the defendants to cease and desist, recall and remove from the distribution channels as well as destroy the infringing products pursuant to Art. 64 para. 3 EPC in conjunction with Sec. 139 para. 1, Sec. 140a para. 1, 3 German Patent Act (PatG). A judicial enforcement of these claims is opposed by antitrust law reasons – in application of the decision of the European Court of Justice in the Huawei v. ZTE case (ECJ, judgment of 16 July 2015 - C- 170/ 13, GRUR 2015, 764 = ECLI : EU:C:20 15:477 as amended by the amending order of 15 December 2015, ECLI:EU: C: 2015:81 7) – as a dilatory objection (see also OLG Düsseldorf, judgment of 30 March 2017 - 1-15 U 66/15, para. 221).



1.

The objection of compulsory licensing under antitrust law may in principle be raised against the plaintiff. As the owner of the patent, the plaintiff holds a dominant market position and is, therefore, addressee of Art. 102 TFEU.

The defendants, who in principle are burdened with the burden of presentation and proof, argued in their response to the patent action that there is no alternative to standard performance control for the use of the UMTS network and that mobile telephones not capable of UMTS could not be sold on the market - with the exception of niche markets. The defendants have, thus, conclusively asserted that the use of the plaintiff's patent constitutes a prerequisite for market entry, which means that the plaintiff can be in a dominant market position. The plaintiff has not responded in this respect, although she is – on the basis of the declared standard essentiality of the patent in suit and her connected ETSI-FRAND declaration – at least subject to an increased burden of explanation. Accordingly, the defendant's submission can be accepted as uncontested (Sec. 138 para. 3 German Code of Civil Procedure (ZPO)).

Accordingly, it is not necessary to decide whether assessments on market power are dispensable, as the existence of a FRAND declaration gives rise to a presumption of standard essentiality and market dominance, or whether the plaintiff's FRAND declaration vis-à-vis the standardization organization itself, as a contract in favor of third parties under French law gives rise to a claim to a license under FRAND conditions (see McGuire, GRUR 2018, 128, 135 with further evidence).

2.

On the basis of the decision of the European Court of Justice in the Huawei v. ZTE case, the Chamber concludes that the current enforcement of the claims for injunctive relief, recall/removal and destruction based on the plaintiff's patent is to be assessed as an unjustified abuse of market power under Art. 102 TFEU because the plaintiff has, so far, not sufficiently complied with its FRAND procedural obligations.

a)

The concept developed by the European Court of Justice primarily lays down requirements for a fair procedure between the parties, on the basis of which, license negotiations are guaranteed at eye level and at the end of which an agreement on the entirety of the license conditions in the sense of "FRAND" can be reached (see also Haedicke, GRUR Int. 2017, 661, 662). In this context, the SEP patent holder is subject to



information obligations designed to ensure that both parties have equal access to information, thereby counteracting any imbalance between the parties. Compliance or non-compliance with the FRAND procedural requirements ultimately enables the infringement court to assess the conduct of the SEP holder on the one hand and of an (alleged) infringer on the other hand to the effect that the enforcement of the injunction and recall claim based on the SEP constitutes an unjustified abuse of market power and the build-up of pressure to be prevented in the negotiation situation or a justified reaction to a delay tactic pursued by the infringer.

aa)

For a fair trial, the Court considers it necessary that, as a first step before filing an action for recall or injunction, which builds up considerable bargaining pressure for the (alleged) infringer, the patentee informs the alleged infringer of the infringement, names the SEP and states how it is supposed to be infringed. The information must put the infringer in the position to examine the property right situation independently, possibly with the help of external or internal technical expertise. The Chamber also considers claim charts, which are also customary in the context of license contract negotiations in accordance with business practice, to be basically sufficient for fulfilling the duty to provide information. These claim charts compare the asserted or a related claim of the plaintiff's patent, which likewise has the decisive features, structured according to claim features, with the corresponding positions in the standard, without having to fulfil the requirements of the examination of the conclusiveness of an infringement action. As a rule, the SEP holder sufficiently fulfils his duty to provide information if the information is provided to the parent company of the (alleged) infringer (see in detail: OLG Düsseldorf loc. cit. para. 146).

bb)

If the (alleged) infringer or his parent company has, in principle, expressed the willingness to take a license in response to the notice of infringement (for information on the willingness to take a license, see the comprehensive description at OLG Düsseldorf loc. cit. para. 151 ff.), the SEP patent holder has the further obligation to submit a concrete written license offer under FRAND conditions. Formally, this requires, on the one hand, that it contains the essential contractual conditions, i.e. that the contract offer is acceptable. On the other hand, the offeree must be put in a position, on the basis of objective criteria, to understand why the offer submitted corresponds to FRAND criteria – when viewed objectively from the perspective of the patentee. For this purpose, in particular, the license fee shall be indicated and the manner of its calculation made transparent, e.g. by means of a presentation on a standard license program lived in



contract practice and accepted by third parties or by using other reference values from which the required license fee is derived, e.g. from a pool license fee paid in practice by third parties for a patent pool which also includes patents relevant to the standard in question. The scope of the explanations required in individual cases will depend on the specific licensing situation. The mere communication of multipliers on which the calculation of the license fee is based is, therefore, not sufficient if it is not yet possible for the offeree to assess, on the basis of those parameters, whether the offer is FRAND - within the scope for decision-making from an objective point of view - and, if so, to make a FRAND counter-offer, because, as the Court points out, the license seeker regularly lacks precisely the information on the license market which is necessary for that purpose, but which the SEP patentee holds at his disposal.

cc)

The necessary description of the method of calculating the license fee also requires, in particular, that the SEP patent holder, at least in individual cases with objectively existing evidence, that gives rise to doubts, makes it transparent that the license fee amount demanded in his offer is also FRAND from the point of view of "non-discriminatory". Such evidence exists where a third company, which is at the same economic level or is otherwise similar to the company seeking the license, is granted conditions which give rise to the suspicion that they are significantly more advantageous and that there is no objective justification. In such a situation, the transparent explanation of the license agreement conditions by the obligated SEP patent holder in the context of a fair procedure for the purpose of their intersubjective traceability as FRAND-compliant, requires in any case further reliable information about the specific license conditions granted elsewhere and the factual reasons for any unequal treatment of the licensees/license seekers.

Although the European Court of Justice did not expressly request this in its decision, the Chamber cannot infer from the ECJ decision any conclusive determination of the concrete individual obligations of the SEP patent holder and the license seeker. Rather, the procedurally demanded transparency to which the SEP holder is committed corresponds to a transparency principle already established in Union law - e.g. recognized and practiced in the tendering procedure - (cf. Kurtz/Straub, GRUR 2018, 136, 137) and precisely facilitates license negotiations of the parties at eye level intended by the European Court of Justice for the enforcement of the claim to (non-discriminatory) licensing under Art. 102 TFEU / Sec. 19 ARC as well as possibly under the FRAND declaration itself.

The SEP holder can in principle be reasonably required to act in line with this as in a lawsuit, with regard to the prohibition of discrimination under antitrust law pursuant to



Art. 102 para. 1, 2 lit. c TFEU, he is in any case subject to a secondary burden of presentation with regard to equal treatment of license seekers and subject to the (primary) burden of presentation and proof for a sufficient objective justification of unequal treatment (see in detail on the burden of presentation and proof: OLG Düsseldorf loc. cit. no. 178). In principle, the SEP holder will not be able to invoke confidentiality interests here. A legally protected interest in the secrecy of the license terms that are actually agreed upon on the market will generally not be recognized unless the SEP holder is able to present actual circumstances that permit a different assessment. It follows both from the objective pursued by the FRAND declaration of licensing all interested users under FRAND conditions and from the prohibition of discrimination under antitrust law and ultimately from the prohibition on taking more than the competitive price from the licensee (cf. Sec. 19 para. 2 no. 2 ARC) that licenses on the downstream market are precisely not intended to constitute competitive factors (cf. Kurtz/Straub loc.cit.). Accordingly, the simple reference of a SEP holder to secrecy agreements in the concluded license agreements is irrelevant, because this conflicts with his obligations under antitrust law. A corresponding agreement is, therefore, null and void pursuant to Sec. 134 German Civil Code (BGB) (cf. Kurtz/Straub loc.cit.; as a result of the submission obligation in the case: Kühnen, Handbuch der Patentverletzung, ed. 10, Chapter E, para. 434).

dd)

The above-mentioned obligations of the SEP patentee, in particular the requirement of a transparent explanation of the way in which the license fee is calculated, exist (in principle) in each case prior to bringing an action. According to the Chamber's understanding, the concept developed by the European Court of Justice is based on the intention that the (alleged) infringer, without being subject to the pressure of an injunction, can decide by negotiation whether he is willing to accept the proposed and transparent contractual terms as FRAND and to license them on these terms or to seek an agreement between the parties with a FRAND counter-offer.

Against this background, the Chamber has – with its previous case law – not allowed the SEP patentee to make up for its pre-litigation obligations. Whether this ruling practice can be upheld does not need to be decided in this concrete legal dispute. In view of the fact that, in procedural law, the only decisive point in time for the existence of the substantive preconditions for the judgment and the facts supporting the merits of a request for performance is the conclusion of the last oral hearing, as well as in view of the principle of proportionality, which is also fundamental to Union law (see Art. 6 TEU in conjunction with Art. 52 para. 1 s. 2 GRCh), the Chamber will in the future have to examine whether the position adopted so far is necessary to safeguard the requirements of the European Court



of Justice and whether it is necessary to make it possible to make up in conjunction with a party request for the proceedings to be suspended (cf. in more detail on the tendency of the Chamber: decision of 10 November 2017 - 7 0 28/16, scheduled for publication).

b)

On the basis of these standards, the plaintiff is prevented from asserting the further claims for antitrust reasons.

aa)

The plaintiff must make transparent to the defendants the facts on the basis of which she considers that the license rate demanded by her in the license agreement offer is FRAND - within the scope of a discretion granted to her. This is neither sufficient before the proceedings nor during the proceedings. Even after further explanations given in the proceedings and despite the submission of the "Expert Report" of [...], there is already an intersubjective lack of enforceable, reliable information on the conditions and backgrounds of the license agreement with [...], from which it follows that the current unit license offered to the defendants and other licensees does not constitute an objectively unjustifiable unequal treatment of the licensees in relation to - not denied by the plaintiff - the lump-sum compensation for past and future acts of use, granted to [...] by means of a one-time payment.

Contrary to the plaintiff's suggestion, there is initially an objective suspicion that the defendants are being discriminated in relation to [...], so that the Chamber considers that it is the plaintiff's obligation to transparently inform the defendants. The defendants and [...] are similar undertakings regarding the production and distribution of mobile telephone devices on the market downstream of licensing. To the extent that the plaintiff wishes to infer from the different market sizes of those undertakings that they are not identical, she cannot convince. This is because the difference in market size cannot be a relevant factor in the examination of discrimination. The plaintiff has granted [...] a lump-sum compensation, whereas she demands from the defendants an ongoing unit license. Regarding the granted lump-sum compensation for the past and future to [...] - without further knowledge of the facts, in particular of the concrete amount - it cannot be ruled out that the lump-sum payment is considerably more favorable than the current unit license demanded by the defendants and that the defendants are, thus, treated unequally in relation to [...] in view of the cumulative license cost burden. Whether the plaintiff would also be prepared to enter into a license agreement with the defendants against a one-time payment is currently irrelevant, as it is uncontested that the plaintiff did not make such a written offer. In the given circumstances, no objective circumstances can be identified



without further explanation, which would justify unequal royalty claims. The plaintiff's reference to the massive burden of large companies such as [...] with reporting obligations due to high sales figures and the correspondingly high control expenditure of the plaintiff within the framework of an ongoing unit license system with reporting obligations, does not give any indication that the one-time payment of [...], both in terms of the substance and the amount involved, is borne by factually considerable reasons in comparison with a current unit license in the case of "smaller" licensees. The assumption of a "massive burden" of larger, market-leading companies is intersubjectively not comprehensible, otherwise there would be no current (turnover-dependent) license payment obligations at all in license agreements with such companies. The feared enforcement deficits of a license agreement model in this respect may at best result in the plaintiff being able to prefer a different model a priori, but they cannot in themselves justify the enforcement of less favorable conditions by smaller - less powerful - market participants.

In spite of the objectively existing suspicion of discrimination, the plaintiff refused to provide any further reliable information on the concrete other license conditions granted and the factual grounds for any unequal treatment of the licensees/license seekers, although this was - despite confidentiality agreements as explained above - reasonable for her.

Since the plaintiff did not attempt to make up for its obligations between the time of the last hearing and the time of the delivery of the judgment, there is no reason, contrary to the plaintiff's view, to reopen the hearing under Sec. 156 German Code of Civil Procedure (ZPO). Contrary to what she probably means by her request for reopening, the plaintiff's fulfilment of her obligations was not cut off by the Chamber of Appeal. For, by its very nature, the writ discount pursuant to Sec. 283 ZPO could not relate to this, so that the restriction in the court order to facts that had already arisen before the hearing date only had a clarifying effect. On the contrary, the plaintiff - like any suing SEP holder - is at liberty to comply with the obligations at any time, even after the conclusion of the oral proceedings, which would then - if informed accordingly - cause the court to examine a discretionary reopening of the proceedings in accordance with Sec. 156 para. 1 ZPO.

bb)

In the present case, the plaintiff is not released from that obligation because the defendants were unwilling to grant a license.

In any case, the defendants have declared in the defendant's letter 2) dated 16 October 2015 that they fully respect the relevant IP rights of third parties and are always prepared



to negotiate in good faith the terms of a license for valuable patents. It sufficiently expresses the willingness to conclude a license agreement on FRAND terms.

It remains to be seen whether this declaration of willingness to license was made within a reasonable period of time in response to the plaintiff's letter of 28 July 2015, including the offer of a license agreement, which was in any case sufficient to indicate the infringement. For a declaration that is not made in due time does not entail so-called material preclusion (see OLG Düsseldorf loc. cit. nos. 158 et seq.), at least insofar as the declaration is made before the action is filed. In the present case, the plaintiff did not bring the action based on the patent in suit until the extension letter dated 29 November 2016, so that the declaration of willingness to license is prior to the bringing of the action relevant to the claims asserted here.

If, in view of the possible time delay, the defendant's declaration to license should be questioned with regard to the defendant's willingness to license, the Chamber believes that it should be taken into account as an indication of a fundamental willingness to license that the defendants - before the action was filed by letter dated 25 August 2016 - submitted a counteroffer, provided information on the sales figures and deposited a substantial amount in favor of the plaintiff.

The defendant's overall conduct, therefore, does not permit the conclusion that they are a negotiating partner who is unwilling to license from the outset and to whom there is no obligation to explain the factual reasons why the offers of the SEP patentee comply with FRAND principles.

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